FACTORS AFFECTING A LONG-TERM RELATIONSHIP BETWEEN A RETAILER AND A SUPPLIER
A CASE STUDY FROM VIETNAM

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Abstract
This study was conducted to identify, quantify, and assess the importance of factors affecting long-term relationship between sellers and buyers (or retailers) in two different stages: (i) the initial stage of a long-term relationship and (ii) the maintaining stage of a long-term relationship. The survey took place at Tan Binh Market in Ho Chi Minh City, one of a few biggest wholesale-retail market in Vietnam, in July 2014. The survey was conducted through direct interview with retailers using the questionnaire. Results from this study demonstrate that the “trust” factor from retailers towards sellers, the supplier's commitment, retailer's dependence on vendors; and satisfaction with the retailers’ previous business results have a positive impact on a long-term relationship between retailers and vendors in both stages. The study also proposes recommendations for suppliers and retailers operating at Tan Binh market, in particular; and in general for a wholesale market, the important factors in order to build, develop and maintain a long-term relationship based on the principle of mutual benefit in their business operations.

Keywords: Trust; Commitment; Dependence; Satisfaction; Long-term relationship
INTRODUCTION

In a retailing environment, the relationship between retailers and suppliers is a two-way relationship with the focus on a mutually beneficial principle. On one end of this relationship, retailers who have a long-term relationship with suppliers can achieve a competitive advantage by receiving merchandise even in a short supply, favorable delivery terms, information on new and best-selling products, best prices, and advertising and markdown allowances (Zhengyi Chen 2006). On the other end of the relationship, suppliers who have long-term relationship with retailers can achieve a competitive advantage by obtaining information on best-selling products, better cooperative advertising, and special displays for their merchandise (Ganesan 1994). Zhengyi Chen (2006) found that relational elements (such as long-term orientation) enhance the performance outcomes in buyer-seller relationships. The results showed that both buyers and suppliers serve customers’ needs more fully and, as a result, their profitability will increase.

The wholesale markets in Ho Chi Minh City are considered one of the traditional distribution channels to effectively bring products to all other cities/provinces/regions in Vietnam. Therefore, the manufacturing enterprises in Ho Chi Minh City is likely to offer their products to traders in the wholesale market to consumers across the country. As such, understanding how to form and maintain long-term relationships in the market places is an essential marketplace skill (Zhengyi Chen 2006).

The identification of factors affecting the relationship between retailers and suppliers in Ho Chi Minh City will help suppliers to form and maintain a long-term relationships with retailers. Moreover, in the traditional distribution channels, the relationships between retailers and suppliers have yet to be explored in research in Vietnam. Tan Binh wholesale market is one of a few largest market in Ho Chi Minh City and also in Vietnam. Therefore, this study was conducted as a case study in Tan Binh District, Ho Chi Minh City.

LITERATURE REVIEW

Theoretical Models

Studies of the relationship between retailers and suppliers found this relationship through many different stages from start to finish. Each study provided different conclusions on the evolution of the relationship between retailer and supplier.

Dwyer, Schurr and Oh (1987) presented a model of the relationships between buyers and sellers. This model has been used as the theoretical foundation in the field of relationship marketing. This model was developed on the basis of the relationship between individuals as a "romantic" relationship. The authors described the development of relationships between buyers and sellers as a marriage in which a particular transaction (date time) could evolve into the more
sustainable relationship (marriage) which was supported by common goals. Dwyer et al. (1987) suggested that the relationship between the buyer and seller moved through five stages: (i) awareness of a potential partner, (ii) exploration of the potential and capacity of the parties, (iii) expansion of dependence and trust of cooperation relationship, (iv) the commitment of both parties in maintaining and developing relationships for the benefit of both parties symbiosis, (v) a declining (or ending) final stage of the relationship.

Wilson (1995) developed another process which is based on research by Dwyer et al. (1987). The authors suggested that the company moved through the stages of finding and choosing a suitable partner, determining the purpose of the relationship, identifying the boundaries of the extent to which each partner penetrates other organizations and the general results, creating value relationships, and ultimately maintaining the relationship.

