BRAZILIAN FOOD RETAILER SATISFACTION WITH SUPPLIERS

Luciana de Araujo Gil, Michigan State University
Jong Pil Yu, Sejong University, Seoul, Korea
Lester W. Johnson, University of Melbourne, Carlton, Vic 3053 Australia
Alan Pomering, University of Wollongong, Wollongong, NSW 2522 Australia

ABSTRACT

We examine the impact of relational investment and cooperation on both economic and non-economic satisfaction of food retailers with their suppliers. The sample included 101 food retailers in selected cities in Brazil. We find that relational investment has the greatest impact on economic satisfaction whereas cooperation has the greater impact on non-economic satisfaction. Suggestions for further research are developed.

INTRODUCTION

Retailing involves a great number of issues that makes it a business activity that is indeed different from most manufacturing industries (Dawson, 2000), for example, its emphasis on holding inventory, distribution, and merchandising. Furthermore, retailers around the world now have equal or even greater power than manufacturers when it comes to the retailing stage of supply chains, and that can affect their relationships (Li, Huang, & Ashley, 2002). Once manufacturers experience decreased channel power (Bobrow 1981) relative to retailers, a vehicle for assessing the manufacturer's channel relationships with retailers would be worthwhile because satisfaction of the intermediary is becoming more important in managing continuing relationships. The extent to which those involved in distribution are satisfied with the performance of each supplier is becoming a key determinant of success (Schellhase, Hardock, & Ohlwein, 1999).

To assess manufacturers' channel relationships, one construct that has been explored both conceptually and empirically is channel member satisfaction. This has been a popular construct in empirical studies, with 71 studies between 1970 and 1996 incorporating satisfaction in their model of channel relationships (Geyskens, Steenkamp, & Kumar, 1999). In business-to-business relations, the satisfaction of the needs of target customers, that is, the downstream business is an important factor on which to base the long-term success of a project (Yu & Pysarchik, 2002). The focus of this article is the assessment of manufacturers' channel relationships with food retailers in Brazil, using channel member satisfaction as our reference framework.

For some time, the extent to which the goods and services offered satisfied needs was largely monitored on the basis of sales and profit figures (McNeal & Lamb, 1979). In an attempt to develop a more complete understanding of satisfaction, in this study we divide the construct into economic and non-economic aspects (Andaleeb, 1996; Gaski, 1986; Wilkinson, 1981; Yu & Pysarchik, 2002). The aim of this article is to illustrate and examine the supplier-retailer satisfaction relationship in the Brazilian food industry. There are several factors that contribute to satisfactory channel conditions but we will focus on two main factors, cooperation and relational investment, in order to examine this construct. While we appreciate that intervening variables, such as the relative power of a channel member or the particular cultural characteristics that might explain the Brazilian food retail sector, and interactions between these variables, might be of interest to readers, we have limited the scope of our study to omit such investigations, but note their value as subjects for future research.

It must be noted that we depart from convention in studies similar to ours in that we only gather data from one source in each participating organization. We have taken this more direct approach of including the perspectives of those most closely associated with the relationship because we believe that such individuals are the most suitable to comment on the nature of his or her organization's supplier-retailer relationships. This practice also offered various efficiencies, without compromising our study's integrity, and also was deemed to be more sensitive to the cultural characteristics of the Brazilian food retailing sector.

BACKGROUND

The Brazilian grocery industry is embedded in a dynamic environment, where the interface between manufacturers and retailers is changing. In one recent commentary it was observed that in one globalizing decade, Latin American retailing made the change which took the US retail sector 50 years to make (Reardon, Berdegué, & Farrington, 2002). The last decade in Brazil was marked by increased competition, owing to, among other factors, deregulation and the opening of the market (Figueiredo, Arkader, Lavalle, & Hijjar, 2003). Among the consequences of this process, have been increasing competition from imported products, growing foreign investment in large-scale grocery stores and supermarkets, an increase in ownership concentration through mergers and acquisitions, and a change in the negotiation power of distribution channel members in grocery supply chains.

An indication of growth in Brazil is that its stock market rose more than 70 percent in 2007, while maintaining a steady country-wide inflation rate of 4.2 % per year. This growth is also reflected in the Brazilian food retail sector (Cohen, 2008). Experts even believe that Brazil will become part of the largest world economies before 2050 (Keston, 2007). The emerging Brazilian economy has shown signs of advanced economies, but has not yet fully demonstrated itself as a developed country. A less developed country, also called a third world nation, is defined by a low standard of living, an undeveloped industrial base, a low per capita income and a moderate to low Human Development Index (HDI) score (Mouton & Waast, 2006).

The Brazilian food retail industry pre-1993 had sales of US$39 billion, but in 1999 total sales of the industry were around US$48 billion, an increase of 23 per cent in six years. Furthermore, there were more than 51,000 supermarket and hypermarket stores operating in the country in 1999 (Rocha & Dib, 2002). In 2001, the Brazilian grocery retail industry operated 69,396 outlets with sales representing 6.2 percent of the country's GNP, generating 700,000 jobs. In 1997 the top five grocers in the Brazilian market represented 27 percent of industry sales, but by 2001 this proportion had risen to 39 per cent (ABRAS, 2003). Although the online grocery segment is growing, it still represents only a very small share of the market.

