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Retailing Strategy and the Importance of Clearly Defined Partnership Arrangements

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ABSTRACT *Retailers operate in a complex and competitive environment, and because of this retail managers need to be aware of the need to seek market opportunities and develop long-term sustainable relationships with partner organizations. In order that a retail organization develops a sustainable competitive advantage, it is essential that a partnership arrangement is viewed as necessary and is based on trust. This means that there is a high degree of transparency and that open communication is encouraged. It also means that various types of information are shared and staff involved in the partnership arrangement are committed to personal development. This is necessary if an organizational cultural value system is to be produced that gives rise to a set of common goals and objectives that translate into a highly motivated workforce. Should this be the case, staff in the partnership arrangement should be able to provide a high level of customer service that results in customer expectations being met. Retail managers and their staff are required to be committed to market intelligence gathering and to think in terms of strategic positioning. The governance mechanism can be used as a blueprint to provide retail staff with direction, and it should ensure that open, mutually beneficial partnership arrangements develop that can be maintained through time.*

KEYWORDS: Customer service, Governance, Marketing, Partnership, Retailing, Strategy

Introduction

Akehurst and Alexander (1995) have highlighted developments in international retailing that suggest that managers in retail organizations need to be aware of a number of factors if that is the organization is to exploit a number of opportunities in the international marketplace. Howe (1998, p. 215) has made a valid point by suggesting that the retailing environment is under going constant change, however, when the market is relatively static and highly competitive, retailers are likely to implement a different strategy. This is understandable as senior managers in retailer organizations need to formulate and implement a strategy that repositions the organization; and this happens from time to time in order that the corporate objectives set are indeed realized and the various stakeholders are satisfied.

The trend of internationalization has resulted in new structures within retail organizations/operations. Morganosky (1997, p.269) and Martin, Howard, and Herbig (1998, p.114), have indicated that internationalization needs to take into account the type of store, the location of the store, and how goods are to be selected, distributed, and displayed. These factors are the major elements that are known to influence how retail organization managers, manage

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their channel partners (Siguaw, Penny, and Baker, 1998, p.99; Walters, 1979, p.215; Lewison, 1997, p.8; Lewison and DeLozier, 1986, pp.45 and 63). Sparks (1995) has made reference to various factors relating to the internationalization process, especially the concept of reciprocal retail internationalization. Sparks (1995) has concentrated attention on a number of factors (market entry for example) and has focused attention on the Japanese market. Sparks (1995, pp.69-93) has made a valuable contribution to the body of knowledge through a detailed study of the Seven-Eleven company in Japan. Sparks (1995, p.73) states that "the common explanation for the success of Seven-Eleven Japan is that it is an exceptionally efficient retailer which harnesses technology, systems and relationships with manufacturers and franchisees constantly to reinforce its knowledge of, and its primary mission, managed on a store-by-store and item-by-item basis. In delivering this focus, Seven-Eleven (and Ito-Yokado) have had to redefine convenience store systems and operations and also effectively transform components of the Japanese distribution system".

The factors highlighted in the above quotation integrate many important elements with respect to retailing in Japan, and it is important to note that franchising can be placed within the context of partnership (as well as market entry for example). However, before retail managers in an overseas company decide to enter the Japanese market, it is essential that they understand the structure of Japanese retailing and how legislation affects retailing operations in Japan (Davies and Itoh, 2001). Davies and Fergusson (1995, p.104) have indicated that Japanese retailers are keen to use a variety of market entry strategies when launching new business ventures abroad and this may present opportunities for overseas retailers. An issue that is on the minds of retail managers is of course market entry strategies such as acquisition strategy, but research undertaken by Burt and Limmack (2001, p.18) suggests that takeover oriented strategies do not always meet the expectations of the various stakeholders. It has been suggested that economic analysis is useful but not always appropriate vis-à-vis understanding the structure of retailing (Davies, 1998; Dawson, 2000) and this suggests that new approaches need to be found to understand the complexities of retailing and new concepts and models need to be developed.

Sparks (1995, pp.83 and 87) has made several references to the importance of meeting customer needs, and this is encouraging as it links more firmly retailing policy and marketing strategy. Another useful contribution to the retailing body of knowledge has been made by Walters (1979), who has focused attention on a number of environmental factors which help to shape various retailing formats, and in particular marketing channel considerations and various factors such as technological development. One element of Walters' (1979) work is that a wide range of issues can be highlighted that have direct relevance to customer service and it is clear that customer service can be placed within a retailing-marketing context. Although much of Walters' (1979) material relates to the food industry, there are nevertheless important retailing considerations that are cited such as new product development, the marketing mix and established vertical marketing arrangements (partnership can be also be included here). A key point to note according to (Walter, 1979, p.214) is that: "the manufacturer and retailer have a shared relationship with the consumer, and therefore a mutual market responsibility". By recognizing this, issues such as new product development are viewed with enthusiasm and after sales-service are given a high degree of importance. This will ensure that customer expectations are met, trust is established and loyalty results in repeat business. Hence the retailing-marketing divide narrows and retailing becomes more integrated with marketing.

