

An investigation of the Influence of Supplier Competency on Industrial Brand Value and Quality of Communications among Industrial Purchaser and Supplier

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ABSTRACT

Companies should pay persistent attention to their customers' loyalty and satisfaction because dangers like market share reduction may arise when customers become dissatisfied. In industrial marketing, customer satisfaction is different from consumption marketing. Due to its special features, industrial marketing requires establishment of stronger relationships between customers and producers. This study aims to investigate factors which influence industrial customers' satisfaction and loyalty. Further, it studies the role of industrial brand value on quality of relationships between customers and suppliers. In terms of goal, this is an applied study and in terms of methodology, it is a descriptive and causal study. Statistical population of the research included all managers of companies situated in Ahwaz Industrial Estate. Totally, 469 companies were surveyed. Data were gathered by means of a questionnaire containing 54 questions and 250 questionnaires were distributed. 248 complete questionnaires were returned. Data were analyzed by means of structural equations modeling technique and LISREL software. The results showed that suppliers' competency has a positive influence on purchase value and industrial customer satisfaction. Furthermore, the results showed that brand loyalty and brand trust have positive impacts on quality of relationship between supplier and industrial purchaser.

KEYWORDS: supplier competency, purchase value, customer satisfaction, brand loyalty, brand trust, relationship quality

INTRODUCTION

Marketing activity is a means for sticking to the minds of customers and creation of a spiritual asset called "brand". Studies have revealed that the real value does not lie in a product or service but lies in the minds of customers. This is brand which creates real value in customers' minds. Therefore, companies pay special attention to brand and its management. Having powerful brands can increase corporate competitiveness and increases profitability. Furthermore, successful companies are those which are able to identify and understand customers' ideas and respond to them effectively. By this, companies will be able to satisfy their customers and turn them into loyal customers. Customer satisfaction and loyalty are two important elements in marketing (Miri, 2006). Customer satisfaction and loyalty are important because they can establish relationship marketing and improve the quality of relationship between supplier and customer. High-quality long-term relationships with suppliers can reduce costs of searching for new suppliers for customers and it has more profitability for suppliers. Therefore, quality of relationships and long-term relationships between suppliers and customers in industrial marketing has a mutual benefit (Han and Sung, 2008). Considering the above discussion, two subjects are of great importance: first, customer satisfaction and loyalty in industrial marketing differs from consumption marketing and second, brand value is a factor which sticks to customers' minds and can influence their attitude towards products and quality of relationships between industrial customer and suppliers. Therefore, this study investigates factors which affect industrial customers' loyalty and satisfaction as well as investigating the role of industrial brand value on quality of relationships between customers and suppliers.

THEORETICAL LITERATURE

Industrial marketing

To learn about industrial markets, it seems necessary to compare it with consumption products markets. In an industrial market, purchase aims to strengthen production line(s) but in a target consumption market, the main concentration is on satisfaction of personal needs. Therefore, industrial market purchase is motivated by rationality but consumption markets are driven by feelings. Compared to consumption markets, industrial

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markets have larger order volumes. In this market, finding more than 20 companies is very difficult for a purchaser or industrial supplier. Moreover, industrial customers are usually concentrated geographically and are closed to each other as a result of proximity to natural resources. Therefore, closer and stronger relationships between industrial customers and suppliers are expected. Compared to customers of consumption products, industrial customers have more knowledge, expertise and awareness about customers of consumption markets due to spending more money on buying products. Therefore, industrial markets advertisements are more concentrated on technical and real information. In general, it can be said that sales promotion in industrial markets is conducted mainly via commercial fairs and catalogues. Regarding distribution channels, it can be said that in industrial markets there are fewer brokers and physical distribution is an important matter in such markets because delay in orders may end up in a customer's production line closure (Miri, 2006).

Customer satisfaction

Customer satisfaction is a customer's viewpoint of the level to which his or her expectations have been met (Saghayee et al, 2006). Within the past two decades, customer satisfaction measurement has become very important and has turned into an important source of income for companies (Eggert and Ulaga, 2002). Satisfaction has an important role in marketing literature. Virtually all researchers unanimously agree that satisfaction is the origin for purchase repeating, word-of-mouth advertisements and loyalty (Barry and Terry, 2008). Customer satisfaction is measured by means of comparing expectations and perceived performance. A customer feels satisfied when he or she feels the received performance is consistent with what he or she expected. If product performance is more than customer expectations, he or she will be completely satisfied (positive incompatibility) and if it is lower than expectations, the customer will not be satisfied (negative incompatibility) (Eggert and Ulaga, 2002).

