

Determinants of three facets of customer trust A marketing model of Japanese buyer–supplier relationship

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Abstract

Interorganizational trust has attracted significant research attention as the determinant of the development of a cooperative long-term manufacturer–supplier relationship (CLMSR). It has been realized as a mechanism of organizational control in interfirm relationships. However, little is known about the critical business-marketing problem of how to build customer trust. This study proposes a CLMSR marketing model and tests it with data collected from 118 Japanese manufacturers from six manufacturing sectors. The model investigates roles of two CLMSR marketing variables (i.e., perceived supplier relationship-specific investments (RSIs) and perceived supplier relationship-specific interaction competence (RSIC)) in building three facets of customer trust (i.e., contractual, competence, and goodwill) via two mediating variables (i.e., customer relationship satisfaction and perceived supplier relationship commitment). While supporting distinctive psychological properties of the three trust components, our findings supported the critical role of the two CLMSR marketing variables and provided a new insight into supplier RSIs for the development of a CLMSR.

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1. Introduction

In the increasingly resource-demanding and competitive environment, many manufacturers have adopted a Japanese-style manufacturer–supplier relationship, or a cooperative long-term manufacturer–supplier relationship (CLMSR). It is characterized by joint management of value creation for superior productivity through cooperative, synergistic problem-solving activities between the exchange parties based on their mutual respect and long-term perspectives (Sako, 1992). Manufacturers in pursuit of a CLMSR place significant emphasis in supplier selection and appraisal, on the non-conventional supplier attribute, trustworthiness, to safeguard their increased dependence on a supplier (cf. Anderson and Weitz, 1992; Morgan and Hunt, 1994). This new marketing environment urges business marketers to develop a new set of marketing competence and knowledge as to *how to build customer trust*.

However, the existing marketing literature is not able to offer a prescriptive guideline on the critical marketing

problem for the following two reasons. Firstly, it is scant as to a CLMSR marketing model due to the overemphasis of past studies on interaction outcomes and structure (cf. Sheth and Parvatiyar, 1995). Secondly, it is dominated by studies on CLMSRs pursued by non-Japanese manufacturers that are still in the process of internalizing the new exchange system (cf. Dyer and Chu, 2000).

We have made a first step to fill the gap. We propose a CLMSR marketing model to investigate a pattern of customer response function to supplier marketing stimulus. In particular, two features of our model warrant close attention. We operationalize Sako's (1992) three-dimensional interfirm trust concept (i.e., contractual, competence, and goodwill trust) drawn from the Japanese manufacturer–supplier relationships context and investigate a mechanism of their developmental process. We also propose a new CLMSR marketing variable, supplier *relationship-specific interaction competence (RSIC)*, and investigate its role in building customer trust.

2. The conceptual model

Fig. 1 presents our conceptual framework and the nine research hypotheses to be tested.

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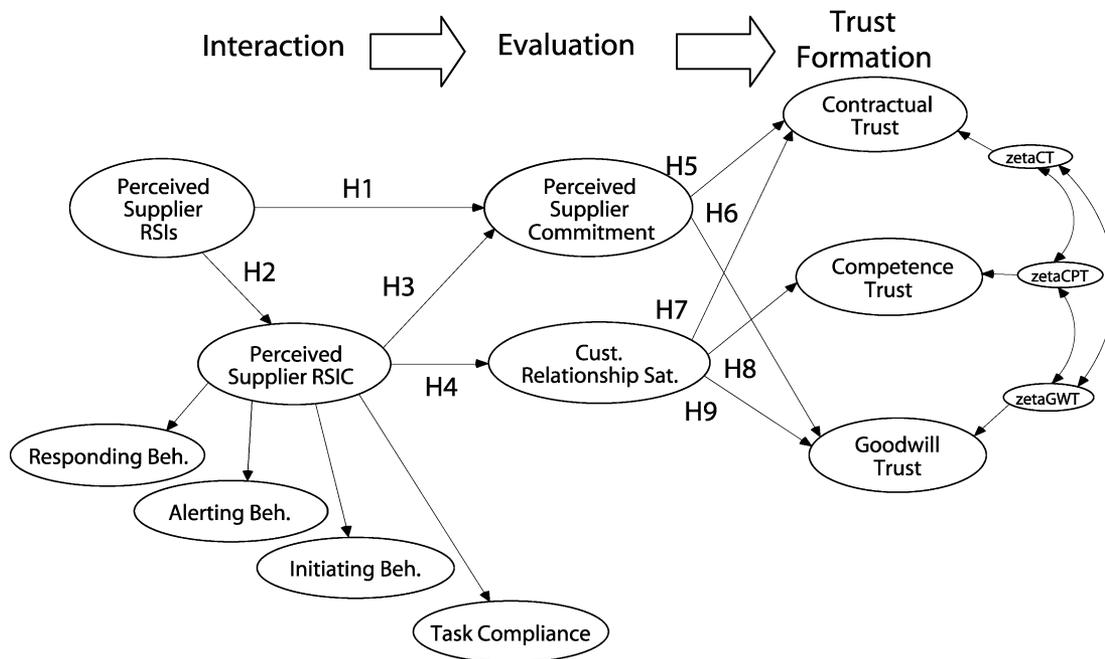


