CUSTOMER – SUPPLIER PERSPECTIVE OF THE ANTECEDENTS AND VALUE OUTCOMES OF BUSINESS RELATIONSHIPS

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ABSTRACT

In this study, a three-phase structural equation modeling technique is developed to explore similarities and differences in the antecedents and value outcomes in customer and supplier relationships. While both parties were found to share antecedents and value outcomes, the means by which value was conferred was significantly different.

INTRODUCTION

Fundamental to the concept of value in business relationships is the recognition that customer and supplier firms do not trade with each other solely on the basis of the value of the good or service being exchanged (Lindgreen and Wynstra 2005). There are other social elements of the relationship "atmosphere" that make one trading partner more attractive or more valuable than another (Ford 1984; Ford and McDowell 1999). As the value of a relationship may be viewed as being above and beyond the actual value of the goods and services being exchanged, it is important for firms to examine all aspects of the exchange that creates value. In accordance with the Industrial Marketing and Purchasing theory (Håkansson and Snehota 1995; Ford et al. 2003), the process of joint value creation occurs through the synergistic combination of customer and supplier interaction and the subsequent coordination and adaptation processes which emerge.

Numerous studies from various theoretical perspectives have been dedicated to the different concepts of value resulting from customer-supplier relationships (e.g. Wilson and Jantrania 1994; Mandjak and Durrieu 2000; Mandjak and Simon 2004) and the empirical assessment of that value (e.g. Ulaga and Eggert 2003; Walter et al. 2001; Werani 2001, Palmatier et al. 2007). However, as yet, there is no generally accepted measure of value. Most research on relationship value has taken the buyers perspective and focused on how suppliers create value for their customers (e.g. Wilson and Jantrania 1994; Anderson 1995; Lapierre 2000; Walter et al. 2002; Ulaga and Eggert 2003). Only in recent years has relational value been examined from the supplier's perspective (e.g. Walter et al. 2001; Walter and Ritter 2003) and even fewer empirical studies have simultaneously examined relationship value from both the customers and suppliers perspective.

This paper aims to increase our knowledge and understanding of the synergies between value-creating dimensions of customer-supplier relationships, identifying how key relational behaviors confer value and to measure the specific contribution relational constructs make towards achieving direct and indirect relationship value outcomes. A theoretical framework to conceptualize and measure antecedents and value outcomes using parallel perceptions from 175 buyers and 400 sellers of wine grapes in Australia is developed and empirically tested.

THEORETICAL BACKGROUND

Relationship value

While customers continue to increase their value expectations from supplier relationships, suppliers too are seeking increased value from their customer relationships (Walter and Ritter 2003). Customer and supplier firms engaged in an ongoing trading relationship have expectations of outcomes they would like to achieve. While these outcomes are likely to be different between customers and suppliers and even within customer firms and supplier firms, there are certain desired outcomes shared by all firms in business relationships (Morris et al. 2001). To ensure a mutually beneficial working relationship, each firm must be clear about their specific value focus in their relationships and understand their exchange partner's requirements, preferences and processes to ensure that resources and capabilities have the greatest potential to create and deliver value (Iacobucci 1996). This interactive approach emphasizes the need for continuous assessment as these requirements and preferences are constantly changing (Ford et al. 2003).

While relationship value is widely acknowledged as being multidimensional and more often defined in terms of benefits and sacrifices (Gadde and Snehota 2000; Lapierre 2000; Werani 2001; Ulaga and Eggert 2006), a wide variation exists in the proposed benefit and sacrifice dimensions across empirical studies of relationship value. Broadly, these dimensions comprise:

(1) direct benefits that are product and service related (Lapierre 2000; Walter et al. 2001; Werani 2001), strategic competencies (Werani 2001) and economic effects (Walter et al. 2001; Werani 2001); (2) indirect benefits include market, scout, access and innovation development functions (Walter et al. 2001); and (3) sacrifices pertain to the direct cost of relationship maintenance (Lapierre 2000; Werani 2001).

Profitability benefits. The expectation of better profits either through lower costs or higher revenues is a major incentive for long-term trading relationships for both customers and suppliers (Anderson and Narus 2004). However, the profit function is not merely a summation of the firm's realizable profits, but comprises a range of economic and strategic advantages derived through collaboration with a trading partner to enhance the firm's competitiveness (Sweeney and Webb 2007).