According to Reardon, et al (2002, p. 1), "supermarkets, and the large-scale food manufacturers who have grown with them, have deeply transformed agrifood markets in the region, with potentially negative consequences for small farms and processing and distribution firms." One consequence of this has been a switch away from traditional wholesalers, who may lack standards and mix items of different grades, towards direct procurement arrangements or towards new types of wholesalers (Reardon, et al 2002). Some large grocery chains are even using the scale of their distribution centers, sourcing networks, and/or joint-venture operations both to not only supply their local stores but also to export produce within Latin America to the global market. The French hypermarket giant, Carrefour, for example, is contracting melon producers in northeast Brazil to supply its 67 stores in Brazil as well as Carrefour distribution centres in 21 countries (Reardon, et al 2002, p. 3).

In line with the international trend, local Brazilian retailers have suffered from compressed margins as a result of intensified competition and consumer interest in low prices. For this reason, companies have been obliged to cut costs and give more attention to service in order to increase value offered to customers. Other peculiar characteristics of the local business and economic environment have also been putting pressure on retailers to reduce inventories in order to maintain profitability. Given that many of the food retailing companies in Brazil are small and family-owned (Ball, 1996) this pressure can be even harder to deal with for these local firms. (Musgrove & Galindo, 1988) suggest that the large social differences in Brazil make poor consumers typically patronize the most expensive retailers. The very small establishments ***(varejistas)***, which usually have high costs due to small volumes and scale, are prevented from competing on price with larger and more modern retailers.

During the bad old days of the 1980s prices rose so rapidly that comparability between stores was impossible and retailers were more interested in managing the cash they received than investing in automation. Now, with the country's new economic plan firmly established, consumers have become more price-conscious. As a result, Brazilian food retailers are also feeling the pressure to offer EDLP (everyday low prices), and future increases in profits will have to be derived from greater efficiencies (Ball, 1996). Since July 1994 the new economic plan (***plano real***) to control inflation has enjoyed success, inflation is now under control, and comparing prices of different retailer brands is a task that is now possible for most Brazilian consumers.

Increasing sector competition and more price-conscious consumers have raised the importance for Brazilian retailers to negotiate strongly with manufacturers. For retailers, this is now a major issue. The efforts of aggressive foreign suppliers trying to reduce retailers' margins have had to be resisted. Better supply chain management practices, such as the use of sophisticated IT systems that allow suppliers to see which goods have been sold in which stores for speedier stock replenishment, have shifted the responsibility to the manufacturer to have the right items in the right place on time (Ball, 1996). For this reason, retailers are also becoming networking organizations, given that products come from a large number of suppliers and that a retailer's total offering to a large extent depends on its ability to co-ordinate actions among channels.

Economic and non-Economic Satisfaction

The relationship between performance on certain customer logistic service dimensions and customer satisfaction has been the object of limited study so far (Emerson & Grimm, 1996; Mentzer, Gomes, & Krapfel, 1989). (Ruekert & Churchill, 1984) suggest that channel member satisfaction comprises "the domain of all characteristics of the relationship between a channel member (the focal organization) and another institution in the channel (the target organization) which the focal organization finds rewarding, profitable, instrumental and satisfying, or, alternatively, frustrating, problematic, inhibiting or unsatisfying."

Schellhase *et al.* (1999) believe that customer satisfaction from the retailer point of view has not been extensively studied. They also argue customer satisfaction is a difficult construct, which cannot be directly measured. Some studies (Brown, Lusch, & Smith, 1991) take an economic view of satisfaction, defining it as the perceived gap between prior expectations and actual profits. But other studies look at satisfaction in more non-economic, psychosocial terms, defining it as an emotional response to the overall working relationship with the channel partner (Anderson & Narus, 1984; Crosby, Evans, & Cowles, 1990).

Geyskens *et al*., (1999) suggest economic satisfaction can be defined as a channel member's positive, affective response to the economic rewards that flow from the relationship with its partner, for instance sales volume and margins. So, an economically satisfied channel member would consider the relationship a success, with respect to goal attainment, once he or she is satisfied with the productivity of the relationship, as well as with the financial outcomes. But, it is important to consider that the idea that decisions are made purely on economic criteria is now considered to be unrealistic (Schellhase et al., 1999).

Channel theory states that if a channel's intermediate relational (or process) outcomes advance, then, consequently, so too will its economic outcomes. According to Frenzen & Davis (1990), social relationships can modify market operations, and this was found in embedded markets where a preexisting social relationship creates a predisposition to view aspects such as trust and commitment as or more important than regular economic attributes. Nonetheless, previous studies have suggested that personal relationship networks, sometimes referred to as informal social bonds, can lead individuals to carry expectations and obligations in order to facilitate or exchange favors (Ambler, Styles, and Wang, 1999).

Furthermore, non-economic satisfaction can be defined as a channel member's positive, affective response to psychosocial aspects of a relationship, in that interactions with the exchange partner are fulfilling, gratifying, and easy (Mohr, Fisher, & Nevin, 1996). In this case it is to be appreciated that the contact with its partner is also on a personal level, where willingness of an exchange of ideas is present. This economic and non-economic construction of satisfaction has been used in previous studies (Geyskens et al., 1999; Yu & Pysarchik, 2002), and will also be the focus of the current article.

According to Figueiredo *et al.,* (2003) Brazilian retailers are still far from satisfied with the percentage of late deliveries that they are getting from their suppliers (considering both the need to provide good service to customers and the high cost of inventory holding in Brazil). This study aims to shed light on answers to some key questions related to this topic.

