“How Supplier Involvement Influences Buyer Satisfaction and Trust: A Study of Industrial Markets”

HOW SUPPLIER INVOLVEMENT INFLUENCES BUYER SATISFACTION AND TRUST: A STUDY OF INDUSTRIAL MARKETS

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Abstract

This paper examines relationships between buyer perception of supplier reputation, buyer satisfaction (economic and social), trust, and commitment in industrial markets. A framework is proposed drawn on literature from marketing channels, relationship marketing, and corporate reputation. Data from 179 U.S. firms are used to test the framework. Hypotheses are generally supported and supplier reputation is found significantly related to buyer economic and social satisfaction and trust. It is also found that economic satisfaction relates to trust but does not relate to commitment. Social satisfaction does not relate to trust but relates to commitment. Implications for managers, limitations, and future research directions are presented at the end of the paper.

Key words: Supplier, Buyer, Reputation, Satisfaction, Trust, Commitment.

Introduction

The purpose of this paper is to study relationships between buyer perception of supplier reputation, buyer satisfaction (both economic and social), trust, and commitment in industrial markets. We propose that the buyer is likely to be economically and psychosocially satisfied to work with a supplier of good reputation, and trust and commitment are thus easily fostered in such a relationship. This study is based on the following three considerations.

First, reputation, as an important construct, has not received much attention in buyer-supplier relationships research. Reputations are signals indicating how an organization's products, services, top management teams, customer relationships, and social characteristics are perceived by the public compared to other firms. Some researchers suggest that the firm can choose partners based on those partners' corporate reputations (Dollinger, Golden, and Saxton, 1997; Dowling, 2001; Roberts and Dowling, 2002). They note that asset specificity alone will not explain firm behaviors; the system of markets beyond each individual transaction is also important (Saxton, 1997). According to this perspective, buyer-supplier relationships should be subject to the social network of relationships in which the firm is embedded. Saxton (1997) studies firm characteristics and postulates that firm reputation influences other firms' willingness to "partner". Reputation of partners, as an important and valuable asset, should be an important factor for understanding relationship behaviors and outcomes. Reputation indicators may play an expanded role in global markets as buyers seek new suppliers in international settings where other factors may be more difficult to ascertain.

Second, satisfaction, trust, and commitment are central constructs in interfirm relationships research. Although reputation is recognized as important, it is not a major construct in the research (e.g., Ganesan, 1994 and Anderson and Weitz, 1992). Research is needed to systematically examine the impact of reputation on these constructs, especially in industrial markets. Finally, previous studies reveal that satisfaction has two dimensions: economic satisfaction and non-economic (social) satisfaction (Gassenheimer and Ramsey, 1994; Gassenheimer et al., 1994; Geyskens, Steenkamp, and Kumar, 1999; Geyskens and Steenkamp, 2000). Researchers call for a further investigation of the impact of the two dimensions of satisfaction on trust and commitment (Geyskens, Steenkamp, and Kumar, 1999; Geyskens and Steenkamp, 2000).

To address the above issues, we develop a framework to study how supplier reputation influences buyer satisfaction and trust and how buyer satisfaction and trust affect buyer commitment toward the supplier in industrial markets. We integrate research in marketing channels (Anderson and Narus, 1990; Anderson and Weitz, 1992; Geyskens, Steenkamp, and Kumar, 1999; Geyskens and Steenkamp, 2000; Gassenheimer and Ramsey, 1994; Dwyer, Schurr, and Oh, 1987; Schellhase, Hardock, and Ohlwein, 2000), relationship marketing (Morgan and Hunt, 1994; Ganesan, 1994), and corporate reputation (Roberts and Dowling, 2002; Dowling, 2001; Gardberg and Fombrun, 2002; Fombrun and Shanley, 1990; Saxton, 1997; Dollinger, Golden and Saxton, 1997) to develop a research framework and hypotheses. Data from 179 U.S. firms in industrial markets are used to test hypotheses.

In the next section, we discuss buyer-supplier relationships and present the conceptual framework and hypotheses. Next, we discuss the methodology and show the results. Finally, we discuss the implications of the study, identify the study's limitations, and offer future research directions. From this U.S. base, we hope to identify constructs that will help position international suppliers to compete for U.S. business.

