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Theoretical perspectives of supplier–buyer long-term relationships in India

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ABSTRACT

Purpose: The purposes of this study are to investigate changing Indian supplier–buyer relationships and to propose an effective conceptual model using theoretically developed constructs such as power, performance, satisfaction (economic and noneconomic), conflict (economic and noneconomic), trust, cooperation, switching cost, and commitment

Methodology/approach: This study is focused on supplier–buyer relationships among Indian companies in the processed/packaged (not fresh) food business. All of the measures for the constructs were developed for and empirically tested in previous studies. Confirmatory factor analysis and path analysis were used to test the conceptual model.

Findings: First, Indian suppliers' power sources and performance significantly influence satisfaction and conflict. Second, satisfaction and conflict are significantly related to cooperation, trust, and switching cost. Third, cooperation and trust have a significant impact on commitment.

Research implication: One of the unique aspects of the study is to analyze the differential effects of satisfaction and conflict in India. Using dichotomized (economic and noneconomic) constructs, the ways in which Indian buyers' economic satisfaction, noneconomic satisfaction, economic conflict, and noneconomic conflict are related to other relationship constructs (power sources, performance, cooperation, trust, switching costs, and commitment) are investigated.

Originality/value/contribution: For global companies, a key requirement for success is how to develop and sustain long-term relationships with local companies. This study suggests practical and information for successful marketing strategies to establish long-term supplier–buyer relationships in India.

KEYWORDS

India; power; satisfaction; conflict; Performance; trust; cooperation; commitment

Introduction

For several decades, the study of channel relationships has been considered an important academic field in the marketing literature. Most channel relationship studies have focused on explaining how relational processes lead to outcomes such as conflict, satisfaction, trust, dependence, long-term orientation, and commitment.

During the 1970s and 1980s, concepts such as power sources, satisfaction, and conflict in channel relationships were studied widely. Most studies investigated the relationships among power sources, satisfaction, and conflict, and found that coercive power sources positively impact conflict and negatively impact satisfaction, whereas noncoercive power sources negatively affect conflict and positively affect satisfaction (Brown and Frazier 1978; Gaski 1984, 1986; Gaski and Nevin 1985; Hunt and

Nevin 1974; Lusch 1977; Michie and Sibley 1985; Wilkinson 1981).

Since the 1990s, studies of channel relationships have focused on the important aspects of long-term relationships between suppliers and buyers, that is, cooperation, switching costs, trust, long-term orientation, and commitment. Several researchers found that cooperation, trust, and switching costs are positively related to long-term orientation or commitment (Anderson and Narus 1990; Bordonaba-Juste and Polo-Redondo 2004; Ganesan 1994; Geyskens, Steenkamp, and Kumar 1999; Leonidou et al. 2011; Morgan and Hunt 1994; Olsen and Granzin 1993; Payan and Svensson 2007; Skinner, Gassenheimer, and Kelley 1992; Wiertz et al. 2004; Yu and Pysarchik 2002).

In fact, many studies considered the supplier–buyer long-term relationship to be the most

critical construct to establish optimal business relationships, because suppliers and buyers need to work together in ways that increase benefits and mutual performance, while reducing costs (Burt and Doyle 1993; Ganesan 1994; Landeros and Monczka 1989; Lorange and Roos 1992; Morgan and Hunt 1994). For example, Ganesan (1994) stressed that the retailer (buyer) can realize competitive advantages such as faster delivery of merchandise, new and better product information, competitive activities, better prices, and promotion and mark-down allowances through a long-term relationship. Similarly, the seller (supplier) can obtain competitive advantages through a long-term relationship, for example, information on better selling products, cooperative promotions, or special in-store merchandise displays.

Despite the importance of channel member satisfaction and conflict, most of the previous channel relationship studies used composite and/or unidimensional measurements that resulted in inconsistent findings (Geyskens, Steenkamp, and Kumar 1999; Ruckert and Churchill 1984). Thus, the necessity of multidimensional measurements of satisfaction and conflict has been raised. Specifically, investigation of “economic and noneconomic satisfaction” (Geyskens and Steenkamp 2000; Geyskens, Steenkamp, and Kumar 1999) and “economic and noneconomic conflict” (Yu and Pysarchik 2002) has increased in channel relationship studies. Geyskens, Steenkamp, and Kumar (1999) were the first to theorize the separate constructs of economic satisfaction and noneconomic satisfaction, and found differential effects. Similarly, studies of economic conflict and noneconomic conflict, resulted in differential effects on trust, dependence, and long-term orientation (Yu and Pysarchik 2002). Therefore, in the current study, both of the satisfaction and conflict constructs are separated into the respective economic and noneconomic dimensions (economic satisfaction, noneconomic satisfaction, economic conflict, and noneconomic conflict) to examine the differing effects on power sources, performance, cooperation, switching costs, trust, and commitment.

Second, although most of the channel relationship studies have been conducted in Western countries, very few studies of Indian supplier–

buyer relationships have been published since economic liberalization in the 1990s. Most previous channel relationship studies related to India (Kale 1986; Frazier, Gill, and Kale 1989) may no longer be applicable to the more current Indian market environment.

Based on these issues, the objectives of this study are to investigate changing Indian supplier–buyer relationships and to propose an effective conceptual model using theoretically developed constructs: “coercive power sources,” “noncoercive power sources,” “performance,” “economic satisfaction,” “economic conflict,” “noneconomic satisfaction,” “noneconomic conflict,” “trust,” “cooperation,” “switching costs,” and “commitment.”

This study aims to accomplish the following: (1) to analyze the influence of Indian suppliers’ power sources and performance on buyers’ economic and noneconomic satisfaction, and economic and noneconomic conflict; (2) to investigate the differential effects of economic and noneconomic satisfaction, and economic and noneconomic conflict on cooperation, trust, switching costs, and commitment; (3) to provide practical information about business strategies specifically for global food companies who wish to enter India.

Literature review

Power sources

In channel relationship studies, power is defined as “the ability to evoke a change in another’s behavior, that is, the capability to get someone to do something he or she would not have done otherwise” (Gaski and Nevin 1985, p. 130). French and Raven (1959) defined five power sources (coercive power sources, reward power sources, legitimate power sources, referent power sources, and expert power sources) in their framework. Later, Hunt and Nevin (1974) divided power sources into coercive and noncoercive (expert, referent, reward, and legitimate). Regarding power sources, many papers have been published, but very few studies of Indian supplier–buyer relationships have been published since economic liberalization in the 1990s. Specifically, previous power studies related to India (Kale 1986; Frazier, Gill, and Kale 1989)

may no longer be applicable to the more current Indian market environment. A new study is essential to examine the changed environment. For example, owing to economic liberalization, Indian suppliers' attitudes toward buyers may have changed because the Indian market structure could be evolving from a sellers' market to a buyers' market. Thus, the use of suppliers' coercive attitudes and actions toward retailers would likely be reduced compared to the pre-liberalization period when retailers had fewer supplier alternatives.

Conflict (economic conflict and noneconomic conflict)

In channel relationship studies, conflict is generally defined as a tension between two or more social entities (individual, group, or organization) that arise from the incongruity between actual and desired responses (Raven and Kruglanski 1970). Conflict occurs when a channel member perceives that a channel partner is impeding his/her achievement, and stress or tension results (El-Ansary and Stern 1972; Gaski 1984). Unidimensional conflict (dysfunctional conflict) has been used in channel relationship studies (Brown and Frazier 1978; Gaski and Nevin 1985; Geyskens, Steenkamp, and Kumar 1999; Lusch 1977; Lusch and Brown 1982; Rawwas, Vitell, and Barnes 1997; Wilkinson 1981).