Cooperation

Growing concentration in the Brazilian retail industry is leading to increased bargaining power, allowing retailers to demand better customer service from suppliers, imposing challenging requirements (Blecher & Reboucas, 2002). Cooperation and relational investment can be considered powerful tools in this scenario. In the USA and in European markets, approaches with a focus on enhanced performance in the grocery supply chains, called efficient consumer response (ECR), are being proposed by different organizations. This suggests a collaboration among competitors on a manufacturer as well on a retail level (Svensson, 2002). One major issue in these activities is to maintain market orientation of the distribution, which consists of the sum of the individual member's activities in this respect (Siguaw, Simpson, & Baker, 1998). Such collaboration and cooperation has been the focus of several studies (Kotzab & Teller, 2003). Cooperation can be defined as "similar or complementary coordinated activities performed by firms in a business relationship to produce superior mutual outcomes or singular outcomes with expected reciprocity over time" (Anderson, Hakansson, & Johanson, 1994). The relationship between channel satisfaction and cooperation has been explored in extant studies (Hunt & Nevin, 1974).

Gwinner *et al*. (1998) suggest that consumers will commit themselves to establishing, developing, and maintaining relationships with a service provider that offers a better-valued benefit. Relationship marketing issues have received increasing attention from both academics and practitioners because of the potential benefits for both ends of the supply chain (Colgate & Danaher, 2000). In this vein, another key issue that some researchers are highlighting is category management (Dapiran & Hogarth-Scott, 2003). Category management could be defined as a process by which retailers and their suppliers jointly develop strategic category plans. This idea matches with the focus of Schellhase *et al.*'s (1999) study, namely that retailers' satisfaction with their suppliers is principally determined by the following factors: contact persons, intensity of cooperation, management of prices and conditions, and quality and flexibility.

The traditional win-lose paradigm has become obsolete in Brazil, the result, to some extent, of rising complexity and dynamics, especially due to recent developments within the fast moving consumer goods market. Still, the division of labor and roles within marketing channels can be agreed upon to some extent by channel members, such as retailers and suppliers, who often have different views on who should be responsible for what (Elg, 2003).

In light of the above-detailed, we posit the following research hypotheses:

H1a: Cooperation is positively related to economic satisfaction

H1b: Cooperation is positively related to non-economic satisfaction

Although sometimes the rap-prochement between retailers and suppliers can be a cash-driven peace settlement (Bentley & Benady, 1996), the effect of specific asset investments over collaborative relationships with suppliers is also important (Claro & Claro, 2004). According to Schellhase et al. (1999), retailers' satisfaction is also enhanced by keeping agreements, and maintaining an open style of communication and cooperation based on a continuity of partnership, which can be seen as relational investment.

Relational Investment

Relational investment is defined as any kind of effort to comprehend the partner's goals and help joint interaction (Madhok & Tallman, 2007). In a retailing environment, retailers with solid long-term relationships can experience a competitive advantage by receiving merchandise in short supply, information on new and best-selling products and competitive activity, the best allowance prices, and advertising support. At the same time, suppliers with successful long-term relationships can achieve a competitive advantage by obtaining information on best-selling products and competitive activity, better cooperative advertising, and special displays for their merchandise (Ganesan, 1994).

Brazil is a paradoxical country, despite its annual GDP growth of 5.4% (Cia.gov., 2008), poverty levels remain above 30% (Cia.gov., 2008). Brazil's rapid emergence as a global consumer power makes it an important case study of consumer trends in a developing country. Culturally speaking Brazil is considered a collectivist and high context country (Würtz, 2005) where relationships are very important in any segment of the society.

Considering relationships from the end-consumer's perspective, several studies have emerged indicating that investment in a relationship may be one of the reasons consumers stay with their service provider. For example, Gwinner, Gremler, & Bitner (1998) argue that consumers will connect themselves to establishing, developing, and maintaining relationships with a service provider that can offer a superior valued benefits. They observed that consumers receive many benefits from developing relationships and that these benefits could be classified under three headings: confidence, social and special treatment benefits. These authors also found that even if a consumer perceives the main service attributes as being less than optimal, they might remain in a relationship if they are receiving important relational benefits.

The importance of relational investment between retailers and suppliers is emphasized in Ganesan's (1994) study. Another study explores what its called "relational quality" (Arino, Torre, & Ring, 2001), which is defined by the three elements affecting relational quality in alliances: the initial conditions surrounding the exchange; the cumulative experiences of the parties with each other's behaviors as they interact; and the impact that external events have on perceptions of the behavior and attitudes of the parties about each other's trustworthiness. Another similar term related to this topic is "relationalism" (Noordewier, John, & Nevin, 1990), which can be defined as "expectations of continuity of a relationship" which captures the probability of a future interaction between retailer and supplier.

Relational investment is a new term in the supply chain arena, although attempts to relate "credible commitments" (such as means of investment in dedicated assets) and trust-based relationships with satisfaction were already the focus of previous studies, such as (Heide, 1994). Hence, the retailer can perceive this attitude as a reward or even a source of mutuality of interests. Furthermore, Elg (2003) emphasizes the importance of the manufacturer letting the same employee handle the contacts for a longer period of time, stressing that long-term relationships at a personal level can impact not just future experiences but also the past ones.