The Framework and Hypotheses

The framework specifying the relationships among supplier reputation, buyer satisfaction, trust, and commitment is presented in Figure 1. Supplier reputation positively affects buyer satisfaction (both economic and social) and trust, which positively influence buyer commitment. Buyer satisfaction (both economic and social) is also related to trust.

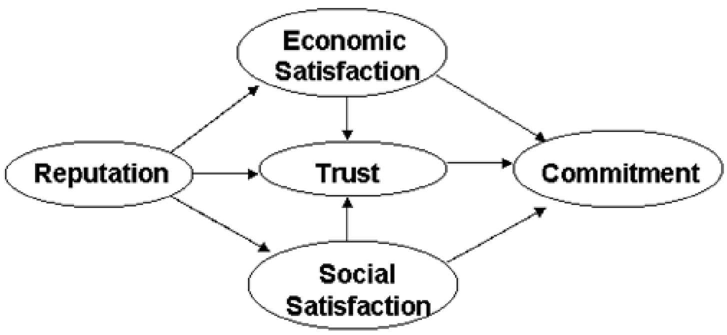

Fig. 1. The research framework

Reputation and Buyer-Supplier Relationships

Reputation is defined as a collective assessment of a firm's past actions and future prospects that describe the firm's overall appeal to all its key constituents when compared to other leading rivals (Fombrun, 1996; Roberts and Dowling, 2002; Fombrun and Shanley, 1990). It reflects a firm's overall characteristics in the society (Dollinger, Golden, & Saxton, 1997). For the supplier, reputation is an intangible, valuable, rare, and non-substitutable asset that provides the firm with a sustainable competitive advantage in the marketplace according to resource-based theory (Wernerfelt, 1984; Barney, 1991; Grant, 1991). The development of a good reputation takes considerable time, investment, and effort, and requires the firm to make consistent investment over time (Saxton, 1997). Previous research finds a strong relationship between firm reputation and firm financial performance, which further underscores the importance of reputation for a firm (Roberts and Dowling, 2002; Weigelt and Camerer, 1987; Szwajkowski and Figlewicz, 1999). The buyer uses corporate reputation to make decisions about investment, product choice, and partner selection.

Developing a long-term partnership between buyer and supplier is a major theme in recent research (Heide and John, 1992; Morgan and Hunt, 1994). Long-term relationships need relationship specific investment, limiting a buyer to a specific supplier and possibly forcing the buyer to lose other valuable market opportunities in the long-run (Kalwani and Narayandas, 1995). For example, the supplier may take advantage of a buyer by providing low quality products and services when the buyer is locked-in by a specific investment, resulting in tremendous losses for the buyer who has been involved in the relationship and aimed at long-term benefits. Opportunistic behavior is less likely for the supplier with a positive reputation than that with a negative reputation because the former treasures its image in the public (see Barney, 1991 for more detail). The relationship is likely subject to a good-faith modification if a particular practice proves detrimental under the changed circumstances. The supplier will extend considerable effort to maintain its reputation.

A transaction cost perspective also contends that the firm is likely to find a partner with a positive reputation and develop a close, long-term relationship because of the low transaction cost associated with partner identification and relationships management (Williamson, 1975). Reputation becomes an important factor in controlling a supplier's opportunism, safeguarding investment in specialized, non-deployable assets, and remedying incomplete contracts.

Although empirical evidence in buyer-supplier relationships is lacking, the research in other fields has already shown that a partner's reputation affects other parties' willingness to develop long-term relationships (Saxton, 1997; Dollinger, Golden, and Saxton, 1997). Their research supports the theme of this paper that the buyer is likely to develop a long-term relationship with a supplier of positive reputation.

