

Differentiation Based on the Value of Business Relations: How to Reach and Maintain the Provider Status. An Analysis of the Buyer-Seller Relationship in an Emerging Economy.

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The present work aims to establish the characteristics that importers (buyers) consider of value when choosing their international suppliers (vendors) and based on the interrelations of these characteristics. We propose an empirical relationships model, contrasted by Structural Equations Modeling (SEM), tested using AMOS. The results confirm several relationships of the model.

INTRODUCTION

It is an undeniable fact that, in the current context, companies from emerging countries strive to adapt to the dynamics of the environment and to compete efficiently based on the unique characteristics they possess (Gudziol, 2015). These characteristics are essential for the construction and consolidation of profitable relationships between buyers and sellers.

This paper aims to establish the main aspects considered by Colombian importers-buyers when they select their foreign suppliers and that facilitate them to consolidate profitable relationships that in the future allow them to compete with greater efficiency. We focused specifically on trade relations between Colombia (buyers / emerging country) and France (country / developed vendors). We focused specifically on trade relations between Colombia (buyers / emerging country) and France (country / developed vendors).

This article has four parts: the first one presents a review of the relevant literature; the objectives of the study and their justification presented in the second part. In the third part, we propose the hypothetical model and the respective hypotheses on the relations between the variables and the methodology to test them; and finally we explain the conclusions, future lines of research and the limitations of the study.

LITERATURE REVIEW AND FRAMEWORK DEVELOPMENT

In this section we define the variables studied and support the conceived ex-ante relationship between them.

Trust: defined in many ways (Gefen, Karahanna and Straub, 2003). The field of relations between buyers / importers and sellers / suppliers has been extensively studied (Poon, Albaum and Yin, 2017) and particularly with regard to international marketing and business (Jiang, Henneberg and Naudé, 2011; Lander and Konning, 2013).

In addition, the literature emphasizes the importance of trust-based relationships between buyers and sellers, as Ratnasingam (2005) argues, trust is the subjective probability with which members of the organization collectively evaluate how a particular transaction will occur in accordance with their expectations of trust. The cognitive and affective components of trust (Akrouf, Diallo, Akrouf and Chandon, 2016) studied in the business-to-business (B2B) literature, are considered, also, in the model proposed in this study.

In the study, we also consider the definition of Wang and Huff (2007) who argue that it is crucial for sellers to gain the trust of buyers, and that trust facilitates the buyer economy in efforts to reduce uncertainty present in Cross-border transactions. According to this approach, trust consists in the willingness to trust the seller in a situation of uncertainty, based on the expectation of confidence that the seller will satisfactorily perform a major activity for the buyer.

Reputation: before the beginning of a buyer-seller relationship, the relational experience is non-existent, so the seller's reputation is the buyer's only knowledge of the seller. The reputation is therefore part of the information disseminated through the WOM and other means paid by the seller to advertise. For some authors, therefore, "reputation is second-hand knowledge"; see, for example, McKnight et al. (1998), Ring (1997), Weck and Ivanova (2013), and so on.

The complexity of the relations of exchange between seller-buyer has been rising due to the increasing degree of specialization, intensity of knowledge and service, and obviously by the complexity that permeates these relations (Nordin and Kawalkowski, 2010; Aarikka and Sakari, 2014). Reputation is an important indicator of trust in the seller-buyer relationship as it reduces uncertainty in new exchange situations while building and strengthening the relationship.

Loyalty: refers to a deeply held commitment to rebuy a preferred product or service consistently in the future, thereby causing same-brand or same organization purchasing, despite influences and marketing efforts having the potential to cause switching (Oliver, 1997).

Commitment refers to an implicit or explicit pledge of relational continuity between exchange partners. At this most advanced phase of buyer-seller interdependence the exchange partners have achieved a level of satisfaction from the exchange process that virtually precludes other primary exchange partners who could provide similar benefits.

On the other hand, the commitment refers to the implicit or explicit commitment of the relational continuity between the exchange partners. In this more advanced phase of buyer-seller interdependence, the trading partners have reached a level of satisfaction of the exchange process that virtually excludes other primary trading partners that could provide similar benefits (Dwyer, Schurr and Oh, 1987). As we can conjecture on the basis of what different researchers, loyalty and commitment have been treated as synonyms.