Relational investment is connected with the idea of the Social Exchange Theory, which explains social change and stability as a process of negotiated exchanges between parties. This theory posits that all human relationships are formed by the use of personal cost-benefit analysis and the comparison of alternatives. For instance, when a person perceives the costs of a relationship as outweighing the perceived benefits, then the theory predicts the person will choose to leave the relationship. The early permutations of Social Exchange Theory stem from Gouldner's (1960) norm of reciprocity, which argues that people should return benefits offered to them in a relationship. Later modifications to this theory focus attention on relational development and maintenance rules (Murstein, Cerreto & MacDonald, 1977).

One of the major retailer criticisms of suppliers is that some of them do not offer qualified field personnel, and a huge complaint is that the retailers want to know with whom they are dealing (Schellhase et al., 1999). Moreover, studies related to supplier-retailer relationships have found a significant relationship between satisfaction with outcomes and commitment to a relationship (Rusbult, Verette, Whitney, Slovik, & Lipkus, 1991). With relational investment and cooperation it is possible to achieve the so-called win-win-win situation where all partners within the supply chain (producer, retailer and end user) can gain profitability by doing more with less (e.g. (Svensson, 2002).

Based on the discussion above, we pose the following research questions: does the existence of a good relationship between the manufacturer and the retailer increase the non-economic and economic satisfaction equally? Also, can cooperation between the retailer and supplier diminish the impact of negative experiences that may lead to dissatisfaction? In seeking to answer these questions, we therefore hypothesize:

H2a: Relational investment is positively related to economic satisfaction
H2b: Relational investment is positively related to non-economic satisfaction

METHODOLOGY

Instrument Development

Measures of retailers' economic satisfaction were adapted from the six-item

(Wilkinson, 1981) scale of satisfaction in distribution channels. Retailers' non-economic satisfaction was measured by asking their level of agreement with three items adapted from Andaleeb (1996) and Gaski (1986). Cooperation measures were adapted from Skinner, Gassenheimer, & Kelley (1992), and Relational Investment from Colgate & Lang (2001), given that these previous studies supported the applicability of those scales.

Seven-point scales were used in all the questions, anchored by: Extremely dis-satisfied/Extremely satisfied, and Extremely disagree/Extremely agree. Scale items are shown at the end of this article in an Appendix.

TABLE 1

Sample Characteristics

Characteristics	*Frequency (N=101)*	*Percent*
Gender of the respondent		
Male	57	56.4
Female	44	43.6
Age of the respondents		
Below 30	21	20.8
30-9	30	29.7
40-9	33	32.7
Above 50	17	16.8
Company's business form (N=100)		
Retailer	63	62.4
Wholesaler	9	8.9
Importer	3	3
Broker	2	2
Stockist	5	5
Trading Company	2	2
Other	16	15.8
Retailers' years with major supplier		
Less than 4 yrs	35	34.7
4-10 yrs	45	44.6
More than 10 yrs	20	19.8
Missing	1	1
Retailers' number of employees		
Less than 6	28	27.7
6-25	49	48.5
26-80	9	8.9
81 and more	10	9.9
Missing	5	5

The questionnaire (originally developed by Yu & Pysarchik, 2002) was constructed originally in English, and then double-blind translated back into Portuguese to increase the accuracy of the translation. When answering the questionnaire, respondents were first asked to identify their most important supplier of processed food products, and then respond to the questions with this manufacturer in mind.

Data Collection

This study utilizes a self-report questionnaire to record information from Brazilian food retailers selected from the telephone directory. To recruit participants, either the storeowner or the marketing manager was contacted by telephone to request his/her participation. Usually they filled in the survey by themselves or responses were provided by an employee nominated by them. Due to this system of data collection, our response rate was 90%.

The data were collected in various cities located in the State of São Paulo between May and August 2004, and included 101 retailers in the grocery sector. São Paulo state was chosen because it is the richest state in the country and for its high concentration of population and grocery retailers in general.

Sample Characteristics

In all, one hundred and one respondents (food retailer owners or employees) completed the questionnaire (Table 1). The modal age range of the sample respondents is from 40 to 49 years, 56.4% of whom are male. Of the participating firms, most were retailers (62.4%), who have dealt for between four to ten years with the same major supplier. Furthermore the companies surveyed typically have between 6 to 25 employees.

ANALYSIS

The multi-item scales for each construct were treated as single measures. The reliabilities and number of items can be observed in Table 2. Also, the correlation matrix among variables is shown in Table 3.

TABLE 2

Reliability Measures

Scales	*Reliability Cronbach Alpha*	*Number of items*
Economic Satisfaction	*0.92*	*6*
Non- Economic Satisfaction	*0.93*	*3*
Relational Investment	*0.81*	*4*
Cooperation	*0.82*	*2*

TABLE 3

Correlation Among Variables

	Relational	***Cooperation***	***Economic Satisfaction***	***Non-economic satisfaction***
Relational Investment	1			
Cooperation	.428**	1		
Economic Satisfaction	.681**	.475**	1	
Non-economic Satisfaction	.532**	.629**	.645**	1

Hypotheses 1a and 2a predicted that relational investment and cooperation would be predictors of economic satisfaction. A multiple regression analysis was performed to analyze these relationships (see Figure 1). The result was overall significance (F (1, 97) = 8.162, $p<.05$, $R^2 = .491$). Relational investment was a good predictor of economic satisfaction (B= .617, t=7.321, $p<.05$), as was cooperation (B=.230, t= 2.857, $p<.05$).

