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ABSTRACT

This article reports on the findings from an exploratory, qualitative first part of a research that (1) theorises that successful creation of shareholder value in relationship marketing and management requires relationship quality, which translates into customer retention, and that (2) models relationship quality and customer retention as key mediating variables in the creation of shareholder value. A multiple case study involving companies (in exporter-importer dyads) in the Danish-British dairy sector, the Danish-British bacon sector and the New Zealand-British wine sector explored what are the key constructs of relationship quality; specifically, the cases examined whether or not the dimensions of relationship quality that Roberts (1998) and Roberts *et al.* (2000) have suggested are an appropriate framework. These dimensions are as follows: trust in credibility, trust in benevolence, commitment, conflict, satisfaction and social bonding. The evidence of the findings suggests that it does make sense to employ relationship quality as a concept in relationship marketing and management, and that the six dimensions are an appropriate framework for doing so. The managerial implications of the research findings are examined. The article concludes that there is a positive relationship between all of the antecedents of relationship quality (except for conflict), and that there is a positive relationship between customer retention and all of the consequences of customer retention (except for customer costs), and it proposes to test this idea in a confirmative, quantitative second part (using LISREL) in the context of the New Zealand-British wine sector.

Keywords: Customer retention, Relationship management, Relationship marketing, Relationship quality, Shareholder value

INTRODUCTION

It has been argued that agribusiness and the food industry traditionally have embraced *transaction marketing* (the 4Ps: product, price, promotion and place) and *supply chain management* (Barkema 1992; Barry *et al.* 1992; Kalfass 1993; Sporleder 1992). Over the past two decades, however, the terms *relationship marketing* and *relationship management* have emerged as alternative frameworks for thinking about marketing and management behaviour postulating that a key task is to secure sustainable competitive advantage through relationships, networks and interactions because competing firms cannot easily duplicate these (Brodie *et al.* 1997; Buttle 1996; Christopher *et al.* 1991; Grönroos 2000; Gummesson 1999).

There are several sectors where relationship marketing and management are advanced, including the bank, hotel and hospital sectors. But agribusiness and the food industry represent an interesting opportunity for gaining possible insights into how firms are *beginning* to seek to employ constructs from relationship marketing and management: At the end of the 1990s, agribusiness and the food industry thus started to turn to relationship marketing and management (Behner *et al.* 1995; Hughes 1994; Srivastava *et al.* 1998; Tansey *et al.* 1995). For example, eight major consumer trends are driving the European food industry to become part of horizontal and vertical relationships. Agribusiness and the food industry also constitute a possible opportunity

for achieving knowledge of how firms in one sector have learned from the experiences of firms in other sectors.

Despite the fact that relationship marketing and management were first introduced in the early 1980s (Berry 1983), there is still a lot of debate, though, about what is meant by 'relationship marketing' and 'relationship management'. It has been noted that the terms mean different things to different authors (Brodie *et al.* 1997; Cooper *et al.* 1997; Eiriz *et al.* 1999; Harker 1999; Lindgreen *et al.* 1999). Indeed, Collins (1999) suggests that the language in the literature has imposed tunnel vision and that *marketing* should be banished from our relationship vocabulary and replaced with *management*, and Carrell and Mägi (1999) even contend that there is a lack of clarity of what is understood by the key term *relationship*. As a result, there is still little consistent story of how relationship marketing and management fit into the greater marketing landscape. The greatest challenge to the theoretical development of relationship marketing and management has perhaps been the lack of empirical investigations that aim at describing and exploring particular aspects of relationship marketing and management programmes implemented in real-life settings (Buttle *et al.* 2000; Collins 1999; Lindgreen 2001; Snehota *et al.* 1998).

Relationships

Fundamental to relationship marketing and management is *relationships* (Gummesson 1999; Holmlund 1997; Page *et al.* 1998; Roberts *et al.* 2000). The emphasis in most business models used to be on sick relationships instead of healthy relationships (Young *et al.* 1989): Two cases in point are the industrial marketing and marketing channels literatures that have focused on power, conflict and control (O'Neal 1989; Rosenbloom 1991; Stern *et al.* 1992). With the concept of supply chain management, a more harmonious view of relationships was introduced; and, at the present time, authors argue that the confrontational model of buyer-seller relationships needs to be replaced with a more co-operative one (Davies 1996; Lehmann 1997; Lewin *et al.* 1997).

Relationship Quality

Buttle *et al.* (2000) write that *relationship quality* should be of considerable corporate interest because of its possible commercial payoffs. They refer to Eriksson and Vaghult (1999) who suggest that there is a positive effect of relationship satisfaction on customer retention and purchase levels (see also Frisou 1995); and to Hopkinson (2000) who observes that relationship quality results in a number of benefits for both the buyer and seller, including protection of the customer base and reduced propensity to switch. In a conceptual model of the dynamics of relationship quality that Storbacka *et al.* (1994) developed, service quality translates into customer satisfaction that again translates into first relationship strength, then relationship longevity and finally customer relationship profitability, as referred by Buttle *et al.* (2000). See also Fornell (1992), Goderis (1998) and Reichheld (1996) who argue that customer satisfaction translates into higher customer retention; and Bolton *et al.* (1991) and Scheuing (1995) who find that customer satisfaction results in increased shareholder value. As a final example, Zeithaml *et al.* (1996) propose a nomological network in which relationship quality and service quality positively affect behavioural intentions that are said to lead to behavioural outcomes and increased customer lifetime value.