The satisfaction achieved as a result of the relationship, leads the parties to be aware that a greater commitment is necessary and this makes the buyer-seller relationship is marked by feelings of loyalty.

Value Perception and Competitiveness: The value perceived by the customer is a crucial aspect that facilitates the forecasting of their buying behavior and attain the competitive advantage (Landroguéz, Castro and Cepeda, 2013). As we have previously pointed out, companies compete in a highly dynamic and competitive environment where customers demand high levels of value added, which means that organizations must strive to create and deliver superior value to their customers (Smith and Colgate, 2007). Competitiveness is a variable that is widely studied by academic researchers, who use different approaches to deal with his analysis.

Ulaga and Eggert (2006) explain the value of the buyer-seller relationship from four determinant characteristics: (a) value is a subjective concept, (b) is conceptualized as a trade-off between benefits and sacrifices, (c) profits and sacrifices are multi-faceted, and (d) perceptions of value are related to competition. In short, the value of the buyer-seller relationship is a subjectively perceived construct (Kortge and Okonkwo, 1993). The previous authors explain how different customers perceive differently the value of a product or service. Likewise, different buyers will probably have different perceptions of the value delivered by the supplier (Perkins, 1993).

Competitiveness can mean productivity. Therefore a company which achieves high levels of productivity is very competitive, given that it reaches very low cost and very differentiated products that lead the top of "raw material prices" in a market (Porter, 1990). Therefore, in this study we propose that focusing to the clients brings with it the creation of value, and accordingly will facilitate the obtaining of competitive advantage and later gains.

Ethnocentrism: Several aspects analyzed and relating to the international trade framed a markedly cultural and immersed in this sphere is ethnocentrism that has re-emerged with unusual force, as examples cited what happens today with "Brexit" and "America First". The tendency of people to be ethnocentric represents their beliefs about the appropriateness and moral legitimacy of the purchase of foreign products (Shim y Sharma, 1987).

Conceptual framework

In the field of seller-buyer relationships, building and strengthening trust leads the seller to be more competitive vis-a-vis other market players (Ganesan, 1994). Trust facilitates, strengthening interpersonal relationships, between organizations and within the organization (Svensson, 2004), reducing transaction costs (Rousseau, 1998) and achieving high levels of loyalty that improve profitability by being an incentive for seller-buyer to work cooperatively to achieve long-term benefits for both (Kottila and Rönni, 2008).

In business and academia, it is in the interest of academics and practitioners to study interpersonal trust, which refers to the relationship between two people representing their respective companies (buyer / seller, buyer / retailer, retailer / seller, etc.). Interpersonal trust was studied as an expectation (Dwyer et al., 1987; Zaheer et al., 1998) as a partner / partner belief (Schurr and Ozane, 1985; Kummar et al., 1995), and / or as disposition or intention of behavior (Shou et al., 2011). On the other hand, as the seller / buyer trust is strengthened, the buyer' value perception rises. Competitiveness in the buyer-seller relationship improves as confidence builds and partners combine capabilities in order to extend competitive advantage (Hammervol and Toften, 2010). These authors also establish that as the competitive advantage grows and confidence develops the perception of value for the parties' increases. Given the above arguments, we propose Hypothesis 1.

***Hypothesis 1:** The level of perceived trust in the buyer-seller relationship positively affects the perception of value of the importer-supplier relationship*

On the other hand, trust in collaborative relationships greatly influences the future relationship between seller-buyer and has greater impact than fair rewards and reputation (Wagner, Coley and Lindemann, 2011).

Consequently, to the extent that the seller has a reputation, the buyer's trust will be the same. Likewise, to the extent that the seller has a reputation, the buyer will value the existing or projected relationship. Buyers have optimistic feelings about the future of the buyer-seller relationship, as they perceive a certain degree of commitment from the parties and in particular increase the buyer's confidence level to the extent that the perception of the seller's reputation is high. In consequence, to the previous arguments, we propose the following hypotheses:

Hypothesis 2: *The level of perceived reputation of the seller is positively related to the level of trust of the relationship, perceived by the buyer.*

Hypothesis 3: *The level of perceived seller's reputation positively affects the relationship level of trust of the relationship, perceived by the buyer.*

Likewise, companies driven by the competitive environment strive to improve their capabilities, product supply and skills to increase value for customers/buyers and shareholders (Feurer and Chaharbaghi, 1994). However, by increasing their competitiveness, companies adapt more easily to a very dynamic and demanding environment, and to achieve greater competitiveness, companies will commit more resources in the long term, which will invest in human capital and technology. In B2B relationships, reputation plays an important role in building trust in the long run, which has a solid foundation in the image of the seller, the quality of the product he sells, and the perceived value of the product (Cretu and Brodie, 2007).