Customer loyalty

It evaluates the possibility for a customer to return and be prepared for conducting participatory activities. Some other researchers have referred to a similar concept called "behavioral intentions" which deals with re-signing contract, presenting recommendations and increasing support (Bolton, Smith and Wagner, 2003). Customers' loyalty has been made up of different aspects. Loyalty to a brand, loyalty to products, services and other similar items are examples. Furthermore, some researchers see loyalty as a behavior or attitude and some other as a mixture of both. To put it more simply, loyalty can be considered as one of the followings (or a mixture of them):

- More purchase and development of products purchase portfolio
- Purchase repetition
- Proposing purchase to others (Borumideh, 2008).

Relationship intentions and relationship length

Companies establish strong relationships with suppliers and customers. These relationships have been designed for achieving mutual benefits. Many studies have been conducted to prove the importance of participation in value creation. It seems that value creation or relationship function makes organizations to get involved in relations. In business networks, organizations can be considered as activity-doing agents and resource-consuming factors and therefore can present functions/values to other members of networks or receive them. Therefore, relationship function which is resulted from appropriate quality of relationship is the main target of suppliers and customers which seek entrance into relationship (Fang, Chang, and peng, 2001). Relationship is a conscious or unconscious process which may be wanted or unwanted via which feelings and ideas turn into messages and then sent, received and understood. This process may be sudden and emotional. Regardless of relationship process, efficiency of relationship largely depends on mutual understanding of relationship establishers. Relationship is the process of trading and sharing valid information formally or informally between both sides of a relationship. Main concepts of this definition concentrate mainly on accuracy and appropriateness of information rather than volume and repetition of information. Relationship, especially on-time relationship can promote inter-personal trust via dealing with disagreements. Relationship is important for creation and maintenance of a relationship and relationship between both sides of a relationship may take place in lower levels because relationship establishment requires time and attempt and both sides may not have necessary time and motivation for investment in them (JalaliGorgani and Mehrani, 2013).

Communication and quality of communication

Communication is the process of trading and sharing valid and on-time information either formally or informally between both sides of a relationship. Anderson also believes that communication is an interactive relationship between a company and its customers before, during, and after purchase. Communication is an instrument for presenting information in relationship marketing. This information should be trustable and presented when necessary (Ranjbarian and Barari, 2009). . Main concepts of this definition concentrate mainly

on accuracy and appropriateness of information rather than volume and repetition of information. Sin et al believe that Relationship, especially on-time relationship can promote inter-personal trust via dealing with disagreements. Relationship is important for creation and maintenance of a relationship and relationship between both sides of a relationship may take place in lower levels because relationship establishment requires time and attempt and both sides may not have necessary time and motivation for investment in them (Ranjbarian and Barari, 2009).

Brand value

Brand value study is based on financial and consumer dimensions. From consumer viewpoint of brand value, some features like brand awareness, perceived quality, loyalty, perception and... are embedded in consumers' minds and cause added value to product. brand value creation requires creation of a symbol and name which is accompanied by strong, favorable and unique images. Many definitions have been presented for brand. brand value has been used for estimating price or specifically for accounting targets like evaluating of assets in balance sheet, merger, ownership or targets of reducing investment in financial studies. Therefore, several operational definitions have been presented (Bahreinizadeh, 2008).

Research hypotheses

1. Supplier competency has a direct and positive impact on purchase value.
2. Supplier competency has a direct and positive impact on customer satisfaction.
3. Purchase value has a positive and direct impact on commitment.
4. Customer satisfaction has a direct and positive impact on brand trust.
5. Change costs has a direct and positive impact on brand loyalty.
6. Brand loyalty has a direct and positive impact on quality of communications.
7. Brand loyalty has a direct and positive impact on commitment.
8. Brand trust has a direct and positive impact on quality of communications.
9. Quality of communications has a direct and positive impact on transactional performance.
10. Commitment has a direct and positive impact on transactional performance.

