

Exploring the Role of Relationship Quality in the Manufacturer-Distributor Context: A Structural Model

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Abstract

This research aims to describe and validate the dimensions of relationship quality essential for the perception of distributors provided by their suppliers (manufacturers). In business-to-business (B2B) relationships, relationship marketing focuses on collaborative efforts to maintain long-term relationships. Therefore, this study considers and expands the understanding of the factors underlying the success of high-quality relationships in B2B. This research sample was taken purposively by distributing questionnaires to managers and supervisors of the distributor company. Second, in-depth interviews were conducted in groups involving academics and practitioners in service quality. This research contributes theoretically by identifying relevant dimensions and proving context-specific definitions. The authors also present managerial implications and recommendations for improving the distributor experience service and the quality of B2B relationships.

Keywords B2B, relationship marketing, trust, commitment, satisfaction

1. Introduction

The current marketing trend is shifting from the transactional approach towards a relational one that focuses on customer needs, satisfaction, and pleasure. The transactional approach is more concerned with individual relationships than togetherness relationships. This marketing approach only pays attention to acquiring customers without paying attention to how to retain customers. The concept of marketing in the early stages is known as 4P (product, price, place, and promotion), emphasizing the sales process. However, in the late 70s, there was a change specific character of the marketing process in an increasingly competitive market (Ruiz-Martínez et al., 2019).

Relationship marketing is nothing more than a discussion of concepts with underdeveloped empirical studies, so there needs to be more research and publication in this field (Collins, 1999). A positive effect and has a strong impact on forming the basis of relationship marketing. However, this exchange process needs to be underlined when the comparison is based on transactional vs. relational, where the costs of exchanging strong relationships outweigh the

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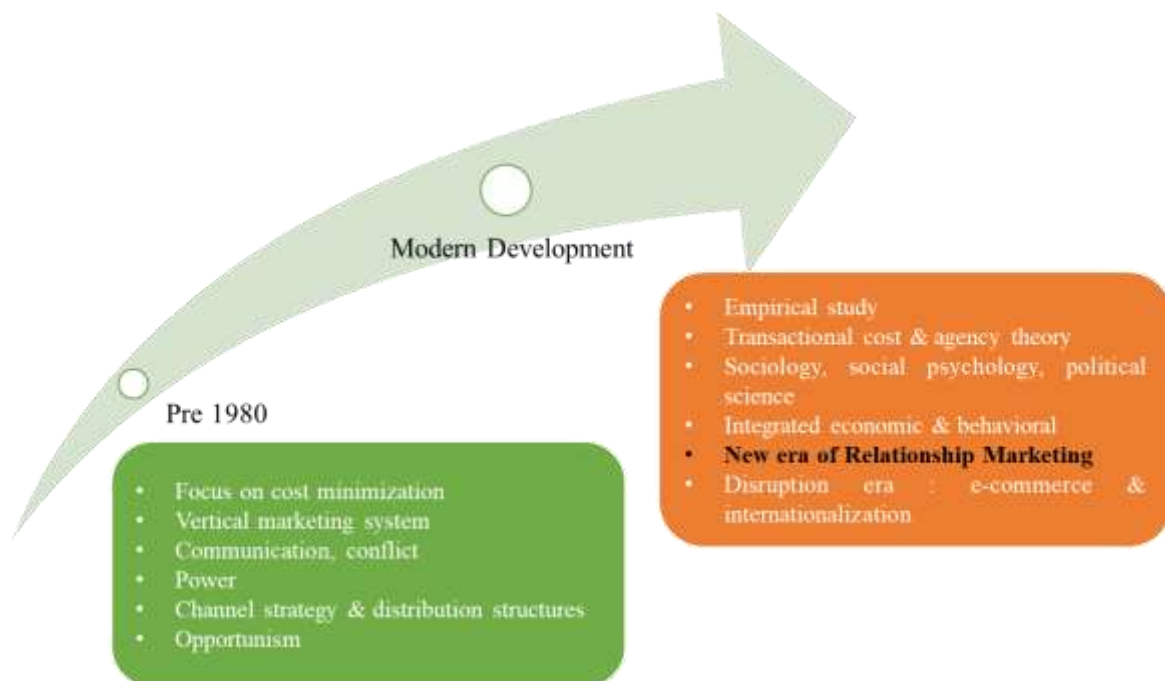
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benefits. Relationship marketing is a part of the concept of marketing that involves all activities in the exchange process (Sheth, 2017). Relationship marketing is very important for attracting and retaining customers in an organization (Wouters et al., 2005). In the modern business world, the focus of marketing reflects the movement of change from transactional marketing to relational marketing. Building, maintaining, and always improving customer relationships is an important aspect of the business. Relationship marketing is one of the contemporary marketing strategies for all companies to meet the needs and desires of customers.

