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IMPORTANCE OF MEASURING RELATIONSHIP QUALITY IN THE RETAIL INDUSTRY: AN ASIAN PERSPECTIVE

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ABSTRACT

In this article the author has identified the necessity and importance of developing a new relationship quality measurement scale (RELQUAL) to assess the degree of relationship quality between the retailers and their suppliers from an Asian perspective. Relationship quality is presented as a higher order concept. Findings reveal that the quality of relationship in the retail industry needs to be measured because of its high theoretical as well as practical implications.

Introduction

With the ever growing dominance of super centers and specialty shops, retail industry has become a part of every modern day to day activities of urban population. In retail industry, retailer-supplier relationship plays a crucial role in retailers' supply chain management. From the competitive retail marketing perspective Flidner & Vokurka (1997) mentioned that retailers can improve their supply chain agility by forming cooperative strategies with their suppliers, bringing success in competitive markets. Now- a- days it is increasingly important for the buyers to have strong relationships with their suppliers to cope with the competitions. Parsons (2002) stated that now-a-days businesses are increasingly dependent on their relationships with their suppliers and they need to ensure high standards, while Garcia (2008) reminded that although long term client partnerships involved critical work, still they offered benefits to both sides through expansion and growth of business. From the competitions perspective, on-going high quality business relationships have been recognized as a source of competitive advantages (Hennig-Thurau and Hansen, 2000; Palmer, 2002).

Background

In Asian countries retail trade is known as traditional business. There has been remarkable growth in retailing activities and buyer seller relationships over the years in this region. From the industrial perspective exponential growth of retail industry has been recorded by Fortune 500 and Templeton Global Performance Index (Gestrin, 2000). Liberalization in the 1990s led to this rapid expansion of retailers in a range of developing countries, notably in Southeast Asia (Humphrey, 2007). Humphrey (2007) also mentioned about the contribution of modern retailing formats as an instrument for development and poverty reduction measures in the developing countries of Asia. Despite of this potential growth, the retail industry is not without challenges. Etgar and Moore (2007) clearly identified that expansion of retailers has been accompanied by numerous retail failures. Hudgeon (2006) postulated that most of these enterprises failed to manage their relationship with their suppliers and maintain their relationships quality. Researchers like Palmer and Quinn (2007) mentioned about the growing evidence of retailers failures. Although recent research efforts (Woo & Ennew, 2004; Caceres & Pappas, 2004) shed light in the business to business area, the issue of relationship quality in B2B contexts has remained undefined and relatively unexplored (Woo & Ennew, 2005). Vesel and Zabkar (2010) mentioned that RQ has certainly been one of the criteria according to which retailers can select the best customers in a B2B setting, while the performance of the entire supply chain of the company is positively and significantly affected by stronger buyer-supplier relationships (Maloni & Benton, 2000).

From the methodological perspective, the application of the RELQUAL scale in retail industry can be a unique research proposition. It is a fact that relationships in an international context are crossing over national



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boundaries, which is highly unlikely in the domestic context. Therefore, these relationships get affected by the new social, cultural and other environmental values and differences. Hence it would be important to test the RELQUAL scale in other international settings in order to assess its stability across different samples and contexts. Payan et al. (2009) and Lages et al. (2004) strongly recommended that the future researchers should test the measurement of the RELQUAL scale in other industrial settings (ie; Retail) and replication of the study in different country or continental context (ie; Asia) in order to continue refining and validating the scale.

Relationship Marketing (RM)

There has been a major shift in the conception of marketing fundamentals. As the relationship marketing concept has developed there has been a movement away from the traditional adversarial transaction cost analysis approach to buyer supplier relationships, based upon cooperation (Wilson, 1995). The interaction and network approach of industrial marketing and modern services marketing approaches, especially by the Nordic schools, clearly views marketing as an interactive process in a societal context where relationship building and management is a vital cornerstone. In the marketing mix paradigm (with its 4 Ps) the seller becomes the active part, while the buyer becomes passive. In this concept there exists no personalized relationship between the manufacturer and the marketers. This particular viewpoint does not explain or elaborate the reality of retail marketing requisites.

The concept of relationship marketing was first introduced by Berry (1983). He described the concept from the services marketing perspective. The major goals of RM in creating mutual benefits and values by reaching objectives for both the buyers and the sellers were agreed upon by other researchers. Relationship marketing researchers have emphasized that relationships are partnerships. According to Ismail (2009) "The emphasis is on social bonding, co-operation, and joint problem solving, sharing resources and activities, and basing relationship on common goals while claiming that long term relationships are mutually beneficial". Rachjaibun (2007) defined the relationship marketing paradigm as a way to enhance customer satisfaction through the relationships. However the concept of managing relationships is not a new one in business. Without using the term relationship marketing most of the entrepreneurs built and managed their businesses. If we look into the historical perspective we will discover that in ancient trading, creating and maintaining relationships were given utmost importance. In the middle-east there is a very popular saying "As a merchant, you'd better have a friend in every town".

