The Moderating Effect of Strength of Manufacturer's Brands on the Relationship between Retailer’s Relationship Satisfaction and Commitment: A Theoretical Model

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ABSTRACT: Many recent studies emphasized the importance of retailer's satisfaction and commitment to manufacturer/supplier. These studies investigated the relationship between them as an overall relationship. However, there is a dearth of studies that investigated the dimensions of retailer's satisfaction on commitment, and analyzed the mysterious relationship via strength of manufacturer's brands as a moderating effect. Therefore, this study is an attempt to provide a value conceptual model that explains the theoretical linkages existing between dimensions of retailer's satisfaction and commitment, and tries to explain the in-depth meaning of this relationship through the moderating effect of manufacturer's brand strength in the context of social exchange theory. Additionally, hypotheses on the association between the constructs are presented as a basis for further study.

Keywords: Manufacturer-retailer relationship; Relationship satisfaction; Commitment; Strength of brands.

JEL Classifications: M31; M39; L81

1. Introduction

Since the seventies, the role of the retailer has gradually shifted from merely being a distributor to a partner (Zentes et al., 2005). In addition, owing to the transformation of the production markets to customer demand markets, the retailer’s role in the manufacturers-final consumers’ relationship has increasingly become important. Moreover, both increasing competition and product homogeneity in various consumer categories have allowed retailers to move from one manufacturer to the next, urging manufacturers to compete in retail business (Mitchell, 2004). According to Jerath (2008), upstream manufacturers stated their aversion to being forced by the retailer’s power, but at the same time, most of them form profitable partnerships with the said retailers. There is also a notable change of behaviour in the manufacturer-retailer relationship (Pelau, 2008), which makes the understanding of the relationship with large retailers along with achieving a high level of satisfaction and commitment, the most important issues for many manufacturers.

In the literature of channel relationship, there is an unstable and complex relationship between manufacturer and large retailers (Fein and Anderson, 1997; Glynn, 2010; Timmor, 2007). In addition, Ailawadi et al., (2008) suggested that the relationship between a retailer and a manufacturer still needs further study and clarification in the light of the current changes in the power of the retail organisations and manufacturers. This seems to indicate that there is a main factor or factors disrupting this relationship. The question lies in, which of the factor or factors is responsible for this disruption.

Generally speaking, the retailer is dependent on the manufacturer for products and purchasers for products (Anderson and Narus, 1990). The retailer must possess sufficient line of products to attract consumers to the store, particularly in the context of consumer goods (e.g. food). Hence, there are
countless items in a large retailer’s store as the retailer represents one manufacturer’s offerings in a specific product line. According to Emerson’s (1962) view of power as a function of dependence, the power of the manufacturers is higher in a sense that their products are highly differentiated to consumers so that a retailer will agree to offer them for sale and similar products from other manufacturers are not carried by the retailer. Brand strength provides notable possible evidence of the power of the manufacturer (Haines, 2007), and several studies believe that a strong brand is a source of manufacturer power (e.g., Anderson and Narus, 1990; Fein and Anderson, 1997; Glynn, 2010).

Along the same line, Glynn (2010) claimed that marketing channel relationships offer a one-of-a-kind opportunity to examine the impact of the strength of manufacturer’s brands in the context of B2B (business to business). The brands strength is also a determinant of the way retailers and manufacturers handle the business relationship (Glynn et al., 2012). Manufacturers having weak brands are less capable of relying on market demand and frequently conduct deals for retailer cooperation (Curhan and Kopp, 1987). On the other hand, in the retailer’s point of view, weak brands represent the commitment of the manufacturer to promote his product, which in turn, improves the store image and provides increasing market demand (Webster, 2000). In contrast, the strength of manufacturer's brand (strong brand) negatively affects distributor’s satisfaction because the manufacturers are more able to rely on market demand, and, thus, focus less on distributor satisfaction (Iglesias and Vazquez, 2001). Despite its importance in the relationship between manufacturers and retailers, surprisingly, the effects of brand strength in this context have hardly been investigated.

