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Parker, M. and Bridson, Kerrie 2003, Clinching happy deals: an investigation of the buyer-supplier relationship within the Australian fresh produce industry, in Marketing across borders and boundaries understanding cross-functional and inter-disciplinary interfaces within an increasingly global environment : Perth, Western Australia, June 11-14, 2003, Academy of Marketing Science, Perth, Western Australia.

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CLINCHING HAPPY DEALS: AN INVESTIGATION OF THE BUYER-SUPPLIER RELATIONSHIP WITHIN THE AUSTRALIAN FRESH PRODUCE INDUSTRY

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ABSTRACT

The research aims to gain a deeper understanding of direct buyer-supplier relationships within the Australian Fresh produce industry. The relationship is considered in terms of its antecedents, performance outcomes and the interrelationships therein, in attempting to expose perceptions regarding the relative importance of obligatory and discretionary relationship constructs. The research revealed that relationship antecedents impact the relationship constructs and are, in turn, impacted by them.

INTRODUCTION

As the relationship marketing concept has developed, there has been a movement away from the traditional adversarial transaction cost analysis approach to buyer-supplier relationships, towards a new form of relationship based upon cooperation (White, 2000; Wilson, 1995). Whilst the presence of relational components within the transaction has been acknowledged, there is, has been, and remains, great difficulty in defining and understanding the dynamics of the buyer-supplier relationship itself. This study aims to address current research limitations and further develop understanding of the dynamics between buyers and suppliers, using a qualitative research methodology. The core focus is in understanding the basic motivations and considerations for organisations when considering direct relationship development with a trade partner. Both buyer and supplier organisations are considered in the context of the Australian fresh produce industry.

LITERATURE REVIEW

Over the last decade, the fresh produce industry has undergone significant transformation. Key drivers of this recent change include developing supermarket strategies, food safety legislation (Grant, 1995), supply chain integrity, rationalisation of the supply base, innovation (Fearn and Hughes, 2000), the pursuit of growth strategies for both retail buyers and their suppliers (Knox and White, 1991), changing consumer concerns and demand (Grant, 1995) and the preferred avoidance of confrontation (Hughes and Merton, 1996). This turbulence has led to a reconsideration of strategy for buyers and suppliers within the Australian fresh produce industry. Ultimately, this has provided motivation to develop closer vertical coordination from both the buyer and supplier viewpoint. With the perishable nature of the product involved (Bennett, 1994) exacerbating perceived risk (Hobbs and Young, 2000), the aforementioned drivers and potential value of the fresh produce industry, lead to closer vertical coordination. Extant research has not determined those considerations which can be considered obligatory, and those deemed discretionary, when developing a buyer-supplier relationship.

Literature within the buyer-supplier relationship arena is largely “scattered and disjointed” (Wren and Simpson, 1996). Considered in terms of their key defining constructs, performance outcomes, antecedents and development process (Dwyer, Schurr and Oh, 1987), research has rarely considered an holistic view of the buyer-supplier relationship, favouring a more focussed inquest into particular defining constructs and causal relationships. Additionally, much of the buyer-supplier relationship literature has been developed through quantitative research and thus lacks the depth of understanding that a complex phenomenon such as a relationship requires. Subsequently, there is much research that must still be conducted within the buyer-supplier relationship area. It is necessary to investigate and understand the key constructs and preferred attributes that an organisation requires a trade partner to exhibit, before entering a direct buyer-supplier relationship. Whilst many attributes are considered by different researchers as antecedents, relationship constructs or performance outcomes, there is conflicting information regarding which are most relevant to the development of a buyer-supplier relationship (Wilson, 1995). As such, Wilson (1995) suggests that the defining constructs of a buyer-supplier relationship are perhaps context specific, subsequently recommending further study of situational variables that may influence relationship development. Omission of the external environment as a moderating factor is an issue of increasing importance, especially within highly regulated or tumultuous economic climates, such as the Australian fresh produce industry.
By considering an holistic view of the buyer-supplier relationship, clarification of the confounding nature of the relationship constructs should be facilitated. That is, by considering an organisational model of antecedents and the buyer-supplier relationship, greater understanding should enable both buyers and suppliers to establish requisite (obligatory) antecedents for the development of a relationship and those attributes that are preferred (discretionary) from both parties, to enhance the relationship. The consideration of the aforementioned research limitations has led to the development of the following research question: Do organisational antecedents impact obligatory and discretionary relationship constructs within successful direct buyer-supplier relationships? This research question is posed to capture an understanding of both the buyer and supplier viewpoints when operating in a direct relationship.