In the international business context, there is great uncertainty when making transactions between parties that are unknown, which makes the process of buying and selling quite complex. This is one of the reasons why the perceived reputation of both, the supplier and or the buyer, is of great value for the construction of reliable relationships (Aarikka-Stenroos and Makkonen, 2014). Therefore, we can propose the following two hypotheses:

Hypothesis 4: *The degree of competitiveness of the seller company, perceived by the buyer, positively relate to perceptions of trust on the relationship by the importer.*

Hypothesis 5: *The degree of competitiveness of the seller company, perceived by the buyer, positively affects the perception of value by the importer.*

Following the line of argument, the value perception of RCS¹ affects the degree of commitment between the parties (Simpson et al., 2005), and there is empirical evidence of the positive effect of the perceived value on the degree of commitment between the parties (Barry and Terry, 2008; Ulaga and Eggert, 2006). Other authors such as Moller (2006) point to the empirical evidence of the relationship between the degree of commitment and perceived value (Moller, 2006).

The ex-ante literature emphasizes that the degree of commitment between the parties is a duration determinant of the RCS (Andaleeb, 1996; Morgan and Hunt, 1994), which will probably result in the degree of loyalty to the resulting compromise (Evanschitzky et al., 2006). Considering the aspects discussed in the previous paragraphs we propose the following hypotheses.

Hypothesis 6: *The level of trust in the seller/buyer relationship positively affects the loyalty of the importer to your provider.*

Hypothesis 7: *The perception of value in the buyer/seller relationship positively affects the loyalty of the importer to your provider.*

Ethnocentric consumers prefer the products of their own country because they consider that they are better (Klein et al., 1998, Wang and Chen, 2004). The greater the importance that individuals place on production or non-production in the country of origin, the greater their ethnocentric tendency (Huddleston, Good and Stoel, 2001).

Research in developed countries shows that ethnocentric individuals overestimate the country's products and undervalue those of foreign countries, have a preference and feel a moral obligation to buy products from the country (Sharma et al., 1995). For these reasons, it can be deduced that a buyer with a marked ethnocentrism will have a low confidence and perception of value of the foreign seller. Therefore,

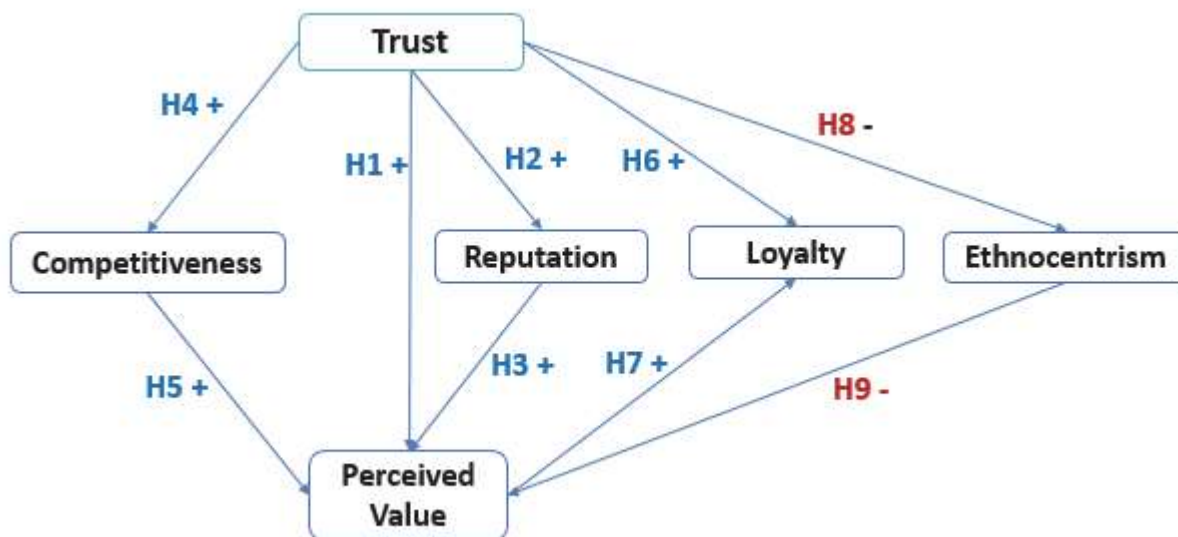
and taking into account what we have argued in the previous paragraphs, we propose the following hypotheses