2. Strength of Manufacturer’s Brands

The notion of brand strength was proposed by Srivastava and Shocker (1991) and they related the concept to sustainable and distinct competitive advantages where the power of the manufacturers is concentrated on the brand. This power is described as the extent of manufacturer's industrial capacity to obtain prestige for their brands, market share and consumer loyalty (Iglesias and Vazquez, 2001). Accordingly, this concept of brand strength is relied upon in this study.

The brand strength of the manufacturer is considered as a factor that may impact retailer satisfaction in two ways. First, the high prestige and market share of the manufacturer’s brands can allow retailers to acquire superior economic outcomes through increased sales and attraction of more customers. This in turn positively impacts the retailer’s satisfaction. Second, the brand strength of the manufacturers could result in the power imbalance and greater retailer dependence, implying a lower impact on decision making, which in turn, minimizes retailer satisfaction. In addition, the manufacturer will also have ample power to threaten the retailer and create coercive strategies which will negatively impact the retailer’s satisfaction and commitment (Gaski, 1986; Glynn, 2010; Frazier and Summers, 1986; Lusch, 1977; Richardson et al., 1995). Hence, brand strength offers possible evidence in the manufacturer-retailer relationship, especially in the relationship between retailer's satisfaction and commitment to manufacturer.

However, the channel marketing literature has not previously addressed the effect of the strength of manufacturer's brands as a moderator in the business-to-business context, except Glynn’s study (2010). His study recommended further research on the influence of brand strength as a moderator on the relationship between satisfaction and its consequences in manufacturer-retailer relationships. In addition, Paulssen and Birk (2007) confirmed that the potential moderating role of the brand strength has so far been neglected in the business-to-business context. This situation represents one of the empirical gaps in the present literature. Therefore, this work attempts to bridge this gap by investigating the moderating effect of manufacturer's brand strength on the relationship between retailer’s relationship satisfaction and commitment to manufacturer.

3. Retailer’s Relationship Satisfaction

To ensure the long-term success of a manufacturer, it is important to have retailer’s relationship satisfaction (Bolton, 1998; Selnes, 1998). In addition, previous research revealed that a retailer’s relationship satisfaction increases long-term orientation and continuity (Bolton, 1998; Ganesan, 1994), increases the trust and commitment (Geyskens et al., 1999; Selvan, 2009), ensures product availability for end-consumers (Chiou et al., 2010), ensures shelf-space allocation of products (Amrouche and Zaccour, 2007), and demonstrates more agreement with channel system policies (Merritt, 1987). For these reasons, retailer's relationship satisfaction has gained more importance in both the theoretical
literature and in practice. Furthermore, empirical studies show that if the aim of the marketing channel is to satisfy the consumers, the marketing channels need to pay more attention to the satisfaction of retailers (Zhang and Xiong, 2009).

In the literature dedicated to marketing channel, researchers do not have consensus regarding the concept of relationship satisfaction, although most of them have proposed various definitions: among them, Anderson and Narus (1984) defined it as “a positive affective state resulting from the appraisal of all aspects of a retailer's working relationship with manufacturer”. Similarly, Gaski and Nevin, (1985) defined dealer’s relationship satisfaction as “a dealer's overall approval of the channel arrangement and the transaction relationship”. Based on a global viewpoint, Dwyer and Oh (1987) defined relationship satisfaction as “the global evaluation of the firm's relationship fulfillment”, while Mohr et al., (1996) defined it as “the evaluation of a part of the relationship channel’s characteristics”. In addition, Mohr and Spekman (1994) argued that satisfaction of the retailer’s relationship stems from a cognitive state which reveals that with the existence of adaptation among previous expectations and rewards. On the basis of the above definitions, retailer's relationship satisfaction judgment is linked to the overall experiences and the different aspects of the relationship with a particular manufacturer/supplier.

Additionally, the meta-analytical study of Geyskens et al. (1999) showed that satisfaction is a multi-dimensional construct while the study conducted by Gassenheimer and Ramsey (1994) viewed the examination of the satisfaction between two members of the marketing channel to include the economic findings in light of efficiency and efficacy, and their partners’ social interaction. Hence, majority of the researchers highlighted two dimensions of satisfaction, i.e., economic and social satisfaction in the relationship between manufacturer and retailer (e.g., Chung et al., 2011; Nor Azila et al., 2011; Pelau, 2008; Rodriguez et al., 2006). However, very few studies investigated retailer’s economic and social satisfaction as separate variables. Therefore, the present study takes up both types of satisfaction, namely economic and social satisfaction, as the retailer may have economic satisfaction, with the manufacturer not having the social satisfaction or having the latter without the former.