The existing literature reveals a variety of interrelated relationship constructs. These include trust (e.g. Gulati, 1995; Morgan & Hunt, 1994; Wilson, 1989), commitment (e.g. Anderson & Weitz, 1992; Morgan & Hunt, 1994), cooperation (e.g. Anderson, Hakansson & Johanson, 1994; Wilson, 1989), dependence (e.g. Ganesan, 1994; Butaney & Wortzel, 1988), power (Palmer, 2002; Wilson, 1989) and long-term orientation (Kalwani & Narayandas, 1995; Ganesan, 1994). These constructs are, sometimes, regarded as being an antecedent to the relationship, a defining construct of the relationship or as a performance outcome. Such ambiguity has led to the development of the following research questions. These aim to define the inherent constructs within direct buyer-supplier relationships and to clarify their relative importance. The research is specific to the Australian fresh produce industry.

RQ1. Which constructs within the relationship are deemed obligatory by buyers and suppliers when considering a direct relationship?

RQ2. Which constructs within the relationship are deemed discretionary by buyers and suppliers when considering a direct relationship?

Relationships are built on the offering of both parties involved (Turnbull, Ford & Cunningham, 1996). Within the Australian fresh produce industry, there has been minimal research with regard to antecedents of buyer-supplier relationship development. They are, however, deemed of particular importance, as they outline the organisational offer upon which it is perceived that buyers and suppliers place the majority of importance. Trading and strategic offer are considered within this context. We propose that trading offer refers to the actual product characteristics deemed of importance to the buyer and supplier. These are regarded as being obligatory before a relationship is considered. However, in certain circumstances, such as limited product availability, their importance is reduced. Key trading offer antecedents include price, quality and communication. We propose that strategic offer refers to the more intangible basic offerings of the buyer and supplier. Within this context, flexibility, information and communication are considered of most importance. Consideration of trading offer antecedents and strategic offer antecedents leads to the development of the following proposed research questions.

RQ3. Do the trading offer antecedents to the buyer-supplier relationship influence the importance of obligatory and discretionary relationship constructs?

RQ4. Do the strategic offer antecedents to the buyer-supplier relationship influence the importance of obligatory and discretionary relationship constructs?

Current theory suggests that when considering the advantages and disadvantages of a buyer-supplier relationship, the ultimate goal for both buyers and suppliers is to evaluate and subsequently enhance their performance outcomes. Within this study, performance is considered in terms of whether the individual deems the relationship successful. Thus, the performance construct is measured qualitatively.

**METHODOLOGY**

An exploratory research design is best suited to address the proposed research questions, especially given the importance of the context within which the research is being conducted (Wilson, 1995). From those qualitative research tools available, the depth interview was deemed most appropriate. Respondents were included in the study, based upon the assumption that they were representative of the population, or deemed appropriate respondents to the proposed research questions (Malhotra, 1999). Initial respondents were industry contacts. Subsequent snowball sampling meant that buyers and suppliers within the Australian fresh produce industry, initially contacted, were given the opportunity to recommend other organisations with whom they were familiar and deemed appropriate respondents to the research topic. Eighteen depth interviews were conducted in both Tasmania and Victoria during May and September 2002. The unit of analysis was Australian fresh produce growers and retailers that were engaged in a direct relationship with their trade partner. The key informant was identified as the individual(s) within
the buyer and supplier organisations that managed the relationship with their trade partner. A semi-structured interview protocol was used. After each interview, the data was transcribed and coded using Strauss and Corbin’s techniques (Strauss and Corbin, 1998).

**FINDINGS**

The relationship between buyers and suppliers within the Australian fresh produce industry is symbiotic. The fact that it represents the close association between two interdependent groups means that their goals are necessarily aligned whether they are a buyer or supplier. "[We emphasise to the suppliers that it's a partnership operation...without suppliers [the buyer] doesn't have a business, so they aren't to feel as if we were the big, bad boys. We have to work together because we need each other" (Tasmanian Buyer). Without effective communication, there appears a tendency towards myopia fuelling an inability to recognise shared aspirations. "If there's no communication that has always been something that a supermarket can use against a supplier [in terms of price]..." (Victorian Supplier). Both are seeking a quality product, continuity of supply and optimum financial reward. "It's all about attitude. It's about commitment. It's about loyalty. Financials play a part in there, but, primarily, it's just attitude, loyalty and commitment" (Victorian Buyer). Both buyers and suppliers, whether large or small, place emphasis upon such priorities. In reality, they are both seeking the same outcomes but may not recognise this. The most successful relationships do. They recognise a win-win situation in appreciating the difficulties encountered by their trade partners. "It has to be a win-win, not a single win on our behalf" (Victorian Buyer). In contrast, less successful relationships fail to understand each other's constraints. Antagonistic behaviour is outrightly counterproductive to forming close associations.

