

# Building long-term supplier-retailer relationships in the jewellery sector: antecedents of customer loyalty

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## Abstract

**Purpose of the paper:** *The paper aims at exploring the antecedents of customer loyalty in supplier-retailer relationships, with the final goal to identify the contribution of technical and relational factors.*

**Methodology:** *The research consisted in administering a structured questionnaire to a sample of retail customers of a well-known Italian manufacturing company operating in the jewellery sector. Data was processed applying a hierarchical multiple regression.*

**Results:** *Findings confirm the importance of building trustworthy relationships with retailers in order to maintain and enhance a good long-term relationship with them. Dependence resulted as a crucial factor in determining retailer customer loyalty.*

**Research limitation:** *The paper focuses on a sole company and sector (Jewellery). No control variables and moderating factors were considered. Next studies should apply the proposed model to other companies and sectors.*

**Practical implications:** *Given both the costs and risks associated with mismanaging a potentially valuable and loyal business partnership, deeper insights into the factors affecting a long-term supplier-retailer relationship is quite useful both for managers and business practitioners.*

**Originality of the paper:** *The building of a long-term oriented supplier-retailer relationship results to be less investigated in comparison with the higher attention given to the supplier-customer relationship by the industrial management literature. Moreover, research on supplier-retailer relationships tends to concentrate on the grocery sector, stressing the role of power rather than the impact of relational constructs on the relationship. This work aims at filling in these gaps in a barely investigated sector as the jewellery one.*

*Key words: supplier-retailer relationships; customer loyalty; dependence; trust; jewellery sector*

## 1. Introduction

The benefits of forming strategic partnerships between suppliers and their business customers appears to be well documented in the academic literature (Cannon and Perreault, 1999; Dwyer *et al.*, 1987; Dyer and Singh, 1998; Ganesan, 1994). However, the building of a long-term oriented supplier-retailer relationship results to be less investigated in comparison with the higher attention given to the supplier-customer relationship by the industrial management literature (Ren *et al.*, 2010; Jain *et al.*, 2014).

Focusing on the supplier-retailer relationship, extant literature tended to concentrate on the grocery sector (Schleper *et al.*, 2017; Maglaras *et al.*, 2015), stressing the role that power plays between parties, rather than the impact of relational constructs (Bloom and Perry, 2001; Lummus *et al.*, 2003; Kumar, 2005; Sutton-Brady *et al.*, 2015). This was found as particularly true in the Italian context (Lugli, 1998; Fornari, 1999; Varaldo and Fornari, 1998), even if later works strengthen the importance of cooperative and trustworthy relationships in order to support a win-win approach between parties (Castaldo, 1994, 2010; Pellegrini, 2008). But given both the costs and risks associated with mismanaging a potentially valuable and loyal business partnership, a deeper insight into the factors affecting a long-term supplier-retailer relationship is quite useful both for scholars, managers and business practitioners (Sheu *et al.*, 2006). In actual business practice, suppliers are increasingly aware of the need to adopt approaches aimed at rising closer relationships and a partnering attitude with their retail customers in order to achieve lower manufacturing and R&D costs, reduced time-to-market, improved quality and/or customer service, obtaining higher sales and profitability. However, despite this awareness and the literature suggestions, building long-term relationships with retailers in the reality of business patterns might result in a complex task (Hingley, 2005). So, further empirical studies, aiming at surveying the retail customers' attitude and perception towards their suppliers, should help in acquiring a more comprehensive understanding of the business customer loyalty antecedents. Moreover, extant literature calls for broadening the view to non-grocery sectors (Sheu *et al.*, 2006). So, the research questions for this study can be identified in the following: in a supplier-retailer relationship, does customer loyalty depend on the same drivers identified by the industrial B2B literature? And is this true also when a non-grocery sector, belonging to a creative industry, is involved? Do relational factors add their impact to technical factors or do they overcome the latter?

In this context, the paper presents the results of a study performed on a sample of retail customers of a well-known Italian manufacturing company operating in the jewellery sector in order to explore the antecedents of customer loyalty (measured as intention to repurchase from the supplier in the long run).