Reputation and Satisfaction

Ganeson (1994) defines satisfaction as a positive affective state based on the outcomes obtained from the firm's working relationship with another firm. Geyskens, Steenkamp, and Kumar (1999), Geyskens and Steenkamp (2000), Gassenheimer et al. (1994) find that satisfaction has two dimensions, economic and social (non-economic) satisfaction. Economic satisfaction refers to the firm's evaluation of the economic rewards that flow from the relationship with another firm (Geyskens and Steenkamp, 2000). Social satisfaction is the firm's evaluation of the psychosocial aspects of the relationship with another firm (Geyskens and Steenkamp, 2000). The buyer is economically satisfied if its financial goals such as profitability, sales growth, and return on investment and assets are achieved. The buyer shows social satisfaction if it feels that the partner is honest, respectful, and willing to exchange important ideas. Increased revenue, growth potential, and market opportunities may economically satisfy the buyer while unjust demands and lack of supplier support may reduce buyer satisfaction.

The supplier with a good reputation is likely to use service support to attend to the needs of the buyer better than other firms, reinforcing the value and mutual dependence within the relationship and contributing to buyer satisfaction. Disagreement resolution may be crucial for buyer satisfaction. Within a buyer-supplier relationship, disagreement, as a consequence of different perceptions of goals and roles, is as predictable as more concrete misperceptions and incorrect deliveries (Dwyer, Schurr, and Oh, 1987; Ping, 1993). The supplier with a good reputation is willing to explain its policies and strategies with honesty, so the buyer is likely to believe the message is true and willing to work with the supplier for the common interest.

Reputation also influences a buyer's judgment of a supplier. Firm reputation was recognized as being an important factor in the overall evaluation of the company (Gronroos, 1984). Buyers develop knowledge systems to interpret their perception of the supplier. Supplier reputation influences buyer attitudes and beliefs with regard to buyer satisfaction because it is an extrinsic information cue for the buyer (Ping, 1993; Selnes, 1998). Supplier reputation may create a halo effect on judgments about buyers' satisfaction. When supplier performance is difficult to evaluate, the buyer is likely to judge its satisfaction based on supplier reputation. We propose:

Hypothesis 1: Supplier reputation is positively related to buyer economic satisfaction.

Hypothesis 2: Supplier reputation is positively related to buyer social satisfaction.

Reputation and Trust

Moorman, Deshpande, and Zaltman (1993, p. 82) define trust as “a willingness to rely on an exchange partner in whom one has confidence”. The literature provides two general definitions of trust, (1) predictability in another party’s behavior, and (2) confidence in another party’s goodwill (Morgan and Hunt, 1994). Trust implies a belief that the other party will perform actions that will result in positive outcomes for the supplier and will not take unexpected actions (Anderson and Narus, 1990). Therefore, trustworthy partners should be reliable and have integrity. Once trust is established, both parties are more likely to coordinate their efforts because each party is no longer acting only in its own best interests (Anderson and Narus, 1990; Mohr and Spekman, 1994; Morgan and Hunt, 1994).

The supplier treats reputation as a valuable asset according to resource-based theory. In buyer-supplier interaction, supplier reputation reduces buyer uncertainty and increases buyer trust; a good reputation shows an invisible investment in relationships. A supplier with a good reputation, by definition, will engage in activities geared toward developing an understanding of the buyer’s current and future needs, sharing this information across departments, and using this information to improve its buyer service (enhancing benevolence) continuously. So, the supplier is likely to demonstrate to the buyer that (1) the supplier will provide high quality products and services; (2) the supplier is behaving in the best interest of the buyer because the supplier creates value for the buyer and satisfies the buyer’s needs; and (3) the supplier is less likely to act opportunistically on its own benefits (Anderson, Fornell, and Lehmann, 1994). Saxton (1997) and Dollinger, Golden, and Saxton (1997) find support for the effect of firm reputation on partners’ willingness to cooperate.

Ganesan (1994) noted that reputation-building needs reliable and consistent commitment over time. Such a reputation can be transferred across buyers and enhances buyer trust. Buyers develop trust based on previous experience with a supplier’s products and services and with interactions with the supplier. Buyers with little or no previous experience may develop their trust based particularly on a supplier’s reputation. A good reputation offers evidence that the supplier can be believed; it cares about the buyer. The buyer will expect the supplier to show responsibility in unforeseen and unplanned events (Gundlach and Murphy, 1993).