**Empirical Findings**

Ganesan (1995) conducted a survey on the retail customers of a provider of chemical products in the United States. The author’s research was based on Dwyer et al. (1987) to explore the stages of the relationship between suppliers and retailers include: exploration, buildup, maturity and decline. The author assumed that in each stage of the relationship, the level of satisfaction with the results of the retailer’s business, the interdependence between the two parties and trust of retailer affecting long-term orientation of retailers to the relationship. Some results obtained from this study are as follows. Benevolence trust of suppliers was not a significant factor to a long-term relationship between retailers and sellers. However, credibility trust of suppliers was a significant factor to a long-term relationship of retailers. The findings presented that the dependence of retailers on suppliers had positive relationship with long-term orientation of the retailers. Besides, the dependence of suppliers on retailers had negative relationship with long-term orientation of the retailers. And satisfaction with the results of the retailer’s business in the past had significant relationship with long-term orientation of the retailers.

Zhengyi Chen (2006) conducted a survey on long-term relationships between suppliers and retailers of food in China. The author argued that a long-term relationship between retailer and supplier through three phases: starting, maintaining and ending. In this study, at each stage of this relationship, these factors: social satisfaction of retailers, opportunism, practice guanxi, dependence and trust of the retailers towards suppliers affect long-term orientation of the retailer.

The author concluded that the retailer's benevolence trust to suppliers occurring in both stages: initiation stage and maintenance stage was not a significant factor to a long-term orientation of the retailers to this relationship. Meanwhile, retailer's credibility trust to supplier in
both stages: (i) initiation stage and (ii) maintenance stage had statistical significance with a long-term orientation of retailers. In the two factors of economic satisfaction and social satisfaction, only economic satisfaction factor had significant relationship with long-term orientation of retailers in the initiation stage. Both of these factors were not significant factors to the long-term orientation of retailers in the maintenance stage. And the dependence of retailers on suppliers had positive relationship with long-term orientation of retailers in the initiation stage. Thus, the factors of retailers’ dependence on suppliers, retailers’ credibility trust to suppliers significantly affect a long-term orientation of retailer in each stage of the relationship.

In this study, a long-term relationship between retailers and suppliers will be considered in three different stages: initiation, maintenance and end. In particular, the initiation stage and the maintenance stage of the relationship has attracted attention and, as such, are focused on this empirical study. A long-term relationship in an initiation stage covers the period from before the formation of a long-term orientation to the moment of the formation of a long term relationship. In addition, a long-term relationship in a maintenance stage covers the period from right after a long-term orientation formed to right before the dissolution of relationship. (Zhengyi Chen 2006). Figure 1 below presents a summary of two phases in a relationship between sellers the buyers. There two key phrases are the main focus from this study.

Figure 1 The long-term relationship stages
A long-term relationship in an initiation stage is the stage when retailers and suppliers form a long-term orientation for the future relationship (Zhengyi Chen 2006). This phrase will take place after a period of transaction or cooperation trials, and after consistent satisfactions with each other’s performance and the value created during the cooperation. In a long-term relationship in a maintenance stage, retailers and suppliers have a stable relationship in which both retailers and suppliers have commitment to each other and both are willing to preserve this stability.

Previous studies concluded that there is no clear way to determine the length of the initiation stage or the maintenance stage of a long-term relationship. According to the approach of Zhengyi Chen (2006), the length of a long-term relationship for about three years. Therefore, in this study, the length of the initiation stage is two years or less, and the length of the maintenance stage is two years or more.

Phusit Wonglorsaichon (2004) explored the relationship between suppliers and retailers in the car tires industry in Thailand. The author discovered the following factors: the satisfaction of relationship, commitment to the relationship, and the trust had a positive effect in the long-term orientation of the relationship between retailers and sellers. In addition, the study examined the relationship between satisfaction and commitment, the relationship between satisfaction and trust, the relationship between trust and commitment. Of these factors, the factors of trust and commitment to the relationship had a positive effect in the long-term orientation of the relationship between retailers and sellers. Other experimental research has an important role in the field of relationship marketing include the studies of Jesus Cambra-Fierro J. and Yolanda Polo-Redondo (2010) and Irene Gil-Saura et al. (2011) conducted in Spain.

Jesus Cambra-Fierro J. and Yolanda Polo-Redondo (2010) examined a long-term orientation in the supply chain. They surveyed small businesses in Spain in the field of industry, construction and services. The results showed that cooperation, communication, satisfaction, trust and commitment can explain a long-term orientation of the relationships in the supply chain.