On the other side, the main purpose of relationship marketing is to find customers' lifetime value. After the lifetime value is obtained, the next goal is to increase each customer group's lifetime value from year to year. After that, the third goal is how to use the profit obtained from the first two goals to get new customers at a relatively low cost. Thus, the long-term goal is to generate continuous profits from two groups of customers: current customers and new customers (Musa et al., 2014).

By applying a marketing approach based on good relationships, customers can assess the quality of relationships called relationship judgment, producing two psychological and behavioral consequences (Concha, 2013). The good relationships that the company strives for can create customer satisfaction and commitment, which refers to strong trust as a measure to know the importance of a relationship being maintained. With the company in the form of customer retention and promotions, in the end, consequences created behavior to relate from consumer to consumer (word-of-mouth) intensively. Customer relations are the approach of the company to understand and influence the behavior of customers of the company to understand and influence customer behavior, maintain calling, increase customer loyalty, and obtain benefits from customers (Lewin et al., 2008). Managing customer relationships is important to maintain customer appreciation and interest in the product and their loyalty to consume it. For this reason, the company must be able to provide a benefit or benefit to customers from the relationship built with customers. Successful marketers will use effective strategies to retain customers by continuously delivering long-term satisfaction (Rauyruen & Miller, 2007a). The evolution of marketing channel concepts is shown in figure 1.

Figure 1. Evolution of marketing channel concept

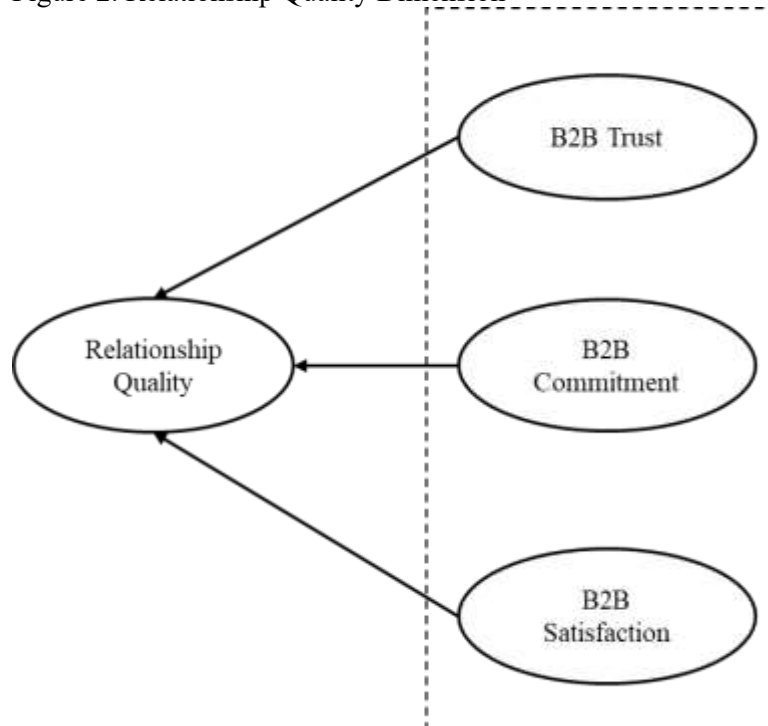


One of the most important elements in the business-to-business market is the development of customer relationships. A successful business relationship will increase customer satisfaction. Relationship satisfaction is a positive affective state resulting from the company's assessment of all aspects of its work relationships with other companies (Chumpitaz, R. and Paparoidamis, 2004) describes satisfaction as an overall evaluation of total purchases, usage experiences, and relationships with a product or service over time. The satisfaction relationship becomes important, not just about repurchasing but further becoming a loyal customer.

