

# ANTECEDENTS OF RETAILER TRUST ON SUPPLIER TO CREATE LONG TERM RELATIONSHIP

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**Abstract:** This research aims to reveal the role of communication, satisfaction, and commitment as the antecedents of trust; also, this research observes the role of trust in the long-term relationship. Data collection is done through questionnaire distribution. The questionnaire is sent to 80 owners/managers of laptop retail stores in Malang city. The respondents are chosen using purposive sampling technique. Data analysis technique this research using path analysis. The result indicates that communication, satisfaction, and commitment influence trust; next, trust affects the long-term relationship. Communication has the most significant effect on trust compared to commitment and satisfaction. This finding is expected to be able to help the retailers in maintaining the long-term relationship with their supplier by considering the relationship between trust and communication as well as satisfaction and commitment with their supplier.

**Keywords:** communication, satisfaction, commitment, trust, long-term relationship, laptop retailer.



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Escalating business competition in Malang City from year to year has led all companies to engage in a race of development for existence. This situation is marked by the increasing number of business in the field of technology, particularly laptop sales, one of the primary needs of the people in the city. The improving purchase power of its citizens has influenced the increase in laptop sales every year. The fierce competition has made supplier companies aware that good relationship with a retailer is imminent and must

be maintained well. In the effort of achieving long-term sustainability, both supplier and retailer need to build trust among them.

Trust is believed to be one of the main things accepted as the very basis of all human interactions and the trade among them, not to mention that it is an important investment in maintaining long-term mutual benefit (Buttle, 2004). Trust will emerge if both sides share experiences, interpret each other, and study each other's motives.

Companies will do anything to maintain its existence and foster partnership among them, including with suppliers. Thus, suppliers have to maintain good communication with their retailers. In general, good communication must influence all aspects of relationships, including main trust, satisfaction, and loyalty, between suppliers and retailers. Effective communication is important since it helps resolve disputes, align perceptions, and finish conflicts among

partners (Claycomb and Frankwick, 2004). Besides communication, another thing serves as a foundation for the willingness of having cooperation with others: satisfaction. Improving retailer's satisfaction leads to long and short-term sales growth. It also improves market share due to repurchase. The study of Caruana, et al. (2002), mentions that the final key to services provided by supplier depends on how the service is delivered. After the good relationship is built on good communication and tangible satisfaction, commitment strengthens the partnership. The commitment is the manifestation of trust. Of those measures used to build the entire relationship, customer satisfaction, trust, and commitment are the most prominent (Selnes, 2004). This study tries to assess the influence of trust on the long-term relationship between laptop suppliers and retailers in Malang City. This study observes the relationship between communication, satisfaction, and commitment, which become the antecedent of trust, and observe how trust influences long-term relationship.

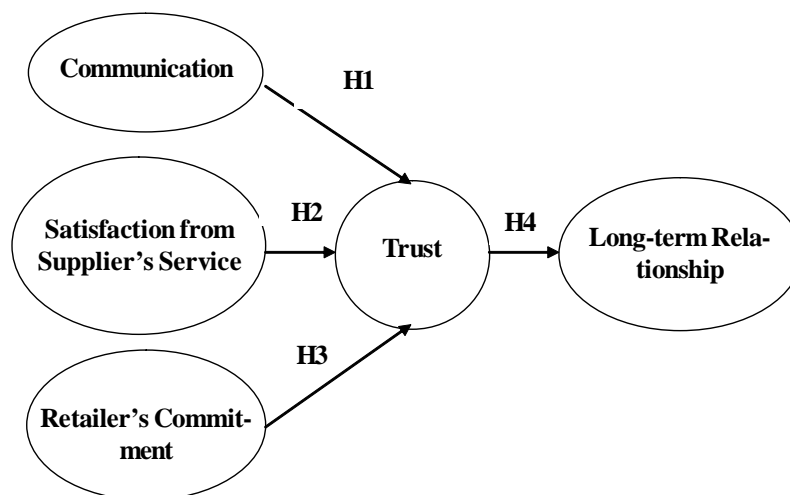
The result of Anderson and Narus (1990), proves that communication conducted by a company improves others' trust in the company. A similar result was also found by Morgan and Hunt (1994). This is supported by Anderson and Narus (1990), who found that in partnership trust is strongly influenced by communication. Based on the descriptions, which are supported by several research results above, the proposed hypothesis is as follows.