FIGURE 1
Model of Brazilian grocery manufacturer and retailer relations

Un-Standardized coefficient B in the boxes.
All are significant at p<.01

Hypotheses 1b and 2b predicted that relational investment and cooperation would be predictors of non-economic satisfaction. A multiple regression analysis was performed to analyze these relationships. Again, the results were significant (F (1, 97) =19.906, p<.05, R^2 =.488). Relational investment was a good predictor of non-economic satisfaction (B= .360, t=4.462, p<.05), as was cooperation a good predictor (B=.462, t= 5.994, p<.05). The detailed results are reported in Table 4.

TABLE 4

Coefficients

Path	*Un-Standardized Coefficients*	*Standardized Coefficient*	*t*	*sig*
Relation → Economic satisfaction	.617	.581	7.321	0.000
Relation → Non-Economic satisfaction	.230	.227	2.857	0.005
Cooperation → Economic satisfaction	.360	.355	4.462	0.000
Cooperation → Non-Economic satisfaction	.462	.477	5.994	0.000

Although all predictors were significant, the stronger relationship was found between relational investment and economic satisfaction. Even though our sample cannot be considered large, this result should be emphasized. From this, we can infer that relational investment and economic satisfaction are strongly related.

DISCUSSION AND IMPLICATIONS

From our results, we can see that in the Brazilian context food retailers consider relational investment more important than cooperation when focusing on economic satisfaction in a relationship with their major or more important suppliers, especially for relatively small organizations, which constituted the majority of our sample. This may be related to some cultural issues on the basis of Hofstede's four cultural dimensions (Hofstede, 1983). Brazil is a collectivist culture, causing any kind of social relationship to have a huge impact on anything related to satisfaction. It is worth noting that in the end-consumer context, as Crotts & Erdmann (2000) reported in their study, culture has been found to influence willingness to report satisfaction.

If we consider the items of the relational investment scale we can see the behaviors that might guide managerial decision-making in order to drive greater satisfaction: managers should put into practice decision making and those activities that will: (a) help partners get to know each other, and each other's business activities, better; (b) reward partners on the basis of their continued relationships; and (c) deepen the various bonds of the relationship, such as structural and social bonds. Subject to cultural constraints, activities to enhance inter-organizational familiarity might include hosting shared social events, such as celebrations of business milestones, national days, or employee awards, particularly those personnel that are key to these inter-business transactions.

Rewards for continued relationships might take the form of bonuses for joint-productivity improvements or milestones achieved, while preferred-supplier status and service warranties might help deepen loyalty. The costs of these relation-developing initiatives would need to be measured against the benefits of course. However, it is generally accepted that developing good, existing relationships is preferred to starting new ones. We acknowledge here that while it might be expected that smaller firms are in a better position to build inter-organizational relationships, due to their scale, there is often considerable potential for such activities to 'fall through the cracks'. We would therefore recommend greater vigilance toward this task, typically through extending the breadth of the sales and marketing role.

While not as strong a relationship as relational investment, cooperation should also be considered by management for its contribution to driving satisfaction. Clearly, respondents who rated high on this measure accept that their goals are best met when they work together with suppliers, and when they maintain good working relationships with suppliers. In this way, there is a clear connection between cooperation and investing in supplier relationships, though our definitions have differentiated the two. Relational investment must be understood to go far beyond mere cooperation. As we have defined cooperation, in terms of coordinating activities between partners to produce superior mutual outcomes, or perhaps singular outcomes with expected reciprocity over time, it is the basis of category management, whereby retailers and their suppliers jointly develop their strategic category plans.

Implicit in such mutual planning is trust between the category partners; therefore building this trust must become a prime focus for managers of both organizations. An organization's efforts to build relationships, discussed in the previous paragraph will go some way toward developing the requisite trust, and helping partners appreciate competition. That is, their relationships are not antagonistic, with each relational partner out to maximize his or her individual profit at the expense of the other, but rather they are symbiotic, offering a win-win result when not enacted sub-optimally. Clear, open and regular communication between partners must be at the foundation of such cooperation. Again, this must be included in the role description of sales and marketing personnel.

While *category management* was mentioned above as offering one route to increased supplier-retailer satisfaction, through food retailers "making use of consumer preferences to determine the key items for their business, as well as aspects such as in what quantities these items should be bought, at what price they should be offered, what shelf space they should deserve and in what place in the store they should be displayed" (Arkader & Ferreira 2004, p. 42), recent research highlights there are obstacles to this approach. Arkader and Ferreira (2004, p. 48) found "negotiation impasses and mistrust in the exchange of information between manufacturers and retailers, and a very antagonistic commercial culture in retail buyer–supplier relationships seems to be prevailing, aiming at short-term negotiations based on volumes and prices," suggesting our recommendations for increasing relational investment and cooperation between supply chain partners does not come free of significant operational challenges.

While our study attempted to generalize results for Brazil broadly, it must be remembered that we conducted our investigation in some cities of only one State, and Brazil has a total of twenty-six States and one federal district. The nature of the sample therefore limits our ability to make overly broad generalizations from the findings.