Innovation. From a relational perspective, Ford et al. (2003) view relationships as a means to combine a firm's own activities and resources with those of others to form a completely new resource constellation and in so doing achieve innovation. In close, participative relationships, the two parties have an opportunity to learn more about each other's resources and to find new and more effective ways to combine them. Resources may include: (i) operational resources (production, service or logistical facilities); (ii) technologies and know-how; and (iii) the relationships with other firms that in turn provide valuable resources. If indeed, the essential purpose for a customer and supplier firm to engage in a relationship is to work together in a way that creates value for them, it is reasonable to assume that joint inputs to advance business practices and improve production and technical processes will increase long-term economic and strategic outcomes.

Market and scout benefits. Relationship value is also a function of secondary relationships (Blankenburg-Holm et al. 1996,, Walter et al. 2002, Anderson and Narus 2004), therefore it is important to examine the indirect benefits that may be achieved through connected network relationships. The extent to which indirect network benefits accumulate depends upon the transferability of resources, the complementarity of activities and the generalizability of actor relationships (Anderson et al. 1994). Connected relationships can indirectly influence the economic goals of the focal firm through the indirect market function (assistance to attract new customers/suppliers and to access new markets through reference or reputation effects) and the scout function (meaningful information about future developments in the customer/supplier market) (Walter et al. 2001, Walter et al. 2002, Walter and Ritter 2003). A positive contribution to the overall evaluation of relationship value is expected with the realization of indirect market and scout network benefits through the focal relationship.

Relationship costs. Relationship costs are functions of the activities that are necessary to develop and maintain relationships with business partners (Ford et al. 2003). These costs reflect the content of the relationship rather than the offer being purchased as they originate in the organizational practices and the arrangements that both parties make with each other. Obtaining benefits from a business partner may require substantial involvement with them, which in turn will increase relationship costs. Relationship costs include structural costs i.e. communication links and administrative systems and general process adaptations to achieve greater efficiency in the alignment of the business processes that tie the partners involved (Werani 2001). Maintaining the relationship requires time and money to continuously preserve and improve the linkages.

Relational Antecedents

For relationships to be used as an instrument of strategy, business managers must understand the key antecedents of cooperation (Werani 2001). Bercovitz et al. (2006) argue the fundamental importance of understanding the factors that underlie the emergence of cooperative norms.

Cooperation. Cooperation is a key dimension for coordinating the activities and resources between exchange partners (Håkansson 1982; Anderson and Narus 1990; Morgan and Hunt 1994; Håkansson and Snehota 1995). Cooperation in a working relationship implies a joint effort, team spirit and collaboration towards achieving both intra-firm and inter-firm goals (Ford et al. 1986). It is fundamental to closely linked relationships where the importance of supply is high and purchase requirements are complex (Cannon and Perreault 1999).

To encourage cooperation, firms promote shared norms which influence how they will work together, how they will jointly create value and how they will share benefits (Anderson and Narus 2004). This study will focus on three cooperative norms: (i) flexibility provides for relationship–specific adaptation through the modification of agreement terms and/or agreement focus in response to unforeseen events and changing circumstances (Macneil 1980); (ii), solidarity occurs when both parties believe success comes from working cooperatively together and that they stand by one another in the face of adversity and uncertainty (Cannon et al. 2000); and (iii) mutuality which provides for equity in the distribution of surpluses and burdens over the course of the exchange rather than on a transaction-by-transaction basis (Macneil 1980).

Trust. Trust signifies an attitude by one party to have confidence in, attach credibility to, and show benevolence towards the other party in a working relationship (Moorman et al. 1992; Morgan and Hunt 1994; Leonidou 2004). Credibility comprises characteristics of honesty, reliability and expectancy (Medlin and Quester 2002). Furthermore, credibility is based on the belief that the other partner has the necessary expertise to perform the task effectively and reliably (Dwyer et al. 1987; Anderson and Narus 1990). The benevolent component of trust involves a belief that relationship partners will act in the best interests of the other partner (Wilson 1995). These characteristics in relationships reduce the tendency for firms to take advantage of each other when the possibility of opportunism arises (Luhmann 1979).

Performance satisfaction. Performance satisfaction in continuing trading relationships is defined most frequently as a positive affective state resulting from the appraisal of economic and non-economic attributes of a firm's working relationship with another firm (Gaski and Nevin 1985; Geyskens et al. 1999). Geyskens et al. (1999: 224) define economic satisfaction as a firm's "positive affective response" to the economic rewards that accrue from the relationship with a trading partner. Non-economic satisfaction (p.224) is defined as a firm's "positive affective response" to the non-economic, social aspects of a fulfilling, gratifying and easy working relationship. It is reasonable to expect that those firms who are most able to deliver high levels of satisfaction on important elements in their business transactions will increase their partner's perceptions of the value of the relationship.