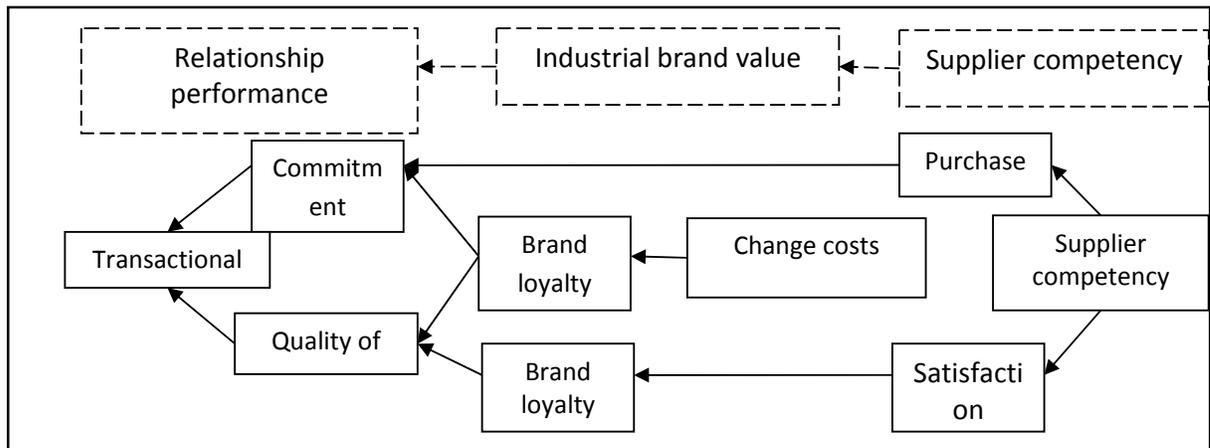


Figure 1. Research conceptual model (Han & Sang, 2008)

METHODOLOGY

Statistical population

Statistical population of the research included all managers of companies situated in Ahwaz Industrial Estate. There were 469 companies in this industrial estate according to <http://www.khiec.ir/>.

Considering the fact that statistical population of the research was restricted, sample size calculation was conducted by means of the following formula:

$$n = (469 * (1.69)^2 * 0.5 * 0.5) / ((0.05)^2 * (469 - 1) + (1.69)^2 * 0.5 * 0.5) = 211.42 = 212$$

sample members were selected by means of simple random sampling. First, we prepared a list of members of statistical population (469 companies) and then their names were put into a bowl and the names of 250 companies were taken out of the bowl randomly. 250 questionnaires were distributed and 248 complete questionnaires were returned. Questionnaire was used for data acquisition. 5-point Likert scale was used from "completely disagree" to "completely agree" as measurement scale. After preparation of the questionnaire, 30 questionnaires were distributed as pretest. Cronbach's alpha was used for investigation of reliability. The results showed that Cronbach's alpha for all variables and total questionnaire were above 0.7 (Cronbach's alpha values

for all variables and total questionnaire have been presented in table 1). Moreover, content validity of the questionnaire was also verified by experts. Therefore, the questionnaire had enough reliability and validity for distribution.

Table 1: cronbach's alpha coefficients for questions

variables	Number of questions	Cronbach's alpha coefficient
Supplier competency	6	0.774
Purchase value	5	0.777
satisfaction	4	0.887
Switching costs	4	0.814
Brand trust	5	0.891
Brand loyalty	4	0.837
Relationship quality	13	0.877
commitment	4	0.859
Transactional performance	8	0.846
Total questionnaire	53	0.96

Table 2. demographic information

variable	gender	Freq.	Freq. percentage
gender	male	196	79%
	female	52	21%
	Total sum	248	1
age	25 and below	4	1.6%
	26-30	30	12.1%
	31-35	36	14.5%
	36-40	58	23.4%
	41-45	66	26.6%
	46 and above	54	21.8%
	Total sum	248	1
education	High school	54	21.8%
	Associate's degree	38	15.3%
	bachelor	128	51.6%
	Master and above	28	11.3%
	Total sum	248	1
employees	Below 10	22	8.9%
	11-50	76	30.6%
	51-200	66	26.6%
	More than 200	84	33.9%
	Total sum	248	1

Research hypotheses test

Model hypotheses were tested after doing confirmatory factor analysis and making sure of significance of coefficients among latent variables (factor loadings) and measured variables (questions of the questionnaire) and also making sure of model fitness. We used T-student test for investigation of significance of path coefficients between latent variables. since certainty level was 95% and error level was equal to 0.05, positive path coefficients with t statistic value greater than 1.96 are significant and the corresponding hypothesis is verified.

