BUILDING TRUST IN THE FRESH PRODUCE INDUSTRY

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Abstract

In the fresh produce industry, a grower's trust in their most preferred market agent is derived primarily from the market agent's reputation. As a favourable reputation is derived from many satisfactory transactions where the grower believes that they have been adequately rewarded and treated fairly and equitably, there is a high correlation between satisfaction and trust. Market agent's have the opportunity to build trust by responding quickly to grower's complaints, by not engaging in opportunistic trading practices, and, through the provision of education and training programs, to ensure grower's fully understand the needs of customers.

Introduction

In the fresh produce industry, the profitability of the enterprise is influenced not only by the grower's ability to reduce costs, but also by the grower's efforts to improve gross returns through maximising yield and market price. In a market where prices have traditionally been determined by auction, grower's have sought to achieve higher prices through extending the seasonality of supply, timing production for specific market days, or to differentiate the product in the market through consistently producing a superior quality product. However, with the auction becoming increasingly less common as the primary mechanism for exchange, prices are determined principally by private negotiation between the grower and the various market agents they choose to interact with. With less access to market information, grower's must rely to a much greater extent upon the integrity of their trading partners. However, in a market where supply generally exceeds demand and it is becoming more difficult to satisfy customers requirements, growers are becoming increasingly dissatisfied in their relationship with the market intermediaries who sell their produce. An underlying atmosphere of distrust between the growers and market agents is apparent.

Anderson and Narus (1990) view trust as the belief that the partner will perform actions that will result in positive outcomes for the firm and not to take unexpected actions that may result in negative outcomes. Moorman, Deshpande and Zaltman (1993) define trust as the willingness to rely upon an exchange partner in whom one has confidence. Since both definitions view trust as a behavioural intention that reflects reliance on the other partner, trust evolves from many favourable transactions with a channel partner (Dwyer, Schurr and Oh 1987; Anderson and Weitz 1989). However, both achieving and maintaining trust requires a deliberate strategy of forbearance and accumulated evidence of non-reneging behaviour (Parke 1993). With trust, there is an increasing willingness to put oneself at risk.

Trust also results from the expertise, reliability or intentionality of the partner. Swan, Trawick and Silva (1985) indicate how competence, customer orientation, honesty, dependability and likeability are the key dimensions in developing trust between sales representatives and their customers. Moorman, Deshpande and Zaltman (1993) argue that the interpersonal factors that most affect trust include perceived expertise, sincerity, integrity, tactfulness, timeliness and confidentiality. Trust increases the partner's tolerance for each others behaviour, facilitating the informal resolution of conflict, which in turn, allows the partners to better adapt to the needs and capabilities of the counterpart firm (Hakansson and Sharma 1996).

Building Trust in Long -Term Relationships

Where there is some uncertainty surrounding an exchange, buyers will, amongst other tactics, attempt to reduce the perceived risk by either splitting orders between several alternative suppliers or to purchase from well known suppliers with whom they have dealt in the past (Cunningham and White 1973). Cardozo and Cagley (1971) and Puto, Patton and King (1985) demonstrate that buyers are strongly attracted to well known or existing suppliers as current suppliers are perceived as being less risky. In new purchase situations, Dempsey (1978) and Anderson, Chu and Weitz (1987) suggest that buyers prefer to purchase from those firms who are reputable market leaders, for they are perceived as being more trustworthy.

According to the disconfirmation of expectations model, customer satisfaction is the result of a comparison between a partner’s performance and the focal firm’s expectations (Oliver 1980). Whenever performance exceeds expectations, satisfaction will increase. Satisfaction has been defined as the focal firm’s cognitive state of being adequately rewarded for the sacrifices they have undergone in facilitating the exchange (Frazier 1983). Channel members that are highly satisfied with the economic rewards that flow from their relationship perceive their partner as being more trustworthy (Geyskens, Steenkamp and Kumar 1999). Satisfaction with past outcomes also indicates equity in the exchange (Anderson and Narus 1990). Equity generally refers to the fairness or rightness of something in comparison to others (Halstead 1999). Equitable outcomes provide confidence that neither party has been taken advantage of in the relationship and that both parties are concerned about their mutual welfare (Ganesan 1994). Many satisfactory experiences will provide market agents with the opportunity to build credibility and trust (Dwyer, Schurr and Oh 1987; Anderson and Narus 1990).

Trust will develop from the constant and detailed exchange of information (Han, Wilson and Dant 1993). Meaningful communication and cooperation between firms in a relationship is a necessary antecedent of trust (Anderson and Narus 1990). Communication enables information to be exchanged which may reduce certain types of risk perceived by either party to the transaction (McQuiston 1989). Any uncertainty about a customer’s or supplier’s organisational structure, viability, methods of operation, technical expertise or competence can be resolved by communication between the parties. Communication not only improves the supplier’s credibility, but may also provide a convenient and simple means of gaining knowledge of the supply market (Cunningham and Turnbull 1982). Communication facilitates other elements of the interaction such as adaptations by suppliers and customers to the design or application of a product, or the modification of production, distribution and administrative systems by either party.