Communication. As the basis of interaction and coordination between suppliers and customers (Ford et al. 2003) communication underlies most aspects of inter-firm activity (Mohr and Nevin 1990). It is the formal and informal sharing of meaningful and timely information between firms (Dwyer et al. 1987), about day-to-day, tactical or strategic issues (Anderson and Narus 2004). Communication offers a means to understand a partner's expectation, solve problems, build trust and demonstrate commitment (Ford et al. 2003). The various aspects of communication include communication quality, the extent of information sharing and the level of participation and input into joint concerns (Mohr and Spekman 1994; Mohr and Sohi 1995). Facets of communication quality include accuracy, timeliness, adequacy and credibility (Stohl and Redding 1987). Cooperative relationships are often characterised by a higher frequency of communication (Werani 2001).

Power asymmetry. Power is an integral component of customer-supplier relationships (Kumar 1996; Ford et al. 2003; Anderson and Narus 2004; Hingley 2005). French and Raven (1959) specify six different power bases: (i) reward; (ii) coercive; (iii) legitimate; (iv) expert; (v) information; and (vi) referent. A dominant partner has the power of reward and the propensity to coerce by virtue of their position — its legitimate power to prescribe behavior. Particularly between firms in which technical knowledge is valued, expertise is a basis of power, as is the control of information. Nevertheless, the presence of power asymmetry does not mean that it will always be explicitly used (Hingley 2005).

Kumar (1996) proposes that power asymmetry exists in the vast majority of dyadic relationships. The asymmetry is directly related to the perceived degree of one partner's dependence on the other (Wilson 1995). "Power is rooted in dependence", (Ford et al. 2003: 148), and both are a function of available alternatives and the quality of the activities that link firms (Emerson 1962). Hingley (2005) further argues that the exercise of power in asymmetric relationships is a more common situation than the existence of perpetual cooperation and power symmetry. Dwyer (1993) found suppliers were socially satisfied in their relationship with more powerful customers for as long as cooperative norms were nurtured and tendencies to centralise and threaten were restrained. While the imbalance often favors the customer, this does not mean that weaker partners cannot benefit from such relationships.

Conflict resolution. Conflict refers to the general level of disagreement between customers and suppliers (Anderson and Narus 2004). Although some level of conflict is normal in every relationship, if the conflict gets out of hand it may be harmful to the relationship or even cause its demise. Firms in cooperative relationships are inclined towards joint problem solving since integrated outcomes satisfy more fully the needs and concerns of both parties to achieve a 'win-win' for those concerned (Mohr and Spekman 1994). Sometimes partners may set up formal joint mechanisms to 'monitor' potential conflict situations to ensure better understanding of mutual concerns and prompt recognition of potential conflict situations (Kale et al. 2000). Other conflict resolutions are at odds with the cooperative approach such as smoothing over, ignoring/avoiding the issue, and harsh words. Joint conflict resolution demands the establishment of mutually accepted norms of redress (Dwyer et al. 1987).

MODEL SUMMARY

Table 1 summarizes the hypotheses describing the interrelationships between the six antecedents and four value outcomes. Conflict resolution is hypothesized as a core antecedent which directly drives communication and performance satisfaction to

increase trust and cooperation, leading to superior relationship value for customers and suppliers. The ability of customers and suppliers to resolve disagreements and problems is hypothesized as being impeded by power asymmetry. Suppliers may not be completely confident that their customers do not take advantage of their strong bargaining position in order to influence conflicting issues in their own favour (Geyskens et al. 1996). Sentiments of this nature are expected to increase stress in the working relationship, therefore power asymmetry is hypothesized to reduce a firm's perceptions of trust and overall satisfaction with their partner's performance. Trust is hypothesized as a principle mediating variable in the process of making customer and supplier relationships work (Anderson and Weitz 1989). Good communication between firms will enhance performance satisfaction and increase the level of benevolence and credibility in their relationship, while at the same time reducing their partners' perceptions of opportunistic behavior (Bromiley and Cummings 1995). "Cooperation" is hypothesized as a strong predictor of "relationship value", along with "performance satisfaction". The model supports the view that in close, more collaborative relationships, suppliers support the customer's legitimate right to specify their product requirements, particularly in the Australian grape industry where the importance of supply is high and purchase requirements are complex. A more collaborative approach motivates firms to cooperate because they realize they must work together to be successful (Hingley 2005).