The key success factor for maintaining the relationship between a manufacturer and a distributor depends on the sustainability of its long-term relationship. The challenge manufacturers face today is in finding ways to increase distributor loyalty. Converting distributors into loyal ones and building long-term relationships with customers is critical to the success of the organization (Mbango, 2017). Relationship quality is considered a tool from which customer loyalty can be guaranteed, and its goal is the achievement of higher competitiveness and enhanced customer satisfaction can be achieved. Many factors influence the success of a marketing relationship; three factors are consistently identified as important: trust, commitment, and satisfaction (Ferro et al., 2016a; Rauyruen & Miller, 2007b; Samarathunga & Newton, 2018). Researchers need to agree more on the relational effects of best composite capturing key aspects of quality relationships that most influence customer loyalty or performance. Therefore, this study aims to empirically investigate the determinants of relationship quality in the relationship between manufacturer and distributor in a business-

to-business (B2B) context. Figure 2 shows the conceptual model of this study.

Figure 2. Relationship Quality Dimension



2. Literature Review

2.1. B2B Trust

Trust is one of the most tested and accepted concepts in marketing relationships (Dwyer et al., 1987; Strong & Morgan, 2003; Telecom, 2017). Marketing literature on the business market provides various definitions of trust. For example, (Anderson, J.C. and Narus, 1990) A company's trust that another company will perform actions that will produce positive results for the company, as well as not taking unforeseen actions that would result in negative outcomes for the firm". Kebelian is also defined as the belief of one part that his needs will be met Satisfied in the future with the actions taken by the other party(Anderson & Weitz, 1989). (Moore, 1998) states that trust is "a willingness to rely on the exchange of a partner it trusts". (Morgan & Hunt, 1994) defines trust as a situation "when one party has confidence in the reliability and integrity of an exchange partner". Trust in a B2B relationship is the client's trust in the supplier's integrity. The main impetus of this definition is the belief that the exchange partner will act in the best interests of the other partner.