First hypothesis analysis: supplier competency has a direct and positive impact on purchase value.

Path coefficient which has been calculated for supplier competency and purchase value was equal to 0.83. further, the calculated t statistic between the two aforementioned variables is equal to 9.28. considering the fact that path coefficient is positive and t statistic is greater than 1.96, absence of significant influence of supplier competency on purchase value is not supported (H0) and the first hypothesis of the research is supported.

Second hypothesis analysis: supplier competency has positive and direct influence on customer satisfaction.

Path coefficient which has been calculated for the two variables was equal to 0.87. further, the calculated t statistic between the two aforementioned variables is equal to 11.56. considering the fact that path coefficient is positive and t statistic is greater than 1.96, the second hypothesis is supported and it can be said that supplier competency has a direct and positive impact on customer satisfaction.

Third hypothesis analysis: purchase value has a positive and direct impact on commitment.

Path coefficient which has been calculated for the two variables was equal to 0.21. further, the calculated t statistic between the two aforementioned variables is equal to 3.13. considering the fact that path coefficient is positive t statistic is greater than 1.96, the third hypothesis is supported and it can be said that purchase value has a positive and direct impact on commitment.

Fourth hypothesis analysis: customer satisfaction has a positive and direct impact on brand trust.

Path coefficient which has been calculated for customer satisfaction and brand trust was equal to 0.91. further, the calculated t statistic between the two aforementioned variables is equal to 11.43. considering the fact that path coefficient is positive t statistic is greater than 1.96, absence of significant influence of customer satisfaction on brand trust is not supported (H0) and the fourth hypothesis of the research is supported.

Fifth hypothesis test: change costs has direct and positive impact on brand loyalty.

Path coefficient which has been calculated for change costs and brand loyalty was equal to 0.82. further, the calculated t statistic between the two aforementioned variables is equal to 10.92. considering the fact that path coefficient is positive and t statistic is greater than 1.96, absence of significant influence of change costs on brand loyalty is not supported (H0) and the fifth hypothesis of the research is supported.

Sixth hypothesis test: brand loyalty has a direct and positive impact on quality of communications.

Path coefficient which has been calculated for the two variables was equal to 0.68. further, the calculated t statistic between the two aforementioned variables is equal to 7.26. considering the fact that path coefficient is positive and t statistic is greater than 1.96, H0 is rejected in 95 certainty level and H1 is supported. Therefore, the sixth hypothesis is supported and it can be said that brand loyalty has a positive and significant impact on quality of relationship.

Seventh hypothesis analysis: brand loyalty has a positive and direct impact on commitment.

Path coefficient which has been calculated for brand loyalty and commitment was equal to 0.75. further, the calculated t statistic between the two aforementioned variables is equal to 8.79. considering the fact that path coefficient is positive and t statistic is greater than 1.96, absence of significant influence of brand loyalty on commitment is not supported (H0) and the seventh hypothesis of the research is supported.

Eighth hypothesis analysis: brand trust has a direct and positive impact on quality of communications.

Path coefficient which has been calculated for brand trust and quality of communications was equal to 0.32. further, the calculated t statistic between the two aforementioned variables is equal to 5.04. considering the fact that path coefficient is positive and t statistic is greater than 1.96, H0 is rejected and the eighth hypothesis is supported and it can be said that brand trust has a direct influence on quality of communications.

Ninth hypothesis analysis: communication quality has a direct and positive impact on transactional performance.

Path coefficient which has been calculated for the two variables was equal to 0.43. further, the calculated t statistic between the two aforementioned variables is equal to 4.09. considering the fact that path coefficient is positive and t statistic is greater than 1.96, H0 is rejected and H1 is supported. Therefore, the ninth hypothesis is supported and quality of communications has a positive and significant impact on transactional performance.

Tenth hypothesis analysis: commitment has a positive and direct impact on transactional performance.

Path coefficient which has been calculated for the two variables was equal to 0.43. further, the calculated t statistic between the two aforementioned variables is equal to 4.29. considering the fact that path coefficient is positive and t statistic is greater than 1.96, H0 is rejected and H1 is supported. Therefore, the tenth hypothesis is supported and commitment has a positive and significant impact on transactional performance.

Figures 2 and 3 indicate factor loadings and t statistic for the hypotheses. Furthermore, the general results have been summarized in table 3.