It can be suggested that marketing factors are very important because they determine whether a retailer is able to serve customers on time and in an appropriate manner. This highlights the importance of customer feedback and customer service policy based on providing customer value. This firmly suggests that retail staff need to undertake (directly or commission external sources) marketing research. It needs to be borne in mind, however, that those involved in market research need to have both an ethical approach to collecting data and an ethical approach to using data (Carrigan and Kirkup, 2001, pp.415-435).

It is logical to say that retail managers are required to manage dual relationships (with their staff and suppliers), and retail managers also need to manage the relationships with end users and partner organizations. It can also be suggested that managers need to identify how the organization can adapt to changes in the business environment, so that the distribution system is improved. A long-term sustainable marketing strategy needs to be developed that takes into account the availability of internal resources, the management of change, and how partnership arrangements can be developed and improved. Therefore, with respect to partnership strategy, it is important that the partnership mission statement incorporates the values of the various partner organizations. Staff need to identify with and understand the mission statement and be aware of how organizational culture evolves, so that they perceive themselves as having an important role to play within the organization's partnership arrangement.

The Importance of a Clearly Defined Retailing Strategy

As the domestic market becomes more competitive, managers seek new opportunities abroad. Managers in retail organizations are no exception. They need to evaluate existing business relationships, negotiate new partnership arrangements, and deal effectively with local government (Lowe and Wrigley, 1996, pp. 13-16; Christopher and Juttner, 2000, p. 119; Porter, Takeuchi, and Sakakibara, 2000, pp. 24-25 and 29-35). Hence retail organizations are required to have a clearly defined retailing strategy, if that is, if they are to develop a sustainable competitive advantage.

At the macro level, retail organizations need to lobby local government. As Wrigley (1994, p.7), Alexander (1996, pp.24 and 26), Lowe and Wrigley (1996, pp.6-7) and Martin et al. (1998, p.114) have mentioned, even within a country, the regulations/registrations laid down by central government can be flexible and the actual registration depends upon the locations of the stores. Managers need to be able to negotiate with local government representatives and explain how the organization can meet the conditions laid down and also, how it can meet the expectations of the various stakeholders. This also relates to management's ability to collect useful information and to lobby effectively (Trim, 1999), and to think in terms of strategic positioning.

With respect to internationalization, retail organizations are required to be able to find appropriate partners, especially from other countries and build long-term relationships. In order for a retail organization to build long-term working relationships, as Lamming (1993, p.252), and Hines (1996, p.4,636) have indicated, the organizations concerned (both retailers and suppliers), should be able to establish a common culture which can be accepted by each partner, and each organization needs to have a clear structure to facilitate communication and enhance coordination (retailer-supplier partnership) (Buzzell and Ortmeyer, 1995, p.93; Hines, 1996, p.4,636; McIvor and McHugh, 2000b, pp.12-13). If retail organizations have a clearly defined retailing strategy, the retail organization can find the right supplier and can build a partnership culture and structure by establishing common business goals. As a result, both the retail organization and the supplier organization are able to obtain financial benefits and this results in mutuality (Hines, 1996; McIvor and McHugh, 2000b).

Juttner and Peck (1998, p.227) have pointed out, as a result of fieldwork conducted, that the degree of integration of the retail organization and the supplier organization is strongly influenced by the way in which each organization participates in the business relationship and the individual responsibilities of each partner. If the retail organization has a clearly defined strategy, the retail organization is able to establish common norms with their suppliers, and as a consequence each organization can interpret the business situation and respond accordingly to each other without any conflict resulting (when changes or improvements in product design are required by customers)(McIvor and McHugh, 2000b, pp.16-17).

If retail organizations have a clearly defined mission and management communicate their objectives to their staff, senior and middle managers should be able to reach their own targets and meet the organization's goals/strategy. They should also be able to guide and inspire their own staff, and this requires effective communication. The attitude of front line sales staff is important (especially with respect to how customer complaints are handled for example). A key aspect of the job is the interpretation of information so that there is an improvement in organizational performance or an improvement in product improvement or new product development for example (McIvor and McHugh, 2000b, p.18).

Senior and middle managers need to communicate with their staff as this can result in sensitive information, such as (inventory) price, for example, being safeguarded. This is very important in buyer-supplier negotiations. Managers in the retail organization need to know how to attract suppliers and commit suppliers to the partnership arrangement; and ensure that each partner allocates resources so that mutual benefits can result (Ellram and Edis, 1996). Should co-operation exist between the various partners, there is a possibility that the suppliers are able to reduce the cost of marketing research (Christopher and Juttner, 2000), and this will result in a sharing of information and further co-operation.