The six relational antecedents of relationship value confer direct and indirect benefits and sacrifice. It is hypothesized that increased performance satisfaction and level of cooperation are associated with increased profitability, innovation, and market and scout benefits. However, performance satisfaction, unlike cooperation is unlikely to incur any additional relationship costs. Cooperation between firms may readily increase the costs of relationship maintenance as partners assume responsibility for the inter-firm division of labor, monitoring outcomes, linking the discrete activities between actors, establishing and managing relationships between the various actors and organizing logistics (Batt 2004). Based on the findings of Walter and Ritter (2003), who found trust was a key drivers of relationship value (profits, innovation, market and scout benefits), three further pathways are hypothesized from trust: (i) to profitability benefits, to innovation, and to market and scout benefits.

RESEARCH DESIGN

Data Collection and Sample

The 8 page structured questionnaire was developed containing comparable questions for customers and suppliers to permit direct comparisons of the variables for wine grape suppliers and the wineries. It was developed from a comprehensive literature review and the findings of a qualitative field study involving sixteen wineries and their grape suppliers in Western Australia. The items were measured on a 7 point Likert scale.

The two survey populations were independently selected: (i) wine producers with an annual wine grape crush of 50 tons or more that outsourced wine grapes from independent grape suppliers; and (ii) independent wine grape suppliers currently supplying grapes to a winery. The main survey method was a two-step combination: (i) person-to-person contact over the telephone to ensure an appropriate respondent; then (ii) self-completion of the questionnaire either by email, post or fax. The identified key winery participants typically held the position of CEO, winemaker, grower liaison officer or winery vineyard manager. Key grape supplier participants were usually either the vineyard owner or manager. Questions were designed to seek information about a trading relationship with one specific partner at a firm level. The surveys resulted in 175 winery and 400 wine grape supplier responses in South Australia, Victoria, New South Wales and Western Australia.

Questionnaires were checked for completeness prior to data entry into the relevant "winery" or "grape suppliers" files using the SPSS14 program. On completion of data entry, the two SPSS data files were screened for accuracy using descriptive statistics including frequency distributions, means and standard deviation, and graphic representations such as box plots. The distribution of the data was checked using the Kolmogorov-Smirnov and Shapiro-Wilk tests prior to the main statistical analysis. The structural equation modelling (SEM) process involved two main steps: (1) validating the measurement model; and (2) testing the hypothesized structural model (Anderson and Gerbing 1988). Validation of the measurement model was achieved mainly through confirmatory factor analysis, while testing the structural model was achieved through path analysis with latent constructs using AMOS 6.0 software to confirm the models.

Model Results

The final model was developed in three analogous phases: (i) Phase One (multigroup) reflective model of the selected relational antecedents leading to relationship value; (ii) Phase Two (multigroup) model to measure perceptions of three

benefits and one cost comprising relationship value; and (iii) Phase Three led to the identification of how each specific relational behaviour confers value and the extent of that value.

Phase One. One-factor congeneric measurement models were used to assess item reliability, determine scale reliability and to generate factor score regression values for relationship value, communication, trust, cooperation, conflict resolution, power asymmetry and performance satisfaction with the recommended number of multiple observed items (between four and eight) associated with each of the latent constructs (Hair et al. 2006).

CFA results highlighted the unidimensionality of the main factors (Jöreskog & Sorbom 1998; Hair et al. 2006) with high correlations among indicators and high proportions of variance explained by each factor. When comparing the congeneric models (free parameters) with the tau-equivalent models (equal loadings) and parallel models (equal loading and variances) for the customer and supplier groups, the chi-square (χ^2) tests showed good measures of fit only for the congeneric models**.** This suggested that both loadings and variances were not equal across the two groups of customers and suppliers. The goodness-of-fit measures indicated that for each construct, the items used as indicators were indeed measuring those latent variables. With the exception of cooperation (0.65), the reliability of each construct was above 0.7 and all items had factor loadings of 0.54 or greater, supporting the convergent validity of the constructs (Hair et al. 2006). The item reliabilities (squared multiple correlations) were moderate to high. Discriminant validity was assessed in two ways: (a) by testing if correlations between constructs are significantly different from 1, comparing a constrained model with the unconstrained model (χ^2 difference value with $p<0.05$ supported the discriminant validity criterion for all constructs); and (b) by comparing the variance extracted for any two constructs with the square of the correlation between constructs (confirmed in 85% of cases). There were no cross-loadings between the indicators of the constructs.