Adaptations are important because most business relationships are based on some kind of match between the operations of the two firms (Hallen, Johanson and Seyed-Mohamed 1991). Suppliers may adapt to the needs of specific customers just as well as customers may adapt to the capabilities of specific suppliers. Either way, since adaptations are relationship specific and often require a considerable investment by one or both firms, a firm’s willingness to adapt is more likely when there are expectations of relational continuity (Heide 1994). A firm may, in part, measure its partners commitment to the relationship by the extent to which the partner is prepared to adapt to meet its needs (Ford 1984). The willingness to make relationship specific investments offers tangible evidence that the partner can be trusted, that it cares for the relationship and is willing to make sacrifices (Ganesan 1994).

However, long-term relationships bound only by investments signify forced collaboration rather than cooperation (Ganesan 1994). Dependence in an exchange relationship may make one firm more susceptible to the power and influence of another. Since the more powerful partner may be in a position to create more favourable terms of trade for itself (Heide and John 1988; Frazier, Gill and Kale 1989; Lothia and Krapfel 1994), not unexpectedly, where firms feel they are dependent upon another, an inherent element of distrust will emerge. However, a firm may also become dependent upon its partner when the outcomes from the relationship are comparatively higher than or better than the outcomes available from alternative relationships (Heide and John 1988), or when the partner provides a large share of the focal firm's business (Frazier, Gill and Kale 1989). In general, firms will seek to reduce their dependence on other firms and to increase the dependence of other firms upon itself (Lohtia and Krapfel 1994). Firms may seek to reduce and manage dependence by purposely structuring their exchange relationships with other firms or to deal with multiple entities (Ganesan 1994).

Irrespective, firms that want stable, long-term relationships must evolve a governance approach that avoids the uncertainty, conflict and opportunism of market transactions. Over time, relational norms evolve which reflect the firm's ability to collaborate and work together (Frazier 1983). High levels of ideological agreement, goal compatibility and role satisfaction, and, the restrained use of power will contribute to high levels of cooperation. For as long as both partners see their goals being met by joint action, they will be motivated to maintain the relationship (Wilson and Moller 1995). Both parties must agree that their goals, although not necessarily similar, are compatible, so that each party can achieve their own objectives as well as the objectives upon which the relationship has been built (Spekman and Celly 1995). Nevertheless, the incentive to engage in opportunistic behaviour may still arise because one party finds it advantageous to maximise their own gains at the expense of the relationship. However, if either party in an exchange relationship chooses to behave opportunistically, it is likely to provoke retaliatory behaviour (Gundlach, Achrol and Mentzer 1995). Opportunism begets opportunism. With trust and confidence in the relationship undermined, the aggrieved party will seek to withdraw from the relationship. Committing only to reputable trustworthy partners is perceived to reduce the risk of being mistreated (Anderson and Weitz 1992).

Methodology

In February 2000, using a list provided by the WA Chamber of Fresh Fruit and Vegetable Industries, all fresh fruit and vegetable growers dealing with the market agents in the Perth Metropolitan Market were asked to complete a mail questionnaire. Growers were asked to respond to a number of open-ended questions about the nature of their relationship with their most preferred market agent, the duration of that relationship and whether the grower intended to continue with the relationship. Growers were then asked to respond to 40 prepared statements about the nature of their relationship with their preferred market agent on a 7 point scale from 1 (I disagree a lot) to 7 (I agree a lot).

To reduce possible halo or multi-collinearity problems, the questions were grouped into one of five blocks. Those items being used to measure a single construct were grouped together and each construct was spatially separated (Garbarino and Johnson 1999). Information was sought on the grower's satisfaction, trust and commitment to the relationship, the nature and the extent of the various relationship specific investments (communication and adaptations) and one moderating variable (dependence).

The various item measures were developed from the literature reported by Anderson and Narus (1990), Anderson and Weitz (1992), Athaide, Meyers and Wilemon (1996), Ford (1984), Frazier (1983), Frazier, Gill and Kale (1989), Ganesan (1994), Gundlach, Achrol and Mentzer (1995), Moorman, Deshpande and Zaltman (1993) and Morgan and Hunt (1994).

Trust was assessed by 7 items based on the literature reported by Anderson and Narus (1990), Anderson and Weitz (1992), Doney and Cannon (1997), Ganesan (1994), Moorman, Deshpande and Zaltman (1993) and Morgan and Hunt (1994). Factor analysis produced a single construct which explained 71% of the variance. With a Cronbach's alpha of 0.915, the construct was considered suitably robust (Nunnally 1978).

Using the resultant factor score, the other 33 items were then regressed against trust as the dependent variable using step-wise regression until the optimal solution emerged.