The jewellery sector is an interesting study context as it is considered as the best performing category in the personal goods in the near future (Euromonitor International, 2018a). However, only a few papers have been concentrated on this sector, mainly purposed in an industrial district perspective (De Marchi *et al.*, 2014; Gaggio, 2006, 2007). Specifically, the current study aims at deepening the knowledge on the supplier-retailer relationships in this particular and attractive sector, exploring technical and relational factors that would contribute to a loyal relationship. In fact, along with technical factors (i.e.: product quality and service, supplier flexibility and support), the role of key relational constructs such as trust, dependence, information sharing and idiosyncratic investments in the business relationship are verified.

The present work is structured as follow: after having depicted the

current role and trends that are shaping the jewellery industry at a global, European and national level, a brief review on the evolution of supplier-retailer relationships is accomplished, followed by the description of the proposed model and of the research hypotheses. Then, the methodology employed to perform the empirical work is presented, highlighting the measurements used and the sample features. Subsequently, the survey findings are illustrated, followed by their discussion in order to derive the main theoretical and managerial implications rising from the work. A final paragraph reporting the major conclusions, study limitations and further research avenues of the research end the manuscript.

## 2. The jewellery sector: a high profile and performing business

Jewellery entails small decorative items used for personal adornment, such as brooches, rings, necklaces, earrings, pendants, bracelets, and cufflinks. Its manufacturing is based on a process involving a number of phases such as creation, design, mold, cast, polish and finish, using precious stones, gems and/or metals - which can be gold, platinum, silver, titanium or any other metal.

The jewellery industry possesses a high profile worldwide and it is believed to be in a position to enjoy a sparkling future. Actually, it is considered as the best performing category in personal goods in the near future (Euromonitor International, 2018a), as it is an industry highly dynamic, greatly globalized, and intensely competitive, shaped by the following trends (McKinsey, 2014): internationalization and consolidation, the growth of branded products, a reconfigured channel landscape, “hybrid” consumption, and fast fashion.

The industry is composed by three main market segments: luxury, demi-fine jewellery and costume jewellery. While fine jewellery is traditionally crafted using precious metals and stones and sold at high prices, costume jewellery is made using alloys and crystals and it is sold at lower prices as fashion accessories. Demi-fine jewellery is a mix of the two. It is usually made in 14k gold and semi-precious stones. The latter two segments, with particular regard to the demi-fine one, are increasing nowadays as jewellery companies are trying to push on affordability and appealing designs in order to let consumers buy the products category more often and on-trend, attracting also young people. To target this segment, omnichannel strategies are also becoming important for manufacturers and big retailers.

Western Europe is the third largest region in terms of sales of jewellery at a global level, although accounted for just 9% of global sales, at USD 30.6 billion in 2018. The UK, Germany, France and Italy represent over half of the region's value sales (Euromonitor, 2018b). The jewellery category is expected to continue to increase in the future in the EU countries, with a moderate 1.3% CAGR over 2018-2023.

Focusing on the Italian market, jewellery is one of the flagship manufacturing sectors of the Made in Italy. In fact, it accounts within the most export-oriented, with a propensity equal to over 80% of turnover.

Exports rose to 5.176.602, 000 euros against 4.567.428, 000 euros registered in the same period of 2016 (ICE, 2018), while the domestic demand recorded a value growth rate in 2018 for the second consecutive year (Euromonitor International 2018c). At a national level, sterling silver jewellery is paving the way due to consumer price sensitivity, at the expense of the more costly gold and platinum jewellery. As regards the competitive landscape, the market leader is an Italian company that reaches this rank thanks to its policy based on offering fine jewellery at affordable prices with modern designs and manning distribution by increasing the outlet numbers. At the second place another domestic manufacturer is maintaining its position thanks to the positive performance of its brand, strongly reinforced by its advertising campaigns focused on womanhood. Domestic manufacturers continue to express Italian excellence and to occupy most of the top rankings, even if international jewellery and fashion brands have started to acquire some local companies.