Later, Yu and Pysarchik (2002) developed the concepts of economic and noneconomic conflict. They defined economic conflict as a channel member's negative feeling toward economic decline, such as decreasing profits, and noneconomic conflict as a channel member's negative feeling toward a noneconomic situation, such as an impolite attitude, or incompatible communication with a channel partner. They also demonstrated the differential effects of economic and noneconomic conflicts. For example, the results revealed that among four constructs, namely economic satisfaction, noneconomic satisfaction, economic conflict, and noneconomic conflict, only noneconomic conflict significantly and negatively influences long-term orientation in Korean manufacturer-retailer relations because of collectivistic cultural environments such as avoiding conflicts among social members. Later

Yu, Pysarchik, Kim (2008) insisted that economic satisfaction more strongly influences long-term orientation of low dependence retailers while economic conflict more negatively influences highly dependent retailers.

Satisfaction (economic satisfaction and noneconomic satisfaction)

Geyskens, Steenkamp, and Kumar (1999) defined satisfaction as "a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm" (p. 224). Previous studies have shown the following results: channel member conflict is negatively related to satisfaction (Brown, Lusch, and Smith 1991; Wilkinson 1981); coercive power sources are positively related to conflict and negatively related to satisfaction (Brown and Frazier 1978; Gaski and Nevin 1985; Hunt and Nevin 1974; Kumar and Bergstrom 2008; Lee 2001; Leonidou, Talias, and Leonidou 2008; Lusch 1977); noncoercive power sources are positively related to satisfaction and negatively related to conflict (Gaski and Nevin 1985; Hunt and Nevin 1974; Lee 2001; Leonidou, Talias, and Leonidou 2008; Lusch 1977; Michie and Sibley 1985; Wilkinson 1981); conflict negatively affects trust (Andaleeb 1996), dependence (Yu and Pysarchik 2002; Yu, Pysarchik, and Kim 2008), and long-term orientation (Ganesan 1994); whereas, satisfaction positively affects these constructs.

Geyskens, Steenkamp, and Kumar (1999) divided satisfaction into economic and noneconomic satisfaction. They defined economic satisfaction as "a channel member's positive affective response to the economic rewards that flow from the relationship with its partner, such as sales volume and margins" (Geyskens, Steenkamp, and Kumar 1999, p. 224). They defined noneconomic satisfaction as "a channel member's positive, affective response to the noneconomic, psychosocial aspects of its relationship, in that interactions with the exchange partner are fulfilling, gratifying, and easy" (p. 224). Geyskens, Steenkamp, and Kumar (1999) found the following relationships among partners: (1) threat influence strategy decreases economic satisfaction and noneconomic satisfaction, (2) noncoercive influence strategy

increases economic satisfaction and noneconomic satisfaction, and (3) promise influence strategy increases economic satisfaction and decreases noneconomic satisfaction because economic rewards depend on a member's compliance with a partner's request. Under these conditions, retailers' intrinsic motivation and sense of autonomy tend to be undermined because retailers must comply or meet manufacturers' directions and/or requirements to obtain an economic benefit. In addition, Chung, Jin, and Brenda (2007) ascertained that suppliers' coercion is negatively related to retail buyers' economic satisfaction. Sahadev (2005) insisted that channel members' noncoercive power (expert power) is increasing channel partners' cooperation and communication while reducing conflict in Indian distribution channels.

Regarding economic and noneconomic satisfaction and economic and noneconomic conflict, Yu and Pysarchik (2002) reported the following results: (1) suppliers' coercive power sources decrease retailers' economic and noneconomic satisfaction, while suppliers' noncoercive power increases economic and noneconomic satisfaction, and (2) suppliers' coercive power sources increase both economic and noneconomic conflicts; and noncoercive power decreases noneconomic conflict. Later Yu, Pysarchik, and Kim (2008) and Yu and Han (2009) confirmed that exercised coercive power sources and noncoercive power sources have different impacts on economic and noneconomic factors. Based on this background, the following relationships are hypothesized:

- H1a: Suppliers' coercive power sources will negatively influence buyers' economic satisfaction.
- H1b: Suppliers' coercive power sources will negatively influence buyers' noneconomic satisfaction.
- H1c: Suppliers' coercive power sources will positively influence buyers' economic conflict.
- H1d: Suppliers' coercive power sources will positively influence buyers' noneconomic conflict.

H2a: Suppliers' noncoercive power sources will positively influence buyers' economic satisfaction.

H2b: Suppliers' noncoercive power sources will positively influence buyers' noneconomic satisfaction.

H2c: Suppliers' noncoercive power sources will negatively influence buyers' economic conflict.

H2d: Suppliers' noncoercive power sources will negatively influence buyers' noneconomic conflict.

Performance

Performance in channel relationship studies is also a critical component. Performance can be described how well a channel partner performs its role and/or activities with a channel member (Frazier 1983). This approach assumes that when a channel member's perception of its channel partner's performance increases, the channel member's dependence on the partner increases. Thus, it is very difficult for a channel member to replace a channel partner if the channel member perceives the partner's performance as critical. If a channel partner's performance increases, the channel member will be more motivated to maintain the relationship with this partner. In a sellers' market, manufacturers' performance and retailers' economic dependence are unrelated because the number of manufacturers is smaller than the number of retailers (Frazier, Gill, and Kale 1989). In this type of market situation, retailers have few options to change the suppliers when manufacturers do not perform well. Therefore, manufacturers' role performance does not influence the dependence level of retailers. On the other hand, in a buyers' market, role performance and retailers' dependence are correlated. In a buyers' market, manufacturers know that their performance and contribution to retailers' goals increase a retailers' dependence. Therefore, performance in a buyers' market is more important than in a

sellers' market, and produces greater economic dependence (Frazier, Gill, and Kale 1989). In this market, retailers are not likely to follow a manufacturer's coercive action because retailers have alternative manufacturers from which to buy. Thus, checking suppliers' performance in the Indian market will be an interesting issue.

Regarding relationships among performance, satisfaction, and conflict, Patterson and Spreng (1997) found that consulting firms' performance dimensions (outcome, methodology, service, relationship, global competency, and problem identification) have a positive effect on clients' satisfaction. In addition, Schellhase, Hardock, and Ohlwein (1999) found that five out of ten dimensions of a food supplier's performance have the potential to influence retailers' satisfaction: "contact person," "intensity of co-operation," "product management," "management of prices and conditions," and "quality and flexibility." The results of these studies found that retailers' satisfaction is influenced by a supplier's performance dimensions. These are not analyzed in power theory, which primarily focuses on a supplier's attitudes. Consequently, the complex dimensions of satisfaction can be better explained by combining these two theoretical approaches (suppliers' attitudes from power theory and suppliers' performance from customer satisfaction theories). Although, Schellhase, Hardock, and Ohlwein (1999) did not divide satisfaction into economic and noneconomic satisfactions, the linkage between suppliers' performance and satisfaction is logical because retailers' satisfaction can be influenced by economic performance (product management and price management) as well as by noneconomic performance (attitude of the contact person). Lee et al. (2008) empirically found that channel members' performances have positive and direct impacts on the channel partners' economic satisfaction, and indirect impacts on noneconomic satisfaction. Thus, it is hypothesized as follows:

H3a: Suppliers' performance positively influences buyers' economic satisfaction.