Another limitation is that none of the measures included in this study considers the issue of *power*, which is an element of any relationship and exists even when not activated (Dapiran & Hogarth-Scott 2003; Kadiyali, Chintagunta, & Vilcassim 2000). Furthermore, power can be sub-divided into coercive and non-coercive sources (Gaski & Nevin, 1985). The incorporation of this construct into the understanding of satisfaction among Brazilian food retailing supply chain members would be one suggestion for further research, especially as suppliers are gaining muscle in business negotiations.

The extent to which those involved in distribution are satisfied with the performance of each supplier is becoming a key determinant of success. An important issue that could be examined would be expectations. For instance, customers with higher expectations of relationship continuity having lower service recovery expectations after a service failure, and tend to attribute failures to less stable causes (Hess, Ganesan, & Klein, 2003).

Brazil has joined the trend of own-branded products, and this may have influenced our result. Sometimes, the retailer can appear reluctant to share information with suppliers, but there can be significant differences between suppliers of retailer brands and manufacturers only supplying their branded products (Elg, 2003). Furthermore, when retailers perceive the vendor as being dependent on them, they have little motivation to develop a strong, cooperative long-term relationship.

It is important to keep in mind that for decades, and until less than ten years ago, during the long inflationary period in the Brazilian economy, inventory holding was seen by most retailers as the key to their business success, which is very different from today's reality. Also, extant literature indicates that former experience with service plays a decisive role in building customer expectations toward future service. So, previous experiences, and whether the retailer has had a long-term relationship with the manufacturer, can play an important part in influencing expectations.

The existence of norms and structures that reward cooperative behavior in general can also be expected to support inter-firm market orientation (Elg, 2003), and this was also not measured in our study. Also, it is important to remember that when the channel member's overall performance is high, the channel partner is highly motivated to maintain the relationship (Frazier, Gill, & Kale, 1989), which can also affect the perceived levels of economic and non-economic satisfaction.

The light we have cast on the answer to the main research question: "Have food retailers been satisfied with the cooperation and relational investment levels with their suppliers?" reflects that Brazilian retailers perceive relational investment as a very important tool in achieving this critical end.

APPENDIX A

(all are seven-point scales)

Economic Satisfaction*: (Wilkinson 1981), (extremely dissatisfied/ extremely satisfied)*

1. The price at which the supplier sells food products to you.
2. The credit facilities the supplier makes available to you.
3. The discount allowances your supplier gives you for large orders, etc.
4. The discount allowances your supplier gives you for regular and early payment.
5. The supplier's products and services help me achieve my revenue/business objectives.
6. The services your supplier provides that save you money.

Non-Economic Satisfaction*: (Andaleeb 1996) and (Gaski 1986), (extremely disagree/ extremely agree)*

1. I am satisfied with the products and services I get from this supplier.
2. The relationship between this supplier and me seems to reflect a happy situation.
3. The relationship between this supplier and me is very positive.

Cooperation*: (Skinner et al. 1992), (extremely disagree/ extremely agree)*

1. My future goals are best reached by working with my supplier rather than against my supplier.
2. My future profits are dependent on maintaining a good working relationship with the supplier.

Relational Investment*: Colgate & Lang, (2001), (extremely disagree/ extremely agree)*

1. The staff of this supplier knows me.
2. I receive preferential treatment from this supplier.
3. I feel a sense of loyalty to this supplier.

REFERENCES

ABRAS. (2003), *Estatísticas setoriais*. Associação Brasileira de Supermercados. Retrieved, from the World Wide Web: www.abrasnet.com.br

Andaleeb, S. S. (1996), "An experimental investigation of satisfaction and commitment in marketing channels: The role of trust and dependence," *Journal of Retailing*, *72*(1), 77-93.

Anderson, J. C., Hakansson, H., & Johanson, J. (1994), "Dyadic business relationships withing a business network context," *Journal of Marketing, 58*(4), 1-15.

Anderson, J. C., & Narus, J. A. (1984), "A model of the distributor's perspective of distributor-manufacturer working relationships," *Journal of Marketing, 48*(4), 62-74.

Arino, A., Torre, J. d. l., & Ring, P. S. (2001), "Relational quality: Managing trust in corporate alliances," *California Management Review*, *44*(1), 109-131.

Arkader, R., & Ferreira, C. F. (2004), "Category management initiatives from the retailer perspective: A study in the Brazilian grocery retail industry," *Journal of Purchasing and Supply Management, 10*(41-51).

Ball, M. (1996), "The real challenge for Brazil's retailers," *Corporate Finance* (144), 30.

Bentley, S., & Benady, D. (1996, Aug 16), "Shelving old differences," *Marketing Week*, *19,* 28-31.

Blecher, N., & Reboucas, L. (2002, June 12), "A ditadura do varejo," *Exame,* 44-55.

Bobrow, E. E. (1981), "Marketers must design strategies to cope with power shift to retailers, distributors," *Marketing Marketers Must Design Strategies to Cope with Power Shift to Retailers, Distributors News, 15*(8), 1-2.

Brown, J. R., Lusch, R. F., & Smith, L. P. (1991), "Conflict and satisfaction in an industrial channel of distribution," *International Journal of Physical Distribution & Logistics Management, 21*(6), 15-26.

Cia.gov. (2008), "*The world factbook- Brazil*," Central Intelligence Agency - CIA. Retrieved Jan, 21, 2008, from the World Wide Web: https://www.cia.gov/library/publications/the-world-factbook/geos/br.html

Claro, D. P., & Claro, P. B. d. O. (2004), "Gerenciando relacionamentos colaborativos com fornecedores. *RAE," Revista de Administração de Empresas, 44*(4).