Research Issue

Gummesson (1997, 1998) nevertheless notes that the measuring of returns on relationships is still in its infancy. In order to proceed, then, what is relationship quality? Buttle *et al.* (2000, p. 2) acknowledge:

“Despite this potential ... there is relatively little attention paid to the issue of relationship quality”.

Roberts *et al.* (2000, p. 3) argue:

“Though several papers ... have measured the relationship quality between manufacturers and resellers and between salespersons and customers ... there is no tested scale by which service firms can begin to measure the quality of their relationship with customers and thus evaluate the success of their relational programs. Furthermore, it has not been empirically demonstrated whether the quality of the intangible aspects of a relationship adds any additional explanatory power over the commonly used service quality scale (SERVQUAL) in explaining behavioral intentions”.

A number of models attempt to provide insight into the characteristics of strong buyer-seller relationships (Anderson *et al.* 1990; Mohr *et al.* 1994; Morgan *et al.* 1994). In a review of these models, Fontenot *et al.* (1997) identify ten constructs that are included to characterise a buyer-seller relationship: co-operation, interdependence, commitment, trust, opportunistic behaviour, communication, conflict, power, shared values and relationship outcome. Seeking to conceptualise relationship quality, Holmlund (1996, 1997) argues that relationship quality is influenced by the quality of the core product/service (technical dimension), the quality of the interpersonal relationships (social dimension) and the financial costs and benefits attached to the relationship (economic dimension).

More recently, Roberts (1998) and Roberts *et al.* (2000) review the dimensions on relationship quality that have been proposed in the literature and find that most of the studies have not examined the measure of relationship quality systematically and that different authors have proposed different dimensions. They themselves employ Bagozzi's (1984) framework in order to define relationship quality: attributional definition, structural definition and dispositional definition. In terms of the structural definition, this tells how relationship quality is linked to other related concepts, such as service quality (Crosby *et al.* 1990) and perceived service quality (Parasuraman *et al.* 1988). In terms of the dispositional definition, this describes the action tendencies or consequences of relationship quality, such as enhanced co-operation, on-going communication, decreased price sensitivity and increased word-of-mouth (McKenna 1995; Morgan *et al.* 1994; Reichheld 1996). The attributional definition is the most interesting one for the purposes of this article. Roberts *et al.* include six dimensions of relationship quality: trust in credibility, trust in benevolence, commitment, conflict, satisfaction and social bonding. Drawing upon the existing literatures (such as marketing and psychology), they proceed to define each of the dimensions (see Table 1) – sometimes using existing definitions (Roberts 1998; Roberts *et al.* 2000).

[Insert Table 1. Dimensions of relationship quality – and their background and definition about here]

But does it really make sense to employ relationship quality as a concept in relationship marketing and management? And the six dimensions, which Roberts (1998) and Roberts *et al.* (2000) argue are indicators of relationship quality, are they really appropriate indicators?

As earlier mentioned, there have been only few empirical studies on what constitutes relationship quality – with Holmlund (1996, 1997) and Roberts (1998) and Roberts *et al.* (2000) as notable exceptions – and the literature review, which was carried out, did not identify any such studies within the agribusiness and the food industry context. There is, therefore, an evident need for developing more knowledge on both relationship quality and the relationship between relationship quality, customer retention and shareholder value. This first part of a larger research was undertaken in order to gain a better understanding of what constitutes relationship quality.

RESEARCH METHODOLOGY

Case Study Method

The research falls naturally in two parts: an *exploratory, qualitative first part* and a *confirmative, quantitative second part*. Only the first part is reported on. Deductive theory building was difficult because there is no consensus as to what constitutes relationship quality, which is both a contemporary and pre-paradigmatic phenomenon. As a result, it should be investigated within its real-life context. The case study method, which takes a holistic perspective on real-life phenomena with all of their potentially rich and meaningful characteristics intact, facilitates the exploration of complex concepts. Uniquely, the method avoids the need to pre-select the context type variables to be included in the investigation; instead, important contextual variables impinging on the behaviour of interest is observed, over time (Creswell 1994; Eisenhardt 1989; Yin 1994). This means that the case study method offered the researcher the opportunity to investigate whether the six dimensions suggested by Roberts (1998) and Roberts *et al.* (2000) are an appropriate framework for describing relationship quality or other dimensions should be included as indicators.

Contextual Setting

The *British food and beverage market* was believed to be an interesting context. Britain imports food and beverage products from sectors where it does not have an inherent competitive disadvantage. The reason has been said to be more associated with strong relationships between the foreign exporter and the British importer than with efficiency of production (Shaw 1994; Wilson *et al.* 1997; Woolven 1996). Denmark and New Zealand have traditionally been among the major producers and exporters of products for the British consumer (Shaw 1994; Tansey *et al.* 1995; Woolven 1996). The *Danish-British dairy sector*, the *Danish-British bacon sector* and the *New Zealand-British wine sector* were chosen specifically as appropriate contexts.