One can see how a clearly defined retail organization's strategy, which is put into effect by senior and middle managers, facilitates internal relationships by guiding and assisting staff to work in a cooperative mode (Juttner and Peck, 1998, p.231). However, senior and middle managers from the retail organization and various suppliers need to ensure that the partnership improves through time; that the employees in the partnership arrangement accept and welcome change when it is necessary; and that staff behave accordingly (McIvor and McHugh 2000b, pp.19-20).

A clearly defined strategy is essential when budgetary problems exist (investment in new technology or educational programmes for example), and the supplier is expected to perform at a certain level of performance in a specific period of time, and/or predict future customer trends (Buzzell and Ortmeyer, 1995, p.87; Fisher, Raman, and McClelland (2000, pp.116-118). Budgeting and planning are important, basically staff training is ongoing and needs to be funded from internal resources. Situations may arise when extra funds need to be allocated to staff training and development, hence it is necessary to have a contingency plan in place. Well trained staff should be highly motivated owing to the fact that their morale is high.

The Importance of Having the Right Retail System

Fisher et al. (2000, pp.115-116), Lewsion and DeLozier (1986, p.62), Lewsion (1997, p.5) have argued that in order for a retailer to offer "the right product in the right place at the right time and at the right price", it is important to have both a traditional intuitive-based forecasting system and an appropriate information technology system in place. Fisher et al. (2000) undertook an in-depth survey of 32 retailing organizations, in order to explain why accurate forecasting, speed in the supply chain, inventory planning and gathering accurate and available data, are important and how this can all be achieved. First, Fisher et al. (2000, pp.116-118) have argued that in order for a retailer to achieve accurate forecasts, they should have a tracking system in place to identify sales to date, and use a variety of forecasting approaches: 'bottom-up' and 'top-down'; and have the appropriate communication systems in place. The 'bottom-up' approach is developed by merchandisers and planners, and is concerned with 'fitness' (matching the products on offer with what the target customers want); whereas the 'top-down' approach is based on macro economic factors, such as national economic growth and corporate growth objectives, and is the responsibility of planners, who develop plans (based on market expectations).

Retail managers need to monitor the tracking process accurately so that when a forecast error occurs, retailers are able to act appropriately (Fisher et al., 2000, p.119). Retailers need to pay attention to the products purchased from suppliers, in terms of both finished units, and additional units (Fisher et al., 2000, p.118). The quantity and frequency of units purchased effects the price paid per unit. Also as well as affecting the promotion strategy, it can also influence the relationship with suppliers, and whether the retailer is able to establish a stable relationship with their suppliers (see Juttner and Peck, 1998, p.227), since suppliers may feel insecure due to the instability which exists, as the supplier's service ability, cycle time or markdown may be influenced accordingly.

Fiorito et al. (1998, p.227) have indicated that retail organizations need to be supplied with products and services on what can be considered a just-in-time basis. Furthermore, electronic data interchange (EDI) can facilitate the manufacturer/retailer relationship, and as a consequence buyer/supplier relationships evolve and organizational change becomes evident (Buzzell and Ortmeyer, 1995, p.85; Fiorito et al., 1998, p.238).

Fiorito et al. (1998, pp.239-246) undertook research into quick response systems and established that a number of marketing factors need to be taken into consideration, if buyers in retail organizations are to be satisfied with the level of performance provided by the supplier. At the centre of this, is customer service and it is clear that technology can enhance the level of customer service provided.

Another point to note is that a sophisticated tracking and forecasting system will allow the retailer to understand/predict geographical reasonability, consumer reaction to a promotion, and differences in sales patterns between different stores (Fisher et al., 2000, p.122). The right tracking and forecasting system, can help organizations in the partnership arrangement to improve the way in which they exchange information and this is an important point with respect to fast moving consumer goods; the development of "efficient consumer response" (ECR), "vender managed inventory" (VMI) or "co-managed inventory" (CMI) as mutual systems, for example. Hence tracking and forecasting systems influence collaborate relationships between buyers and suppliers as forecasting, ordering and distribution are all linked. The information flow can assist company-specific issues such as pricing; promotion; new product development; planning; improved customer service; and transportation (Buzzell and Ortmeyer, 1995; Christoper and Juttner, 2000, p.122). However, sharing information requires a high degree of trust and openness that may not always be evident. Cultural changes may prove difficult to achieve in the short-term (Buzzell and Ortmeyer, 1995; Christoper and Juttner, 2000, p.122) as high levels of capital investment may militate against profit making.