Hypothesis 8: *The degree of ethnocentrism of the buyer negatively affects the trust in the relationship with the foreign seller.*

Hypothesis 9: *The degree of ethnocentrism of the buyer adversely affects the perceived value of the seller by the importer.*

Figure 1 shows the schematic set of the developed hypotheses.

**FIGURE 1
PURPOSED MODEL**



Source: The authors, based on the previous literature.

In consideration of the arguments raised up to this part of the discussion, we will now discuss the methodology developed.

METHODOLOGY

In order to test the hypotheses, a 53 items questionnaire was applied on 53 different importing companies from Colombia. In each of them were selected 5 or less employees (who voluntarily pledged to respond to the survey) from different areas of each company in order to control the response bias. We obtain 200 valid questionnaires that conformed our total database.

The model considers the following variables: "trust", "reputation", "commitment", "loyalty", "ethnocentrism", and "perceived value" constructs. A 5-point Likert scale is used for its measurement, where 5 is "Absolutely Agree "and 1 means "Absolutely Disagree ". To test the relationship between the variables and the goodness of fit of the model (SEM) and the goodness of fit of the model we used the software AMOS 24.

However, in terms of measurement, "Trust" is measured by the scale developed by Arnolds and Reynolds (2003), and Ding, Ng and Wang (2014). "Perceived value" is measured using the 30-item scale of Gallarza-Saura (2006), Ralston (1999), Sánchez et al., 2006, and Otto and Ritchie (1996). "Competitiveness" has been measured with the 7-item scale validated by Terblanche (2014), the "Reputation" with the 2-item scale validated by Walsh and Beatty (2007), "Loyalty" is measured by the 3-

item scale Morgan and Hunt (1994), and "Ethnocentrism" with the 6-item scale validated by Shimp and Sharma (1987). Table 1 shows the summary of those sources of measure scales.

**TABLE 1
SCALES AND SOURCES**

Variable	Scale	
	No. Items	Source/adapted from
Trust	5	Arnold & Reynolds (2003)
Perceived Value	30	Gallarza-Saura (2006); Raiston (1999); Sánchez et al (2006); Otto & Ritchie (1996)
Competitiveness	7	Terblanche (2014)
Reputation	2	Walsh & Beatty (2007)
Loyalty	3	Morgan & Hunt (1994)
Ethnocentrism	6	Shimp y Sharma (1987)

Source: The authors, based on the related sources.

RESULTS

First, we are going to revise the reliability of the measures observed and the number of indicators per factor determine the fit of the model, which is why it is advisable to work on 200 questionnaires valid for any SEM (Jackson, 2003).

Adjusting the items according to get a good CFA, the goodness of fit of the model is analyzed from several indicators: CEMIN / DF: 1.966 – close to 2.00; CFI: 0.925; IFI: 0.926, TLI: 0.912, and RMSEA: 0.07 (less than 0.08).

The above indexes are indicators of a very good adjustment (Cupani, 2012). Table 2 shows the schematic summary.

For purposes of the hypotheses set forth, Table 3 below shows the results of the test. The study confirms the hypotheses 2, 3, 4, 5, 6, 7 and 8; however, hypotheses 1 and 9 were not confirmed.

**TABLE 2
OUTPUT MODEL FIT**

Model Fit					
Indicator	CFI	IFI	TLI	ψ^2 / df	RMSEA
Value	0.925	0.926	0.912	1.956	0.069
Qualification	All very good (> 0.9)			Very good (close to 2.000)	Very good (< 0.08)

Source: Output of AMOS 24.