Fig. 1. Conceptual trust-building marketing model.

2.1. Interactions, relationship, and adaptations

Interactions are the building blocks of a relationship. When a supplier interacts with its customer effectively and facilitates satisfactory exchanges, repeated positive reinforcement of a focal exchange enriches the quality of the relationship over time (Hakansson, 1982). Yet, this requires more than a supplier's simply performing preagreed tasks in the exchange, as uncertainties surrounding exchange parties create contingencies in the operation of the exchanges that necessitate ongoing adjustments (Miyamoto, 2001). For the development of a successful exchange relationship, a supplier needs to make ongoing adaptations in either the elements exchanged or the process of exchange (Ford, 1980). Adaptations are customized solutions to meet a customer's unique needs and wants, or "adapted problem solving" (Hakansson, 1982, p. 383). In addition, a supplier's making of adaptations constitutes the critical part of its competence building (cf. Morgan and Hunt, 1999).

2.2. Interaction and supplier evaluation

A supplier makes two types of adaptations, namely formal and informal (Ford, 1980). Formal adaptations are made to install an *exchange-enabling infrastructure* in its operational system to meet its customer's unique specifications in product, quality, price, and delivery under a new exchange contract. They often require substantial investments specific to a relationship (Heide and John, 1990; Williamson, 1985). For this reason, they are referred to as *relationship-specific investments (RSIs)*. The established consensus in the interfirm relationships research is that such

investments increase the adaptation-maker's costs of dissolving a relationship and decrease its flexibility, while projecting the adaptation-maker's relationship commitment as a pledge to the relationship (Anderson and Weitz, 1992).

Hypothesis 1: The greater the perceived supplier RSIs, the greater the perceived supplier relationship commitment.

On the contrary, informal adaptations are supplier ongoing adaptations made to satisfactorily accommodate necessary adjustments for contingencies in the exchanges. Asanuma (1989), drawing on his field study on Japanese manufacturer–supplier relationships in the automobile and electric machinery industries, identified a unique adaptation-making skill common across preferred suppliers, or "relationship-specific skill"—"the skill required on the part of the supplier to respond efficiently to the specific needs of a focal customer, built on its customer knowledge and technological capabilities" (p. 21). Similarly, Rexha and Miyamoto (2000), from their cross-sectional case studies on nine leading Japanese manufacturers' CLMSR practices, identified the following three types of 'generic' supplier informal adaptation-making behaviors: *responding behavior* (i.e., a supplier's action to satisfactorily accommodate a customer's requests, or operational and/or strategic 'needs'), *alerting behavior* (i.e., a supplier's action to alert a customer, at the earliest point, of any possible supply problem that affects the customer's sourcing operation in order to allow the customer to make, in advance, necessary adjustments in the exchange), and *initiating behavior* (i.e., a supplier's action to take initiatives to realize a customer's operational and/or strategic 'wants'). According to Miya-

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