The research revealed strong interrelationships between proposed relationship constructs. The research demonstrates that trust, commitment, cooperation, dependence, power and long-term orientation are multiple dimensions of the relationship construct. For example, the following quote highlights the link between trust, commitment, communication and price. "You need to know whom you're dealing with. There needs to be a face to the voice at the other end of the phone. You need to understand. You need to trust. Just the normal things that you'd expect a normal human being to do, like being reliable, not changing your mind and making a decision and sticking with it. Being able to trust that they won't do something silly, change their price and change their mind without telling you" (Tasmanian Supplier). The interrelatedness of constructs is similarly highlighted in the following quote, "we spend a lot of money in the ground knowing that we don't have any contracts, there's a strong enough relationship to take that risk. We're as good as our last order, basically, and if we keep that relationship going, well, then we'll keep going. There's no reason for them to take us out" (Victorian Supplier). Therefore, in response to Research Question 1, the research finds that all constructs are obligatory; no constructs' importance can be discounted. APPENDIX A more clearly illustrates the respondents' recognition of the importance of all constructs. Respondents' reference to a construct by name, or example, is listed within the 'first mention' column. If a construct was a follow up thought, or deemed not so important, it is categorised as 'second mention' (e.g. de Chernatony & Dall'Olmo Riley, 1998). As all constructs are deemed obligatory, Research Question 2 is not supported. That is, no constructs are considered discretionary. To compartmentalise constructs is detrimental to the very notion of the buyer-supplier relationship.

In response to Research Question 3, the research finds that the trading offer is an antecedent to the direct buyer-supplier relationship. Thus, quality and price are mandatory to the establishment of a direct buyer-supplier relationship and continue to impact all other relationship constructs. There is a remarkable correlation between buyer and supplier perspectives. "Quality is your number one driver, second to that comes price" (Victorian Supplier) and "Quality is number one and dollars come second" (Tasmanian Buyer). It reveals, also, that trade partners perceive the development of direct relationships as being the best means by which to counter their industry's widespread volatility regarding price, quality, supply and demand and perishability. In addition, there is a reciprocal impact from the buyer-supplier relationship construct back to its antecedents. That is, quality and price impact the importance of the relationship constructs, as well as being influenced by the existence of relationship constructs such as trust, commitment, cooperation, dependence and long-term orientation. In response to Research Question 4, the research finds that Strategic Offer antecedents (innovation/flexibility, communication and information) are strongly interrelated. "If we develop or hear of new innovations from overseas, then we'll share it with them [buyers]...Innovation and flexibility [are] very important" (Victorian Supplier) (see APPENDIX A). In addition, these impact the aforementioned relationship constructs. "[They give] information about future trends, what you should grow, shouldn't grow. They give guidance" (Victorian Supplier). Similarly to Trading Offer, there is a reciprocal impact from the buyer-supplier relationship construct back to its antecedents.
CONCLUSION AND CONTRIBUTIONS

The relationship has been identified as a core opportunity to provide the desired competitive position in today's global marketplace (Morgan and Hunt, 1994). Whilst of increased interest, the elusive nature of 'the relationship' has created difficulties for theorists to determine a concrete understanding of its dynamics. Buyer-supplier relationship characteristics, organisational antecedents and performance outcomes have previously been examined in isolation or in association with other variables to develop causal relationships. However, to advance understanding of this complex phenomenon, there is a need to fully understand the key constructs and preferred attributes that an organisation requires a potential trade partner to exhibit before entering a buyer-supplier relationship. The literature fragments the buyer-supplier relationship constructs. It analyses each in isolation. In reality, within this specific context, all are interrelated and cannot be viewed independently. The findings of the research indicate that some buyers and suppliers within the Australian fresh produce industry lose sight of the fact that they are goals and ambitions are shared. Whilst a clear distinction between obligatory and discretionary considerations cannot be determined, it is revealed that both trading and strategic offer antecedents impact the importance of the relationship constructs.

APPENDIX A:

Relationship Constructs and Antecedents Mentioned by Buyer and Supplier Respondents

<table>
<thead>
<tr>
<th>CONSTRUCT</th>
<th>1ST MENTION</th>
<th>2ND MENTION</th>
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</thead>
<tbody>
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<td>SUPPLIER</td>
<td>BUYER</td>
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<td>Trust</td>
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<td>4</td>
</tr>
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<td></td>
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<tr>
<td>Cooperation</td>
<td>4</td>
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<tr>
<td>Dependence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Long-term Orientation</td>
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<td>1</td>
</tr>
<tr>
<td>Quality</td>
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<td>7</td>
</tr>
<tr>
<td>Price</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Innovation and Flexibility</td>
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<td>1</td>
</tr>
<tr>
<td>Communication</td>
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</tr>
<tr>
<td>Information</td>
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REFERENCES