Relationship Quality (RQ)

The concept of relationship quality has arisen from theory and research in the field of relationship marketing (Crosby et al, 1990; Dwyer et al, 1987), in which the ultimate goal is to strengthen already strong relationships and to convert indifferent customers into loyal ones (Berry & Parasuraman, 1991). Marketing and purchasing literature has given considerable amount of attention to buyer-supplier relationships (Olsen & Ellram, 1997). Relationship quality was termed as an assortment of intangible values that enhance the product or service, resulting in expected transactions between the buyers and the sellers (Levitt, 1986). Gummesson (2002) quoted RQ as the true quality of interaction between a buyer being interpreted in terms of accumulated value. Hennig, Thureau and Klee (1997) postulated that to fulfil the needs of the customer associated with the relationship RQ is the degree of appropriateness. Retailer-supplier relationship works like a two way sword. It has an asymmetrical nature within itself. It also can create a "win-win" situation for both the parties. Corsten and Kumar (2005) stated that small suppliers do benefit from collaborative relationships with large retailers. From these discussions it can be concluded that the true form of relationship quality determined the level of commercial and business cohesiveness retailers and suppliers should have between them.

Operationalisation and measurement of relationship quality (RQ)

There has been no clear consensus on the dimensions of relationship quality constructs and previous researchers used items inconsistently to describe relational constructs. In this aspect Julie

(2006) stated that most of the studies on RQ based on the empirical context under investigation and they lacked



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specific attempts to fully develop a relationship quality constructs as well as practical measures. In recent years Rodriguez and Callarisa (2006) confirmed that relationship quality could be successfully measured with satisfaction, trust and commitment. Ulaga and Eggert (2006) strongly denoted that although definitions vary slightly across study contexts relationship quality is typically assessed through some combination of commitment, trust and satisfaction, while Ismail (2009) mentioned that these three core variables are interrelated rather than independent in constructing RQ. Echoing the same findings Roberts et al (2003) postulated that inter firm relationship quality depended on trust, affective commitment, and customer satisfaction. Yee (2008) narrated the importance of satisfaction, trust and commitment by mentioning that they could be joined together as a relationship quality construct of higher order. In relationship marketing literature researchers presupposed that better relationship quality can be an integration of satisfaction, trust and commitment (Gerrard and Lawrence, 1997; and Nelson, 2007). So it can be postulated that trust, satisfaction, and commitment are coherently joined together in conceptualizing quality of relationship (Yang & Wu, 2008). After almost two decades of research in consumer markets, the basic conceptualizations of trust, satisfaction and commitment as RQ dimensions have significantly prevailed in most of the studies (Vesel and Zabkar, 2010).

At the same time Lages et al (2004) in their primary study on RELQUAL scale formation recommended to test the stability of their scale (comprised of trust, satisfaction, and commitment) in different country, sample and industry context. They also suggested that it was worth studying other types of relationship to find out whether the same items hold together or not, particularly in a buyer-supplier relationship. Based upon these recommendations trust, satisfaction and commitment can be ideally considered as the dimensions of RQ in developing a unique RELQUAL scale for retail industry.

To date, The RELQUAL scales is the only scale that has been routinely used to measure relationship quality within the B2B settings. Recent emergence of relationship marketing paradigm has recognized the ever increasing importance of managing, developing and evaluating relationships by marketing academicians and practitioners (Berry, 1995; Sheth & Parvatiyar, 1995). There have been several studies measuring relationship quality in the B2B domain. Roberts at al. (2003) measured RQ between service firms and their customers. RQ has been measured for manufacturers and distributors by Dorcsh et al. (1998). Bejou et al. (1996) measured RQ between salespeople and their customers. But no empirically proven and tested scale has been found to measure relationship quality within the retail sector (to the researcher's best of knowledge). Based upon this scenario Samiee & Walters (2003) expressed their deep concern about the empirical testing of relationship quality frameworks by mentioning that the conceptual growth of new frameworks has been faster than their empirical testing, while hard data on these aspects is lacking.