H3b: Suppliers' performance positively influences buyers' noneconomic satisfaction.

H3c: Suppliers' performance negatively influences buyers' economic conflict.

H3d: Suppliers' performance negatively influences buyers' noneconomic conflict.

Trust

Moorman, Deshpande, and Zaltman (1993) defined trust as "a willingness to rely on an exchange partner in whom one has confidence" (p. 82). Ganesan (1994) reported that retailers' satisfaction positively influences two components of trust: credibility (welfare) and benevolence (task performance). Geyskens, Steenkamp, and Kumar (1999) reported that conflict with a channel partner negatively impacts trust, because disagreement will induce frustration, which then causes distrust and conflict. Later, Leonidou, Talias, and Leonidou (2008) confirmed that conflict is negatively associated with trust while satisfaction is positively associated with it.

Some marketing literature posits a positive relationship between trust and satisfaction (Andaleeb 1996; Anderson and Narus 1990; Dwyer, Schurr, and Oh 1987; Park and Oh 1999), while assuming a negative relationship between trust and conflict (Geyskens, Steenkamp, and Kumar 1999). Andaleeb (1996) reported that a supplier's trust increases a buyer's satisfaction in a channel relationship, confirming the results of antecedent studies (Anderson and Narus 1990; Dwyer, Schurr, and Oh 1987). In a Korean study, Park and Oh (1999) found that a supplier's and a retailer's satisfaction with their past business experience strongly affects trust and commitment. Ganesan (1994) reported that retailers' satisfaction positively influences two components of trust: credibility (welfare) and benevolence (task performance). In addition, Geyskens, Steenkamp, and Kumar (1999) reported that conflict with the channel partner negatively impacts trust, because disagreement will induce frustration, which then causes distrust and conflict.

Regarding economic and noneconomic factors (satisfaction and conflict), Geyskens, Steenkamp, and Kumar (1999) found that noneconomic satisfaction increases trust, and similarly, Yu and Pysarchik (2002) reported that increased levels of economic and noneconomic satisfaction positively influence trust, while increased levels of economic and noneconomic conflict negatively influence it. In addition, Yu and Han (2009) reported that economic satisfaction and noneconomic satisfactions are positively and significantly related to buyers' trust. Thus, it is hypothesized as follows:

- H4a: Buyers' economic satisfaction positively influences their trust.
- H4b: Buyers' noneconomic satisfaction positively influences their trust.
- H4c: Buyers' economic conflict negatively influences their trust.
- H4d: Buyers' noneconomic conflict negatively influences their trust.

Commitment

Commitment has been recognized as a critical factor for successful long-term channel relationships. Moorman, Zaltman, and Deshpande (1992) defined commitment as "the desire to maintain a valued relationship" (p. 136). Anderson and Weitz (1992) construed commitment as "a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship" (p. 19). Based on previous studies, the idea of commitment has produced such important outputs as decreased turnover (Porter et al. 1974), higher motivation (Farrell and Rusbult 1981), and increased organizational citizenship behaviors (Williams and Anderson 1991). According to Morgan and Hunt (1994), commitment and trust are described as key mediating factors in a successful relational exchange, and trust, particularly, is considered to be a determinant of commitment. Trust implies value that provides enhanced benefits to both channel members

and channel partners, and allows them to take risks/uncertainty because opportunistic behaviors are not expected of either party (Morgan and Hunt 1994). Therefore, a trusting member or partner does not need to monitor its channel partner and/or establish protection through legalistic contracts, which are costly. Thus, if commitment and trust are present, the channel member and partner increase their efficient, productive, and effective relationship.

Morgan and Hunt (1994) suggested that commitment and trust encourage a channel member: (1) to work with its channel partner to preserve a cooperative relationship, and (2) to maintain a long-term relationship with its channel partner and avoid attractive short-term channel alternatives. Most previous researchers found positive relationships between trust and commitment (Andaleeb 1996; Garbarino and Johnson 1999; Geyskens, Steenkamp, and Kumar 1999;). Recently, Leonidou, Talias, and Leonidou (2008) and Leonidou et al. (2011) also concluded that trust have a positive impact on commitment. Yu and Han (2009) also found that trust is positively related to buyers' commitment. Thus, it is hypothesized as follows:

- H5: Buyers' trust positively influences their commitment.

Cooperation

Cooperation is defined as "similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocity over time" (Anderson and Narus 1990, p. 45). In addition, Lucas, Hult, and Ferrell (1996) defined cooperation as the outcome of a learning process and mutual understanding between suppliers and buyers. Most studies in channel relationships recognize cooperation as a desirable construct in that it cultivates positive and long-term relationships between suppliers and buyers (Brown and Day 1981; Frazier 1983; Frazier and Rody 1991; Robicheaux and EI-Ansary 1975). Cooperation is known as the opposite construct to conflict (destructive conflict). Skinner,

Gassenheimer, and Kelley (1992) and Balabanis (1998) showed that the higher the level of conflict (destructive conflict), the lower the level of cooperation, which destroys an effective relationship and performance.

There is disagreement in regard to the sequence of cooperation and satisfaction among channel relationship studies. Some researchers used cooperation as a dependent variable (related to satisfaction) (Olsen and Granzin 1993), while others viewed cooperation as an independent variable (Anderson and Narus 1990; Bordonaba-Juste and Polo-Redondo 2004; Cambra-Fierro and Polo-Redondo 2008; Skinner, Gassenheimer, and Kelley 1992). Skinner, Gassenheimer, and Kelley (1992) reported that greater cooperation leads to greater satisfaction because cooperative efforts produce greater channel efficiency and lead to the desired goal. However, Olsen and Granzin (1993) reported that satisfied dealers in channel relationships are more willing to help manufacturers, and thus manufacturers who seek cooperation with retailers should be concerned about retailers' satisfaction (satisfaction \boxtimes cooperation). Geyskens and Steenkamp (2000) insisted if economic satisfaction is increased, channel members are more likely to engage in constructive responses while avoiding destructive responses [cooperative-like behavior]. In addition, increases in noneconomic satisfaction encourage constructive responses when problematic incidents occur [cooperative-like behavior], and noneconomically satisfied channel members are inclined to maintain a relationship [commitment] and be supportive or work to improve relationships [cooperative-like behavior] (Geyskens and Steenkamp 2000). In the current study, satisfaction is posited as an antecedent of cooperation. Finally, Sahadev (2006) empirically found that economic satisfaction significantly influences coordination in Indian distribution channels. Thus, it is hypothesized as follows:

H6a: Buyers' economic satisfaction positively influences their cooperation.

H6b: Buyers' noneconomic satisfaction positively influences their cooperation.

H6c: Buyers' economic conflict negatively influences their cooperation.

H6d: Buyers' noneconomic conflict negatively influences their cooperation.

Regarding the concept of trust, Anderson and Narus (1990) noted that, "Once trust is established, firms learn that coordinated, joint efforts will lead to outcomes that exceed what the firm would achieve" (p. 45). Similarly, Hagen and Choe (1998) said that trust encourages cooperation because it reduces transaction costs caused by the channel partner's opportunistic behavior. Several scholars also reported that a high level of trust is related to cooperative relationships between individuals and organizations (Casson 1991; Morgan and Hunt 1994; Ouchi 1981).