Irene Gil-Saura et al. (2011) explored a long-term relationships between suppliers and retailers in tourism services in Spain. The authors analyzed the impact of value relationship and dependence of supplier on the long-term orientation and loyalty of retailers. The results showed that trust had a direct impact on a long-term orientation of the relationship between retailers and sellers. These findings supported the importance of creating value for suppliers in their relationships with their customers.
RESEARCH METHODOLOGY

Data
The data used in this study were directly surveyed from retailers who are dealing in garments businesses in Tan Binh Market in Ho Chi Minh City, Vietnam. A survey covers the period of more than 6 months, from 07/01/2014 until 15/07/2014. Once responses from the survey are collected, the study samples were classified into two groups: (i) a period retailers purchased goods from this supplier under 2 years (Group 1); (ii) a period retailers purchased goods from this supplier for more than 2 years (Group 2). Two samples were coded and processed into two separate results for the two stages: (i) the long-term relationship in an initiation stage; and (ii) the long-term relationship in a maintenance stage.

The Research Model

**Dependent variable**
The long-term orientation of retailers on a relationship with suppliers: Ganesan (1994) and Zhengyi Chen (2006) showed that a retailer’s long-term orientation is the perception of interdependence of outcomes where both vendor’s outcomes and joint outcomes are expected to benefit the retailers in the long term. Jesus Cambra-Fierro J. and Yolanda Polo-Redondo (2010) concluded that a long-term direction of a company is that it is willing to sacrifice a benefit in a short-term in order to receive benefits in a long term from the relationship. Retailers with a focus on a short-term orientation are only concerned with the options and outcomes of the current period; whereas retailers with a long-term orientation focus on achieving future goals will be concerned for both current and future outcomes (Zhengyi Chen 2006; Ganesan 1994).

Long-term orientation focuses on a strong desire and intents to establish a long-term relationship, rather than just on the desire for probable future interaction (Zhengyi Chen 2006; Ganesan 1994). The difference between short-term orientation and long-term orientation can also be explained by the nature of the transaction between retailers and sellers through distribution channels (Phusit Wonglorsaichon 2004). The company with a short-term orientation only considers profits from each transaction, while companies with a long-term orientation will aim to maximize profit in various transactions. Despite the short time of a current transaction potentially affects a long-term orientation of a retailer, it is argued that it is not enough to capture a long-term orientation (Phusit Wonglorsaichon 2004). Long-term orientation refers to an orientation toward a specific vendor, not a generalized orientation toward all vendors (Zhengyi Chen 2006; Ganesan 1994).
Independent variables

Commitment: Anderson & Weitz (1992) and Jesus Cambra-Fierro J. & Yolanda Polo-Redondo (2010) concluded that commitment is a desire to continue the relationship in the future and that companies are willing to sacrifice short-term benefits to maintain the relationship. Commitment is not fully developed until the relationship enters the maintenance stage between retailers and suppliers. This is a stage where both parties have committed their resources to maintain the relationship (Zhengyi Chen 2006).

Commitment includes two components: attitude and behavior. Commitment reflects the attitude of both parties who desire to maintain the relationship and the specific acts to foster that relationship. Phusit Wonglorsaichon (2004) suggested that commitment is central to maintain the relationship between business partners, and as such commitment is desired for a continuation of a relationship in the future. The commitment of vendor is often demonstrated by investing resources in specific relationships such as time, money, goods, equipment and other resources. Some other studies such as studies of Phusit Wonglorsaichon (2004); Jesus Cambra-Fierro J. and Yolanda Polo-Redondo 2010; Zhengyi Chen 2006) provided similar findings. Ganesan (1994) discovered in each stage of the relationship between suppliers and retailers, commitment of vendor to the relationship had a positive impact to long-term orientation of retailers.

Satisfaction with business results: Ganesan (1994) argued that satisfaction on retailers’ business results provides a positive mental state which is based on the results obtained from the business relationship with suppliers. Previous studies on the relationship between supply chain members pointed out that the satisfaction of business results was one of the factors which helped to increase the spirit of cooperation among its members and to minimize the possibility to terminate the relationship (Zhengyi Chen 2006).

The dependence of the retailer: this factor is recognized as a key element needed for retailers and suppliers to achieve the desired goals. Dependence exists when one party cannot make the goals without the cooperation of the other party (McQuiston 2001).

Trust of the retailers: Trust is a popular concept which is widely adopted in different research areas such as sociology, economics, organizational behavior, strategic management, international business, decision sciences, and marketing. Child (2001) defines trust as the willingness to rely on other partner with the belief that both parties will gain benefits from this relationship. The author offers four definitions of trust which were often cited in the theory of exchange relationship: (a) Trust is a willingness to believe in an exchange partner because partner is reliable (Norapol Chinundej 2003; Moorman et al.1992); (b) The party believes that their needs will be completed in the future by the other party (Phusit Wonglorsaichon 2004;
Anderson & Weitz 1990), (c) Trust is the expectation of the party about the exchange relationship when the other party would be better to cooperate and perform tasks (Dwyer et al. 1987), (d) trust is the belief that the words and the promises of a party are trustworthy and they will perform their obligations in an exchange relationship (Phusit Wonglorsaichon 2004; Schurr & Ozanne 1985).