Concentrating on distribution, this has become a key lever for jewellery companies for its importance in creating a strong brand identity. In Europe mono-brand stores are growing as they enable manufacturers to better manage their brand image, create closer contact with consumers and develop a higher margin potential. As a consequence, today mono-brand stores are subtracting market share to mail-order players and some multi-brand boutiques; on the other hand, department-store sales are stagnating. At the same time, the on-line channel is developing, posing new threats to the relationship that manufacturers are pursuing with offline retailers, also because internet sales continue to register an ongoing growth (Panayiotou and Katimertzoglou, 2015). In Italy, specialist jewellery and watch retailers firmly maintain the highest value share, with 90% of sales in 2017 (Euromonitor International 2018c). In fact, consumers appreciate the possibility of receiving specialized advice as well as seeing and directly evaluating jewellery items before buying them; consequently, specialist retailers are still strongly positioned on the national market and sales are expected to substantially remain store-based.

As regards the studies purposed on the jewellery sector at an academic level, the attention given to it by researchers has been limited so far, claiming for a deeper understanding. This is particularly true in the Italian context, notwithstanding its long history and importance. The sector has mainly been used as a study context for researches on industrial districts (De Marchi *et al.*, 2014; Gaggio, 2006, 2007), such as Arezzo, Vicenza, Valenza Po, but also Birmingham (De Propris and Lazeretti, 2009), or on the role of contract design in overcoming critical demand management issues (Brun and Moretto, 2012), rather than for comparing patterns of marketing activities at an international level (Simoni *et al.*, 2010). From a strategic point of view, some authors proved that jewellery manufacturers are consistently transforming into niche producers whose competitiveness is based around a process of customisation through a co-production relationship with customers, the delivery of service experiences and a continual process of design-intensive innovation (Bryson and Taylor, 2009). Recently, the sector was used for an exploratory study in a Corporate Responsibility (CR) perspective, providing examples of how complex

harm networks operate within and across the fine jewellery industry, and demonstrating the inter-relationships that exist across the different stages of the fine jewellery harm chain (Carrigan *et al.*, 2017). But as today distribution has become a key competitive lever for this category, a deeper empirical knowledge on the antecedents of jewellery retailers' customer loyalty could be of particular interest for the companies operating in this sector.

### 3. Supplier-retailer relationships

Traditional relationships between suppliers and retailers have been often described as arm's-length market relationships, characterized by non-specific asset investments, minimal information exchange, and separable marketing and functional systems within each firm (Dyer and Singh, 1998). Into this perspective, suppliers and retailers are considered as independent economic entities aimed at maximizing their own interests. On one hand, the manufacturer wants to maximize its own brands profit, selling the greatest possible volume of goods at the highest price; on the other hand, the retailer wants to maximize the profit of its entire product range, negotiating the lowest price for the goods bought from the supplier (Lugli, 1998; Fornari, 1999). Into this view, the supplier-retailer relationship is conceived as a transactional relational exchange, based on a competitive approach leading to conflict. The value that a firm can appropriate from commercial relationships largely depends on the firm's power position over their partners (Ellegaard *et al.*, 2009). But this perspective started to become gradually more inadequate to the market landscape and dynamic: studies have increasingly indicated the need for shifting the view of inter-organizational relationships from arm's-length to long-term, cooperative relationships (Kumar, 2005; Sutton-Brady *et al.*, 2015; Varaldo and Dalli, 1989).

Suppliers began to acknowledge that establishing long-term relationship with retailers could enable them to achieve a competitive advantage by obtaining information on the best-selling products, planning more effective cooperative advertising, arranging for special displays for their merchandise, etc. (Ganesan, 1994). Concepts like power, trust, commitment and collaboration have been linked to logistics' efficiencies (Won Lee *et al.*, 2007), as well as higher levels of product availability (Ferne and Sparks, 2019). Therefore, the supplier-retailer relationship literature matured in a long-term oriented relationship where collaboration is the key. Through the development of cooperation strategies, both parties can diminish their transaction costs and reach their goals, as they might improve inventory systems, share forecasting and information, pursue joint strategic planning, truly collaborate to exceed customer expectations in a win-win perspective (Castaldo, 2010) and engage in value-added activities (Sheu *et al.*, 2006). The on-going relationship between a retailer and a supplier is based on becoming partners able to agree on objectives, policies, and procedures. Some partnerships also include agreements for packing (Gustafsson *et al.*, 2006), price marking, new product development and