Previous studies indicated that cooperation is positively correlated with relationship benefits, relationship commitment, trust, and communication (Morgan and Hunt 1994). Balabanis (1998) stated that one of the goals for a channel member (international trade intermediary) should be to sustain a stable, long-term relationship with her/his channel partners because stable relationships reduce the effort of selecting new suppliers, along with the risk of uncertainty. They found that a greater level of cooperation leads to a longer commitment in business relationships. Anderson and Narus (1990) found that cooperation leads to trust, which increases willingness to collaborate (commitment) in the future (Morgan and Hunt 1994). In recent studies, positive relationships among trust, cooperation, and commitment were found (Bordonaba-Juste and Polo-Redondo 2004; Leonidou et al. 2011; Payan and Svensson 2007; Wiertz et al. 2004). Based on these results, it is hypothesized as follows:

H6e: Buyers' trust positively influences their cooperation.

H6f: Buyers' cooperation positively influences their commitment.

Switching costs

Switching costs are described as the buyer's perceived costs (time, monetary, and psychological/emotional) of changing from a current supplier to a new supplier (Heide and Weiss 1995; Jackson 1985). Switching costs have been widely integrated with several theoretical approaches in supplier-buyer relationships (Anderson 1985; Burnham, Frels, and Mahajan 2003; Dwyer, Schurr, and Oh 1987; Lam et al. 2004; Yang and Peterson 2004) When trying to switch its existing supplier, the buyer faces two types of switching costs: *setup costs* and *takedown costs*. Setup costs refer to the costs the buyer needs to find a new supplier who will provide the same or better performance (Dwyer, Schurr, and Oh 1987). Take down costs refer to the costs incurred when a specific or idiosyncratic investment with an existing supplier becomes valueless after terminating the relationship.

Morgan and Hunt (1994) stated that switching costs are increased by idiosyncratic investment that makes it more difficult or costly to change an existing partner. In other words, transaction specific investments required by suppliers raise buyers' switching costs, thus increasing buyers' dependence and inhibiting their motivation to change existing suppliers. Therefore, the net result of switching costs is that suppliers create reason for buyers to remain in the relationship even though they would prefer to change.

Regarding the relationship between economic factors and switching costs, Sengupta, Krapfel, and Pusateri (1997) indicated that the greater the economic incentives (economic satisfaction) offered by a supplier, the greater the switching costs faced by a buyer, while the lower the price (economic conflict) offered by a potential supplier, the higher the likelihood of customers switching. According to the definition of switching cost (Jackson 1985), it encompasses not only monetary cost but also psychological and emotional costs (noneconomic factors). When personal relationships, social ties, and trust have been built up over a period of time, the relationship between supplier and buyer is likely to present a psychological exit barrier (noneconomic satisfac-

tion), even though the performance of the core service is less than satisfactory. A buyer is more likely to avoid the psychological and emotional stress and the risk/uncertainty that the termination of the current relationship might bring (noneconomic factor) by staying in the relationship, even when it may be less than ideal (Sharma and Patterson 2000). Consequently, retailers' economic and noneconomic factors will strongly influence switching costs. Thus, it is hypothesized as follows:

H7a: Buyers' economic satisfaction positively influences their switching costs.

H7b: Buyers' noneconomic satisfaction positively influences their switching costs.

H7c: Buyers' economic conflict negatively influences their switching costs.

H7d: Buyers' noneconomic conflict negatively influences their switching costs.

Dwyer, Schurr, and Oh (1987) suggested that a buyer's expectation of high switching costs increases his/her intention to remain in the present business relationship. Morgan and Hunt (1994) also found a positive relationship between switching costs and commitment, and a negative relationship between switching costs and the propensity to leave. Regarding the relationships between switching costs, trust, and cooperation, a high degree of trust and cooperation will increase switching costs. Empirically, Nielson (1996) found that trust positively influences switching costs. In addition, Sahadev (2008) found that significant relationship between switching cost and commitment in India. Thus, it is hypothesized as follows:

H7e: Buyers' trust positively influences their switching costs.

H7f: Buyers' switching costs positively influence their commitment.

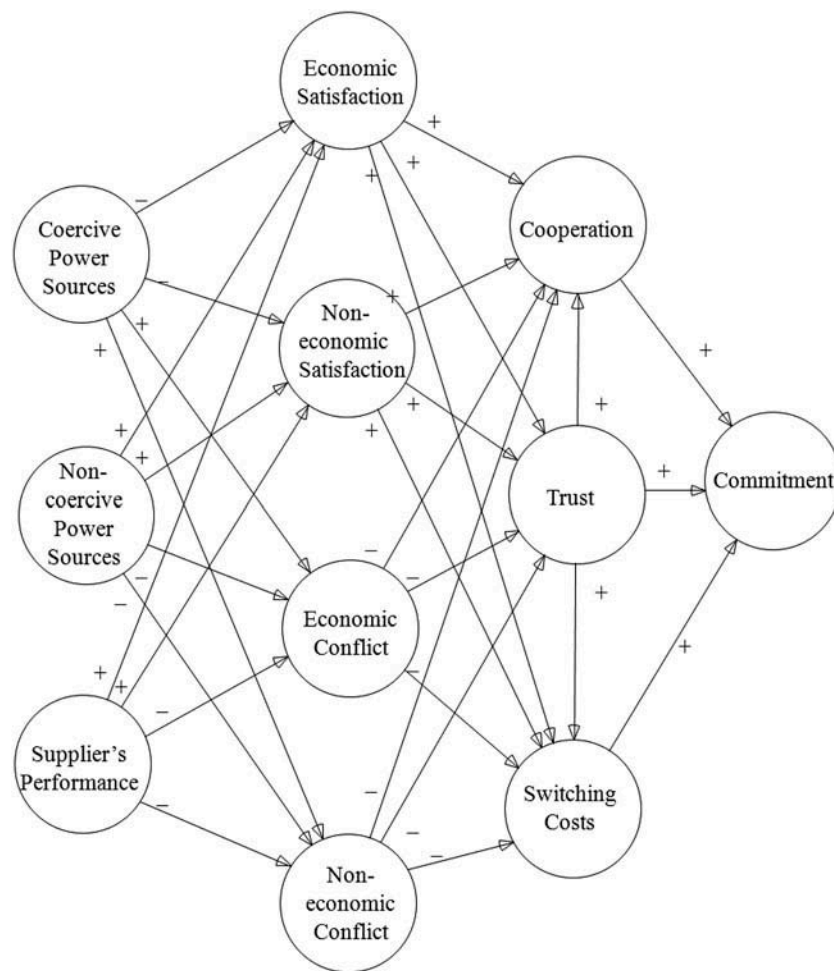


Figure 1. The holistic conceptual model.

Based on the previous discussion and hypothesis testing, a holistic conceptual model is shown in Figure 1.

Research methods

Sample selection and data collection

This study is focused on supplier–buyer relationships among Indian companies in the processed/packaged (not fresh) food business. Because Indian processed/packaged food manufacturers deal with several types of intermediaries and retailers, a broad array of supply chain members (wholesalers, stockists, brokers, importers, trading companies, or retailers) industries were selected as the population of suppliers to be sampled. Because the purpose of the study was to investigate a channel member’s relationship with his/her major supplier,

manufacturers/producers were not included in the sample of buyers. In addition, the nature of transactions between farmers and manufacturers is different than among other channel partners.