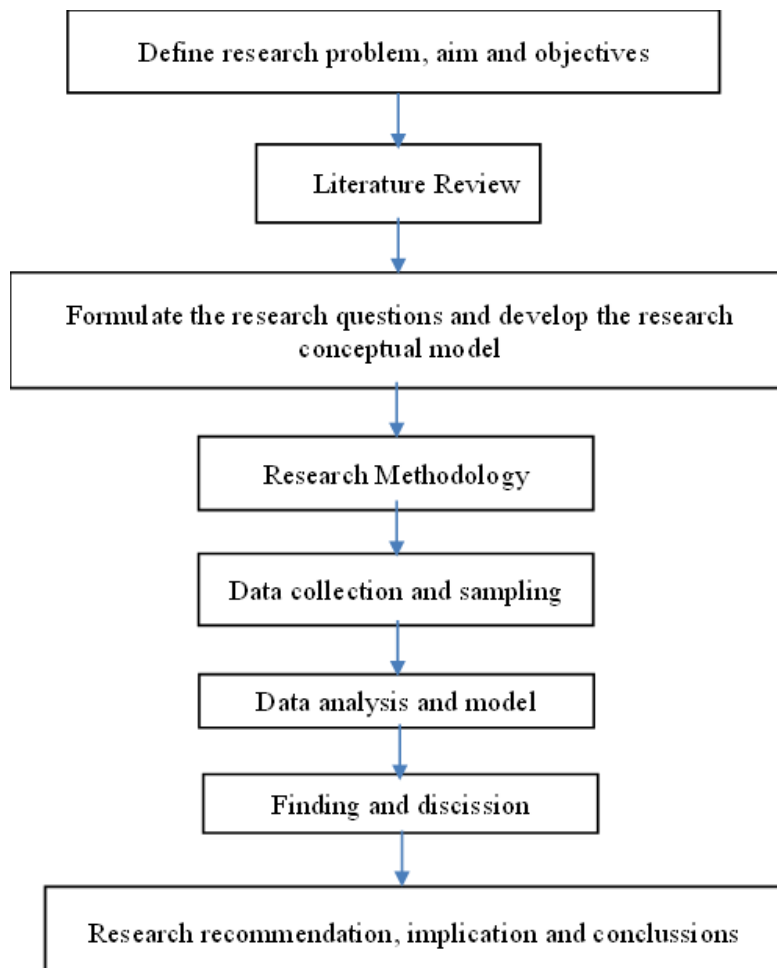
2.2. B2B Commitment

Commitment is critical in an organization's purchasing behavior and can lead to important outcomes such as a decrease in customer turnover and higher motivation (Rauyruen & Miller, 2007b). Literature marketing provides various definitions of commitment. (Parasuraman et al., 1985) asserts that "relationships are built on a foundation of shared commitment". Commitment is "the desire to develop stable relationships, the willingness to make short-term sacrifices to maintain relationships, and trust in the stability of relationships"(Anderson & Weitz, 1989). (Anderson & Weitz, 1989) describes commitment as follows "A common theme emerging from the various literature on party relationships identifies commitment among exchange partners as the key to achieving valuable results for themselves, and they seek to develop and maintain this valuable attribute in their relationships". *Commitment* in a B2B relationship is defined as the client's trust in the supplier's integrity; commitment is understood as the buyer's company's enduring desire to continue the relationship with the vendor. Commitment is a relational implicit or explicit promise that is continuous between exchange partners; the willingness to make short-term sacrifices to realize long-term benefits and essential ingredients for successful long-term relationships.

2.3. B2B Satisfaction

One of the most important elements in the B2B market is the development of customer relationships, the result of the success of these relationships is increased customer satisfaction. The B2B relationship model of manufacturers and their distributors [(Dwyer et al., 1987) (Ganesan, 1994)] has defined relationship satisfaction as "a positive affective state resulting from a company's assessment of all aspects of its work relationships with other companies". Satisfaction is described as an overall evaluation of the total purchase, experience and relationship with a product or service over time, as expressed by members of the purchasing decision center (Prasetya et al., 2021; Rajamma et al., 2011). The relationship of satisfaction is important, but satisfaction is mainly influenced by the paradigm that a feeling of customer satisfaction is the result of a process of comparison between the perception of performance and expected performance (Eggert & Ulaga, 2010; Ferro et al., 2016b; Zineldin, 2000). Customers are satisfied when they feel that the performance of the product is equal to what is expected (Geyskens et al., 1999; Tzempelikos, 2020; Ulaga & Eggert, 2006).

Figure 3. Research Flow Chart



3. Research Method

These studies were conducted to test the variables in the built model empirically. Data were obtained using survey methods, both in-person interviews and through electronic media. The design of this study is descriptive and causal-explanatory. Descriptive research aims to get a descriptive picture of the characteristics of the population and study the relationships between its variables. This study begins with exploring theories and concepts to be used. This explanatory research activity is used to find and limit research problems to be applicable and researchable. The proposed research methods are like the flow chart below (Figure 3). The research was conducted on distributors of manufactured products in Indonesia. Data Collection Techniques Data collection is carried out through 2 techniques: questionnaires and interviews. The survey instrument was developed to investigate the quality of relationships in Indonesia's B2B manufacturing sector. A review of the literature suggests the use of a multi-item scale. The response is coded and entered SPSS version 25 using the appropriate encoding—for example,

answers 1 through 5 on the Likert scale (5 for 'strongly agree' to 1 for 'strongly disagree').

4. Findings and Discussions

The statistical test is carried out in two steps. First, factor analysis is performed to extract the underlying factors of the quality relationship; second, an analytical correlation test is performed to understand the relationships between variables. Item questions were developed to measure the quality of relationships. The first stage is focused on the specification of dimensions for the verification of the scale of indicators, reliability and validity, analyzing the elements and dimensions that determine the quality of the manufacture and distributor relationship. Next is the exploration of factor analysis to initially assess the psychometric nature of the scale. Factor analysis allows the grouping of variables; the goal is to determine whether there is a linear combination of variables that will help summarize the data and identify the underlying relationships. Scale items are purified through an iterative process. The results are seen in Table 1, which is a descriptive output of three factors: trust, commitment, and satisfaction.