In the cases of two stages: (i) the long-term relationship in an initiation stage and (ii) the long-term relationship in a maintenance stage, a research model is proposed as follows:
THE EXPERIMENTAL RESULTS

Correlation analysis of the dependent variables

In the initiation stage, Table 1 presents correlation matrix between independent variables (the first panel of the table) and dependent variable and among independent variables.

### Table 1 Pearson correlations between variables in both stages of the relationship

<table>
<thead>
<tr>
<th>Variables</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORI</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRU</td>
<td>0.702</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>1.726</td>
</tr>
<tr>
<td>COM</td>
<td>0.781</td>
<td>0.611</td>
<td>1</td>
<td></td>
<td></td>
<td>2.161</td>
</tr>
<tr>
<td>DEP</td>
<td>0.727</td>
<td>0.481</td>
<td>0.602</td>
<td>1</td>
<td></td>
<td>1.840</td>
</tr>
<tr>
<td>SAS</td>
<td>0.722</td>
<td>0.541</td>
<td>0.619</td>
<td>0.607</td>
<td>1</td>
<td>1.975</td>
</tr>
<tr>
<td>ORI</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRU</td>
<td>0.753</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>2.054</td>
</tr>
<tr>
<td>COM</td>
<td>0.795</td>
<td>0.657</td>
<td>1</td>
<td></td>
<td></td>
<td>2.304</td>
</tr>
<tr>
<td>DEP</td>
<td>0.715</td>
<td>0.545</td>
<td>0.637</td>
<td>1</td>
<td></td>
<td>1.968</td>
</tr>
<tr>
<td>SAS</td>
<td>0.769</td>
<td>0.631</td>
<td>0.634</td>
<td>0.625</td>
<td>1</td>
<td>2.155</td>
</tr>
</tbody>
</table>

**Note:** ORI: long-term orientation; TRU: trust; COM: commitment; DEP: dependence; SAS: satisfaction with business results

The results evidenced that there is no significant correlation between independent variables. The highest correlation coefficient is 0.619 which is the correlation between the commitment of suppliers and the satisfaction with the business results of retailers. In addition, Table 1 also presents indicators VIF (Variance Inflation Factor), a key indicator to identify the possibility of multicollinearity in the model. If this index is greater than 5, which is a sign that the phenomenon of high multicollinearity. Especially, if the VIF index is approximately 10, a sign that the phenomenon of severe multicollinearity (Gujarati 2004). The above results show that the largest VIF index value is 2.161 and this index indicates multicollinearity phenomenon is negligible in this data.

In the maintenance stage, Table 1 presents the correlation matrix between the independent variables and the dependent variable and among independent variables. The results show that, at this stage, there is also no significant correlation between the independent variables and the largest VIF index value is 2.304 and this index indicates multicollinearity phenomenon is negligible.

**Regression equations for a long-term orientation of the relationship**

Regression analysis is conducted with 4 factors: (1) trust, (2) commitment, (3) dependence and (4) satisfaction with business results. In the initiation stage, Table 2 shows the results of the
adjusted $R^2$ is 0.782. This indicator means the independent variables altogether explain 78.2 per cent of a variation in a long-term orientation of the relationship between sellers and retailers. This result also presents that all four factors are statistically significant at 5 per cent level.

**Table 2** The results of the regression model in the initiation stage

<table>
<thead>
<tr>
<th>Variable</th>
<th>Regression coefficient</th>
<th>Std. error</th>
<th>Partial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-0.166</td>
<td>0.186</td>
<td>-</td>
</tr>
<tr>
<td>Trust (TRU)</td>
<td>0.251**</td>
<td>0.056</td>
<td>0.386</td>
</tr>
<tr>
<td>Commitment (COM)</td>
<td>0.310**</td>
<td>0.060</td>
<td>0.436</td>
</tr>
<tr>
<td>Dependence (DEP)</td>
<td>0.234**</td>
<td>0.049</td>
<td>0.408</td>
</tr>
<tr>
<td>Satisfaction with results (SAS)</td>
<td>0.217**</td>
<td>0.061</td>
<td>0.316</td>
</tr>
</tbody>
</table>

| adjusted $R^2$                  | 0.782                  |            |         |
| Sig.                            | 0.000                  |            |         |
| F                               | 106.879                |            |         |
| Durbin - Watson                 | 2.103                  |            |         |

*Note:* **Significance 1%*

The F-test is used in the analysis of variance to test the suitability of the overall linear regression model. The results from Table 2 presents the relationship between long-term orientation of the relationship between retailers and sellers in the initiation stage as follows:

**Long-term orientation** = -0.166 + 0.251*Trust + 0.310*Commitment + 0.234*Dependence + 0.217*Satisfaction with business results.