To achieve a representative sample from the major regions of India, data were collected from six cities (Bangalore, Delhi, Hyderabad, Kolkata, Ludhiana, and Mumbai). Urban cities were selected for this study, because in India processed/packaged foods are purchased by middle to upper income consumers, who typically live in urban areas. Thus, rural towns were excluded from data collection in this study.

To complete this study, the managers or owners (age 18 and above) of the businesses were contacted by trained research assistants. Two contact methods were used: (1) telephone contact and (2) direct personal contact. Regarding the telephone contact method, the telephone directory was used for the sampling frame. Every third processed/packaged food

business (wholesaler, stockist, broker, importers, trading company, or retailer) was selected from the telephone directory. From this information, research assistants made a call list and contacted each company. In areas where telephones were not prevalent or in places where telephone contact would reduce participation, research assistants randomly selected streets within a target city and then approached owners or managers of every third food business to seek their participation in the study.

Instrument

The questionnaire used in this study included 11 constructs and 64 items: coercive power sources, noncoercive power sources, economic satisfaction, noneconomic satisfaction, economic conflict, noneconomic conflict, cooperation, trust, switching costs, performance, and commitment. All of the measures for the constructs were developed for and empirically tested in previous studies.

The questionnaire was originally developed in English; however, a bi-lingual scholar unaffiliated with the study double-blind back translated the instrument into the local languages for respondents who were not fluent in English. To achieve comparability, considerable attention was provided to the issue of equivalence of meaning during translation. Moreover, two pretests of the questionnaire were conducted to improve item equivalence and the comprehension and cross-cultural appropriateness of the specific items in the instrument. The pretest results indicated that slight modifications in the wording of some items were essential to better reflect the Indian culture and market environment. In the questionnaire, respondents were asked to select their primary (major) supplier of processed (packaged) food, and then respond to the question items with this supplier in mind.

Results

Demographic characteristics of the sample

Three hundred and one useable questionnaires were collected from six cities in India (Bangalore,

Table 1. Demographic characteristics of the sample.

Characteristic	Frequency (N = 301)	Percent (%)
Form of Ownership		
Sole proprietorship	212	72.4
Partnership	42	14.3
Privately Held Corporation	22	7.5
Publicly held corporation	12	4.1
Cooperative	2	0.7
Corporate subsidiary	1	0.3
Other	2	0.7
Missing	8	
Form of Business		
Retailer	192	64.6
Wholesaler	55	18.5
Importer	19	6.4
Trading company	14	4.7
Broker	8	2.7
Stockist	2	0.7
Other (answered more than one form)	7	2.4
Missing	4	
Years in Business		
Less than 5 years	40	13.5
5–10 years	131	44.3
11–15	61	20.6
16–20	35	11.8
21 and over	29	9.8
Missing	5	

Delhi, Hyderabad, Kolkata, Ludhiana, and Mumbai). Descriptive statistics were analyzed to depict the demographic characteristics of the sample and firm information (Table 1).

The majority (72%) of the respondents are small sole proprietorships with fewer than 10 employees (89%), and retailers (65%), who have been in a business relationship with their major supplier for five years or more (86%), and (63%) depend upon their major supplier for 60% or more of their processed/packaged food sales.

Reliability and correlation

The constructs used in this study have been tested in Western countries; however, this study applied these constructs in Indian supplier–buyer relationships. Thus, the current study is exploratory in nature as it investigates the key constructs in a different cultural context. Although most of the constructs had a Cronbach alpha higher than 0.6, and exceed the recommended requirements of .5–.6 for an exploratory study, (Nunnally 1978; Peterson 1994), cooperation and trust had somewhat lower initial reliabilities, .50 and .60, respectively. Thus, using

Table 2. Reliability and correlations among variables.

	COPW	NCOPW	ECOSA	NECOSA	ECOCON	NECOCON	TRUST	SWITCH	COOPER	COMMIT	PERFORM
COPW	1										
NCOPW	-.04	1									
ECOSA	-.46aa	.22aa	1								
NECOSA	-.47aa	.08	.46aa	1							
ECOCON	.50aa	-.02	-.53aa	-.51aa	1						
NECOCON	.25aa	-.04	-.17aa	-.45aa	.23aa	1					
TRUST	-.18aa	-.06	.25aa	.32aa	-.33aa	-.28aa	1				
SWITCH	-.30aa	-.02	.31aa	.49aa	-.28aa	-.26aa	.30aa	1			
COOPER	-.42aa	.04	.45aa	.56aa	-.60aa	-.35aa	.39aa	.41aa	1		
COMMIT	-.39aa	.14a	.34aa	.43aa	-.39aa	-.42aa	.40aa	.29aa	.52aa	1	
PERFORM	-.43aa	.24aa	.58aa	.60aa	-.55aa	-.38aa	.22aa	.55aa	.42aa	.40aa	1

ap < 0.05, **p < 0.01

COPW—Coercive power sources, NCOPW—Noncoercive power sources, ECOSA—Economic satisfaction, NECOSA—Noneconomic satisfaction, ECOCON—Economic conflict, NECOCON—Noneconomic conflict, TRUST—Trust, SWITCH—Switching costs, COOPER—Cooperation, COMMIT—Commitment, PERFORM—Performance.

the “if item deleted” technique, two items (one item from cooperation and one item from trust) were deleted. After deleting these two items, the reliabilities of the cooperation and trust scales were increased to .68 and .64, respectively. Thus, a total of 62 items were used in the next step. The final reliabilities and correlation of all 11 constructs are reported in Tables 2 and 3.

Validity

To assess convergent and discriminant validity, a Confirmatory Factor Analysis (CFA) using Amos was conducted for the 11 constructs. Among the 62 items, 22 items measured performance, which were summed and used as a single measure of performance in the CFA. In Sanchez-Rodriguez and Martinez-Lorente’s (2004) study, several measurements of performance were summed to be a single item because performance measures were considered to be formative, as opposed to reflexive, where items are considered as observed variables. Thus, a total of 41 items were actually used as observed variables.

Convergent validity was assessed through t-values by examining the significance of individual item factor loadings (λ). In the initial CFA, all of the item factor loadings were significant ($p < .001$). The results of the first CFA model fit statistics are $\chi^2 = 2104.5$, $df = 725$, $p < .00$, $GFI = .74$, $CFI = .74$, $RMR = .17$, $RMSEA = .08$. However, four items had a lambda value (λ) less than .50, which suggested that these should be deleted (Bagozzi and Yi 1988). Thus,

two items from noncoercive power sources and two items from economic satisfaction were deleted in this step.

In the next step, the model fits of first CFA were increased using modification indices. For example, correlations among error variables were designated based on results of modification indices outputs. In the second CFA, all measurement items significantly loaded on their respective latent factors (t-values between 6.82 and 14.34), which indicate factor loadings more than .50 (Bagozzi and Yi 1988). In addition, the average variance extracted (AVE) was calculated for each measurement scale (Fornell and Larcker 1981). All AVEs are higher than .50 (Bagozzi and Yi 1988). In addition, the largest standardized residuals ranged from .42 to 1.91. These findings support the convergent validity of the items. The results of the second CFA model fit statistics are $\chi^2 = 988.65$, $df = 542$, $p < 0.00$, $GFI = .85$, $CFI = .90$, $RMR = .11$, $RMSEA = .05$. Even though the chi-square test result was significant, the CFI and RMSEA are in the acceptable range considering the large number of items and factors, which allowed us to continue with the analysis.