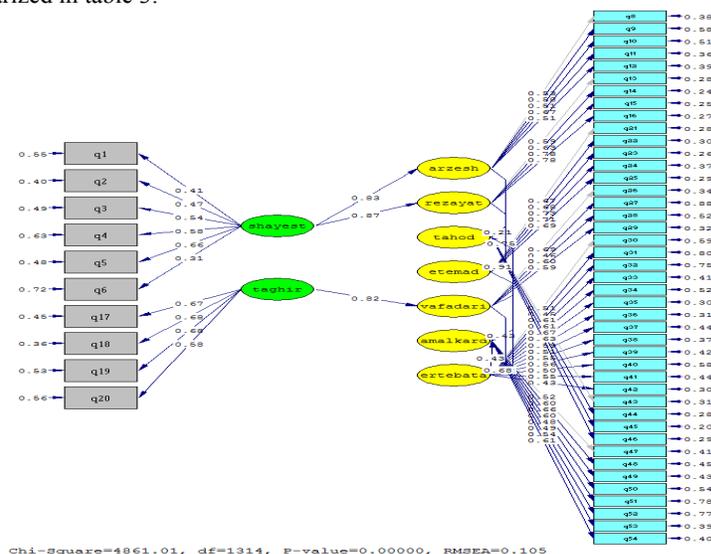


Figure 2. factor loadings on research hypotheses

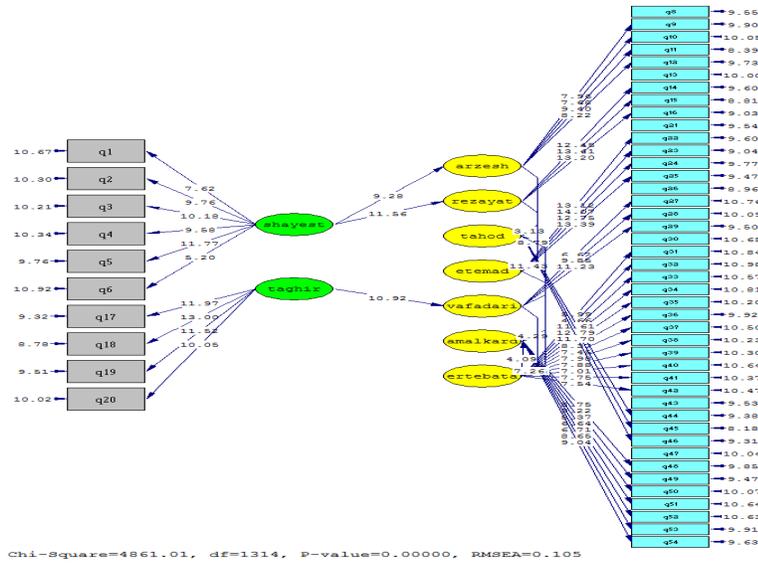


Figure 3.t statistic for research hypotheses

Table 3. research results

Hypothesis	Factor loading	Compared with standard	result
supplier competency has a direct an positive impact on purchase value.	0.83	9.28>1.96	supported
supplier competency has positive and direct influence on customer satisfaction.	0.87	11.56>1.96	supported
: purchase value has a positive and direct impact on commitment.	0.21	3.13>1.96	supported
customer satisfaction has a positive and direct impact on brand trust.	0.91	11.43>1.96	supported
change costs has direct and positive impact on brand loyalty.	0.82	10.92>1.96	supported
brand loyalty has a direct and positive impact on quality of communications.	0.68	7.26>1.96	supported
: brand loyalty has a positive and direct impact on commitment.	0.75	8.79>1.96	supported
brand trust has a direct and positive impact on quality of communications.	0.32	5.04>1.96	supported
communication quality has a direct and positive impact on transactional performance.	0.43	4.09>1.96	supported
commitment has a positive and direct impact on transactional performance.	0.43	4.29>1.96	supported

Conclusion

First hypothesis

The results showed that supplier competency is a determining factor in customer's perception of purchase value. In fact, industrial customers did not view purchase value as isolated from seller but their evaluation of supplier competency also influenced perceived value. This relationship between the two variables had been supported in Han and Sang's research (2008).