3.1. Retailer’s Economic Satisfaction

Geyskens and Steenkamp (2000) defined retailer’s economic satisfaction as “the retailer’s evaluation of the economic results that stem from its relationship with the supplier”. It refers to a positive response from the supplier that comes from the economic rewards received; for instance, sales volume, profit margins, and discounts. Additionally, Geyskens et al. (1999) argued that a retailer which is economically satisfied considers the relationship successful in terms of attainment of goals, relationship effectiveness and productivity, and financial outcomes.

Although an economically satisfied channel member would consider the relationship a success, it is important to consider the idea that decisions made purely on economic criteria, is now considered unrealistic (Schellhase et al., 2000). Thus, it is necessary to have a social satisfaction in the relationship.

3.2. Retailer’s Social Satisfaction

With regards to retailer’s social satisfaction, it is defined as the retailer’s positive and affective reaction to the psychosocial elements of the relationship, in a sense that the transaction with the manufacturer is filled with fulfillment, gratification and ease (Mohr et al., 1996). Also, a retail who feels satisfied socio-psychologically appreciates interactions with suppliers and likes working with the supplier on a personal level believing that the supplier is concerned, respectful and inclined to exchanging ideas (Geyskens, et al., 1999).

Based on the social exchange theory (Thibaut and Kelley, 1959), the retailer's social satisfaction is the result of the evaluation of social outcomes in its interaction experience with the manufacturer. For instance, if the manufacturer has a good social bond with retailer, it may lead to the retailer's positive social outcomes and feeling that the interaction is fulfilling. Researchers have also considered satisfaction in a more social aspect and defined it as the evaluation of experiences of interaction (Scheer and Stern, 1992), and a representation of the firm’s psychosocial well-being (Gassenheimer and Ramsey, 1994).
4. Retailer’s Commitment

Commitment is the key construct for consequences of satisfaction in channel relationship research (Abdul Muhmin, 2005; Davis-Sramek and Stank, 2008; Wilson, 1995). Commitment is defined as “an enduring desire to maintain a positively valued relationship” (Moorman et al., 1993). According to Dwyer et al., (1987), it is “an implicit pledge of relational continuity between relational exchange partners”, and implies their desire for long-term benefits, even if it makes certain sacrifices. Commitment is considered as among the main characteristics of successful relationships (Dwyer et al., 1987; Morgan and Hunt, 1994). Commitment reveals that the partner’s goal is to continue the relationship in optimal terms. As such, the retailer’s commitment is an implicit promise of relational continuity and reinforces the relationship with the manufacturer.

In the literature of channel relationship, commitment is stated to consist of attitudinal and instrumental dimensions (Garbarino and Johnson, 1999), where firms can leverage certain psychological relations with customers (Berry, 1995; Wilson, 1995) by their expecting future returns through these expectations and obligations that reinforce the relationship. This has been based on the employment relationship in the context of the formation of psychological contracts (Robinson et al., 1994; Rousseau, 1990). These contracts exist within the context of internal customers (Llewellyn, 2001), as well as business-to-business relationships (Kingshott, 2006), and it is an imperative branch of social exchange in literature, although it is still largely unknown in the marketing discipline (Kingshott, 2006). In addition, many recent studies addressed commitment as a consequence of overall satisfaction (e.g., Ali, 2011; Ganesan, 1994; Selvan, 2009), but very little research has examined commitment as a consequence of economic and social satisfaction.