Which cases should then be included? It is important to appreciate that the case study method does not depend on numbers for epistemological justification. Cases should instead be added until theoretical saturation is reached (Eisenhardt 1989). In meetings with trade organisations (i.e., The Danish Bacon and Meat Council; The Danish Dairy Board; The Danish Institute of Agricultural and Fisheries Economics; The Wine Institute of New Zealand), the sample of cases was determined (see Table 2).

[Insert Table 2. Sampling of cases and dyads for the Danish-British dairy sector, the Danish-British bacon sector and the New Zealand-British wine sector about here]

Most studies on buyer-seller relationships have collected data from a single party in the dyad but such data is often misleading as only one side of the story is examined (Anderson 1994; Iacobucci *et al.* 1996). This is why this research focused on the *exporter-importer dyad* in order to correlate perceptions from both the exporter and the importer and to investigate the convergence of the two parties' views (see Table 2). At times, a dyadic approach was not possible, however. For example, confidentiality – combined with a fragile business relationship between the two entities – was a problem in the case of Corbans Wine. In other cases, the British importer did not wish to participate in the research because of time pressure. Geographical proximity (Gummesson 1991) was yet another problem. The research consists of 24 cases in all, i.e. a multiple case study.

Theory Development from Case Study Data

To induct theory from the case studies, the eight-step procedure, which Eisenhardt (1989) has proposed, was followed. The more important steps are explained in the following. The overall research problems were first identified to avoid loss of focus:

Does it make sense to employ relationship quality as a concept in relationship marketing and management?

If so, are the six dimensions that Roberts (1998) and Roberts *et al.* (2000) argue are indicators of relationship quality appropriate indicators?

With potentially important indicators of relationship quality specified and with the cases selected, an interview protocol was crafted. Although the case study orientation generally is toward multiple sources of evidence (Yin 1994) in order to refine otherwise fallible observations (Creswell 1994; Erlandson *et al.* 1993; Lincoln *et al.* 1985), the *in-depth interview* has widely been regarded as the single most important source of evidence when the aim is to understand complex phenomena and processes (Creswell 1994; Easton 1995; Glaser *et al.* 1967; Lincoln *et al.* 1985; Miles *et al.* 1994; Patton 1990). But the research also involved the collection and analysis of existing market intelligence; the analysis of archival data, such as annual company reports, business documents and customer records; and site observations. All of these multiple sources of evidence allowed for *triangulation* of the case study data, which Yin has likened to “the development of converging lines of inquiry” (Yin 1994: 92). In other words, the findings of a case study are likely to be more accurate if they are based upon many sources of information. Findings were evaluated through the common measures of *validity* and *reliability* issues (see Table 3).

[Insert Table 3. Design tests and case study tactics that were employed in the research about here]

The analysis of interview data was carried out in two stages: within-case analysis involving write-ups for each case and cross-case analysis involving searches for cross-case patterns.

With regard to *within-case analysis*, each individual case was analysed in a four-stage interactive process that was developed by Miles and Huberman (1994). At the stage of data reduction, the volume of data was condensed. This also happened in the middle stages of the research through coding and memoing (see shortly) as well as in the activities of finding themes, clusters and patterns. In the later stages of the research, data reduction occurred when ideas were conceptualised and explained. In order not to reduce data so much that significant information is lost, the research was not stripped from its context (Punch 1998), as evidenced by the many text units (see shortly). In terms of coding, the researcher put labels against pieces of the data (Glaser 1978; Miles *et al.* 1994; Punch 1998). That is, the coding consisted of summarising the data by pulling together themes and identifying patterns. The approach was to employ a pre-specified coding scheme (Lindgreen 2001) that drew heavily on the six dimensions of relationship quality but also on other constructs that have been suggested as important in relationship marketing and management. In terms of memoing, the researcher sought new patterns and a higher level of pattern coding.

With regard to *cross-case analysis*, one method was to look for inter-group differences in the indicators of relationship quality. Another one was to list similarities and differences between sets of cases. Yet a third method was to divide the data by their source and then to establish whether the sources resulted in the same pattern.

EXPLORATORY FINDINGS

The quality of the relationship between the exporter and the importer was found to be key, as evidenced in the following text units:

“I would like to say that when we talk about relationships, the way that we work, is very much about relationships.” *Marketing director, ESS-Food*

“You need a relationship with customers, suppliers, staff, management – it goes right through the whole business.” *Marketing director, Bearfields*

“I don’t think that our marketing is particularly sophisticated or clever ... The key feature of ours is that we are in networks ... I would switch on the network [when trying to locate a new distributor]. We have found that we virtually don’t have to move outside of the networks that we are in.” *General manager (Name of vineyard withheld for confidentiality reasons)*

Overall, the research found strong empirical evidence that relationship quality is made up by the six constructs that Roberts (1998) and Roberts *et al.* (2000) propose. Although the case study may take a variety of forms (Yin 1994), the essential characteristic is that the report contains

explicit presentations of the key evidence that were used to draw the conclusions. This, however, makes the case study reporting discursive and readers find the lengthy description of results exhausting. Because of that a number of text units supporting the research findings have been collected in Table 4 so that in the following only a few examples are examined to show the appropriateness of the six dimensions of relationship quality.