Similarly, Table 3 presents the empirical results for the maintenance stage. It is noted that all four factors are statistically significant at 5 per cent level.

**Table 3** The results of the regression model in the maintenance stage

<table>
<thead>
<tr>
<th>Variable</th>
<th>Regression coefficient</th>
<th>Std. error</th>
<th>Partial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-0.145</td>
<td>0.166</td>
<td>-</td>
</tr>
<tr>
<td>Trust (TRU)</td>
<td>0.257**</td>
<td>0.057</td>
<td>0.377</td>
</tr>
<tr>
<td>Commitment (COM)</td>
<td>0.317**</td>
<td>0.059</td>
<td>0.438</td>
</tr>
<tr>
<td>Dependence (DEP)</td>
<td>0.164**</td>
<td>0.047</td>
<td>0.298</td>
</tr>
<tr>
<td>Satisfaction with results (SAS)</td>
<td>0.262**</td>
<td>0.055</td>
<td>0.398</td>
</tr>
</tbody>
</table>

| adjusted $R^2$                  | 0.800                  |            |         |
| Sig.                            | 0.000                  |            |         |
| F                               | 126.695                |            |         |
| Durbin - Watson                 | 2.236                  |            |         |

*Note:* **Significance 1%*
The estimated equation for the maintenance stage is as below:

\[
\text{Long-term orientation} = -0.145 + 0.257*\text{trust} + 0.317*\text{Commitment} + 0.164*\text{Dependence} + 0.262*\text{Satisfaction with the business results}
\]

To determine the factors which provides a more important role for in explaining the long term relationship, the partial correlation coefficients is used. Results from Table 2 and Table 3 indicate that, in both stages, commitment has the most important influence on the long-term orientation of the relationship between retailers and sellers (Partial = 0.436 & 0.438). In the initiation stage, factor dependence has the most important influence on the relationship (partial = 0.408). Meanwhile, in the maintenance stage, factor satisfaction with business results has the second most important influence on the relationship, following by Trust (Partial = 0.377) and Dependence (Partial = 0.298). In the initiation stage, Trust has the second most important influence on the relationship (Partial = 0.386), following by Satisfaction with business results (Partial = 0.316).

**CONCLUSIONS AND RECOMMENDATIONS**

This study identifies the factors affecting the long-term orientation of the relationship between suppliers and retailers in two stages: (i) an initiation stage and (ii) a maintenance stage. The data were collected from the survey at Tan Binh Market, Ho Chi Minh City, Vietnam in July 2014. Results from this study demonstrate that all four factors carefully selected from extensive literature review, including Retailers’ trust to the seller (or vendor); vendor's commitment; Dependence of retailer on vendor and Satisfaction with retailers’ previous business results have a positive impact on the long-term orientation of the relationship between retailers and sellers in both stages: (i) the initiation stage and (ii) the maintenance stage. Findings obtained from this study provide similar results obtained from previous studies which were conducted in many different countries at different periods of time such as: Ganesan (1995), Zhengyi Chen (2006), Cheng Lu Wang et al. (2008), Phusit Wonglorsaichon (2004), Yolanda Polo Redondo et al. (2010), Irene Gil-Saura et al. (2011), and Ryu & Sungmin et al. (2007). However, it is noted that the magnitude of the affects from these four factors are different in the two stages.

This study provides empirical evidence on the relationship between retailers and vendors. In this relationship, the long-term orientation of the relationship between retailers and suppliers has a very important role to ensure success of both parties. To maintain this relationship, both retailers and suppliers are required work together and to promote the relationship in a more sustainable development.
For retailers, through research findings, retailers should rely on and cooperate with their supplier. This is one of the most important factors for developing the relationship between suppliers and retailers. When both parties trust each other, it will tend to commit to developing a long-term relationship, and both parties will share business development opportunities. For vendors, the vendor should have a strong commitment to retailers for long-term relationship as well as supply of goods and resources to support retailers. When retailers achieve business results, they will look forward to developing long-term relationships with sellers on the principle of mutual benefits.

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