Hypothesis 3: Supplier reputation is positively related to buyer trust.

Satisfaction and Trust

The relationship between satisfaction and trust has not received much attention in previous research (Selnes, 1998). According to Dwyer, Schurr, and Oh (1987), a buyer-seller relationship evolves through five phases: awareness, exploration, expansion, commitment, and dissolution. Satisfaction develops during the exploration and expansion phases and serves as a basis for trust. Trust is a higher level of belief about how another party will behave in the future. Satisfaction is a judgment about the past outcomes and so develops before trust (Anderson and Narus, 1990; Morgan and Hunt, 1994). Therefore, the buyer develops trust based on judgment of supplier’s past performance (both economic and non-economic) in the relationship (Dwyer, Schurr, and Oh, 1987).

Ganesan (1994) notes that a buyer's satisfaction with outcomes improves its perception of a supplier because it indicates the supplier's concern for equitable outcomes and welfare of the buyer. The buyer is convinced that the supplier will not exhibit behaviors that are destructive to the relationship, such as opportunism, incorrect and untimely delivery, or low product quality and services. The buyer trusts that the supplier will respond positively to relationship problems by working with the buyer (Selnes, 1998). The satisfaction increases the buyer’s beliefs of the supplier’s credibility and benevolence in the relationship. We propose:

Hypothesis 4: Buyer economic satisfaction is positively related to buyer trust.

Hypothesis 5: Buyer social satisfaction is positively related to buyer trust.

Trust, Satisfaction, and Commitment

Commitment has been defined as "an implicit or explicit pledge of relational continuity between exchange partners" (Dwyer, Schurr, and Oh, 1987). It is the extent to which suppliers support and enforce the norm of permanent ties between parties in an exchange (Anderson and Weitz, 1992). Commitment can take many forms, such as making adjustments to standard products or services or investing in the relationship; and commitment has been identified as one of the key characteristics of successful relationships (Dwyer, Schurr, and Oh, 1987; Morgan and Hunt, 1994). A firm is committed if it is willing to make short-term sacrifices in order to maintain a long-term relationship (Dwyer, Schurr, and Oh, 1987; Morgan and Hunt, 1994; Moorman, Zaltman, and Deshpande, 1992; Mohr and Spekman, 1994). A buyer with a short-term orientation attempts to maximize its profits within a specific transaction. A buyer committed to a relationship, however, strives to maximize its profits over a series of transactions with the supplier.

A buyer's trust and satisfaction with a supplier means that the relationship is predictable, that the two can solve problems on a mutually satisfactory basis, that the buyer's special needs can be accommodated, and that the buyer knows what to expect. Therefore, the buyer is likely to devote specific resources to the relationship. Further, the buyer's trust in the supplier minimizes the risk associated with the supplier's opportunistic behaviors, increases the confidence of the buyer that short-term losses will be compensated in the long run, and reduces transaction costs (such as monitoring costs). When a buyer's trust in a supplier is high, the buyer has a great desire to ensure the relationship's success. Therefore, the buyer is willing to invest time, effort, and money in the relationship (Anderson and Weitz, 1992; Schellhase, Hardock, and Ohlwein, 2000). Those behaviors imply a commitment toward the relationship (cf. Morgan and Hunt, 1994).

The firm makes investment decisions based on information from past experience, and thus satisfaction is related to commitment. Various studies in relationship marketing have indicated that trust and satisfaction are crucial in influencing commitment (Anderson and Narus, 1990; Ganasan, 1994; Geyskens and Steenkamp, 1995; Kumar et al., 1995; Morgan and Hunt, 1994). We propose:

Hypothesis 6: Buyer economic satisfaction is positively related to buyer commitment.

Hypothesis 7: Buyer social satisfaction is positively related to buyer commitment.

Hypothesis 8: Buyer trust is positively related to buyer commitment.

Method

Sample

The sample represented companies from a variety of U.S. industries, including chemical, machinery, electronics, instruments, and computers. We obtained a mailing list of U.S. companies from a national database. A total of 500 VPs of marketing and their associated firms were selected randomly from the national mailing list. Letters without surveys were mailed to these executives asking for their cooperation. The purpose of this mailing was to consolidate their cooperation for the research.