[Insert Table 4. Research findings and text evidence supporting these findings about here]

[Insert Table 4. Research findings and text evidence supporting these findings, continued about here]

Trust in Credibility and Trust in Benevolence

The two constructs of trust in credibility and trust in benevolence were found to be important in exporter-importer dyads. An importer thus places much trust in a vineyard's credibility if the vineyard produces wines of consistently high quality and/or if the people working with the vineyard have in-depth knowledge of the wine sector and a prominent position within the wine community:

“I think it [trust in credibility] depends on the quality of the wine, and in our case we are New Zealand's most highly awarded wine company and that has given us credibility amongst all of our distributors.” *Export manager, Villa Maria Estate*

“I think [that] anybody who has met the family [Brajkovich] understands the respect with which they are regarded within the New Zealand wine trade. It would be impossible not to trust them. Their late father was highly regarded and respected within the New Zealand wine trade ... and the rest of the family is held in similar regard.” *General manager, Boxford Wine*

An importer can improve his credibility by choosing to represent only the best wines and/or to go the extra mile for the exporter when identifying the best outlet for the wines:

“It is important that the product be distributed throughout the best wine merchants ... We could, if we wanted to, actually sell all the wine through just two outlets but I do not think that [this] is the long-term benefit of Kumeu River.” *General manager, Boxford Wine*

Frequent and forthright communication between the parties was found to foster trust in benevolence, as echoed in the following text unit:

“I think that a customer appreciates a flow of information. You must be able to supply information about what is happening in the market ... If you cannot do this the customer will be very unhappy and probably leave you.” *Marketing director, ESS-Food*

Social Bonding

Consider social bonding that was mentioned as being key. For example, the general manager of a New Zealand vineyard argued that his network has been the single most important factor in the success of the vineyard, as evidenced in the last of the above three statements. The general manager first served his apprenticeship with Firm A before buying Firm B, a chain of specialist

wine shops in London. At the same time, because he attended night school, he became part of a network consisting of similar young people who later went on to senior positions in the wine trade. The value of the network has been evident:

“Because I knew everybody in the English wine trade, it was not a matter of me finding someone to sell it. I was just dealing with friends. When I walked in they did not just say: ‘oh, New Zealand wine, forget it’.” *General manager* (Name of vineyard withheld for confidentiality reasons)

The vineyard does not move outside the network so when the vineyard wants to develop a new wine market (in a new country) it will ask its current importers to signal to their colleagues in the new wine market that the vineyard is available for distribution. A formal interview and evaluation process will then take place during which the vineyard will confer with the existing importers:

“We have found that we virtually do not have to move outside of the networks that we are in. That is fine because you know where all your money is going and whether you are going to get paid or not and how your goods are going to be sold and presented and all the things that are important. It is the easiest way to do it when you are a small player based in New Zealand.” *General manager* (Name of vineyard withheld for confidentiality reasons)

With regard to the British wine market, the vineyard decided to let Firm C distribute its wines one reason being that this firm is widely known within the British wine trade. But the single most important reason why the vineyard chose this particular importer was that the general manager had worked in the company back in the 1960s and that he has been close friends with the importer ever since, as evidenced in the following text unit:

“I worked for the [Firm C] in [the 1960s] and we are close friends ... We are all in bed together, and we are throughout the world.” *General manager* (Name of vineyard withheld for confidentiality reasons)

Commitment

The research findings suggest that successful export-importer relationships were characterised by a high degree of commitment from both parties. MD Foods – the Danish dairy firm - and its business partners (i.e., suppliers and customers) is a case in point: MD Foods will assess potential business partners and only when a partner demonstrates enough will, skill and importance is the firm ready to invest in a relationship:

“With regard to importance, if a customer has only little importance for MD Foods then it really does not matter whether this customer has the necessary will and skill ... It is important to realise that we commit substantive resources to a business partnership.” *Marketing director, MD Foods*

When a partner shows promise MD Foods seeks to build and strengthen the relationship. For example, the plastic bottle supplier that MD Foods has got left is now conveniently located next to the headquarters of MD Foods and that makes co-operation and co-ordination easier: business processes are thus fully integrated through the SAP R/3 systems. Another example is Tesco, which is one of MD Foods’ most important customers: In this case, MD Foods had to

demonstrate will, skill and importance before it was nominated as one of Tesco's preferred suppliers of butter. The commitment to the business relationship in both cases is strong, as evidenced in the following text units:

"In the near future, a team of MD Foods employees will be working together with a team of Tesco employees. They will do this at the headquarters of Tesco." *Marketing director, MD Foods*

"MD Foods brings the chief executive ... to Denmark in a private jet ... It is not a question of money ... We get value for our money because it is possible for us to become a player." *Marketing director, MD Foods*

In conclusions, the evidence suggests that (1) it does make sense to employ relationship quality as a concept in relationship marketing and management, and that (2) the six dimensions that Roberts (1998) and Roberts *et al.* (2000) argue are indicators of relationship quality really are appropriate indicators.