More specifically, empirical studies concerning relationship marketing focused on a variety of relational constructs, including relationship satisfaction and commitment, which are considered as the most crucial indicators or attitude and perspective directed towards the development and maintenance of manufacturer-retailer relationships (e.g., Anderson and Weitz, 1992; Morgan and Hunt, 1994). Both constructs have been suggested as the most efficient assessment of relationship strength and quality (Kumar et al., 1995), for the continuous success of the relationship (Chen et al., 2011) and they offer the best insight into the exchange performance (Palmatier et al., 2006). Consistent with this paradigm, the researchers employ relationship satisfaction (economic and social) and commitment as relational indicators of continuous success of the relationship between food manufacturer and large retailer.

5. Why Consider Strength of Manufacturer’s Brands as a Moderator?

Strength of manufacturer's brands is a source of relationship instability between manufacturers and retailers (Fein and Anderson, 1997). Moreover, strength of brands determines how retailers and manufacturers approach the business-to-business relationship (Glynn, 2010). Therefore, understanding the effects of strength of brands on the relationship between retailers and manufacturers is considered important issues, for them and for academics.

Anselmi (2000) revealed that weak brands might gain more advantage from relational exchange compared to strong brands, and manufacturers with weak brands can better build relationships with retailers as they are more reactive to individual retailer’s needs.

Moreover, retailers prefer manufacturer’s brands that provide sufficient marketing support (Kasulis et al., 1999). Manufacturers with weak brands are less able to rely on market demand, and, thus, often use deals to obtain retailer cooperation (Curhan and Kopp, 1987). Similarly, for retailers, weak brands are also perceived as the willingness of the manufacturer to promote a product which improves the store image and provides ensured market demand (Webster, 2000). In contrast, strength of manufacturer's brands (strong brands) negatively affects distributor’s satisfaction because the manufacturers are more able to rely on market demand and thus become less focused on retailer satisfaction (Iglesias and Vazquez, 2001).

Glynn’s (2010) retail interviews revealed that weak brands are significant for retailers as they require better margins, while strong brands are discounted to attract consumers. Weak brands enable retailers to enhance the profitability of the category while providing variety to brands carried by the store (Bergen et al., 1996). Weak brands are also represented as a source of countervailing power to strong brands. This results in retailers offering further business options to manufacturers of the weak brands which would minimize the former’s dependence on the strong brand manufacturer in the same category. Highly dependent manufacturers possess a high interest to main the relationship and the
brand becomes a source of non-coercive or referent power (Anderson and Narus, 1990). Based on the study by Ogbonna and Wilkinson (1998), the main UK grocery brand manufacturers are interdependent of top retailers, although retailers are more inclined to develop strategic alliances with weak brand manufacturers. Similarly, Hingley (2005) noted that such relationships of marketing channel can lead to imbalance of power between large retailers and small manufacturers.

In line with these arguments, Glynn’s study (2010) recommended further research on the influence of brand strength as a moderator on the relationship between satisfaction and its consequences in manufacturer-retailer relationships. Furthermore, a study by Paulssen and Birk (2007) confirmed that the possible moderating role of the manufacturer’s brand has so far been neglected in the business-to-business context.

Accordingly, it is more likely that the strength of manufacturer's brands may play a prominent role in explaining the relationship between manufacturer and retailer in light of the social exchange theory, especially in the relationship between retailer’s relationship satisfaction and its commitment to manufacturer. Therefore, this study seeks to explore the moderating effect of strength of manufacturer's brands on the relationship between retailer’s relationship satisfaction (economic and social) and its consequences (retailer commitment).

6. Theoretical Model and Hypotheses

6.1. Relationship between retailer’s relationship satisfaction and its commitment

In channel relationship literature, Dwyer et al. (1987) defined commitment as “an implicit or explicit pledge of relational continuity between exchange partners”. Further, Morgan and Hunt (1994) suggested that commitment by a firm toward its exchange partner will be enhanced by maximum efforts, only when it considers the relationship to be of utmost importance. Based on this rationale, Wilson (1995) argued that the commitment would only be compulsory in nurturing and strengthening buyer-seller relationship, if both the exchanging partners can ensure maximum benefits by staying with each other.