With respect to the issue of 'lead-time', accurate forecasts are important in terms of how many orders or additional orders are classified as 'markdown' (McIvor and McHugh, 2000a, p.223; Fisher et al., 2000, p.119). Another relevant point highlighted by Fisher et al. (2000, p.118) is that with respect to speed to market, factors such as short product life cycles need to be borne in mind. As regards inventory planning, retailers need to communicate accurately and work closely with distribution channel members (Fisher et al., 2000, p.120; Christopher and Juttner, 2000, p.122), because the suppliers are largely responsible for inventory planning and need to purchase various raw materials, components and finished goods. Such an approach should reduce losses (Fisher et al., 2000, p.121); and by tracking stocks more effectively, sales can improve by 10% (as a result of decreasing the level of inventory held in the store; Fisher, 2000, p.121), due to the just-in-time philosophy. As Fisher et al. (2000, p.123) have indicated, the reason why retailers need to forecast accurately and segment the market effectively, is to meet customer expectations and thus raise customer satisfaction levels. Factors such as price, the quality of the service offered and staff involvement (high employee morale) are key factors.

Fisher et al. (2000) have explained how and why a retailer has to have a tracking and forecasting system in place, but Fisher et al. (2000) have not mentioned how important leadership is with respect to enhancing accurate data collection and communicating appropriately with customers (end users). The fact that a tracking and forecasting system needs to be supported by a strong organizational culture which takes into account a shared value system, trust and commitment of the leader/staff to the organization, has not been recognized and addressed (McIvor and McHugh 2000a, p.223).

Although Fisher et al. (2000, p.120) have mentioned that retailers have good relationships with suppliers in terms of managing inventory which has price/cost benefits and prevents losses, Fisher et al. (2000) have not explained how the relationship between the retailer and the supplier(s) could be developed through developing communication skills based on the achievement of organizational goals. Fisher et al. (2000, p.200) focus only on how logistics and procurement are linked, and what company officials and merchandise planning officers do with respect to utilizing accurate sales data, for example. Finally, Fisher et al. (2000, p.123) have mentioned that the relationship between customer satisfaction and staff morale (which is based on improving profits in the short-term), is problematic, but have not addressed this issue as they have not outlined how the situation can be changed/improved, and can be criticized for this.

The Linkage between Partnership and a High Quality Customer Service

Retail partnerships with supplier organizations need to take into account a number of factors in order that a high level customer service is available to the public. Retail organizations need to achieve a sustainable competitive advantage by creating fitness through internal and external harmony and continuous relationships (Beckett-Camarata, Camarata, and Barker, 1998, p.78). This will result in retail organizations being able to offer a product to their customers at a lower price without lowering the quality of the product. Ways to achieve this include reducing inventory costs and supply chain costs, and the just-in-time method can help in this respect. With respect to just-in-time, it is important to realize that there are issues associated with the application of the just-in-time concept and some relate to such issues as organizational design for example (Germain and Droge, 1997). Another factor is the sharing of information relating to costs. Cost related information is normally classified as confidential and sensitive and can be a source of strategic risk because of the vulnerability aspect (Christoper and Juttner, 2000, p.119).

Retail organization's which have a strong partnership with their key suppliers are better placed to introduce just-in-time delivery, and this allows for better financial planning and better communication with respect to stocking levels in warehouses. This means that staff in the retail organization are able to provide more accurate information to their customers about the availability of products (and especially if a product is out of stock). By relying on the suppliers' ability to meet short lead-times, retailers are able to build long-term relationships with their customers by delivering on time and honouring promises made.

Staff in retail organizations are also able to provide sufficient information to their customers about the availability of new services and products. This will allow retail organizations and supplier organizations to build strong relationships based on trust, and collect and share useful data and information relating to products and services. More effective communication based on accurate information can assist management to improve the new product development process (Boddy, Cahill, Charles, Fraser-Kraus, and MacBeth, 1998). It can also highlight the fact that there are mutual tangible and intangible benefits for retailers, suppliers, and customers. For example Liker, Kamath, Wasti, and Nagamachi (1994) undertook research involving US and Japanese component suppliers and concluded that not all the Japanese companies in the survey (a total of 107 companies were surveyed) stick to the Japanese model of product development and some US companies (128 companies participated in the survey) are able to achieve the best practice approach to new product development put-forward by the Japanese. One has to be careful when assessing the results of the survey because they relate to the automotive industry only and as a result are not representative of other industries. Trust and commitment are key considerations, however, and if a retailer is able to cultivate customer involvement into the new product development process, and/or the development of existing products, and/or performance of staff, this can result in benefits for customers, retailers and suppliers.

Staff in retail organizations can identify customers' latent needs, and produce innovative products by using the supplier's knowledge, expertise, and skills. This may mean the retailer needs more exact information about customers' behaviour and preferences, hence a supplier's experiences prove useful with respect to this. In the case of a retailer launching a new product oversees, the local supplier's can be thought of as providing useful and valuable information relating to all aspects of customer preferences and government-industry relations and regulations for example. Staff in retail organizations need to be pro-active in the way in which they collect and manage information. Dealing with customer complaints and in particular providing refunds means that there needs to be a policy in place for such eventualities. In order for retail organizations to develop and maintain a workable partnership with suppliers, retail managers need to concentrate on three main elements: (1) staff motivation and satisfaction; (2) the deployment of the right technology/systems; and (3) the ability to establish an adequate partnership culture (structure, business norms and communication mechanisms).