In recent years a cross cultural RELQUAL scale has been developed by Payan et al. (2009) and Kim et al. (2003) to test the relationship quality between suppliers and their distributors and consumers and brand retailers in Sweden, the USA and South -Korea. Like the previous other RELQUAL scales their scale was presented as an "umbrella construct" model consisting of satisfaction, trust and commitment, along with other dimensions. Payan et al (2009) claimed that their RELQUAL scale hold higher level of interest for business practitioners, offering a structure of dimensions contributing toward the organizational effort of maintaining satisfactory level of relationship quality within the areas of distribution and channel management. Payan et al. (2009) mentioned in their RELQUAL literature that inter-organizational relationship quality mostly included the first order constructs of trust, satisfaction and commitment. Holmlund (2007), as well as Moliner et al. (2007) also validated the previous statement of Payan et al. (2009).

Trust

High level of trust makes sure that the firm focuses on the long-time benefits of the transactions (Doney & Cannon, 1997; Ganesan, 1994). Studies report that trust results from the expertise, reliability or intentionality of an exchange partner (Moorman et al., 1992). Parasuraman et al.

(1998) introduced trust as a critical success factor in successful relationships while, customers need to feel safe in dealings with suppliers and need to be assured that their interaction is confidential in that they are able to trust their



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suppliers. Finally, Industrial Marketing and Purchasing Group viewed trust as central in their studies in relationship marketing (Ford 1990 and Hakansson 1982). Therefore, trust can be considered as a mandatory dimension of relationship quality.

Satisfaction

Lages et al (2005) considered satisfaction with a relationship to be a key dimension of relationship quality. Literature suggests that members of high quality relationships are more satisfied with roles assumed and performed by each of the two parties in the exchange process (Crosby et al., 1990). This definition is consistent with that of Anderson, Fornell, and Lemann (1994), who proposed that satisfaction is an overall evaluation based on long-term experience of purchasing and consuming a product or service. In fact, satisfaction has been considered one of the major factors determining relationship quality in many previous studies (Bejou, Wray, and Ingram 1996; Crosby, Evans, and Crowles 1990; Dorsch, Swanson, and Kelley 1998; Lagace, Dahlstrom, and Gassenheimer 1991; Roberts, Varki, and Brodie 2003; Wray, Palmer, and Bejou 1994). When in a channel relationships one members goals are largely contributed by another member, the second will consequently be more satisfied with the overall relationship with the first (Kumar, Stern and Achrol, 1992). Hence, meeting or exceeding the performance goals results in satisfaction with the partner, and thus satisfaction is a close proxy for perceived relationship quality (Anderson and Narus, 1990). Retail researchers have examined channel members satisfaction from a variety of perspectives, but with no common ground (Lewis and Lambert, 1991; Ping Jr, 2003; Schul et al, 1985).

Commitment

Saura et al. (2009) mentioned about organizational commitment as a very old and widely researched variable in the literature of organizational relationships. If the channel members hold mutual commitment toward each other than this commitment can play the key role in achieving valuable outcomes. In B2B context commitment can be termed as a firm's resolution to complete a task that it had promised to its business partner, although many differences of opinions remained in conceptualizing commitment by both the exchanging parties. Morgan and Hunt (1994) endured the desire to maintain the relationship because it reflects a committed partner who wants the relationship to endure indefinitely and is willing to work at maintaining it. Thus, Wilson (1995) assured by stating that to enhance buyer-seller relationship commitment can play the leading role in making sure that both the exchanging partners can gain benefits from the relationship. He also mentioned that in due course of time commitment can be transformed into a relational norm with which both the exchanging parties can measure their relationship. Under these circumstances Ramaseshan et al. (2006) implied that strong commitment between the exchange partners will result in bringing high value and stronger benefit to the relationship in the future.

Directions for future research

The quality of relationship with their suppliers is central to retailers, as the latest developments demonstrate. Hence, by using the RELQUAL scale to assess the quality of a relationship, retail managers may better understand relationships main constituent elements, so that they may handle them more efficiently, ultimately influencing their firm's performance. The RELQUAL scale structure can be further explored based upon several previous studies (Leuthesser, 1997; Dorsch et al., 1998; Roberts et al., 2003; and Hennig-Thurau et al., 2002), which have assessed relationship quality using multiple dimensions. As relationships in an international context transcend national boundaries, they are much more affected by social, cultural and other environmental differences. Therefore more studies are required in Asian setting, so it would be important for future researchers to test the RELQUAL scale in other Asian settings in order to assess its stability across different samples and contexts. It is also worth studying other types of relationships, would the same scale hold together, for example; a franchiser-franchisee or buyer-supplier.

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