Additionally, Ganesan’s study (1994) found that satisfaction has a role in determining commitment in the relationship between retailers and vendors. Furthermore, Hennig-Thurau et al., (2002) have empirically argued that customer satisfaction has been strongly linked to the development of commitment. In line with this argument, several empirical studies found a positive link between satisfaction and commitment (Garbarino and Johnson, 1999; Selvan, 2009; Sharma and Paul, 2000). Similarly, Johnson et al., (2001) argued that satisfaction with the seller increases the buyer's commitment to the relationship. However, all these studies examined the relationship between overall satisfaction and commitment. Therefore, based on the previous argument and in view of the social exchange theory’s postulation that modern concept of relationship satisfaction (economic and social satisfaction) can lead to commitment, the current study assumes the first key hypothesis as follows:

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H1: \text{Retailer's relationship satisfaction is positively related to its commitment to manufacturer.}
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The first major hypotheses (H1) can be divided into two sub-hypotheses as follows:

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H1a: \text{Retailer's economic satisfaction is positively related to its commitment to manufacturer.}
\]

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H1b: \text{Retailer's social satisfaction is positively related to its commitment to manufacturer.}
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6.2. Moderating effect of strength of manufacturer’s brands on the relationship between retailer’s relationship satisfaction and its commitment

In literature of buyer-supplier relationships, Fein and Anderson (1997) argued that the strength of manufacturer's brands is a source of relationship instability between suppliers and retailers. Moreover, strength of brands determines how retailers and manufacturers approach the business-to-business relationship (Glynn, 2010). Furthermore, Nevin (1995) stated that the process of building channel relationships is different between manufacturer and retailer but complements governance mechanisms with manufacturer's brands.

According to Glynn (2010), a manufacturer having a strong brand and is dependent on strong consumer demand, may not have to opt for building a close relationship compared to their counterparts. Moreover, manufacturers with weaker brands are less able to depend on market demand and hence, frequently utilise deals to obtain retailer cooperation (Curhan and Kopp, 1987). In addition, retailers view weak brands as manufacturers’ commitment to promote their product which will lead to enhanced store image and the realisation of a more specific market demand (Webster, 2000). It is
therefore expected that the retailer will commit to the benefits acquired by the manufacturer having weaker brands. These effects of inter-organisational resource for manufacturer’s brands seem to clash with brand literature which postulates that strong brands translate to “greater trade cooperation, commitment and support” (Keller, 2003).

In line with these arguments, Anselmi (2000) stated that weak brands may take advantage of relational exchange compared to their strong brands, and manufacturer’s weak brands are more capable of building relationships with retailers as their responsiveness to individual retailer’s requirements. Also, Iglesias and Vazquez (2001) revealed that the strength of manufacturer’s strong brands negatively impacts the satisfaction of distributor while Glynn (2010) revealed that the strength of brand is a moderator in the retailer satisfaction-retailer commitment relationship. Therefore, based on these arguments, discussion and recommendations, that strength of manufacturer's brands is likely to moderate the relationship between retailer’s relationship satisfaction (economic and social) and retailer’s commitment to the manufacturer, the following hypotheses are formulated:

**H2**: The strength of manufacturer's brands moderates the relationship between retailer’s relationship satisfaction and its commitment to manufacturer.

The second major hypothesis (H2) can be divided into two sub-hypotheses as follows:

**H2a**: The strength of manufacturer's brands moderates the relationship between retailer’s economic satisfaction and its commitment to manufacturer.

**H2b**: The strength of manufacturer's brands moderates the relationship between retailer’s social satisfaction and its commitment to manufacturer.

7. Conclusion

In conclusion, although various channel relationship scholars developed retailer-supplier relationship models by presenting theoretical and empirical discussion about relationship satisfaction and its commitment, little attention has been paid to the separate influence of satisfaction dimensions on commitment, and analysis of the mysterious relationship between them through the investigation of the effects of brand strength as a moderating variable. Based on the intensive literature review, the proposed model is presented in Figure 1. This model expands our understanding of the relationship between satisfaction dimensions and commitment and its analysis via strength of brands in the retailer-manufacturer relationship and forms the basis for further empirical studies.

**Figure 1. Theoretical Framework**

![Figure 1. Theoretical Framework](image-url)
The Moderating Effect of Strength of Manufacturer's Brands on the Relationship between Retailer's Relationship Satisfaction and Commitment: A Theoretical Model

References