With respect to the first point, staff motivation and satisfaction; commitment and trust are key factors and emphasis is placed on a high level of customer service. As regards the second point, the necessity for retail organizations to deploy the right technology/systems, as Buzzell and Ortmeyer (1995, p.87), and Fisher et al. (2000) have indicated, it is important for retail organizations to build up long-term, strong partnerships with their suppliers. Retail organizations need to have adequate systems in place and the systems need to be coupled with those of the channel partners. With respect to point three, the concept of an adequate partnership culture, it is important to think in terms of integrating the management and operating processes of the retail organization with those of the channel members, and in particular the retail organization's main suppliers.

Channel Partnerships

The type of partnership between buyer and supplier can be divided into the 'arm's-length' model (traditional view which is usually practiced in the USA), which demands that buyers select their supplier randomly and avoid any form of commitment; and the Japanese style of partnership, which incorporates long-term partnerships based on trust and which imply: (1) that information is shared and co-ordination is improved so that both partners can achieve higher tasks; (2) investment in effort is made in order that costs can be reduced; and high quality products and/or new products can be produced; and as a result of this, both the buyer and the supplier are able to maximize the governance mechanism (Dyer, Cho, and Chu, 1998, pp.57-58).

However, Dyer et al. (1998, pp.57-58) have indicated that the Japanese style of partnership is costly to set up and maintain, and it is not always easy to change partners anyway. Dyer et al. (1998, pp.58-59) have collected data relating to the automotive industry (453 US, Japanese and Korean firms), and suggest that in order to optimize purchasing effectiveness, managers should segment and select their suppliers strategically, and this means implementing strategic partnerships, meanwhile, it is important to keep relationships with some suppliers at an arm's-length in order to allocate resources effectively. A strategic partnership needs to be viewed as long-term; they play an important role in differentiating products, hence the strategic partners need a high level of communication, need to provide managerial assistance, exchange personnel, and invest in relation-specific factors in order to improve capabilities continuously (Dyer et al., 1998, p.73). In other words, when managers in buyer companies select their partner suppliers, they need to know about the supplier's capabilities and establish if the partner relationship is to be classified/viewed as long-term or short-term for example.

The importance of partnership and the relevance of selecting appropriate channel members has been widely recognized by academics and practitioners such as Arthur and Co. (cited in Siguaw et al., 1998, p.99); Frazier and Antia (cited in Siguaw et al., 1998, p.99); Buzzell and Ortmeyer

(1995); Cespedes (1995, pp.244-245); Kumar, Scheer, and Steenkamp (1995); Weitz, Castleberry, and Tanner (1995, pp.34-49 and 382-511); and Christoper and Juttner (2000, p.117). This is because, retail organizations can achieve vertical marketing integration and as a consequence both retail organizations and supplier organizations are able to achieve competitive advantages. As a result of this, retail organizations can increase the level of service available, can offer a reliable delivery of goods and share information. This means that retail organizations can distinguish themselves from the competitors by providing a high level of customer service and this can improve profitability (Baker, Penny, and Siguaw, 1999, p.50). Adding value for end users results in financial benefits for both retail organizations and supplier organizations (Buzzell and Ortmeyer, 1995, p.86; Hines, 1996, pp.4, 635-4, 636; Lewsion, 1997, pp.627-628; McIvor and McHugh, 2000b, p.13). This is because, retailers and suppliers can reduce total supply chain costs for example (Dobler and Burt, cited in McIvor and McHugh, 2000b) therefore, partnership arrangements between retailers and suppliers can result in meeting customer needs and wants more appropriately and effectively (Krause and Ellram, 1997, p.21) than the competition (achieving fitness).

Retail organizations have been re-appraising their value chain and supply chain activities in order to reduce the number of the suppliers and a number of key suppliers have been identified for partnership development. This is because, first, managers employed in retail organizations have found it difficult to manage effectively extended multiple supplier relationships. Second, retailers want to improve the quality of products and/or innovate (produce new products) continuously, and this means that strong partnerships with the supplier partners need to be built (Krause and Ellram, 1997, p.21; Juttner and Peck, 1998; Christoper and Juttner, 2000, p.117). Third, retailers wish to reduce financial risks, by eliminating defective products, however, in some cases, suppliers do not have up-to-date technology and may have limited human resource management skills. The retailer may need to take the initiative and help or invest time and money in the suppliers' facilities so that improvements can be made. This type of partnership arrangement is aimed at providing a high level of customer service and maintaining the company's image in the market.