The data were obtained through a two-wave process. First, surveys and introduction letters were mailed to the 500 executives. The questionnaire asked each executive to select a supplier she/he was familiar with and evaluate the working relationship with that supplier. Ten days later, a reminder card was sent to the executives. Second, letters and surveys were sent to non-respondents three weeks after the initial mailing. Follow-ups and frequent phone calls were used to get sufficient data. As a result, a total of 179 usable questionnaires were identified (response rate 35.8%).

Questionnaire Development and Pilot Study

Overall, we used multiple items to measure constructs. We searched the literature for well-validated measures of constructs. When an item had to be modified or developed, we followed Churchill (1979) with multiple-step and multi-validation methods.

To best adapt the questionnaire items, six in-depth field interviews were conducted with VPs of marketing. All interviews were tape recorded and later transcribed and analyzed. The managers were probed regarding the important issues concerning firm reputation and interfirm relationships, the face validity of the proposed model, and preliminary operationalization of the constructs.

These interviews, along with an extensive review of the relevant literature, were used to develop the initial questionnaire.

A pretest of the questionnaire was conducted on five VPs of marketing. Based on their responses, a number of questions were reworded. Subsequently, the revised questionnaire was sent to another sample (n=24) of VPs of marketing of firms to further assess the terminology in the questionnaire. At this point, no significant problems with the validity of the scale or response format were revealed.

Measures

There are five constructs in the framework: reputation, economic satisfaction, social satisfaction, trust, and commitment. Economic satisfaction, social satisfaction, trust, and commitment are measured directly by 5-point Likert-type scales ranging from strongly disagree to strongly agree. Most measurement items are derived from prior literature. Buyer economic satisfaction is measured by a 5-item scale (α=0.85) from Geyskens and Steenkamp (2000). Buyer social satisfaction is measured by five items (α=0.76) from Geyskens and Steenkamp (2000) and Gassenheimer, Calantone, and Scully (1995). Trust is measured with a 6-item scale (α=0.78). Three of them are from Morgan and Hunt (1994) and one from Anderson and Weitz (1992). Two additional items are from field research. Buyer commitment is measured with a 5-item scale (α=0.82) from Anderson and Weitz (1992) and Morgan and Hunt (1994). Reputation is measured using five items (α=0.87) which were developed in this study.

Analysis and Results

Measure Validation

Unidimensionality of the measures must be established before the test of the model. We conducted confirmatory factor analysis to test unidimensionality of the multi-item constructs and to eliminate unreliable items. Items that loaded on multiple constructs and had too low item-to-construct loadings were deleted from the model.

To ensure discriminant validity, the factor correlation matrix (Phi-values) was checked (please see Table 1 for the matrix). Phi values ranged from 0.22 to 0.68; none of the confidence intervals contained a value of one ($p<0.01$), confirming discriminant validity. We also performed a series of confirmatory factor analyses following Durvasula et al. (1993). We first conducted confirmatory factor analysis on the original model with six constructs being distinct. This test produced χ^2=346.93 with degrees of freedom of 289. We then combined reputation and economic satisfaction into one factor, which generated χ^2=393.78 with degrees of freedom of 293. We compared this model with the original model. Chi-square difference of the two models is 46.85 (d.f.=4, significant at $p<0.01$), suggesting that reputation and economic satisfaction were distinct constructs. Following a similar procedure, we tested the differences among reputation, economic satisfaction, social satisfaction, trust, and commitment. All these tests supported discriminant validity.

Table 1

Construct Correlation (Phi-values)

Construct	F1	F2	F3	F4	F5
F1 Reputation	1.00				
F2 Economic Satisfaction	.35*	1.00			
F3 Social Satisfaction	.67*	.23**	1.00		
F4 Trust	.60*	.38*	.44*	1.00	
F5 Commitment	.68*	.22**	.63*	.55*	1.00

Note: *: significant at $p<0.01$.
**: significant at $p<0.05$.