testing, and/or joint sales promotion activities. The assumption featuring the partnership approach is that suppliers have product knowledge and marketing responsibility, while retailers know well the shopper's behavior (Kracklauer *et al.*, 2001). Moreover, the retailers are considered as having control of assortment planning, pricing and in-store activities, displaying a stronger power position towards their suppliers (Lindblom and Olkkonen, 2006). This acknowledgement led to develop collaborative projects and tools such as the efficient consumer response (ECR), vendor managed inventories (VMI) and collaborative category management (e.g. Kracklauer *et al.*, 2001; Subramanian *et al.*, 2010) as well as improved merchandising and promotional plans (Aastrup *et al.*, 2008).

Engaging retail customers in a partnership relationship is critical for suppliers. To this aim, and in order to bond them and boost their loyalty, is important to understand their perceptions and the impact of the key antecedents of their customer loyalty. This would be better explained in the next paragraph.

#### **4. Research hypotheses and model**

The current research is aimed at investigating some key antecedents of retailer's customer loyalty in the jewellery sector.

Customer loyalty is an evergreen topic in the marketing literature. Scholars have addressed this subject with particular attention to final consumers. However, the subject represents a key importance also in the business-to-business (B2B) literature. B2B customer loyalty can be defined as a buyer's intent to repurchase from a given supplier (Russo *et al.*, 2016). Jambulingam *et al.* (2011, p. 40) define this loyalty as "repeat episodes of intent to rebuy from a supplier". When distributors experience superior relationship value with their suppliers, they are likely to maintain the relationship, less susceptible to switch to competitive offerings and more likely to increase their purchases in the future.

To study the retailer's customer loyalty, this research applies a relationship marketing perspective. Into this view, Grover *et al.* (2002) suggested that supplier-retailer relationships can be better understood through the study of different dimensions, such as technical and social.

From the former point of view, customers are not motivated to continue the relationship unless the supplier can procure a product that meets their needs (Čater and Čater, 2010). In fact, a key criterion for the selection of a supplier is the technical support and capability to consistently provide high-quality products, promote successful development efforts and future improvements (Kahraman *et al.*, 2003). Moreover, a retailer would typically rely more on a supplier who gives good service and support. From this perspective, the correctness in the delivery of an order is very important to stay operational (Ulaga and Eggert, 2005) and refers to the supplier's ability to deliver accurately, on schedule, with supply flexibility and the ability to be responsive to changes in the market. Reliability in delivery leads to the benefits of holding a smaller inventory and less idle stock. Consequently, the suppliers who are able to procure qualitative products

and that are flexible and helpful in the customer service and supportive from a technical point of view might stimulate the intention to repurchase of their retail customers. We can therefore derive the following hypotheses:

*H1: Product Quality significantly and positively affects the retailer's customer loyalty.*

*H2: Flexibility and Support significantly and positively affect the retailer's customer loyalty.*

According to Ganesan (1994), trust is an essential antecedent to the long-term orientation of the relationship between manufacturers and retailers. Morgan and Hunt (1994) define trust as the belief of one exchange partner in the reliability and integrity of the other. Trust reduces the perception of risk linked to opportunist behaviours by the supplier, while guarantees both actors that short-term difficulties and inequalities in the relationship would be solved in the long run. Moreover, the presence of trust in the relationship diminishes transaction costs. Trust therefore appears to have a positive impact on the likelihood of a long term relationship when the partner keeps his word and does not act in a way that negatively affects the other (Kumar, 2005; Sheu *et al.*, 2006). As a consequence, the more a retailer trusts the supplier, the more the retailer would display loyalty (De Ruyter *et al.*, 2001). This acknowledgement leads to postulate the following hypothesis:

*H3: Trust significantly and positively affects the retailer's customer loyalty.*

It is well established that the existence of investments specific to a relationship are a signal of sound and strong bonds between business partners. Studies have shown that successful partnerships rise when both buyers and suppliers demonstrate a willingness to commit a variety of assets to a set of future transactions (Dyer, 1996). When firms are willing to make transaction- or relation-specific investments they are showing commitment to the business relationship. Thus, transaction-specific investments should enhance coordination and cooperation between partners (Bensaou and Anderson, 1999; Dyer, 1996). Dyer and Singh (1998) suggest that firms can create the potential for achieving a competitive advantage by moving away from an arm's-length relationship through tangible investments in relation-specific assets, substantial information exchange, complementary resources and capabilities. So, our forth hypothesis is as follow:

*H4: Idiosyncratic investments significantly and positively affect the retailer's customer loyalty.*

Successful buyer-supplier relationships are usually associated with high levels of information sharing (Cannon and Perreault, 1999). Mohr *et al.* (1996) recognized the importance of communication in inter-organizational relationships, and evidenced its association with commitment. Retailers that stand closer to the consumers may gain important information for the suppliers, but if they are not willing to pass them, and in the proper contents, to their supplier, the relationship value does not display its potential. If both sides keep secrets, this will affect the efficiency and the performance of the supplier as well as the one of

the retailer, negatively impacting on their relationship. Consequently, it is possible to propose the following hypothesis:

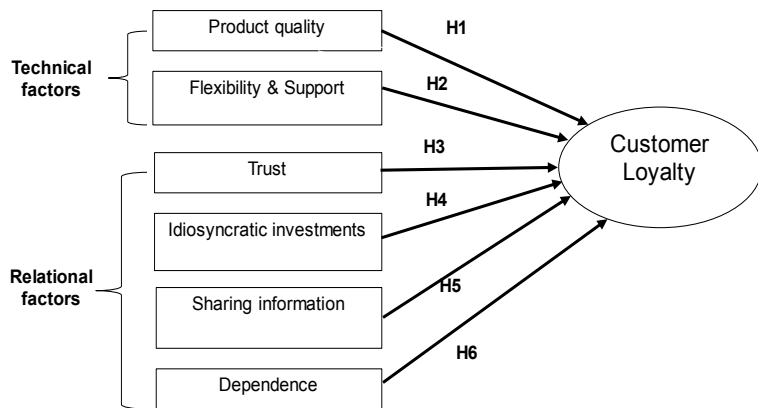
*H5: Sharing Information significantly and positively affects the retailer's customer loyalty.*

Several researchers recognize the importance of understanding the power situation in terms of the dependency between buyer and supplier in a business relationship (El-Ansary and Stern, 1972; Pfeffer and Salancik, 1978). Power is one of the key characteristics of business relationships (Moore *et al.*, 2004). According to Kumar (2005, p.864), "When a firm possesses resources that generate for its partner rewards and benefits that cannot be easily replaced, the partner is dependent on the firm". Therefore, dependence leads to investments within the relationship, both from the part of the retailer and from the part of the supplier. By agreeing to specific investments in the relationship, partners create an incentive to maintain the relationship over a long term. Consequently, our last hypothesis is as follow:

*H6: Dependence significantly and positively affects the retailer's customer loyalty.*

In sum, the model that the survey aims at verifying is presented in figure 1.

Fig. 1: The model



Source: own elaboration

## 5. Methodology

### 5.1 The survey

In order to reach the research aims, a survey was performed on a sample of retail customers of the jewellery company cooperating in the study.

The method employed consisted in administering a structured questionnaire to the overall number of the company's distributors in Italy and Europe. Operationally, each retail customer was mailed an



introductory letter that explained the purpose of the research together with the questionnaire. The latter remained open online for 3 weeks, but the majority of the answers were registered in the first 2-3 days after communicating the opening of the survey, and during the 2-3 days after the recall, based on a second e-mailing that took place in proximity of the deadline. Moreover, in order to increase the response rate, two weeks after the opening mailing the salesforce agents of the company were involved, asking them to push on their retail customers to get for an answer.