Measurement invariance was achieved at the scalar invariance level (Steenkamp and Baumgartner 1998) for three constructs and metric invariance for four constructs. The SEM model for both groups did not vary in direction, but there were differences in perceptions for key relationship constructs between wineries and grape suppliers; i.e. some pathways had significant relationships for one group, but not for the other (power asymmetry $\rightarrow$ cooperation). A two-group model was obtained that was judged to provide acceptable goodness-of-fit, despite a chi-square value that was statistically significant. Similar to Anderson (1987), this judgment was made on the basis of meaningful interpretability of the model from a content and theoretical viewpoint and a close value of 0.98 for the NFI (Bollen 1989) and GFI (Jöreskog and Sorbom 1984). This judgment was further supported by IFI and CFI values of 0.99 (Bollen 1989; Bentler 1990) and RMSEA of 0.05 (Browne-Cudeck 1993).

Phase Two. Confirmatory factor analysis highlighted the unidimensionality of three benefit factors and the single hypothesized cost factor. There was a high degree of correlation among the indicator variables and a high proportion of the variance was explained by each factor. The goodness-of-fit results for the two-group congeneric models were adequate, indicating the factor structure equivalence (configurational invariance) is met. Each construct had a reliability exceeding 0.8. With two exceptions (noted in direct profitability benefits construct in the customer group) all items had standardized factor loadings over 0.6, supporting convergent validity of the constructs. The item reliabilities (squared multiple correlations) were moderate to high. When comparing the congeneric models (free parameters) with the tau-equivalent models (equal loadings) and parallel models (equal loading and variances) for customer and suppliers, the chi-square (χ^2) tests showed good measures of fit only for the congeneric models (e.g., $\Delta\chi^2 = 20.394$ between tau and congeneric model for 3df and $\Delta\chi^2 = 54.662$ between parallel and congeneric model for 7df in the costs construct). This suggests that both loadings and variances were unequal for customers and suppliers.

In a similar manner, discriminant validity was assessed comparing a constrained model (with correlations = 1) with the unconstrained model (the $\Delta\chi^2$ difference value of 296.61 with $p < 0.05$ supported the discriminant validity criterion) and examining the variance extracted for constructs vs the square of the correlation estimate between constructs. There were no cross-loadings between the indicators for the constructs. The correlations between the constructs were lower than the reliability coefficients and the variance extracted, suggesting once again that the construct measures have discriminant validity.

Congeneric unidimensional models corresponding to the four constructs for benefits and costs (reduced from 24 variables) were used as predictors in the Phase Two model. Structural invariance was supported when comparing the free model with the model with equal regression weights ($\chi^2 = 7.85$, df = 4), suggesting a similar impact of benefits and costs on relationship value. Results for customers and suppliers were consistent with the hypothesised relationships (Phase Two: H1, H2 and

H4)(Table 1). However, the hypothesised relationship between "market and scout benefits" and "relationship value" was not significant. The goodness-of-fit statistics of the constrained structural model showed that in the light of the recommended value of fit indices for the hypothesised model there was no inconsistency between the model and the data (χ^2=9.948 for 5df, Bollen-Stine p=0.129, GFI=0.99, NFI, AGFI=0.96, RFI, IFI, CFI=0.995, RMSEA=0.042).

Phase Three. In the final phase, antecedents of relationship value in the Phase One model and the results (benefits and costs) from the Phase Two model were put together into a final structural equation model. As Figure 1 illustrates, "performance satisfaction", "cooperation", and "trust" were positively associated with "profitability benefits". "Trust" was positively associated with "innovation" and "cooperation" was positively associated with "market and scout benefits". "Conflict resolution" had a significant negative association with "relationship costs". "Power asymmetry" was found to have a significant positive impact on "relationship costs" for the customers, but was not significant for the suppliers.

The following goodness-of-fit measures exceed the recommendations for a good fit: the non-significant chi-square p > 0.161; χ^2/df = 1.281; GFI=0.966; IFI=0.989, CFI=0.989; and RMSEA=0.04. Akaike's information criterion and ECVI had smaller values when compared to the independence and saturated models (Akaike 1973). In the supplier's model, χ^2 has a significant value, but most other measures indicate good fit: GFI=0.971; RFI=0.96, NFI=0.973, IFI=0.986, CFI=0.986; and RMSEA=0.04.