The results of CFA are presented in Table 2. As shown in Table 2, factor loadings of items to corresponding constructs are from 0.49 to 0.91 and all loadings are significant ($p<0.01$), further supporting convergent validity. The dimensionality is also supported by examining several measures of fit. Although the p-value is quite small, the ratio of chi-square to degrees of freedom is 1.20; Goodness of fit index (GFI) is 0.90; and Bentler's comparative fit index CFI is 0.93, suggesting the model represents a good fit to the data (See Table 2).

Table 2

Results of Confirmatory Factory Analysis

Constructs	Loading[a]
Reputation (.87)[b]	
1. Reputation of products and services quality.	.84 (12.08)
2. Reputation of financial performance.	.77 (10.64)
3. Reputation of customer relationships.	.89 (12.43)
4. Reputation of management.	.83 (11.45)
5. Reputation of social responsibility.	.56 (6.52)
Economic Satisfaction (.85)	
1. The relationship with this supplier has provided us with a dominant position in the market place.	.64 (7.83)
2. The relationship with this supplier is very attractive with respect to prices.	.91 (12.87)
3. The marketing policy of this supplier helps us to get the work done effectively.	.90 (12.51)
4. Profits generated from a working relationship with this supplier are very high.	.52 (5.13)
5. We are very satisfied with new product market opportunity this supplier has provided.	.57 (6.28)
Social Satisfaction (.76)	
1. The working relationship with this supplier is characterized by feelings of hostility. (R)	.70 (8.16)
2. This supplier expresses criticism tactfully.	.75 (9.44)
3. Interactions between my firm and this supplier are characterized by mutual respect.	.48 (5.27)
4. We are very satisfied with the overall manner in which we are treated by this supplier.	.74 (9.70)
5. We are very satisfied with the interest and concern this supplier has displayed in helping us accomplish our goals.	.66 (7.94)
Trust (.78)	
1. The level of trust our company has in its working relationship with this supplier is very high.	.58 (5.98)
2. In our relationship, this supplier cannot be trusted at times. (R)	.80 (9.53)
3. In our relationship, this supplier can be counted on to do what is right.	.73 (8.70)
4. This supplier keeps promises it makes to our firm.	.71 (7.63)
5. In our relationship, this supplier has high integrity.	.55 (5.67)
6. This supplier has made sacrifices for us in the past.	.49 (5.75)
Commitment (0.82)	
The relationship that my firm has with this supplier is something we are very committed to.	.83 (12.08)
The relationship that my firm has with this supplier is something my firm intends to maintain.	.83 (11.18)
Our relationship with this supplier is a long-term alliance.	.81 (11.49)
We are quite willing to make long-term investments in our relationship.	.64 (7.49)
We are willing to make sacrifices to help this supplier from time to time.	.63 (7.81)
χ^2 =346.93, d.f.=289; GFI=0.90; CFI=0.93; IFI=0.93.	

Note: a: t-values from unstandardized solution are shown in parentheses.
b: Construct reliabilities are shown in the parentheses.
(R): Reverse coded.

The Results of Path Analysis

We used structural equation modeling to test the framework in Figure 1. The results are presented in Table 3. The results indicate a good fit of the model: ratio of chi-square to degrees of freedom is 1.21; Goodness of fit index (GFI) is 0.90; Comparative fit index (CFI) is 0.92.

The coefficient on the path from supplier reputation to buyer economic satisfaction is 0.15 ($t=1.67$, $p<0.1$). Supplier reputation is positively related to buyer economic satisfaction. Hypothesis 1 is supported. The path coefficient from supplier reputation to buyer social (non-economic) satisfaction is 0.52 ($t=4.76$, $p<0.01$). Supplier reputation positively influences buyer social satisfaction. Hypothesis 2 is supported. The path coefficient from supplier reputation to buyer trust is 0.39 ($t=3.62$, $p<0.01$). Hypothesis 3 is supported. Supplier reputation significantly affects buyer trust.