TABLE 3
STATISTICAL CONTRAST OF THE HYPOTHESES

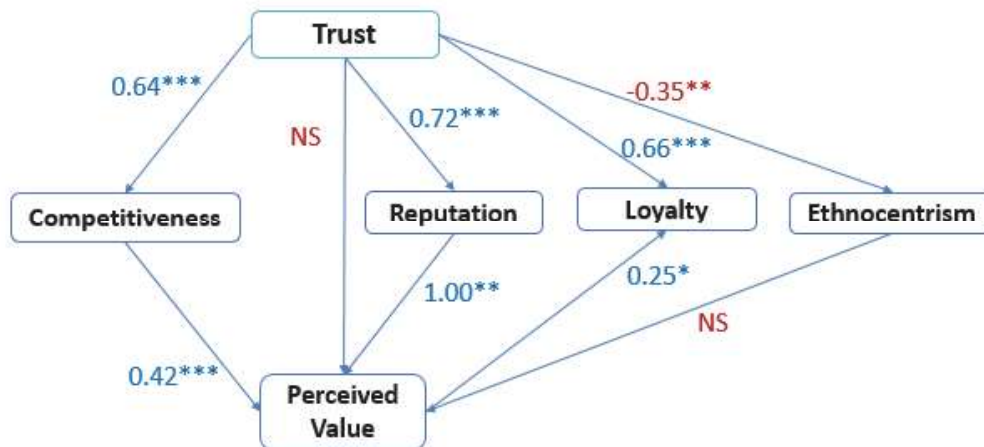
Hypoteses statistical analysis					
Hypotheses	Relation	Estimate β	t-value	Probability	State
H1	VALUE <--- TRUST	-0.417	-1.541	0.123	not confirmed
H2	REPUTATION <--- TRUST	0.715	10.134	***	confirmed
H3	VALUE <--- REPUTATION	1.063	3000,000	0.003	confirmed
H4	COMPETITIVENESS <--- TRUST	0.644	8.26	***	confirmed
H5	VALUE <--- COMPETITIVENESS	0.416	5.113	***	confirmed
H6	LOYALTY <--- TRUST	0.663	6.431	***	confirmed
H7	LOYALTY <--- VALUE	0.247	2.191	0.028	confirmed
H8	ETHNOCENTRISM <--- TRUST	-0.345	-2.575	0.01	confirmed
H9	VALUE <--- ETHNOCENTRISM	0.031	1.171	0.242	not confirmed

*** probability < 0,001

Source: The authors, constructed from the Output of AMOS 24.

Figure 3 schematize the findings of the study.

FIGURE 3
CONTRAST OF PURPOSED MODEL



Source: The authors, constructed from the Output of AMOS 24.

DISCUSSION AND CONCLUSIONS

The direct effect of the trust in the perceived value has not established, since the results indicated non-significant effect in their relationship. We conjecture that the perception of value by Colombian buyers (small business) is independent of the development of trust in the seller, probably because they consider other factors (i.e. low price) in a cultural media where trust is not precisely a great value (i.e. Odebrecht, an actual State corruption case in Latin America).

However, the indirect effect of trust on the perceived value through the mediation of competitiveness and reputation is evident. It indicates that the small business claims for external suppliers perceived with high level of reputation and competitiveness.

The degree of ethnocentrism of the buyer has no significant effect on the perception of the value of the seller, and this probably is because the local offer is perceived as of lesser economic value relative to foreign supply.

Trust in the supplier/buyer and perceived value of the relationship supplier/buyer are certainly drivers for getting the loyalty of the buyer.

The model results in an important instrument to accelerate the international trade (sales) from external suppliers to small business buyer in Colombia. Those effects can resume in the following:

- a) Colombian buyers connect the trust with the perceived supplier value, only through competitiveness and reputation of the supplier. It means that suppliers that don't have well reputation and/or good competitiveness may not develop trust in local buyer.
- b) Ethnocentrism is not important for Colombian buyer in order to develop the perceived value of the external supplier.
- c) The better perceived value of the external supplier, the greater loyalty from the Colombian buyer.

For future investigations is desirable to incorporate new variables (i.e. cost of the product, difficulty for import, number of alternatives of external suppliers, cultural distance), and conduct the study in other sizes (medium, large). In addition, it will be interesting making the investigation in other Latin-America countries.

ENDNOTE

1. RCS: the relationship between customer and seller.

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