The most cooperative market has been the Italian one, while the German speaking countries have been the less responding area. The survey was administered through mail-chimp, the channel used by the company for all its institutional communications.

The aim of the questionnaire was to investigate the way in which retail customers perceived the brand and the products offered as well as the relationship with the company, addressing in particular dimensions such as the degree of cooperation and investment, the level of trust and dependence within the relationship, the intention to continue buying from that jewellery manufacturer. The questionnaire was firstly prepared in the Italian language and then translated in English and German. So, at the end of the day, three versions of the questionnaire were arranged and administered in three different languages.

The survey took place in the period October-November 2017.

Overall, 72 full questionnaires were collected, equal to a response rate of 24% of the entire observed population. This resulted in a very good response rate, especially when bearing in mind the following considerations: firstly, the response rate in the web survey on average is approximately 11% lower than that of other survey modes (Manfreda *et al.*, 2008); secondly, enquiring businessmen, in this case retailers, usually results in a lower response rate compared to surveying consumer samples.

Half of the questionnaires were filled in by Italian retailers, and the other half by retailers located in a wide number of other EU countries.

## 5.2 Measurements

Measurements were found in adapting validated scales from extant literature on supplier-customer relationships.

Intention to buy (INTB) was measured by a three-item scale (reduced) taken from Ramaseshan *et al.* (2013). Product quality (PQ) consisted in a two-item scale adapted by Čater and Čater (2010), while Flexibility and Support (FLEXSUP) was assessed with a two-item construct by Verma and Pullman (1998). The relational constructs of Trust (T - 4 items), Idiosyncratic Investments (IDI - 2 items), Sharing Information (SHI - 3 items) and Dependence (DEP - 2 items) were caught from Zineldin and Jonsson (2000).

Each item was assessed on a five-point Likert scale ranging from 1=strongly disagree to 5=strongly agree. In the following table (Tab. 1) the items used and their reliability measures (i.e.  $\alpha$ -Cronbach) are reported for each investigated constructs.

*Tab. 1: Items and Reliability measures for each construct*

Constructs	Items	Mean	Cronbach alpha
Intention to Buy (INTB)	I would continue to consider this manufacture as one of my main choice in the future	4.2361	.845
	I believe I will be buying from this company for a long time		
	I have the intention to continue to source from this manufacturer		
Product Quality (PQ)	The product quality orientation of the company is high	4.1481	.765
	Overall, my opinion on the product offer is very good		
Flexibility & Support (FLEXSUP)	Availability to split orders delivering in different times/places	3.9722	.791
	Technical support		
Trust (T)	We trust this supplier	3.8889	.926
	This supplier has high integrity		
	This supplier keeps promises		
	This supplier is always honest with us		
Idiosyncratic Investment (IDI)	This supplier is willing to customize its products for us	2.8611	.917
	This supplier is willing to adjust its production processes for us		
Sharing Information (SHI)	Knowledge and confidence in each other are built up	3.8843	.675
	This supplier keeps us informed on new developments		
	The supplier frequently discusses new possibilities with us.		
Dependence (DEP)	Our future profits are depending on maintaining a good working relationship with this supplier	3.6667	.901
	Our future goals are best reached by working with this supplier rather than against it		

Source: own elaboration

### 5.3 Sample

Information about the sample include the business role of the respondent, the country, the turnover (year 2016), the number of employees (2016), the total number and SQm of the stores owned. As far as the respondent role is concerned, the majority of the questionnaires were filled in by the retail owner (73, 6%), followed by the store manager (23, 6%) and only residually by the brand manager (2, 85). Main respondents operate their stores in the following countries: Italy (50%) and the United Kingdom (20%), followed by Austria (7%), Germany (7%) and the Netherlands (7%).