The coefficient on the path from buyer economic satisfaction to buyer trust is 0.35 ($t=2.47$, $p<0.05$). Buyer economic satisfaction is positively related to buyer trust, supporting Hypothesis 4. The path coefficient from buyer social satisfaction to buyer trust is not significant. Buyer social satisfaction does not significantly influence buyer trust. Hypothesis 5 is not supported.

The path coefficient from buyer economic satisfaction to buyer commitment is not significant. Buyer economic satisfaction does not significantly influence buyer commitment. Hypothesis 6 is not supported. The path coefficient from buyer social satisfaction to buyer commitment is 0.64 ($t=4.62$, $p<0.01$). Hypothesis 7 is supported. Buyer social satisfaction significantly affects buyer commitment. The path coefficient from trust to commitment is 0.60 ($t=5.36$, $p<0.01$). Trust significantly influences commitment. Hypothesis 8 is supported.

Table 3

Results of Path Analysis

Paths	Standardized Parameter Estimate[a]
Reputation -> Economic Satisfaction	.15 (1.67)
Reputation → Social Satisfaction	.52 (4.76)
Reputation -> Trust	.39 (3.62)
Economic Satisfaction → Trust	.35 (2.47)
Social Satisfaction → Trust	n.s.
Economic Satisfaction → Commitment	n.s.
Social Satisfaction → Commitment	.64 (4.62)
Trust → Commitment	.60 (5.36)
Goodness of Fit: $\chi^2=353.20$, d.f.=291; GFI=0.90; CFI=0.92; IFI=0.92.	

Note: [a]: t-values from unstandardized solution are shown in parentheses.

Discussion and Conclusions

The objective of this study was to explore the relationships between suppliers and buyers on aspects of supplier reputation, buyer satisfaction (both economic and non-economic or social), trust, and commitment. A model of the relationships among these constructs led to the development of eight hypotheses. US firms supplied data to test the model. Results supported six of the eight hypotheses. Supplier reputation was significantly related to buyer economic satisfaction, to buyer social satisfaction, and to buyer trust. Buyer economic satisfaction was related to trust, but social satisfaction was not. Buyer trust and social satisfaction were related to buyers' commitment, but economic satisfaction was not.

The initial two hypotheses look at supplier reputation and its relationship with buyer economic satisfaction and buyer non-economic or social satisfaction. Results indicate that reputation is linked to both economic and non-economic satisfaction. Therefore, a supplier displaying product and service quality, social responsibility, management quality, good financial performance, and positive customer relationships is likely to help the buyer achieve positive buyer positioning, effective working relationships, high profits, and new market opportunities.

Supplier reputation is also found to be significantly related to buyer trust. Trust involves doing what is right, keeping promises, maintaining good working relationships, showing integrity, and making sacrifices when necessary. Morgan and Hunt (1994) identified trust as confidence in a partner's reliability and integrity. If there is a conflict in the relationship, a supplier with a positive reputation will use its expert and referent power to cooperate and follow up on threats and promises (Dwyer, Schurr, and Oh, 1987), thus enhancing buyer trust.

The initial component of the model was supplier reputation. Without a positive reputation, a supplier would be unlikely even to be considered as a vendor. A supplier's reputation is largely in its own hands and can be enhanced by a number of actions, most especially by an industry history of consistently responsible actions. Reputation is linked with both types of buyer satisfaction and with trust. The relationships following this initial web become more complex, however. The next hypotheses explore whether satisfaction and trust are related.

Ganesan (1994) found a global measure of satisfaction was related to trust. We follow Geyskens and Steenkamp (2000) and others to refine the concept of satisfaction by dividing it into two separate variables: economic satisfaction and non-economic (social) satisfaction. In this study, respondents indicated that economic satisfaction and trust were significantly related, supporting the fourth hypothesis. The buyer develops trust based on its judgment on a supplier's influence on economic outcomes such as profitability, market share, sales growth, and return on investment and assets. The results indicated that social satisfaction was not significantly related to trust. The results do not support the fifth hypothesis. We will discuss this finding later.