Cohen, R. (2008, Jan, 3), "Brazilian lessons for 2008*," New York Times*.

Colgate, M., & Lang, B. (2001), "Switching barriers in consumer markets: An investigation of the financial services industry," *The Journal of Consumer Marketing, 18*(4/5), 332-347.

Colgate, M. R., & Danaher, P. J. (2000), "Implementing a customer relationship strategy: The asymmetric impact of poor versus excellent execution.," *Academy of Marketing Science. Journal, 28*(3), 374-387.

Crosby, L. A., Evans, K. R., & Cowles, D. (1990), "Relationship quality in services selling: An interpersonal influence perspective," *Journal of Marketing, 54*(3), 68-81.

Crotts, J. C., & Erdmann, R. (2000), "Does national culture influence consumers' evaluation of travel services? A test of Hofstede's model of cross-cultural differences," *Managing Service Quality, 10*(6), 410-419.

Dapiran, G. P., & Hogarth-Scott, S. (2003)," Are co-operation and trust being confused with power? An analysis of food retailing in Australia and the UK," *International Journal of Retail & Distribution Management, 31*(4/5), 256-267.

Dawson, J. (2000), "Viewpoint: retailer power, manufacturer power, competition and some questions of economic analysis," *International Journal of Retail & Distribution Management, 28*(1), 5-8.

Elg, U. (2003), "Retail market orientation: A preliminary framework," *International Journal of Retail & Distribution Management, 31*(2/3), 107-117.

Emerson, C. J., & Grimm, C. M. (1996), "Logistics and marketing components of customer service: an empirical test of the Mentzer, Gomes and Krapfel model," *International Journal of Physical Distribution & Logistics Management, 26*(8), 29-42.

Figueiredo, K., Arkader, R., Lavalle, C., & Hijjar, M. F. (2003), "Improving manufacturers' distribution performance and customer service in grocery products supply in Brazil: a longitudinal study," *Integrated Manufacturing Systems, 14*(8), 664-676.

Frazier, G. L., Gill, J. D., & Kale, S. H. (1989), "Dealer dependence levels and reciprocal actions in a channel of distribution in a developing country," *Journal of Marketing, 53*(1), 50-69.

Frenzen, J., & Davis, H. (1990), "Purchasing behavior in embedded markets," *Journal of Consumer Research, 17*(1), 1.

Ganesan, S. (1994), "Determinants of long-term orientation in buyer-seller relationships," *Journal of Marketing, 58*(2), 1-19.

Gaski, J. F. (1986), "Interrelations among a channel entity's power sources: impact of the exercise of reward and coercion on expert, referent, and legitimate power sources," *JMR, Journal of Marketing Research, 23*(1), 62-77.

Gaski, J. F., & Nevin, J. R. (1985), "The differential effects of exercised and unexercised power sources in a marketing channel," *JMR, Journal of Marketing Research, 22*(2), 130-142.

Geyskens, I., Steenkamp, J.-B. E. M., & Kumar, N. (1999), "A meta-analysis of satisfaction in marketing channel relationships," *JMR, Journal of Marketing Research, 36*(2), 223-238.

Gwinner, K. P., Gremler, D. D., & Bitner, M. J. (1998), "Relational benefits in services industries: The customer's perspective," *Academy of Marketing Science. Journal, 26*(2), 101-114.

Heide, J. B. (1994), "Interorganizational governance in marketing channels," *Journal of Marketing, 58*(1), 71-85.

Hess, R. L., Ganesan, S., & Klein, N. M. (2003), "Service failure and recovery: The impact of relationship factors on customer satisfaction" *Academy of Marketing Science. Journal, 31*(2), 127-145.

Hofstede, G. (1983), "The cultural relativity of organizational practices and theories," *Journal of International Business Studies, 14*(000002), 75-89.

Hunt, S. D., & Nevin, J. R. (1974), "Power in a channel of distribution: Sources and consequences," *JMR, Journal of Marketing Research, 11*(2), 186-193.

Kadiyali, V., Chintagunta, P., & Vilcassim, N. (2000), "Manufacturer-retailer channel interactions and implications for channel power: An empirical investigation of pricing in a local market," *Marketing Science, 19*(2), 127-148.

Keston, J. (2007), "*Another BRIC in economic wall - The arrival of developing countries*," WRAL Broadcasting. Retrieved Ja, 21, 2008, from the World Wide Web: http://www.wral.com/business/local_tech_wire/opinion/story/1867292/

Kotzab, H., & Teller, C. (2003), "Value-adding partnerships and co-opetition models in the grocery industry," *International Journal of Physical Distribution & Logistics Management, 33*(3), 268-281.

Li, S. X., Huang, Z., & Ashley, A. (2002), "Manufacturer-retailer supply chain cooperation through franchising: A chance constrained game approach," *INFOR, 40*(2), 131-148.

Madhok, A., & Tallman, S. (2007), "Resources, transactions and rents: Managing value through interfirm collaborative relationships,"

McNeal, J. U., & Lamb, C. W., Jr. (1979), "Consumer satisfaction as a measure of marketing effectiveness," *Akron Business and Economic Review, 10*(2), 41-45.

Mentzer, J. T., Gomes, R., & Krapfel, R. E., Jr. (1989), "Physical distribution service: A fundamental marketing concept?," *Academy of Marketing Science. Journal, 17*(1), 53-62.