The Governance Mechanism versus the Marketing Orientation Concept

It is essential for two different organizations to have similar norms and common business goals (Christopher and Juttner, 2000, p.120), if they are to successfully develop a continuous partnership relationship. A well established partnership culture allows different organizations to be flexible by adapting to volatile environmental conditions such as rapid fluctuating customer demands. This is because management in the supplier and the retailer will avoid using opportunistic behaviour and exchange information to help adaptive decision-making (Ganesan, 1994, p.6; Cannon, Achrol, and Gundlach, 2000). This argument has been put forward by Ellram (1991, p.2), who has built on the work of Macbeth et al. (see Hines, 1996, pp.4, 635) and Farmer and Amstel (Hines, 1996, pp.4, 635). Ellram (1991, p.2) has defined what a partnership arrangement between a buyer and supplier involves: commitment, openness and honestly, the sharing of information and risk taking, and the sharing of rewards. Management in both organizations need to support the partnership arrangement and involve staff (through training and support programmes) from throughout the organization (Christopher and Juttner, 2000, p.123). Lamming (1993), who has drawn heavily from the Japanese supply model concept (in his work on the international motor vehicle programme), has pointed out that in order for a retailer to establish strong, long-term relationships with a supplier, it is essential to establish a mutual relationship. In order that a mutual relationship can be established, both organizations involved in the partnership, must have clear business goals, adequate communication mechanisms in place, a logical and clear organization structure, and a transparent organizational culture (Lamming, 1993; Hines, 1996, pp.4, 635-4, 636; McIvor and McHugh, 2000b, pp.19-20). However, Juttner and Peck (1998, p.227) have noted, as a result of fieldwork undertaken, that retailers and suppliers have different organizational structures, but this does not affect the relationship as such. Juttner and Peck (1998, p.227) suggest that staff turnover strongly affects channel relationships and this is an important consideration.

Some arguments exist as to how partnerships (channel relationships) should be managed, without one partner feeling that they have or might lose out in the relationship's long-term success (Christopher and Juttner, 2000, p.118; Cannon et al., 2000, p.180). The reason why a strong and positive partnership needs to be developed, is according to Joshi and Stump (1999, p.291), that partnership value added, underpins a successful long-term relationship, and this requires a new form of governance mechanism to exist which allows an exchange which restricts opportunism.

Juttner and Peck (1998) collected data through two retailers by using in-dept interviews. Senior managers were interviewed and asked to explain what were the most important elements of the relationship strategy implementation process. The following categories were used: strategic level relationships (corporate level); operational level relationships; and internal working relationships. The objective was to analyze how two different organizations built partnership relationships with channel members. Juttner and Peck (1998, p.236) suggest that in order to facilitate inter-organizational relationships, it is necessary to have a form of governance mechanism in place. This is because retailers are not interested in establishing long-term relationships with suppliers, because, the retailers choose suppliers based on price criteria only (Juttner and Peck, 1998, p.228). Retailers and suppliers may not be willing to develop a close working relationship because management may not wish to expose themselves, in the sense that they do not want to put their own organization's strategy at risk (Christopher and Juttner, 2000, p.119). This explains why a continuum of relationships exist, and some are considered confrontational and some non-confrontational (Juttner and Peck, 1998, p.224).

However, retailers need to undertake research in order to improve the organization's inventory management situation for example, and establish how a positive and strong relationship can be built with the organization's key suppliers. This may be necessary when the retailer has limited space, but other factors such as the speed of circulation of finances and the replenishment of stocks are key considerations. Retailers need to have adequate technologies in place, so that managers can communicate quickly and accurately with their suppliers. As a result of this, retail organizations can reduce the lead-time of products (Buzzell and Ortmeyer, 1998, pp.90-92), and can provide products to customers on time and as promised.

The key point is how retailers and suppliers introduce the governance mechanism. Christopher and Juttner (2000, p.120) have found that fairness is an important element, as one partner may feel that the rating system is not fair. Although Juttner and Peck (1998, pp.231-234) have taken into account the importance of internal relationships, the high level of staff satisfaction and its influence on channel partnership members, however, Juttner and Peck (1998) have not considered how senior managers should inspire and motivate staff so that trust-based relationships are established. This is one of the critical points for retail organizations. Juttner and

Peck (1998, p.224) are correct to state that the framework for relationship building needs to be examined. There is a necessity to have a governance mechanism in place, however, whether it is necessary or retailers should adopt the market orientation concept itself is debatable. The governance mechanism could be implemented with key partners only, as building partnership cultures, integrating structures, and establishing shared value systems are complex issues and need to be planned carefully.