Table 1. Exploratory factor analysis of relationship quality

Construct	Loading Factor	Cronbach's alpha	KMO
B2B Trust		0.843	0.734
Manufacture is trustworthy	0.718		
Manufacture has cooperation	0.730		
The manufacturer has high integrity	0.778		
The manufacturer has consistently provided quality service	0.506		
B2B Commitment		0.871	0.811
Distributors enjoy the relationship	0.718		
Strong loyalty toward the manufacture	0.730		
Being motivated to maintain a relationship	0.778		
Intention to stay in the relationship	0.506		
B2B Satisfaction		0.872	0.734
Manufacture completely meets the distributor's expectations	0.514		
Sincere interest in solving problems	0.614		
Satisfy with professional service	0.559		
Manufacture establishes a long-term relationship	0.686		
Response time	0.711		
Administrative service	0.599		

Furthermore, a reliability analysis is performed using the reliability coefficient on a scale

summed from these constructions. Internal consistency is assessed through Cronbach's alpha coefficient. Cronbach's alpha results are used to measure the lower limit of the reliability value of a construct. The three dimensions of trust, commitment and satisfaction indicate that Cronbach's alpha value > 0.6 means that the indicator tested is reliable. Concerning individual subscales, the reliability coefficient of all three components: trust (0.843), commitment (0.871) and satisfaction (0.872) meet the standard. Therefore, it shows a high-reliability estimate because a reliability figure of less than 0.60 is generally considered poor, if it is in the range of 0.70 until acceptable, while those above 0.80 are good.

The correlation between the variables under investigation is shown in Table 2. The results in table 2 show a significant positive relationship between value relationships and each of the dependent variables of relationship quality. B2B value of customer trust ($r = 0.474$, $p < 0.1$); B2B customer commitment ($r = 0.512$, $p < 0.1$) and B2B customer satisfaction ($r = 0.583$, $p < 0.1$). This result implies that value is the main building block of quality relationships in building a company's competitive advantage. These results mean that the relationship quality increases significantly with the improvement of B2B relationship satisfaction, B2B customer commitment, and B2B customer satisfaction.

Table 2. Correlation Coefficient between B2B trust, B2B commitment, and B2B satisfaction

		B2B Trust	B2B Comm	B2B Satis
B2B Trust	Pearson Correlation	1	.758**	.628**
	Sig. (2-tailed)		.000	.000
	N	119	119	119
B2B Comm	Pearson Correlation	.758**	1	.732**
	Sig. (2-tailed)	.000		.000
	N	119	119	119
B2B Satis	Pearson Correlation	.628**	.732**	1
	Sig. (2-tailed)	.000	.000	
	N	119	119	119

** . Correlation is significant at the 0.01 level (2-tailed).

The main objective of this study is to test the determinants of relationship quality in the business-to-business area by introducing a theoretical basis for evaluating strategic improvements empirically. The results of this study provide evidence for making useful recommendations for future practice. The experimental results of exploratory factor analysis and correlation relationship contribute to the business market's customer relationship marketing management literature in several significant ways. Fostering, maintaining, developing, improving, and maintaining the quality of relationships, particularly in a business-to-business market setting, takes work. Current studies integrate quality of manufacture and distributor relationships in B2B models. Current studies show the benefits of investing in relationships based on trust, commitment, and satisfaction to achieve business-to-business loyalty.

B2B customer trust reveals the important role of relationship value in building strong and long-

lasting relationships with manufacturers. These results are consistent with previous studies [20], [29], [30]. A positive relationship was found between trust, commitment and B2B customer satisfaction. These results are an important indicator in the business-to-business market of manufacturing and distributor relationships. Committed distributors are expected to increase the rate and proportion of their purchasing activity over time and maintain purchasing activity based on the product line of their needs and wants. Manufacturers must be aware of those benefits for the company. The targeting strategy focuses on maximizing profits, neutralizing competitors, increasing the sharing market, attracting new customers, and building brand image and reputation. Loyal distributors should be the focus of the company.

5. Conclusion

These results provide empirical evidence of the determinants of relationship qualifications in the business context. The exploratory factor analysis and correlation test results support the relationship between B2B trust, B2B commitment, and B2B satisfaction. Relationships quality are one of the key strategic issues for manufacturers to build and maintain long-term relationships with their clients. The result is customer loyalty and a source of competitive advantage. The company of managers can improve relationships by managing every dimension of the quality of relationships in the context of manufacturing companies and distributors. Three dimensions of the relationship quality scale can be developed to help improve their understanding of the activities involved in developing quality relationships. This study provides managerial implications as a potential strategy to develop and improve business relationships between B2B partners to create a competitive advantage. Satisfaction, commitment, and trust can help to achieve a competitive advantage. Manufacturers must have a clear vision to develop and improve their business strategy. Relationship quality must be prioritized in building strategies that lead to distributor loyalty.

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