Data associated with the total number of stores show that the majority of the respondents operates through a single store (70, 8%), so they are usually independent small retailers. Given that half of the retailers considered are Italian, this data perfectly reflects the Italian jewellery distribution system, which is characterized by small stores, generally based on running one shop. During the questionnaire design it has been taken into consideration that retailers are not generally willing to share some

private information, such as the turnover and it has therefore been decided not to put the question as compulsory, resulting in a very low response rate to this item.

Finally, results show that the majority of the interviewed retailers has been working with the manufacturer company observed since many years: between 6 and 10 years (30%) or more than 10 years (27% of the sample). 15% of the respondents declared to be customers of the observed jewellery company since 1 to 5 years.

## 6. Findings

Data were then processed applying a hierarchical regression analysis using SPSS 25.0 to test the proposed hypotheses. Hierarchical regression models allow an examination of the relationship between a set of independent variables and the dependent variable.

The regression used a procedure by steps, using customer loyalty as a dependent variable.

Firstly, the effect of technical factors such as Product Quality and Flexibility and Technical Support were used as customer loyalty antecedents.

Secondly, the relationship factors - namely: Trust, Idiosyncratic Investments, Sharing Information and Dependence were added, to investigate how they affect the intention of the retailer to continue to buy from the supplier, together with the predictors already used in the first model.

Analysing in detail the results of the regression (Table 2), it is firstly important to notice that the values of  $R^2$  are pretty high, evidencing a good predicting ability of the tested model. However, adding the relational factors, the  $R^2$  evidences a very big increase and in a highly significant manner ( $p \leq 0.001$ ). We can therefore state that the chosen independent variables are strongly contributing to customer loyalty, explaining approximately 60% of the total variance of the dependent variable.

The coefficients of the regression model evidence the main importance of the relational antecedents over technical features (see table 2). When the relational constructs are added into the regression model, the latter significantly improves ( $p < 0,001$ ) and technical factors lose their significance. Only Flexibility and Support maintain a weak significance, borderline. Among the relational antecedents, dependence and trust play a key role.

Consequently, H3 and H6 are strongly supported, H2 is slightly verified, while H1, H4 and H5 are rejected.

Tab. 2: Regression coefficients

Model	B	SE B	$\beta$
1 (a)			
Constant	1.622	.484	
Product Quality	.345	.131	.320*
Flexibility & Support	.298	.119	.303*
2 (b)			
Constant	1.356	.465	
Product Quality	.104	.111	.097
Flexibility & Support	.196	.110	.199***
Trust	.218	.106	.245*
Idiosyncratic	.110	.073	.164
Investments	-.143	.103	-.151
Sharing information	.289	.074	.388**
Dependence			

Note:  $R^2=.303$  for step 1;  $\Delta R^2=.302$  for step 2 ( $p<.001$ )

\*  $p<.05$

\*\*  $p<.001$

\*\*\*  $p<.1$

Source: own elaboration

## 7. Discussion and implications

Findings confirm the importance of building trustworthy relationships with retailers in order to make them loyal to the manufacturer. In fact, when different kinds of antecedents are considered, such as technical features together with relational factors, the latter significantly improves and technical factors lose their significance.

Among the relational antecedents, dependence and trust resulted as key dimensions. Specifically, dependence emerges as a crucial antecedent of retail customer loyalty as the retailers interviewed acknowledged their need to maintain a relationship with the partner in order to achieve their goals, confirming Heikkilä (2002) statements. From this point of view, these findings are in line with the prevailing literature on the topic and enable us to make some further reflections on the opportunity to sustain the dichotomy Power versus Trust. The literature is increasingly supporting a perspective in which this dichotomy is considered as incorrect (Kumar, 2005), as authors are recognizing that the relational effects might depend on the kind of power. In fact, two main forms of power have been identified: dependence-based power and punitive capability based power (Kumar *et al.*, 1998). Implications are highly differentiated between the two power-based forms. The one that is based on mutual dependence is taking place together with trust. This view of the power concept is coherent with the kind of power rising from the current research. Unexpectedly, the manufacturer's willingness to specifically invest resources into the relationship and to share information with the retailer did not evidence any significance. It might be that when the level of dependence and of trust with the manufacturer are so high, idiosyncratic