Second hypothesis

The results showed that supplier competency has a positive impact on customer satisfaction as well as purchase value. Some researchers view supplier's competency as a relatively stable variable which is the symbol of feeling of a purchaser about a shopping. This is affected when purchasers experience satisfaction or dissatisfaction in special shopping during time.

The results of this research also showed that customers who had more positive evaluations of supplier competency were more satisfied. The results proved that supplier competency is an important factor which can have positive impacts on purchase value and customer satisfaction in industrial marketing.

Third hypothesis

The results showed that purchase value has a direct and positive impact on commitment. Purchase value means general evaluation of an industrial purchaser of net value of a special transaction based upon purchaser's estimation of what he or she acquires (benefits of transaction) and what he or she loses (costs of acquiring and exploiting the transaction). Commitment also means belief of an exchange partner in the fact that persistent relationship with another partner guarantees maximum attempts of its maintenance.

Fourth hypothesis

The results showed that the fourth hypothesis is also supported. The results proved positive influence of customer satisfaction on brand trust. Customer satisfaction is resulted from general sense of happiness, satisfaction and cheerfulness of an industrial purchaser after fulfillment of demands, expectations and needs. Many studies regarding product and services have verified the positive and direct relationship between purchaser satisfaction and trust in brand. These studies verified that general satisfaction of customers with a transaction is strongly accompanied by trust in purchase repetition. However, it should be remembered that the positive and direct relationship between satisfaction and brand trust is a kind of simplification of the subject. Although purchaser satisfaction is an important factor, it is only one of many variables which can influence brand trust.

Fifth hypothesis

Change costs include both material and non-material costs which are incurred by an industrial purchaser in case of changing supplier. Material costs can include searching for new supplier costs, holding tenders, risks of new contract conclusion, delays for sending cargo and so on. Furthermore, non-material costs also refer to spiritual costs resulted from separation of a supplier and the time it takes to be adapted to the new supplier.

Sixth hypothesis

The sixth hypothesis was also supported. Brand loyalty means the level to which an industrial purchaser is adhered to a brand which has been bought several times. Therefore, brand loyalty is a factor which convinces customers to establish long-term communications with suppliers. In fact, brand loyalty is a factor which improves quality level of communications between customer and supplier.

Seventh hypothesis

Brand loyalty in industrial markets can be observed in the form of tendency of purchasers to paying a price premium for a particular brand. Advantages of industrial purchasers' brand loyalty include their tendencies for proposing the brand to their partners and counterparts and paying special attention to other products with the same brands. Brand loyalty is the main variable influencing brand equity. Customers who feel they acquire value from a product or service extend in their loyalty. Studies revealed that satisfaction is the first stage in formation of loyalty but other factors can also influence relationships between customers and organizations. Three factors are important in loyalty: value, trust and being well-known. He stated that customers are loyal to individuals who help with solving problems and they extend their loyalty beyond expectations.).

Eighth hypothesis

Logical reasoning for this influence is that when participation is high, brand trust is an important variable which directs subsequent needs of customers. In other words, brand trust adjusts risk feeling which exists in high participation conditions. Consequently, when customer satisfaction is high, trust in brand may contribute to prediction of future needs of customers. Furthermore, trust via reducing transaction costs can bring advantages for customers and result in customer loyalty. Trust and satisfaction are related to behavioral loyalty and attitudinal loyalty.

Ninth hypothesis:

The quality of relationship has a direct relationship with sides' intentions for maintaining or disconnecting relationships. If purchaser-supplier relationships are of good quality, their tendencies for maintaining long-term relationships will be more. Quality of communications is measured based on factors like satisfaction with relationship, trust and commitment. If business sides are not satisfied with their communications or if they have low trust in and commitment to each other, they will look for substitutes for disconnecting their current relationships. Therefore, if relationship between customer and supplier is of high quality, it will have a better transactional performance. This was proved in this study and those members of statistical population which had better communications with their suppliers had better performance.

Tenth hypothesis

Persistence on marketing communications results in commitment and other perspectives have used other titles like loyalty. Loyal customers are keys for corporate success. The ultimate goal of commitment is to create

and maintain long-term relationships. Commitment in communications requires stable relationship and this in part requires loyalty and trust. Customers prefer short-term loyalty and long-term benefits. Commitment is usually defined as an individual's tendency for continuing relationship. In this paper, we assumed that commitment in a relationship is the idea of a partner in which a persistent relationship with another side is so important that it guarantees maximum attempt for keeping it.

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