Mohr, J. J., Fisher, R. J., & Nevin, J. R. (1996), "Collaborative communication in interfirm relationships: Moderating effects of integration and control," *Journal of Marketing, 60*(3), 103-115.

Mouton, J., & Waast, R. (2006, April, 18), "*The unesco forum on higher education, research and knowledge*," Study on National Research Systems. Retrieved Jan, 21, 2008, from the World Wide Web: http://portal.unesco.org/education/en/files/52280/11694606785Mouton_Progress_Report.pdf/Mouton_Progress+Report.pdf

Musgrove, P., & Galindo, O. (1988), "Do the poor pay more? Retail food prices in northeast Brazil," *Economic Development and Cultural Change, 37*(1), 91-109.

Noordewier, T. G., John, G., & Nevin, J. R. (1990), "Performance outcomes of purchasing arrangements in industrial buyer-vendor relationships," *Journal of Marketing, 54*(4), 80-93.

Reardon, T., Berdegué, J. A., & Farrington, J. (2002), "Supermarkets and Farming in Latin America: Pointing directions for elsewhere?," *Natural Resource Perspectives, 81*.

Rocha, A. d., & Dib, L. A. (2002), "The entry of Wal-Mart in Brazil and the competitive responses of multinational and domestic firms," *International Journal of Retail & Distribution Management, 30*(1), 61-73.

Ruekert, R. W., & Churchill, G. A., Jr. (1984), "Reliability and validity of alternative measures of channel member satisfaction," *JMR, Journal of Marketing Research, 21*(2), 226-233.

Rusbult, C. E., Verette, J., Whitney, G. A., Slovik, L. F., & Lipkus, I. (1991), "Accommodation processes in close relationships: Theory and preliminary empirical evidence," *Journal of Personality and Social Psychology, 60*(1), 53-78.

Schellhase, R., Hardock, P., & Ohlwein, M. (1999), "Customer satisfaction in business-to-business marketing: the case of retail organizations and their suppliers," *The Journal of Business & Industrial Marketing, 14*(5/6), 416-430.

Siguaw, J. A., Simpson, P. M., & Baker, T. L. (1998), "Effects of supplier market orientation on distributor market orientation and the channel relationship: The distributor perspective," *Journal of Marketing, 62*(3), 99-111.

Skinner, S. J., Gassenheimer, J. B., & Kelley, S. W. (1992), "Cooperation in supplier-dealer relations," *Journal of Retailing, 68*(2), 174-193.

Svensson, G. (2002), "A firm's driving force to implement and incorporate a business philosophy into its current business activities: The case of ECR," *European Business Review, 14*(1), 20-29.

Wilkinson, I. (1981), "Power, conflict, and satisfaction in distribution channels - An empirical study," *International Journal of Physical Distribution & Materials Management, 11*(7), 20-30.

Würtz, E. (2005), "A cross-cultural analysis of websites from high-context cultures and low-context cultures," *Journal of Computer-Mediated Communication, 11*(1), 274-299.

Yu, J. P., & Pysarchik, D. T. (2002), "Economic and non-economic factors of Korean manufacturer-retailer relations," *The International Review of Retail, 12*(3), 297-218.

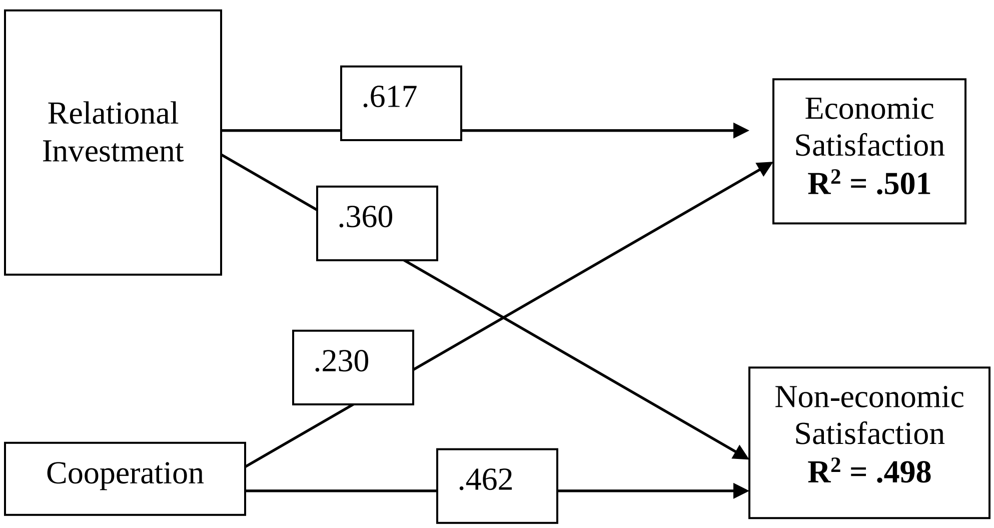
Send correspondence regarding this manuscript to:

Luciana de Araujo Gil
Department of Advertising, Public Relations and Retailing
Michigan State University
East Lansing, MI 48823
gillucia@msu.edu

Note: The authors are thankful for the financial support provided by CAPES (Brazil)

FIGURE 1

Model of Brazilian Grocery Manufacturer and Retailer Relations



Un-Standardized coefficient B in the boxes.
All are significant at p<.01