investments and sharing information result as ancillary in the relationship with the supplier. This result might also be due to the specificity of the respondents, laying a long or even very long business relationship with the jewellery company participating in study. Interpersonal trust facilitates coordination efforts, and complementary capabilities facilitate both effort and investments. Trust helps manufacturer-retailer relationships realize their full potential. A trusting party would not feel the need to monitor its counterpart's behavior, avoiding monitoring costs. In sum, the sample of jewellery retailers interviewed are heavily dependent on their supplier as they strongly rely on its integrity and capacity to keep promises, so they take for granted its good level of product quality and do not need to share information with it as for them trust acts as a substitute of information. In this perspective, the results obtained differ from previous studies in the industrial B2B context, where idiosyncratic investments and the partners' willingness to share information show an important and positive effect on customer loyalty. This seems to differ from what market trends in the sector are indicating (Bryson and Taylor, 2010): customization does not emerge as a need of the jewellery retailers composing our sample, as idiosyncratic investments did not show any significance.

From a managerial viewpoint, such research offers insights on how to proactively manage long term partnerships in order to reap the benefits of success, and to avoid the damaging costs inherent in their failure. The findings can help jewellery managers in identifying the factors to invest on in order to build, maintain and enhance a good long-term relationship with retailers. From this point of view, technical factors might be taken for granted as soon as the relationship matures, manning attention to maintain flexibility in delivery and giving technical support. The managerial implications to be drawn from this research relate therefore to the manner in which partners attempt to manage the future scope and tone of their relationship. The retailer trust and dependence from the manufacturer turned out to be the fundamental variables to guarantee the repurchase from the supplier. The more dependent the channel partner is on the relationship, the more likely the partner is to cooperate (Razzaque and Boob, 2003). And as dependence has been found to stimulate satisfaction with the relationship (Johnson, 1999) as well as performance (Osmonbekov and Gruen, 2013), suppliers should try to let it emerge in order to exploit its benefits. Assuming that cooperation is the desired dominant sentiment in channel relationships, this research suggests therefore that companies should focus on developing cooperation strategies with their customers able to develop their business, investing in sell-out strategies that might stretch and pull the retailer's business as well as creating relational and personal bonds underpinning a trustworthy relationship with dealers.

## 8. Conclusions, limitations and further research avenues

This paper contributes to the supplier-retailer relationship literature investigating the effect produced on retailer's customer loyalty when technical and relational antecedents are both considered. In a creative

industry like jewellery, some specificities emerge in the loyal relationship linking one supplier to its retail customers compared to the results obtained in studies conducted on B2B relationships in industrial contexts and in the grocery sector, strongly prevalent. In this sense, this work sheds light on a highly performant and important sector, especially as it is considered one of the most important Italian industries supporting a positive “Made in” image, on which the current knowledge, in academic terms, is limited. Despite this acknowledgement, some limitations are present.

First all, the research focuses on a sole company and one specific sector. In order to increase the possible impact of the findings, it would be useful to extend the study to other non-grocery sectors or jewellery companies, performing a comparative analysis.

Secondly, no control variables and moderating factors were considered, even if the author is acknowledged that, for instance, the length of the relationship as well as the retailers’ features (size, number of stores, etc.) might influence the proposed model. These measures should be considered in future studies.

Last but not least, the number of collected questionnaires, even if good enough considering the interviewees’ nature (retailers), did not allow to perform a simultaneous evaluation of model construct relationships. In fact, we could only apply a hierarchical regression model. Further research avenues should consider increasing the sample size in order to apply structural equation modeling (SEM) and consequently allowing simultaneous analysis of all the variables in the model instead of independently. This could also permit to verify a more complex model in which mediating and moderating variables could be included. As recent literature suggested that, regardless of the quality of the manufacturer’s product offering, trust could act as an antecedent of dependence as well as a moderator (Hopkins and Padgett, 2018), SEM might enable to verify a compound model taking into consideration these relationships.

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