SUMMARY AND IMPLICATIONS

Research findings highlight the similarities and differences in relationship value antecedents and outcomes for customers and suppliers. The constructs in the multi-group Phase One model confirmed the similarity in working relationships for customer and supplier firms. It was evident from the working relationships studied that partner attributes included in the model – conflict resolution, communication, performance satisfaction, trust and cooperation - all made an important contribution towards the realization of relationship value for both parties. A restrained use of power was found to be critical to avoid a reduction in the ability to resolve conflict, the level of performance satisfaction and trust in the relationship. Hence, the findings of this research add to the literature by providing evidence that key relationship-specific constructs in customer-supplier relationships are 'flip sides of the same coin'. While customers and suppliers each have very different roles to perform, they are engaged in the same business relationship with the same underlying behavioral constructs.

In Phase Two, the study has provided a multi-group, multi-dimensional formative model of direct (profitability benefits, innovation) and indirect benefits (market and scout benefits) and sacrifice (relationship costs) dimensions of relationship value for customer-supplier working relationships. There has been no previous empirical research which has so effectively examined these critical dimensions of relationship value, from both perspectives. The research extended beyond the benefits derived from the focal dyadic relationships to include consideration of the indirect benefits that may be achieved through the focal relationship in the connected network relationships (Anderson et al. 1994). Direct profitability benefits were found to be the strongest predictors of relationship value; yet the Phase Two model and to a greater extent the Phase Three model revealed that market and scout benefits served a strong indirect role in assisting firms to innovate. These results provide strong evidence that secondary relationships can indirectly influence the economic outcomes of the focal firms, thereby raising the value of customer and supplier relationships. In addition, customer and supplier perceptions of relationship costs were found to be comparatively low.

The results of the Phase Three model provide rare empirical evidence which showed that while both parties share key relational antecedents (cooperation, trust, performance satisfaction, communication, conflict resolution and power asymmetry) and value outcomes (profitability benefits, innovation and market/scout benefits and relationship costs), the means by which relationship value is conferred was significantly different. For customers, satisfaction with a supplier's performance enhanced perceptions of the value of that relationship due to the potential to increase profitability. The customer perceptions of relationship value increased through trust and cooperation. In contrast, suppliers in a trusting and cooperative relationship with a customer have the opportunity to increase the value of their relationships to the extent that they are willing to innovate to build strategic position, reduce costs and improve quality to increase profitability.

The practical implications to be drawn from this research relate to the manner in which partners attempt to optimize the value created in their trading relationships. The Phase Three model has been designed to meet this challenge with a framework of relationship value that can be operationalized. Using the Phase Three model, the relationship strategy formulation and implementation processes can address the specific relational behaviors needed to achieve the desired value outcomes. As part of an ongoing process, each firm needs to periodically address the strengths and shortcomings in these relationships and

revise the firm's understanding of the requirements or expectations of both parties. This understanding is fundamental to responsive management programs and systems that enable the partnership to be mutually satisfying over time. The model provides a link between the problems encountered in creating relationship value between customers and suppliers and identifying solutions which are current, relevant and appropriate to the Australian grape and wine industry.