Christopher and Juttner (2000, p.119) state that “often, the relationship value is not measured at all or only on the basis of revenue and volume”. In a business to business context, the real value of a relationship is linked to a number of criteria (Matthyssens and Van den Butte, 1994). Anderson (1995) has indicated that the standard measurement approach is recognized as adequate in company-industry-contexts but some criteria are difficult to quantify and this latter point has been accepted by Ellram (1991). The substitutability of suppliers; their indispensability; and common interests need to be taken into consideration (Krapfel, Salmond, and Spekman (1991).

The concept of marketing orientation emphases the fact that customer needs and demands need to be met, hence the internal coordination process within the organization needs to address issues such as the satisfaction of employees, motivation and behaviour which need to be underpinned by a shared organizational value system, clear beliefs, and is dependent upon defined leadership styles for example (Webster, 1992; Slater and Narver, 1994; Siguaw et al., 1998, p.99; Juttner and Peck, 1998).

Siguaw et al. (1998) have produced a conceptual model and empirically examined the effectiveness of suppliers’ marketing orientated behaviours on channel relationships. Siguaw et al. (1998) focused attention on a distributor’s marketing orientation, trust, cooperative norms, commitment and satisfaction; with emphasis on financial performance from the distributor’s perspective. Siguaw et al. (1998, p.104) collected data from 1,127 supplier-distributor partnership arrangements (companies affiliated with the National Association of Wholesalers). The response rate was 36.9 % (453 distributors and 380 suppliers), and the data were analyzed using the LISREL method (Siguaw et al., 1998, pp.99 and 105). The results of the research (Siguaw et al., 1998, pp.106-107) show “that a supplier’s market orientation affects the distributor’s market orientation, and commitment to the relationship”. Baker et al. (1999) support this view and suggest that commitment is very important, and is based on perception and cooperative norms. Distributors are motivated by profitability and are willing to adopt the supplier’s market orientation (which has an impact on trust and the perception of cooperative norms), because the distributors believe they will achieve high financial returns, and this can be perceived as satisfaction (Siguaw et al., 1998, pp.101 and 106).

However, as Siguaw et al. (1998, pp.107-108) feel that their empirical research is inconclusive and further examination/investigation into the subject is required. In terms of the cross-sectional data approach used, it was felt that this method did not capture important factors such as change and connectedness in channel partnership relationships and a longitudinal study could be used to study interactive relationships so that causal inferences could be established (Siguaw et al., 1998, pp.107-108). Secondly, Siguaw at el. (1998) have not explained how top managers should implement the marketing oriented approach with respect to developing long-term relationships with key distributors. This is because the marketing orientation approach needs to be distinguished from the marketing concept (noted by Slater and Narver, 1998). Siguaw et al.

(1998, p.100) have omitted in their research relating to marketing orientation and partnership, the importance of organizational culture and the role that shared values play in each organization. Trust is an important factor and the research does not address how staff in each organization can build trust into the organization's culture, and how trust is developed between the supplier and the distributor.

Siguaw et al. (1998, p.223) have followed a different approach to that of Juttner and Peck (1998). The two approaches outlined in the above, the marketing orientation and the governance mechanism, can and do come together, and can explain the benefits of developing long-term partnerships. With respect to the initial stage of a partnership, for example, some form of governance mechanism may need to be introduced in order to make clear what tasks are associated with the partnership, and how the process of partnership is to develop. However, the governance mechanism should be flexible due to the complexity of the socio-cultural environment and the business conditions that prevail and which can change (Joshi and Stump, 1999). It is possible to establish a partnership culture that is underpinned by national and organizational culture, provided the partnership culture includes some form of contract, which has a legal emphasis. This needs to be accepted by management in both organizations, who must be willing to work together to solve unpredictable problems, through communication, as and when they arise; and this will ensure mutual benefits result (Cannon et al., 2000).

Trust in the Context of Partnership

Doney and Cannon (1997, p.36) have built on Ganesan's (1994, pp.3-4, and 15) work; and the work of Kumar et al. (1995); and have provided useful definitions of trust. Trust is composed of two components, one is perceived credibility (which refers to the ability to perform satisfactorily a given task) and benevolence (which requires that short-term benefits are given-up for a long-term relationship and mutual benefits). As regards mutual benefits, one needs to think in terms of a target, which is based on mutual confidence about each opposite partner (Siguaw et al., 1998, pp.101-102; Baker et al., 1999, p.51).

Trust is a pivotal element in the strategy process when two or more organizations attempt to build a strong, continuous relationship. Management need to establish common corporate norms, goals, a commitment to the relationship, and satisfaction with the relationship (Baker et al., 1999, pp.53-54). If retail organizations are able to establish a strong partnership with their supplier organizations, and trust is evident, they are able to share sensitive information which can be used to improve existing product performance, to innovate, develop new products, and reduce total costs. This being the case, retailers will be able to meet the needs of their suppliers more efficiently and to reduce the level of risk which is associated with opportunistic behaviour of suppliers. As a result, retailers and suppliers are able to achieve long-term benefits, which result in mutuality (Doney and Cannon, 1997, p.46; Wicks et al., 1999, p.100).