Results and Discussion

Six items were found to have a significant positive relationship on trust with only one item having a significant negative relationship (Table 1).

Table 1. Regression coefficients

Item	Mean	SD	Beta	t	VIF
(Constant)				3.736	
Quick to handle complaints	5.06	1.55	0.125	2.927	1.869
Treated fairly and equitably	5.05	1.62	0.157	2.117	5.591
Adequately rewarded by agent	4.62	1.79	0.276	4.446	3.928
Agent provides education and education	1.66	1.17	0.088	2.677	1.091
Agent has a reputation for being honest	5.03	1.68	0.386	7.614	2.621
Agent and grower share similar goals	3.85	2.05	0.098	2.741	1.311
Agent often acts opportunistically	4.00	1.77	-0.098	-2.940	1.141
Adjusted R^2 = 0.849					
Standard error = 0.5298					

It was abundantly clear that the market agent's reputation was the most significant variable in building trust between the growers and the market agents. People buy from people they know and they feel they can trust (Weylman 1996). Trust, however, is more than a feeling; trust is based on a factual and logical conclusion that the person with who one is dealing has the best interests of all parties in mind and will do nothing to injure one party for the good of another. Over many transactions and after many years of ethical, honest behaviour, where a partner has repeatedly demonstrated trustworthiness, fairness and integrity at all times, the partner will develop a reputation as a reliable exchange partner. However, while a partner's reputation is based on past events, reputation is not a static construct. A favourable reputation can be very quickly eroded by inconsistent behaviour (Smeltzer 1997).

That behaviour which will prove most damaging to the market agent's reputation will be the exposure of the market agent's involvement in any opportunistic trading. Opportunism refers to the incomplete or distorted disclosure of information, especially calculated efforts to mislead, distort, disguise, obfuscate or otherwise confuse (Williamson 1985). While the desire to pursue individual interests can lead to behaviour that is entirely rational for the market agent, such will produce a collective outcome that is less than optimal. With trust destroyed, growers will seek to withdraw or to limit their commitment to the relationship. Furthermore, having developed a reputation as a selfish, exploitative and unreliable exchange partner, the market agent will find it more difficult to participate in any future cooperative relationships. Most firms will avoid entering into exchange relationships with those firms who are perceived to have a questionable reputation (Parke 1993).

Although seldom used in the fresh produce industry, growers indicated that there was a significant positive relationship between the provision of education and training programs and the grower's trust in their preferred market agent. Product education and training includes the broad set of activities that the supplier performs to help a customer get an innovation up and running (Athaide, Meyers and Wilemon 1996). Often this education process revolves around managing customer's expectations. In the fresh produce industry, since most growers are transacting with market agents, they are somewhat removed from the final customer. Unaware of how their product is performing and perhaps unaware of competitors offer quality, growers may erroneously believe that they are performing better than they actually are. However, the more involved the grower becomes in the marketing of their produce, the less reliant they will become on any support programs provided by the market agent. Advice and technical support are appreciated mainly by inexperienced customers (Mattyssens and van den Bulte 1994).

The grower's satisfaction with the relationship was also found to have a significant positive relationship on trust. When growers believed they had been treated fairly and equitably and adequately rewarded for the produce they had consigned to the market, the grower's trust in the market agent increased. Since satisfaction is also inversely related to channel conflict (Gaski 1984), the speed with which the market agent addressed the grower's complaints lowered the overall level of conflict in the relationship and had a significant, positive relationship on trust.

With regard to the variance inflation factor (VIF) values for 4 items; the speed with which the market agent addressed the grower's complaints, the grower's feelings of being adequately rewarded and treated fairly and equitably and the market agent's reputation, there was a significant correlation between satisfaction and trust (Hair *et al* 1998). In long-term buyer-seller relationships, satisfaction is a cumulative experience based on the total purchase and consumption experience over time (Fornell 1992). Cumulative satisfaction is best described as a process which extends across the entire consumption period and within which a continual analysis of customer-product interactions occur (Fournier and Mick 1999). Satisfaction is an active, dynamic process from which satisfaction emerges as the result of continuous interactive negotiation between the customer and the product. High customer satisfaction usually creates bonds and a commitment between interacting firm's which inevitably increases trust. Trust is also a cumulative experience arising from repeated interactions, which, over time, enable the firm to predict or forecast how its partner will behave (Doney and Cannon 1997). Satisfactory conflict resolution not only increases mutual trust, but reinforces the partner's confidence that mutually satisfying outcomes will continue to be obtained (Thorelli 1986).

While well beyond the scope of this paper, the high correlation between satisfaction and trust indicates the presence of a single higher-order construct which both Crosby, Evans and Cowles (1990) and Leuthesser (1997) describe as relational quality. Evidence of its existence in industrial markets remains scant and inconclusive thereby warranting further examination.

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