H1 : The higher the communication intensity of a supplier, the higher the trust to the supplier.

The result of Singh and Sirdeshmukh (2000), states that satisfaction from post-purchase evaluation positively influences trust. This is supported by Yap, et al. (2012), who prove that satisfaction positively influences trust. Based on the research results above, the proposed hypothesis is as follows.

H2: The higher the retailer's satisfaction with the service provided by the supplier, the higher its trust to the supplier.

## CONCEPTUAL FRAMEWORK



Moore (1998) in Bowo (2003), asserted that companies that prove their commitment to creating sustainable communication with their buyers gain the image that they are not opportunistic. Moore in Bowo (2003), asserted that companies that prove their commitment to creating sustainable communi-

cation with their buyers gain the image that they are not opportunistic. The result of Morgan and Hunt (1994), proves that opportunistic behavior negatively influences trust. Therefore, it is understood that commitment should create trust. Motive process explains that buyers who know that their suppliers

have the intention to build sustainable communication with them grow their trust in them. Thus, the proposed hypothesis is as follows.

H3 : The higher the commitment of a supplier, the higher the trust to the supplier.

Singh and Sirdeshmukh (2000), stated that trust is an important variable in describing long-term relationships. Thus, it can be concluded that long-term relationships are created through sustainable trust. Based on the explanation above, trust is essential in a relationship because relationships that are based on trust have higher values, where the interested parties are committed to foster the relationships. The result of Somogyi, et al. (2010), show that the relational dimensions of communication that are found influencing the quality dimension of the relationship between trust and satisfaction, which is also linked with commitment level, long-term influence relationship. It can be concluded that trust can upgrade a relationship into a long-term one. Based on the description supported by several research results above, the proposed hypothesis is as follows.

H4 : The higher the trust in a supplier, the stronger the long-term relationship with the supplier.

## METHOD

This research was conducted in laptop retailing business in Malang City. This city consists of five sub-districts; they are Klojen, Blimbing, Kedungkandang, Lowokwaru, and Sukun. The researcher divided the size of retailers based on the monthly sales volume: small retailers ( $\leq 50$  units/month), medium retailers (51–100 units/month), and big retailers ( $\geq 100$  units/month). The population

of this study is all laptop retailers located in Malang city. The sample was selected using purposive sampling technique with the following criteria is retailers that have a relationship with suppliers for one year at the minimum, and retailers that are categorized into medium retailers (with the sales volume of 51 to 100 units per month).

Based on the researcher's observation, the number of traditional retailers that have fulfilled condition 1 and 2 is 80 shops. The respondents of this study are the owners of the laptop retailing shops. The data of this study were obtained from questionnaires, which were then analyzed using path analysis.

## RESULT

This study uses a t-test to identify the influence of independent variables on the dependent variable. The criteria of hypothesis rejection and acceptance if the value of  $t_{\text{count}} > t_{\text{table}}$  and the significance are  $\leq 0.05$ , null hypothesis ( $H_0$ ) will be rejected and alternate hypothesis ( $H_a$ ) will be accepted then if the value of  $t_{\text{count}} < t_{\text{table}}$  and the significance is  $> 0.05$ , null hypothesis ( $H_0$ ) will be accepted and alternate hypothesis ( $H_a$ ) will be rejected (Kuncoro, 2004).

H1 : The higher the communication intensity of a supplier, the higher the trust to the supplier

Based on Table 1, the coefficient of the direct influence of Communication (X1) on Trust (Y) is 0.398 with positive and significant mark. This shows that the influence of Communication (X1) on Trust (Y) is directly proportional (positive) and significant, which means that improvement in Communication (X1) factor significantly improves Trust (Y) factor.

**Table 1 The Result of Hypothesis Testing**

Influence	Standardized Coefficient	Std. of Error	t count	p-value
X1 $\rightarrow$ Y	0.398	0.084	4.499	0.000
X2 $\rightarrow$ Y	0.226	0.082	2.170	0.033
X3 $\rightarrow$ Y	0.350	0.097	3.835	0.000
Y $\rightarrow$ Z	0.860	0.043	14.905	0.000

Source: processed data (2004)

H2 : The higher the retailer's satisfaction with the service provided by the supplier, the higher its trust to the supplier

Based on Table 1, the coefficient of the direct influence of Satisfaction (X2) on Trust (Y) is 0.226 with positive and significant mark. This shows that the influence of Satisfaction (X2) on Trust (Y) is directly proportional (positive) and significant, which means that improvement in Satisfaction (X2) factor significantly improves Trust (Y) factor.