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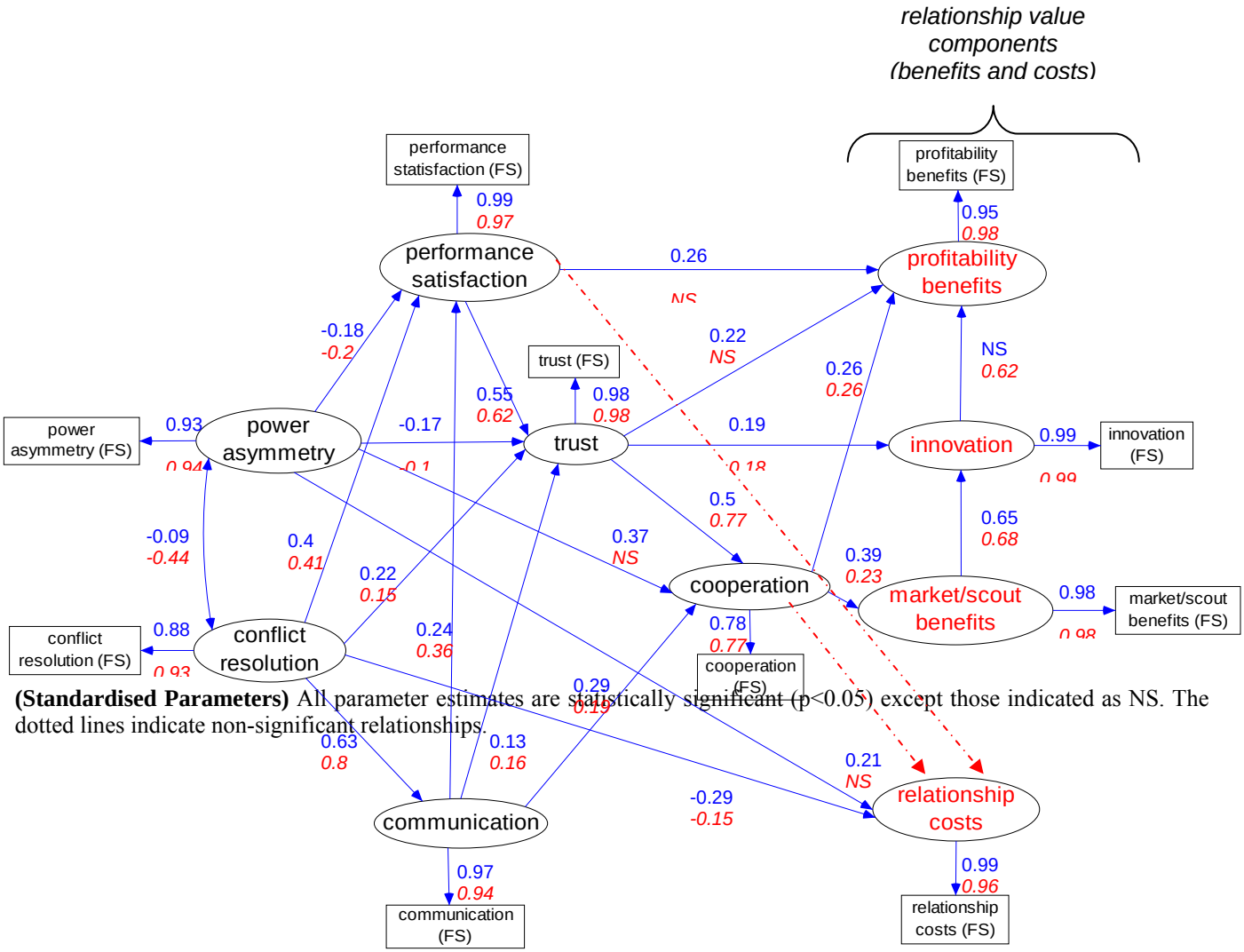
Table 1: Proposed Pathways for Phase One, Phase Two and Phase Three Models

Phase One model			**Phase Two model**		
Hyp.	**Proposed model path**	**Effect**	**Hyp.**	**Proposed model path**	**Effect**
H1	Cooperation → R V_(Phase One)	Positive	H1 (2)	Profitability benefits → Relationship value	Positive
H2	Trust → Cooperation	Positive	H2 (2)	Innovation → Relationship value	Positive
H3	Performance satisfaction → Trust	Positive	H3 (2)	Market/scout benefits → Relationship value	Positive
H4	Performance satisfaction → RV (Phase One)	Positive	H4 (2)	Relationship costs → Relationship value	Negative
H5	Communication → Performance satisfaction	Positive	**Phase 3 model (includes H2, H3, H5 - H14 from Phase One)**		
H6	Communication → Trust	Positive	H15	Performance satisfaction → Profitability bts	Positive
H7	Communication → Cooperation	Positive	H16	Cooperation → Profitability benefits	Positive
H8	Power asymmetry ↔ Conflict resolution	Negative	H17	Cooperation → Market and scout benefits	Positive
H9	Power asymmetry → Performance satisfaction	Negative	H18	Trust → Profitability benefits	Positive
H10	Power asymmetry → Trust	Negative	H19	Trust → Innovation	Positive
H11	Power asymmetry → Cooperation	Positive	H20	Performance satisfaction → Relationship costs	Negative
H12	Conflict resolution → Communication	Positive	H21	Cooperation → Relationship costs	Negative
H13	Conflict resolution → Performance satisfaction	Positive	H22	Power asymmetry → Relationship costs	Negative
H14	Conflict resolution → Trust	Positive	H23	Conflict resolution → Relationship costs	Negative
			unhypothesized	*Market and scout benefits → Innovation*	*Positive*
			unhypothesized	*Innovation → Profitability benefits*	*Positive*

FIGURE 1: Phase Three Estimated Structural Model for Customers (Blue) and Suppliers (Red italic)



(Standardised Parameters) All parameter estimates are statistically significant ($p<0.05$) except those indicated as NS. The dotted lines indicate non-significant relationships.