For the discriminant validity check, chi-square difference tests were conducted for each pair of constructs (Anderson 1987; Bagozzi and Phillips 1982; Steenkamp and Van Trijp 1991). Significant chi-square differences mean that the pair of constructs is not collinear (Anderson and Gerbing 1988). The results

Table 3. Reliability and confirmatory factor analysis results.

CONSTRUCTS (CRONBACH ALPHA, R ²)	FIRST CFA		SECOND CFA		(AVE)
	Factor loading	t-value	Factor loading	t-value	
Coercive power (.69)					
The supplier delays delivery of products (generally).	.68	7.52	.66	7.52	.57
The supplier refuses to sell.	.59	7.08	.59	7.12	
The supplier charges high prices.	.56	6.82	.56	6.84	
The supplier delivers unwanted products.	.55	Fa	.55	F	
Noncoercive coercive power (.77)					
The supplier sets monthly/quarterly sales volume targets.	.60	5.37	.70	8.81	.56
The supplier sets incentives and promotions based on sales target achievement.	.75	5.68	.83	9.41	
The supplier gives trade allowances/incentives.	.73	5.66	.70	8.83	
The supplier provides sales promotion materials.	.68	5.57	.58	F	
The supplier provides financing/credit.	.48	4.95	Deleted (Low λ)		
The supplier demonstrates products.	.36	F	Deleted (Low λ)		
Economic Satisfaction (.74, R² = .40)					
The price at which the supplier sells products to you.	.59	8.42	.63	8.75	.53
The credit facilities the supplier makes available to you.	.46	6.78	Deleted (Low λ)		
The discount allowances your supplier gives you for large orders, etc.	.62	8.78	.57	8.11	
The discount allowances your supplier gives you for regular and early payment.	.61	8.73	.57	8.11	
The supplier's products and services help me achieve my revenue/business objectives.	.48	7.04	Deleted (Low λ)		
The service your supplier provides that save you money.	.65	F	.65	F	
Noneconomic Satisfaction (.83, R² = .40)					
I am satisfied with the products and services I get from my supplier.	.74	13.02	.74	13.02	.79
The relationship between the supplier and me seems to reflect a happy situation.	.82	14.35	.82	14.34	
The relationship between the supplier and me is very positive.	.80	F	.80	F	
Economic Conflict (.80, R² = .39)					
I do not like many of the things my supplier does.	.50	7.68	.50	7.64	.66
My supplier's policies reduce my profits.	.82	11.33	.82	11.31	
My supplier makes it difficult for me to do my job.	.80	11.18	.80	11.20	
My supplier has not been very fair with me.	.70	10.14	.70	10.15	
Dealing with my supplier does not benefit my company.	.64	F	.64	F	
Noneconomic Conflict (.79, R² = .16)					
Do you both begin to understand each other's feelings reasonably quickly?	.76	10.17	.76	10.19	.71
Do you both get your points across to each other without too much trouble?	.69	9.56	.69	9.58	
Do you both begin to appreciate each other's points of view on a matter fairly soon?	.70	9.60	.69	9.60	
Does your supplier seem to be supportive of your feelings about your disagreement?	.65	F	.65	F	
Trust (.64, R² = .16)					
I have many good things to say about my supplier's trustworthiness.			Deleted, Low Reliability		.52
I can trust my supplier to be very "up front" with me.	.46	6.78	.46	6.76	
I can trust my supplier to keep a trade secret.	.52	7.36	.51	7.35	
I am convinced that I can trust my supplier in negotiations.	.89	F	.89	F	
Switching Costs (.64, R² = .27)					
Switching to another supplier is too much bother in terms of time and effort.	.62	6.80	.62	6.83	.55
I was concerned about the negative financial outcomes of switching to another supplier.	.77	7.24	.76	7.28	
I feel locked into this supplier because of the products I have with the supplier.	.50	F	.50	F	
Cooperation (.68, R² = .46)					
My future goals are best reached by working with my supplier rather than against my supplier.	.76	11.16	.76	11.15	.57
My future profits are dependent on maintaining a good working relationship with the supplier.	.67	F	.670	F	
I do not feel I can count on my supplier to give me the kind of support (such as local advertising) that companies working with other suppliers receive. R			Deleted, Low Reliability		
Commitment (.85, R² = .31)					
Even if we could, we would not drop the supplier because we like being associated with him/her.	.79	13.92	.79	13.94	.77
We want to remain a member of the supplier's network because we genuinely enjoy our relationship with him/her.	.71	12.45	.71	12.46	
Our positive feelings toward the supplier are a major reason we continue working with him/her.	.74	12.98	.74	13.94	
We expect our relationship with the supplier to continue for a long time.	.80	F	.80	F	
Performance (.91, R² = .40)					
Summed Scale (22 items summed)		F		F	

aF: Fixed item

Table 4. Structural parameters.

	Relationship	Unstandardized	Standardized	t-value	Results
H1a	COPW → ECOSA	-0.32	-0.29aa	-5.80	Yes
H1b	COPW → NECOSA	-0.30	-0.28aa	-5.60	Yes
H1c	COPW → ECOCON	0.43	0.33aa	6.73	Yes
H1d	COPW → NECOCON	0.12	0.11a	1.82	Yes
H2a	NCOPW → ECOSA	0.06	0.09a	1.82	Yes
H2b	NCOPW → NECOSA	-0.05	-0.07	-1.46	No
H2c	NCOPW → ECOCON	0.09	0.11aa	2.40	Yes
H2d	NCOPW → NECOCON	0.04	0.06	1.09	No
H3a	PERFORM → ECOSA	0.52	0.43aa	8.50	Yes
H3b	PERFORM → NECOSA	0.56	0.48aa	9.43	Yes
H3c	PERFORM → ECOCON	-0.60	-0.44aa	-8.55	Yes
H3d	PERFORM → NECOCON	-0.41	-0.36aa	-5.86	Yes
H4a	ECOSA → TRUST	0.07	0.07	1.15	No
H4b	NECOSA → TRUST	0.12	0.11a	1.75	Yes
H4c	ECOCON → TRUST	-0.18	-0.20aa	-3.26	Yes
H4d	NECOCON → TRUST	-0.19	-0.18aa	-3.24	Yes
H5	TRUST → COMMIT	0.23	0.22aa	4.30	Yes
H6a	ECOSA → COOPER	0.10	0.10a	1.95	Yes
H6b	NECOSA → COOPER	0.26	0.24aa	4.79	Yes
H6c	ECOCON → COOPER	-0.34	-0.38aa	-7.71	Yes
H6d	NECOCON → COOPER	-0.11	-0.11aa	-2.35	Yes
H6e	TRUST → COOPER	0.14	0.14aa	2.99	Yes
H6f	COOPER → COMMIT	0.41	0.41aa	7.49	Yes
H7a	ECOSA → SWITCH	0.11	0.10a	1.66	Yes
H7b	NECOSA → SWITCH	0.46	0.40aa	6.86	Yes
H7c	ECOCON → SWITCH	0.03	0.03	0.56	No
H7d	NECOCON → SWITCH	-0.04	-0.03	-0.64	No
H7e	TRUST → SWITCH	0.16	0.15aa	2.71	Yes
H7f	SWITCH → COMMIT	0.05	0.05	1.03	No

a $p < .05$ (one-tail test), ** $p < .05$ (two-tail test)

reveal that all chi-square differences were significant at the .05 level ($\alpha = 0.05$, $\Delta\chi^2 > 3.84$). For example, the test of discrimination between economic satisfaction and noneconomic satisfaction, a presumably interrelated pair, showed $\Delta\chi^2(1) = 20.0$ ($p < .001$). This indicates that all of the constructs reflect high discriminant validity. In addition, AVE values for each pair of constructs were compared with the squared correlation between them. The results reveal that no squared correlation was larger than the individual AVE values (Fornell and Larcker 1981). These results establish that the measurement model achieved adequate construct reliability, convergent validity, and discriminant validity.