H3 : The higher the commitment of a supplier, the higher the trust to the supplier

Based on Table 1, the coefficient of the direct influence of Commitment (X3) on Trust (Y) is 0.350 with positive and significant mark. This shows that the influence of Commitment (X3) on Trust (Y) is directly proportional (positive) and significant, which means that improvement in Commitment (X3) factor significantly improves Trust (Y) factor.

H4 : The higher the trust in a supplier, the stronger the long-term relationship with the supplier

Based on Table 1, the coefficient of the direct influence of Trust (Y) on Long-term Relationship (Z) is 0.860 with positive and significant mark. This shows that the influence of Trust (Y) on Long-term Relationship (Z) is directly proportional (positive) and significant, which means that improvement in Trust (Y) factor significantly improves Long-term Relationship (Z) factor.

## DISCUSSION

Hypothesis 1 which states that communication influence trust is accepted. This finding supports Fischer (2013), who stated that communication influenced trust. The result of the data analysis shows that communication positively and significantly influences trust. This means that better communication leads to higher trust between retailers and suppliers concerning the partnership, implying that, in this study, perceiving that retailers can communicate well with suppliers, they improve their trust to their suppliers.

Hypothesis 2, which states that satisfaction influences trust, is accepted. This finding supports previous research by Ulaga and Eggert (2004). The result of the data analysis shows that satisfaction positively and significantly influences trust. This means that higher satisfaction leads to higher trust, implying that, in this study, if retailers are satisfied with suppliers' service, retailers will trust their suppliers more.

Hypothesis 3, which states that commitment influences trust, is accepted. This finding supports previous research by Rampersad, et al. (2009). The result of the data analysis shows that commitment positively and significantly influences trust. This means that higher commitment in a relationship leads to higher trust, implying that, in this study, the willingness of retailers and suppliers to commit in partnership improves the trust between them.

Hypothesis 4, which states that trust influences long-term relationship, is accepted. This finding supports previous research of Somogoyi, et al. (2010). The result of the data analysis shows that trust positively and significantly influences long-term relationship. This means that higher level of trust leads to higher willingness to establish a long-term relationship, implying that, in this study, a higher trust of retailers influences their willingness to build a long-term relationship with their suppliers.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

Communication significantly influences trust. This shows that the relationship between suppliers and retailers is good. High communication intensity, bidirectional communication, and communication without pressure between retailers and suppliers improve the trust in the partnership. Retailers admit that their communication with their suppliers is excellent, so they really trust their suppliers.

Satisfaction significantly influences trust. This shows that retailers are very satisfied with the service provided by their suppliers. They admit that all kinds of services such as payment policy, return, goods shipment, and offered margin make them trust their suppliers.

Commitment significantly influences trust. This shows that suppliers are voluntarily committed to their retailers to gain their trust. Their willingness to make partnership agreements and retailers' consistency and loyalty to their suppliers make the retailers trust their suppliers. They admit that their suppliers are always willing to make a partnership agreement to maintain trust between them.

Trust significantly influences long-term relationship. This shows that credibility, reliability, and honesty of suppliers make retailers trust their suppliers. The trust of retailers to their suppliers makes them willing to cooperate with them. They admit that they will only cooperate with suppliers who can provide excellent service and high-quality products.

## Recommendation

Both retailers and suppliers should build trust among them not only from communication, satisfaction, and commitment. Trust that is built in a partnership does not represent the reason of having long-term relationships because it is based on trust. Retailers should elaborate on other factors that create trusts such as salesperson reliability, supplier's reputation, partnership experience with suppliers, supplier's competence, and opportunistic behavior. Therefore, retailers can maintain their partnership with their suppliers longer.

Future researchers should observe other cities with other retailer sizes and age of business. This is expected to broaden the research findings because a relationship between retailers and suppliers in a different region with different retailer size and age of business creates different trust in the relationship between the two. In addition, future researchers should observe salesperson reliability, supplier's reputation, partnership experience with suppliers, supplier's competence, and opportunistic behavior in different research objects such as fashion products, basic needs, or service business.

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