Managerial Implications

Among a number of managerial implications of the research findings one of the more important ones is that companies should now consider not only the quality of their products and services but also the *quality of their relationships with suppliers, customers and other important markets*. A relationship of high quality translates into customer retention and, subsequently, shareholder value creation (see the *Future Research* section). It is possible to improve the quality of a relationship by investing in one (or more) of six different areas: trust in credibility, trust in benevolence, commitment, conflict, satisfaction and social bonding. For example, employees might be encouraged to form social bonds with their business partners ("Obviously, it helps in business if you are friends as well as colleagues", *General manager, Boxford Wine*) perhaps to such an extent that it becomes difficult to distinguish between a business relationship and a friendship ("We are very good friends", *Marketing manager, Waiheke Vineyards*). Another example is for partners to demonstrate that they are trustworthy of being benevolent ("A word is a word ... If we have agreed on a price then we do not change that price", *Marketing director, ESS-Food*).

Another equally important managerial implication is that companies must *invest in their employees* since relationships are formed between employees from separate companies ("It is about multi-level contact of each area in the organisation, regular and structured communication", *Export manager, Corbans Wines*). This again means that managers should assess not only the relationships with their business partners but also with the employees within their company.

Yet a third managerial implication of the research findings is that managers should put less emphasis on developing close business relationships by using economic incentives or computer-based systems (as many customer relationship management systems appear to be doing), as these are easy to duplicate. Instead managers should *cultivate their relationships* because it is difficult for competitors to offer similar ones, as it takes much effort and many years to build strong

relationships (“It [the forming of close relationships] does not happen overnight. It can take quite a while”, *Export manager, Villa Maria Estate*).

FUTURE RESEARCH

The article has focused on the indicators of relationship quality. However, the evidence from the research also suggests that relationship quality translates into first customer retention and then shareholder value creation (see Figure 1): that there is a positive relationship between all of the antecedents and relationship quality (except for conflict), and that there is a positive relationship between customer retention and all of the consequences (except for customer costs).

[Insert Figure 1. The relationship quality – customer retention theory of shareholder value creation about here]

The proposed relationship quality – customer retention theory of shareholder value creation is parsimonious permitting no direct path from any of the antecedents of relationship quality to any of the consequences of customer satisfaction. The model implies a central nomological status for relationship quality – customer retention.

It is proposed to test the idea of Figure 1 in a confirmative, quantitative second part of the research. In structural equations modelling, however, rival models should be compared (Bollen *et al.* 1992; Morgan *et al.* 1994). A non-parsimonious rival model is one that positions only direct paths from each of the pre-cursors to the outcomes thereby making relationship quality and customer retention nomologically similar to the antecedents of relationship quality and thus allowing no indirect effects (i.e., relationship quality and customer retention cannot mediate any of the relationships). There is a positive relationship between all of the pre-cursors (except for conflict) and the outcomes (except for customer costs).

The New Zealand-British wine sector is proposed as an appropriate research setting. There are many independent vineyards with only few elements of vertical integration. Because most of the vineyards carry only a small number of wine labels, their relationships with British importers are potentially important enough for the research issue to be meaningful. Restricting the sample to this homogeneous population, extraneous sources of variation are minimised. The relatively large number of vineyards (more than 300) and extreme competitive pressures from other producing countries, such as Australia, the US and Chile, increase the likelihood of there being large variance to be explained (please refer to Appendix A).

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APPENDIX A

It is suggested to construct a draft questionnaire and pre-test it on a dyadic level. After making modifications to the draft questionnaire, the final self-administered questionnaire will be mailed to all of the New Zealand vineyards and the British wine importers. The measures of relationship quality and customer retention (the focal construct) and the antecedents and consequences of relationship quality and customer retention must capture the importance of a particular construct in a relationship to the respondents. Different items from the literature will be adapted to measure relationship quality and customer retention and also the antecedents and consequences of relationship quality and customer retention. As suggested by Morgan *et al.* (1994), means, standard deviations, inter-correlations, variances and co-variances for the summates of all research variables will provide an initial test of the 13 hypotheses (see Figure 1). For a much stronger test of hypotheses, the model will be tested using LISREL. The model will be compared with its rival on the following criteria: (1) overall fit of the model-implied co-variance matrix to the sample co-variance matrix (CFI), (2) percentage of the models' hypothesised parameters that are statistically significant, (3) ability to explain the variance in the outcomes of interest (squared multiple correlations of the focal and outcome variables) and (4) parsimony (PNFI).