Hypothesis testing

The correlation matrix of constructs was used as the input matrix for path analysis. Maximum likelihood estimation was employed to test the path model. The structural parameters and t -values for

this model are shown in Table 4. The overall fit of the conceptual model was adequate: the model fit ($\chi^2 = 121.73$, $df = 20$, $p = .000$) and other statistics (GFI = .933, AGFI = .779, CFI = .910, RMR = .073) show that the model also is a good fit to the data.

H1 group hypotheses proposed the relationships among Indian suppliers' coercive power sources, and buyers' satisfaction and conflict. The results indicate that H1a, H1b, and H1c (H1a: $\gamma = -.29$, H1b: $\gamma = -.28$, H1c: $\gamma = .33$, respectively) are supported ($p < .05$). In addition, H1d is acceptable under the one-tail test ($\gamma = .11$, $t = 1.82 > 1.645$, $p < .05$) (Hays 1988; Motulsky 1990). Coercive power sources negatively influence economic and noneconomic satisfaction, and positively influence economic and noneconomic conflict.

H2 group hypotheses proposed the relationships among Indian suppliers' noncoercive power sources and buyers' satisfaction and conflict. The results indicate that H2a is supported under the one-tail test ($\gamma = .09$, $t = 1.82 > 1.645$, $p < .05$). However, H2b and H2d (H2b: $\gamma = -.07$, H2d:

Table 5. Indirect effects among constructs.

	COPW	NCOPW	PERFORM	ECOSA	NECOSA	ECOCON	NECOCON	TRUST
TRUST	-.134aa	-.034	.233aa					
SWCOST	-.151aa	-.023	.268aa	.010	.016a	-.029aa	-.026aa	
COOPER	-.248aa	-.061aa	.392aa	.010	.015a	-.027aa	-.025aa	
COMMIT	-.139aa	-.034aa	.227aa	.065a	.152aa	-.208aa	-.097aa	.064aa

a $p < .10$, ** $p < .05$

$\gamma = .06$, $p > .05$, respectively) are not supported. Although H2c shows a significant t-value ($\gamma = .11$, $p < .05$), the relationship is positive, which is not in the hypothesized direction. Thus, H2c is not supported as well. Noncoercive power sources positively influence economic satisfaction and economic conflict.

H3a, H3b, H3c, and H3d proposed the relationships among suppliers' performance and buyers' satisfaction and conflict. The results indicate that all four hypotheses are supported (H3a: $\gamma = .43$, H3b: $\gamma = .48$, H3c: $\gamma = -.44$, H3d: $\gamma = -.36$, respectively, $p < .05$). Suppliers' performance positively influences economic satisfaction and noneconomic satisfaction, and negatively influences economic conflict and noneconomic conflict.

H4 group hypotheses proposed the relationships among satisfaction, conflict, and trust. The results indicate that H4c and H4d are supported ($\beta = -.20$, H4d: $\beta = -.18$, respectively, $p < .05$). In addition, H4b is supported under the one-tail test ($\beta = .11$, $t = 1.75 > 1.645$), $p < .05$. However, H4a is not supported ($\beta = .07$, $p > .05$). Indian buyers' noneconomic satisfaction positively influences their trust of suppliers, and economic conflict and noneconomic conflict negatively influence their trust of suppliers. H5 proposed the relationship between trust and commitment. The results indicate that H5 ($\beta = .22$, $p < .05$) is supported, which means that trust positively influences commitment.

H6a, H6b, H6c, and H6d proposed the relationships among satisfaction (economic and noneconomic), conflict (economic and noneconomic), and cooperation. The results indicate that H6b, H6c, and H6d are supported (H6b: $\beta = .24$, H6c: $\beta = -.38$, H6d: $\beta = -.11$, respectively, $p < .05$). In addition, H6a is supported under the one-tail test (H6a: $\beta = .10$, $t = 1.95 > 1.645$, $p < .05$). Economic

satisfaction and noneconomic satisfaction positively influence cooperation, and economic conflict and noneconomic conflict negatively influence cooperation. H6e and H6f proposed the relationships among trust, cooperation, and commitment. The results indicate that H6e and H6f are supported (H6e: $\beta = .14$, H6f: $\beta = .41$, respectively, $p < .05$). Trust positively influences cooperation, and cooperation positively influences commitment.

H7a, H7b, H7c, and H7d proposed the relationships among satisfaction, conflict, and switching costs. The results indicate that H7b is supported ($\beta = .40$, $p < .05$), and H7a is also supported under the one-tail test ($\beta = .10$, $t = 1.66 > 1.645$, $p < .05$). However, H7c and H7d are not supported (H7c: $\beta = .03$, H7d: $\beta = -.03$, respectively, $p > .05$). Economic satisfaction and noneconomic satisfaction positively influence switching costs. H7e and H7f proposed the relationships among trust, switching costs, and commitment. The results indicate that H7e ($\beta = .15$, $p < .05$) is supported, but H7f is not supported ($\beta = .05$, $p > .05$). Trust positively influences switching costs while switching costs do not influence commitment.

Although the mediating effects of variables were not hypothesized in the literature review section, to assess the mediating effects of trust and cooperation, the individual relationship between satisfaction (economic and noneconomic) and conflict (economic and noneconomic) with commitment was tested. The results reveal that only noneconomic conflict negatively influences commitment (economic satisfaction: $\beta = .08$, $p > .05$, noneconomic satisfaction: $\beta = .06$, $p > .05$, economic conflict: $\beta = -.03$, $p > .05$, noneconomic conflict: $\beta = -.22$, $p < .05$). Thus, it can be concluded that trust and cooperation act as mediating

factors in the conceptual model. Furthermore, to test the significances of indirect effects among constructs, Amos' bootstrapping method was used. The results of indirect effects are shown in [Table 5](#).

As we can see, almost all of the indirect effects are significant except four relations. Particularly, coercive power sources negatively, and performance positively influence trust, switching cost, cooperation, and commitment indirectly. This means that Indian buyers do not restrain their negative feeling any more toward suppliers' coercive attitude, and want to maintain good relationships with suppliers who show good role performances. These results imply that the Indian market structure is moving from a sellers' market to a buyers' market.

Discussion

In this study, processed food industries in India were selected to investigate supplier–buyer relationships. The results of this study can be summarized by five primary points. First, this study demonstrated the multidimensionalities of satisfaction and conflict in Indian supplier–buyer relationships. Both conflict and satisfaction have an economic and noneconomic dimension. Second, Indian suppliers' coercive power sources, noncoercive power sources, and performance significantly influence satisfaction and conflict. Third, satisfaction and conflict significantly influence cooperation, switching cost, and trust, respectively, while mediating power sources and performance, and cooperation trust, and switching cost. Fourth, cooperation and trust positively influence commitment; whereas, switching costs do not. Trust and cooperation act as mediating factors between satisfaction and conflict, and commitment. Fifth, the Indian processed food markets are in transition from a sellers' market to a buyers' market.