TABLE 2: Measures

Phase One measures

1. Relationship value

This supplier/customer relationship has a high value for our firm.

The value of the relationship with this supplier/customer is very high in comparison with alternative suppliers/customers.

Considering all benefits and sacrifices associated with this supplier/customer relationship, how would you assess its value? *

How do you rate the value of all performance contributions that your firm gains from this supplier/customer. *

2. Cooperation

I feel that by going along with this supplier/customer, I will be favoured on some other occasion

We are willing to put aside contractual terms in order to work through special circumstances or difficult problems with this partner

This supplier/customer and our firm have compatible goals

We must work together with this supplier/customer to be successful

3. Trust

We have confidence in this supplier/customer

We can count on this supplier/customer to do what is right

We can count on the promises this supplier/customer makes to our firm

When problems arise, this supplier/customer is honest about these problems

When making important decisions, this supplier/customer is concerned about our welfare

This supplier//customer performs its tasks competently

This supplier/customer is knowledgeable about viticulture

This supplier/customer sometimes acts opportunistically

4. Communication

Our firm and this supplier/customer keep each other well informed

This supplier/customer keeps me well informed on technical matters

There is excellent communication between our firms so there are never any surprises that might be harmful to our working relationship

This supplier/customer communicates his expectations of our firm

This supplier/customer frequently informs me of any information or change that could affect the expected grape quality or yield

There is frequent face-to-face contact with this supplier/customer

It is relatively easy to contact this supplier/customer

5. Conflict resolution

Our relationship with this supplier/customer enables joint conflict resolution

This supplier/customer is quick to handle complaints

We work on solutions together to solve problems so they do not happen again

In the past, disagreements and problematic issues with this supplier/customer have not been resolved.

6. Power asymmetry

This supplier/customer exerts a strong influence over us

This supplier/customer has all the power in our relationship

This supplier/customer controls all the information in our relationship

We have no choice other than to adhere to this supplier's/customer's demands

7. Performance satisfaction

Working with this supplier/customer puts less strain on our organisation than working with other suppliers

Generally, we are satisfied with our overall relationship with this supplier/customer

My firm usually gets at least a fair share of the rewards and cost savings from our relationship with this supplier/customer

The benefits achieved from our relationship with this supplier/customer have greatly exceeded our expectations

The financial returns our firm obtains from this supplier/customer are better than we envisaged

Phase Two measures

1. Profitability benefits **Our relationship with this supplier/customer…**

provides a reliable supply of wine grapes (w)/ provides a reliable market for our wine grapes (gs)

increases our product performance

helps to fulfil our customer requirements better

leads to the better fulfilment of wine grape specifications

increases the competitiveness of our company

strengthens our strategic position

increases the profitability of our firm

enables an efficient outsourcing of our requirements for grapes (w)/ enables an efficient marketing of our wine grapes (gs)

gives access to wine grapes that are good value for money (w)/gives access to a market for wine grapes that are good value for money (gs)

leads to the optimisation of our operating processes

2. Innovation **Our relationship with this supplier/customer…**

leads to joint input into setting strategic directions

leads to joint input into long range planning of supply

leads to joint development of production processes

leads to joint input into technical development matters

3. Market and scout benefits

Our relationship with this supplier/customer…

leads to direct reference with possible business partners

leads to initiation of contacts with prospective suppliers/customers

leads to information about other potential suppliers/customers for our firm

increases access to information about other third parties

increases our access to information about our competitors

increases our access to information about the marketplace

4. Relationship costs **Our relationship with this supplier/customer…**

causes additional coordination costs within our company

causes additional coordination costs between our company

means additional expenditure of time

leads to increased costs of relationship maintenance

Phase Three model comprised Phase One constructs No. 2-7 and Phase Two No. 1-4

(w)=item wording in the winery questionnaire; (gs)=item wording in the wine grape supplier questionnaire
Where 1=strongly disagree, 4=neither agree or disagree, 7=strongly agree (unless otherwise stated).
* Where 1=very low to 7=very high