Table 1. Dimensions of relationship quality – and their background and definition

Dimension	Background and definition
<u>Trust in credibility</u>	It has been argued that trust is a multi-dimensional construct and that two key dimensions are trust in credibility and trust in benevolence (Anderson <i>et al.</i> 1990; Ganesan 1994; Kumar <i>et al.</i> 1995). Roberts (1998, p. 44) defines trust in credibility as follows. “Trust in a firm’s credibility is based on the extent to which the customer believes that the firm’s word can be relied upon, that they are sincere, and that they will perform their role effectively and reliably”.
<u>Trust in benevolence</u>	Trust in benevolence is, according to Roberts (1998, p. 44), as follows. “Trust in a firm’s benevolence is the customer’s perception of the extent to which the firm is concerned for the welfare of the customer. This includes having intentions and motives beneficial to the customer when new conditions arise for which a commitment was not made, and avoiding acting in a way that will result in negative outcomes for the customer”.
<u>Commitment</u>	It has been said that commitment is an important indicator of relationship quality (Moorman <i>et al.</i> 1992; Morgan <i>et al.</i> 1994). In the organisational literature, commitment may be affective commitment, continuance commitment or normative commitment (Meyer <i>et al.</i> 1993). Roberts <i>et al.</i> (2000, p. 9) argue that affective commitment is the important part of commitment when it comes to business relationships. “[Commitment] may be either affective commitment (attachment to firm), continuance commitment (perceived cost of leaving an organization), or normative commitment (perceived obligation to stay with an organization). ... [Only] affective commitment influences the degree to which the consumer <i>wants</i> to maintain a relationship with the firm”.
<u>Conflict</u>	It has been contended that conflict is a negative indicator of relationship quality with greater negative affect leading to greater perceived risk and lower levels of relationship quality (Chaudhuri 1998; Raven <i>et al.</i> 1970). Roberts (1998, p. 51) find that conflict is made up of affective conflict and manifest conflict. “Conflict is the tension between two or more social entities that arises from the incompatibility of actual and desired responses. Affective conflict is defined as hostility, frustration and anger towards a partner. This can develop into manifest conflict, which involves behavioural responses, such as open expression of disagreement or overt attempts to block the other’s goal attainment”.
<u>Satisfaction</u>	It has been noted that satisfaction provides an evaluation of the quality of all past interactions with the service provider, and shapes expectations about the quality of future interactions (Crosby <i>et al.</i> 1990; Storbacka <i>et al.</i> 1994). Based upon that, Roberts <i>et al.</i> (2000) find that Storbacka <i>et al.</i> (1994, p. 25) offer the best definition. “Customer satisfaction is the customers’ cognitive and affective evaluation based on their personal experience across all service episodes within the relationship”.
<u>Social bonding</u>	It has been stated that social bonding is an important indicator of relationship quality (Barnes 1997; Berry 1995; Czepiel 1990; Parasuraman <i>et al.</i> 1991; Wilson 1995). Roberts (1998, p. 56) proceed to define social bonding as follows. “Social bonds are present to the degree that the consumer is recognised by and enjoys interacting with their service provider. Higher levels of social bonding will resemble friendship”.

Source: The table draws upon Roberts (1998) and Roberts *et al.* (2000) and Storbacka *et al.* (1994).

Table 2. Sampling of cases and dyads for the Danish-British dairy sector, the Danish-British bacon sector and the New Zealand-British wine sector

Sector	Case(s) ^a	Dyad(s) ^b
The Danish-British dairy sector	<ul style="list-style-type: none"> • The research included <u>MD Foods</u>. More than 90 per cent of all Danish milk is processed at MD Foods that is the only Danish dairy company with a significant export to Britain. After merging with Arla to form Arla Foods, MD Foods is now the largest dairy company in all Europe. • The research also included the <u>Danish Dairy Board</u> as a ‘background case study’. 	
The Danish-British bacon sector	<ul style="list-style-type: none"> • The research included two of the four meat-processing plants in Denmark: <u>Danish Crown</u> and <u>Vestjyske Slagterier</u>. (Of the remaining plants, Steff-Houlberg is oriented strongly toward the Danish market and TiCan has only recently installed its own marketing and distribution activities.) • The research also included <u>Tulip International</u> (that distributes all bacon products from Danish Crown) and <u>ESS-Food</u> (that distributes some 20 per cent of all Danish pork and pig meat products). • The research also included the <u>Danish Bacon and Meat Council</u> and the <u>Danish Institute of Agricultural and Fisheries Economics</u> as ‘background case studies’. 	<ul style="list-style-type: none"> • Vestjyske Slagterier – <u>Roach Foods</u> • Tulip International – <u>Tesco</u> • ESS-Food - <u>Bearfields</u>
The New Zealand-British wine sector	<ul style="list-style-type: none"> • The criteria for the vineyards to be included in the research were as follows. They should be of different sizes; it should not be too difficult to get to a particular vineyard; and the vineyards should export to Britain. Five small-sized vineyards (<u>Goldwater Estate</u>, <u>Kumeu River Wines</u>, <u>Te Mata Estate Winery</u>, <u>Trinity Hill</u> and <u>Waiheke Vineyards</u>), two medium-sized vineyards (<u>Babich Wines</u>, <u>Hunter’s Wines</u>) and two large-sized vineyards (<u>Corbans Wines</u> and <u>Villa Maria Estate</u>) were included in the research. • The research also included the <u>Wine Institute of New Zealand</u> as a ‘background case study’. 	<ul style="list-style-type: none"> • Kumeu River Wines – <u>Boxford Wine</u> • Trinity Hill – <u>Laurent-Perrier</u> • Babich Wines – <u>Percy Fox</u>

^a The 18 cases (on the exporter side), which form part of the research, are underlined. ^b The six cases (on the importer side), which form part of the research, are underlined. There are thus 24 cases in all.