As hypothesized, coercive power sources are negatively related to economic satisfaction and noneconomic satisfaction, and positively related to economic conflict and noneconomic conflict. Other studies (Geyskens, Steenkamp, and Kumar 1999; Yu and Pysarchik 2002) demonstrated the effects of coercive attitudes on economic and noneconomic satisfaction, and the current study

confirms the results. However, the results reveal that noncoercive power sources positively influence economic satisfaction and economic conflict, while they do not significantly affect noneconomic satisfaction and noneconomic conflict.

Regarding suppliers' performance, the results reveal that Indian suppliers' performance is a key factor in influencing buyers' satisfaction and conflict (economic and noneconomic). The current study confirms the results of previous studies in customer satisfaction theory (Patterson 2000; Patterson, Johnson, and Spreng 1997). This finding suggests that an assumption of power theory that buyers' satisfaction and/or conflict are based on suppliers' attitudes/actions (power sources) needs to be supplemented. The current study demonstrated that buyers' satisfaction and conflict are influenced not only by suppliers' attitudes/actions (power sources) but their performance as well.

Regarding satisfaction, the results indicated that both economic satisfaction and noneconomic satisfaction positively influence cooperation and switching costs. In other words, channel members who are satisfied economically and noneconomically are more likely to maintain relationships with their present suppliers, and cooperate to improve work efficiency than would channel members who are not satisfied. It is interesting to note, however, that economic satisfaction does not influence trust, while noneconomic satisfaction does. Based upon the original construct, noneconomic satisfaction reflects a more holistic assessment of satisfaction as compared to economic satisfaction, which is more focused on specific aspects such as price, credit facilities, discount allowance, and revenue/business objectives. In addition, according to Yamagishi and Yamagishi's (1994) findings, trust is related to noneconomic factors with a partner because it is established through a partner's confidence rather than through specific economic benefits or rewards. This could be an explanation for the relationships between satisfaction (economic and noneconomic) and trust in the current study.

From a conflict point of view, both economic and noneconomic conflicts negatively impact trust and cooperation. This means that buyers' trust and cooperation are reduced by economic and noneconomic conflicts with their suppliers. Particularly

in markets where buyers are highly dependent on their major suppliers—a sellers' market environment—conflict (economic and noneconomic) would be critical because bad-business relationships with their suppliers are directly related to their survival (Frazier, Gill, and Kale 1989). In addition, according to Hofstede's four cultural dimensions (Hofstede 1983), India is a collectivist society. In collectivist cultures, social relationships are more important in channel relations than in individualist cultures because members seek to avoid conflict with others to maintain group harmony. These cultural underpinnings contribute to our understanding of why conflict (economic and noneconomic) impacts trust and cooperation in Indian supplier-buyer relationships. Yu and Pysarchik (2002) also found that noneconomic conflict is negatively related to a long-term orientation among Korean retailers. Korea also is considered to be a collectivist country.

Regarding the antecedents of a long-term relationship, the results indicate that (1) trust positively influences cooperation, commitment, and switching costs, (2) cooperation also positively influences commitment, but (3) switching costs do not significantly influence commitment. This implies that a high level of trust and cooperation between channel partners will lead to a committed relationship. This study also found that buyers' trust and cooperation play a mediating role between the two factors of satisfaction and conflict, with commitment. As previously discussed, economic and noneconomic factors (satisfaction and conflict) directly influence trust and cooperation with the exception of economic satisfaction. Trust and cooperation also sequentially influence commitment. This means that economic and noneconomic factors indirectly impact commitment through trust and cooperation. Yu and Pysarchik (2002) had a similar finding in a study of Korean manufacturer-retailer relationships; trust was found to be a mediating factor between satisfaction (economic and noneconomic satisfaction) and long-term orientation.

One of the notable findings of the study involves switching costs. The results reveal that only satisfaction factors (economic and noneconomic) positively influence switching costs, whereas conflict factors (economic and

noneconomic) do not. Despite significant market changes in India, the processed food markets still have some characteristics of a sellers' market (dependence on and long-term relationship with a major supplier). Thus, this is not a surprising result. This suggests that under these circumstances, even though conflict may occur, buyers do not disengage from their business relationships with present suppliers regardless of switching costs, because there are few, if any, alternatives. These factors provide insight into why switching costs are not related to conflict and commitment in India.

Managerial implications

India's market potential is much greater than that of many Western European countries because of its enormous and well-educated population, which has the sixth highest purchasing power in the world. Particularly, the food retail sector is considered to be the "sunrise" in Indian industry. Thus, sustaining long-term relationships with Indian local partners will be a key requirement for global companies. To make successful relationships, first, global companies entering India must recognize that processed food industries are in a transition period from sellers' market to buyers' market. Therefore, suppliers should stress the importance of positive attitudes and practices such as increasing product range, sharing information, improving logistics, advising marketing strategy, and employing professionals. For example, nominating well prepared and reliable field personnel who can work with local buyers as local headquarter manager would be very critical. Sometimes, global retailing companies have neglected localized strategies. However, processed food is related to culture, language, life style, etc. and thus communication ability with local market experts as managers will help to understand Indian market environments. In addition, an organized plan of sales promotion actives with prestigious products could be required for developing new Indian buyers.

Second, we recommend that to engender trust and cooperation with Indian buyers, companies should focus on economic factors (offering credit, discount allowances, cost saving services, and

economic incentives) with mutual respect while avoiding coercive attitudes such as refusal to sell products, delivering unwanted products, or charging high prices increasing suppliers' noncoercive attitudes or actions (e.g., giving incentives, trade allowances, sales promotion materials).

Limitations and future studies

This study has a common limitation related to most survey research. The focus of the study was on supplier–buyer relationships in a targeted set of related industries, those of processed foods in India. Thus, future studies should expand the research to other types of industries to increase the generalizability of the results. If the market conditions or supply chain structures are different from the processed food markets, the supplier–buyer relationships might be different. For instance, in a buyers' market, buyers' perceived switching costs may significantly influence their commitment to a relationship with a supplier, which was not the case in the current study.

The long-term versus short-term orientation of different cultures is another potentially interesting dimension of supplier–buyer relationships. According to Ganesan (1994), short-term oriented retailers are concerned with immediate or current options and outcomes, whereas long-term oriented retailers are not only concerned with current and future results, but focus on achieving long-term goals. Short-term oriented retailers depend on the efficiencies of the market exchange in order to maximize their profits (economic factor), whereas long-term oriented retailers are equally focused on relational exchanges to increase profits through a series of transactions (economic and noneconomic factors) (Ganesan 1994). The current study focused on Indian suppliers and buyers. Previous research suggested that companies from collectivist countries such as Korea, China, Japan, or India are more long-term oriented, whereas the United States and Western European countries are more short-term oriented. Thus, a comparative study of economic and noneconomic factors between long-term and short-term oriented countries may yield different results. In addition, traditionally, a hierarchical power based system

has controlled the Indian environment. Thus, studying high power distance related constructs, such as compliance, obedience, and renunciation with other constructs, will provide interesting results, particularly when comparing with low power distance countries.

Such research would make an important contribution to our understanding of the impact of process dynamics, culture, and the changing market structure on supplier–buyer exchanges. As we move toward a global market place with more complex relationships, this information becomes increasingly more important for successful seller–buyer interchanges.

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