Doney and Cannon (1997) have examined five cognitive processes associated with industrial buyers, and how trust with supplier firms is established, and how trust with supplier firms' sales personnel is established, and the impact that trust has on the buying decision-making process and future purchases. Doney and Cannon (1997) collected data through a postal survey, which involved 678 industrial companies and received a response rate of 31 per cent. The collected data was analyzed using the LISREL VIII method and traditional methods (exploratory factor analysis coefficient alpha, and adjected item-to-total correlation for example). Doney and Cannon (1997, p.45) found that trust was not a main issue. This is because supplier firms or their salespersons do not influence the selection of current suppliers. This is because, the buyer firm's key criteria for selecting suppliers are mainly delivery performance and relative price/cost advantages, although the trust factor is influential with respect to future business awarded (Doney and Cannon, 1997, p.45).

Retailers and suppliers do build long-term, positive relationships in order to achieve a competitive advantage(s) based on creating 'fitness' (Ganesan, 1994, p.3). This is because, retailers are able to meet their customers' needs and demands more effectively and efficiently by being able to share sensitive information with their suppliers in order to improve the company's performance and/or to provide innovations to meet latent needs. Reducing the lead-time is also another important factor. This means that suppliers can meet their customers' needs and wants more effectively and efficiently through distributors. It allows retailers, suppliers and distributors to provide a continuous service in the competitive marketplace.

Retailers need to be aware of marketing ethics and how ethical practice differs from country to country. Dunfee et al. (1999, p.23) have raised several marketing ethics related issues and it can be stated that trust is also an important factor in relationship building. Lewick and Bunker (1995 and 1996) have noted that there are different levels of trust evident in relationships. Retailers and suppliers are able to build high levels of trust based on internalizing the partner's desire and intentionality. The work of Doney and Cannon (1997) does not show how retailers and suppliers should build strong relationships based on high levels of trust. If retailers and suppliers have a strong relationship based on a high level of trust, they can share sensitive information in order to achieve a competitive advantage(s) by meeting their customers' needs and demands. Doney and Cannon (1997) have admitted that their research does not take national cultural differences into account. This is a weakness because national culture has an influential role with respect to shaping people's interpretations and responses. This is a very important point with respect to international partnership building, and it has a great deal of relevance when viewed from a strategic purchasing perspective (Trim, 1994).

Krause and Ellram (1997, p.30) collected data from a sample of 350, Fortune 500 buying firms in a variety of manufacturing and service industries through a postal survey, and received a 27 per cent response rate. Krause and Ellram (1997, p.30) examined important elements such as effective two-way communication, top management involvement in the development of relationships, the role of liaison teams, and the volume of purchasing from partner suppliers. Krause and Ellram (1997) suggest that in order for retail organizations to build long-term relationships based on a high level of trust, the retail organization must be involved in investing in training and educational programmes, technology improvement, research and development, and managerial capabilities, and work closely with their suppliers. Cost reduction and quality improvement (Krause and Ellram, 1997, p.26; Joshi and Stump, 1999, pp.295-301) are important considerations, because retailers who invest in supplier organizations contribute to the trust factor (Joshi and Stump, 1999, pp.295-301).

Meanwhile, suppliers are also able to show to the retail partner that they can improve their skills and knowledge (by investing in up-to-date equipment, training and education) (Ganesan, 1994, p.13; Doney and Cannon, 1997, p.47). Ganesan's research (1994, p.13) and Joshi and Stump's (1999, pp.300-302) research examined buyer-supplier mutual dependence, and what kind of elements are commonly hailed as trust oriented. Joint action is considered to be more effective than other governance mechanisms (Joshi and Stump, 1999, p.302), and this is to some degree to be expected.

Conclusion

It is logical to say that in order for management in retail organizations to establish strong and continuous relationships with supplier partners, first, they should prepare a plan for the joint investment in supplier development programmes which involve training programmes, education, up-to-date equipment, and research and development, for example. Second, management need to be aware of the partner organization's culture and the role that national culture plays, when they develop partnership arrangements with overseas companies. This is because culture has a morale dimension to it (Wicks et al., 1999, p.100), and is heavily influenced by societal behaviour. Therefore, third, research needs to identify what the perceptions of retailers and suppliers with respect to trust are and to establish what the most trustworthy behaviour is. Trustworthy behaviour can be interpreted in a certain way and result in a specific type of response (Doney and Cannon, 1997, p.47; Wicks et al., 1999, pp. 99-101). This is essential with respect to the integration of partnerships from the perspective of strategy formulation. As a consequence of this, finally, future research is required which is longitudinal in order that the perception of trust and the role that it plays is matched from a retailer and supplier perspective.

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