Table 3. Design tests and case study tactics that were employed in the research

Design test	Theoretical explanation of the construct	Case study tactics
<u>Construct validity</u>	Construct validity is to secure that correct operational measures have been established for the concepts that are being studied	<ul style="list-style-type: none">• Multiple sources of evidence• Chain of evidence• Interview respondents reviewing draft of case study report
<u>Internal validity</u>	Internal validity is to make sure that a causal relationship – i.e., certain conditions lead to other conditions – has been established. Internal validity is a concern for explanatory or causal case studies but not for exploratory or descriptive case studies, which do not attempt to make causal statements	<ul style="list-style-type: none">• Pattern matching• Rival explanation as patterns• Explanation building• Time series analysis
<u>External validity</u>	External validity is to prove that the domain to which a case study's findings belong can be generalised	<ul style="list-style-type: none">• Specification of the population of interest• Replication logic in multiple case studies
<u>Reliability</u>	Reliability involves demonstrating that the findings from a case study can be repeated if the case study procedures are followed	<ul style="list-style-type: none">• Interview protocol• Clearly conceptualised constructs• Multiple indicators• Execution of pilot tests• Case study data base

Source: The table draws upon Yin (1994) with regards to the theoretical explanation of the constructs. All of the tactics mentioned in the table were employed during the research in order to triangulate the case study data.

Table 4. Research findings and text evidence supporting these findings

Indicator	The Danish-British dairy sector	The Danish-British bacon sector	The New Zealand-British wine sector
<u>Trust in credibility</u>	<p>“Tesco [one of the largest food retailers in Britain] has agreed with MD Foods that instead of having five suppliers of milk it will cut down its supplier base to only two suppliers. Indeed, Tesco is seriously considering whether or not letting MD Foods being the sole supplier.” <i>Marketing director, MD Foods</i></p>	<p>“Our firm participates at trade shows around the world. The cost ... is very high ... but you have to do it because if you suddenly do not participate then [people may think] that we can no longer afford it.” <i>Marketing director, ESS-Food</i></p> <p>“I can tell you that Vestjyske Slagterier’s credibility with Tesco has increased 100 per cent from their last visit. Tesco visited Vestjyske Slagterier a couple of years ago and the response to these welfare initiatives from them then had been very negative.” <i>Marketing director, Roach Foods</i></p>	<p>“I have a reasonably high profile within the industry because of my long-term involvement, particularly in New Zealand ... so that does give us some advantage in trying to build a new brand. I know all the press people very well right around the world. It is relatively easy for me to get a hearing from anybody. I know all the people in the trade and it is easy for me to open doors. Whereas a new company starting with no person with profile in there is very difficult.” <i>General manager, Trinity Hill</i></p> <p>“She [Margaret Harvey, Fine Wines of New Zealand] has a very good reputation amongst the trade as standing for, representing and knowing something about the quality of New Zealand wines and she has the personal reputation and integrity so she is not going to sell anybody a pup or oversell.” <i>Marketing manager, Waiheke Vineyards</i></p>
<u>Trust in benevolence</u>	<p>“The goal for MD Foods is not to increase the market share of its butter products but rather to increase the value of the whole category of butter products at Tesco. MD Foods achieves this goal together with Tesco.” <i>Marketing director, MD Foods</i></p>	<p>“We, the trader, take the risk. ... The supplier knows that he is guaranteed payment [from us] and that if the customer who buys the goods go out of business then that is the trader’s problem.” <i>Marketing director, ESS-Food</i></p> <p>“[People] ... probably trust Tesco more than they would trust the Church of England or certainly more than they would trust the government.” <i>Marketing director, Tulip International</i></p>	<p>“We have one specific brand manager who looks after Babich specifically in the UK but when their export or marketing man comes over here, they will spend time with my sales team, so they are working with the sales team here seeing customers and promoting their wine.” <i>Sales representative, Percy Fox</i></p> <p>“I think that it is important for the producer that its distributor should be able to put his wines into the right client base in the UK. I think in many ways we are able to do that because we have a track record of dealing with the top wine merchants in the UK, which is where Kumeu River needs to be placed. We have always been able to place it in the right outlets.” <i>General manager, Boxford Wine</i></p>
<u>Commitment</u>	<p>“The borders between the producer and the retailer become blurred ... In the near future, a team of MD Foods employees will be working together with a team of Tesco employees; they will do this at the headquarters of Tesco.” <i>Marketing director, MD Foods</i></p>	<p>“They [Tulip International] have to deliver the basics, which is competitive pricing, good service level, quality product within specification. They are the main things in terms of what you expect as a minimum. And then you expect clients to work with you and together to take profit out of the supply chain, to share information together on the supply chain.” <i>Key account manager, Tesco</i></p>	<p>“[Are] we supplying them with the appropriate strategies and objectives, quality of wine, pricing, support? You have to look at it on both sides. It is never just the fault of the distributor.” <i>Export manager, Corbans Wines</i></p>

Table 4. Research findings and text evidence supporting these findings, continued

Indicator	The Danish-British dairy sector	The Danish-British bacon sector	The New Zealand-British wine sector
<u>Conflict</u>	<p>“Although MD Foods and the retailers together agree prices on the products there are certain purchasers ... who do backtracking ... who want to squeeze the price.” <i>Marketing director, MD Foods</i></p>	<p>“To customers who had shown little loyalty, Vestjyske Slagterier said that it did not feel obliged to do something extra for these customers. Of course, Vestjyske Slagterier did what was possible but it did not ship additional products. ... [The industrial action] has been a major problem for these customers. That is always the case: you are very vulnerable if you have only one product.” <i>Marketing director, Vestjyske Slagterier</i></p>	<p>“And even when the business relationship is under some stress, it is extremely important that both companies are able to deal with that pressure of stress without the relationship becoming negative. I must say that with this particular brand partner, we have had a high degree of stress and pressure in the relationships and there has been very few points this year where it has spilled over into negative negativity.” <i>Export manager, Corbans Wines</i></p>
<u>Satisfaction</u>	<p>“Preferred suppliers and customers ... are looking for the total service offering or the total experience.” <i>Marketing director, MD Foods</i></p>	<p>“What is a relationship? It is very much about service. That is, we can make life easier for a customer in Britain; we can offer him a product so he does not need to call a lot of people; we can supply a product that meets his production requirements or his specifications.” <i>Marketing director, ESS-Food</i></p>	<p>“Kumeu are the only New Zealand winery that we work with, although this was not always the case. They are now the only NZ winery that we work with. I am not interested in representing other wineries.” <i>General manager, Boxford Wine</i></p>
<u>Social bonding</u>	<p>“[Social bonding] is an attempt of saying: we spend a lot of time together, and it is much better spending that time with people you like. If you get along well in private with people [with whom you work] it is much easier to get things through, to land the order.” <i>Marketing director, MD Foods</i></p>	<p>“I need up-to-date information ... It is all about information. The more information I have got, the more I know what to do with the market.” <i>Marketing director, Bearfields</i></p> <p>“With a close relationship to the customer we have – perhaps not the exclusivity – but definitely access to the customer.” <i>Marketing director, ESS-Food</i></p> <p>“It is very, very important that the personal relationships are up and working.” <i>Marketing director, Vestjyske Slagterier</i></p>	<p>“We have stayed with them and they come and stay with us here and over a ten-year period I think we have got a very good relationship with the family as a whole. Obviously, it helps in business if you are friends as well as colleagues and I think we probably are.” <i>General manager, Boxford Wine</i></p> <p>“It is person to person.” <i>Marketing manager, Waiheke Vineyards</i></p>

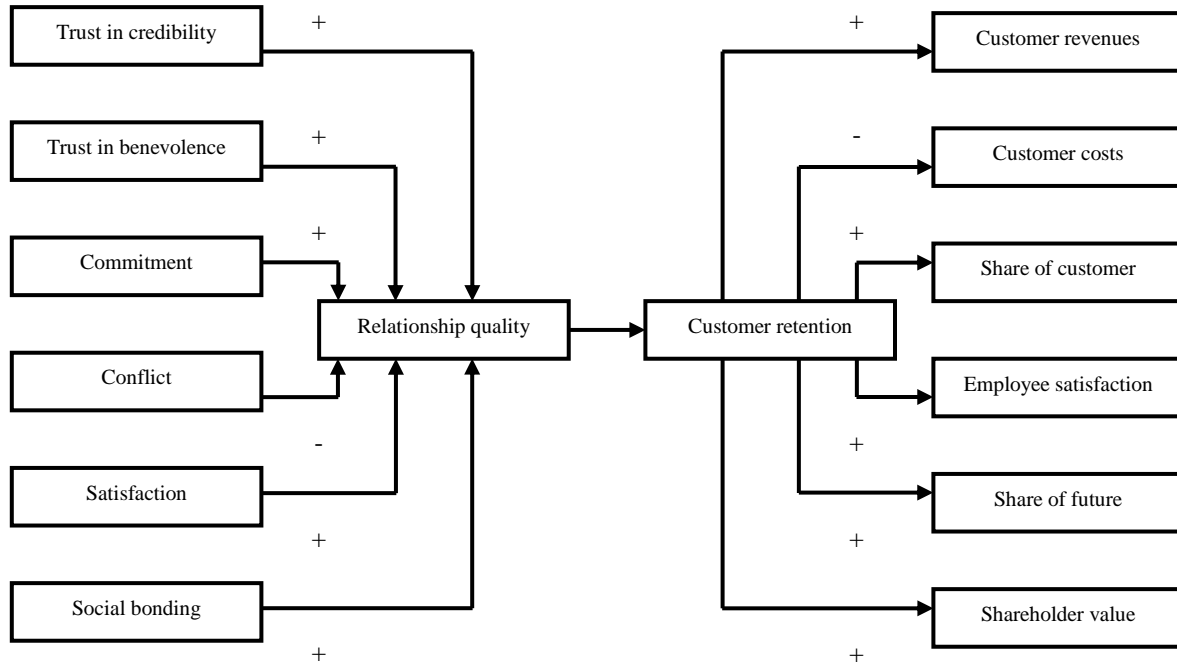


Figure 1. The relationship quality – customer retention theory of shareholder value creation