We proposed that both buyer economic satisfaction and social satisfaction significantly influence buyer commitment. The results showed that buyer social satisfaction was significantly related to buyer commitment, which was consistent with the hypothesis. Therefore, the buyer's judgment on its non-economic outcomes such as supplier's honesty, respectfulness to the buyer, and dealing with disagreements influences its commitment. When the buyer is socially more satisfied with the relationship (non-economic satisfaction) it will be less likely to engage in a search for alternative relationships (Dwyer, Schur and Oh, 1987). The results also show that buyer economic satisfaction is not significantly related to buyer commitment, which does not support the hypothesis.

As proposed by the model, trust and commitment were found to be significantly related. Other researchers have found this relationship to be supported as well. Ganesan (1994) found trust to be a precursor to a long-term buyer and supplier orientation. The goal of both buyers and suppliers is often to enhance the mutual benefits and to reduce the need for switching. A buyer's trust in a supplier would reduce uncertainty in day-to-day activities, minimizing the risk associated with a supplier's opportunistic behavior.

It was interesting to find that social satisfaction was not significantly related to trust; but it was significantly related to commitment. Economic satisfaction was found to be significantly related to trust; but it was not significantly related to commitment. The model proposed in this study placed trust after satisfaction but before commitment. One could argue that economic satisfaction is a necessary requirement for an exchange to occur at all. In other words, economic satisfaction has a greater effect in earlier trust development between buyers and sellers. Non-economic satisfaction, which is intangible in nature, however, may take longer to develop than the more tangible economic satisfaction variable. Once suppliers and buyers have a basic history of satisfactory economic transactions, they may move a step further to non-economic satisfaction. One might characterize the model's early appearance of social satisfaction as a sort of cosmetic approval. For example, on initial contact, the supplier's representative appeared professional or knowledgeable. Over time, the buyer and seller developed their partnership further, and the nature of the social satisfaction became less superficial and more substantial. Issues such as cooperation during difficult times or methods of dealing with problems emerge. Though economic satisfaction was related to the early constructs of reputation and trust, it might diminish in relevance as the supplier/buyer relationship developed (at the commitment stage).

The above findings also indicate that economic satisfaction may be necessary, but not sufficient, for an extended relationship. Social satisfaction plays an important role at the later stage of relationship development. When problems or conflicts occur, if social satisfaction is strong, buyers and suppliers maintain commitment to one another even when economic relationships may be jeopardized for short periods of time. Dwyer, Schurr and Oh (1987) described this sort of commitment as "relational exchange." Buyers and sellers derive economic satisfaction from their relationships, but they also can derive intangible, complex social benefits. To describe commitment, they use the phrase the "marriage of buyer and seller" (p. 14). For a buyer and seller's relationship, the external reputation and potential immediate economic results may be the initial attraction, but for the relationship to last to a committed stage, both parties must weather challenges through a more intangible, social relationship including a willingness to bear joint burdens and sacrifices.

Directions for Future Research

The results of this study will need to be replicated to show whether support for the model is consistent. How constructs, such as non-economic satisfaction, are measured will also need to be further developed. This particular study used only US firms. Later studies employing global samples of firms would be useful in a global marketplace.

Aside from these general suggestions, longitudinal studies of the relationships would be useful to develop suppliers' strategies (Fombrun and Stanley, 1990). In a longitudinal study, questions such as what effect changes in the macroenvironment have on supplier and buyer relationships could be addressed

The concept of reputation begins the model. Further studies on how suppliers can build positive reputations would be helpful in strategic planning. What factors contribute to a supplier's reputation changing over time? In an example from Roberts and Dowling (2002), a company that once had a solid, stable, positive reputation may change to having a reputation as stogy or stale in a rapidly changing industry. Can media truly positively affect a reputation? In early work, Fombrun and Stanley (1990) found that even if media coverage was positive, company reputations declined. Can this negative media effect be counter-balanced by a positive advertising approach? Or by enhanced community involvement?

Specifically, the model proposed in this study suggested initially that social satisfaction contributed to trust and that economic satisfaction contributed to commitment. Neither of these relationships was supported by the data. Will others find a relationship where none was found here? Or will others find support for the notion that economic satisfaction plays a stronger role early in a supplier and buyer relationship while social (non-economic) satisfaction becomes more important in a later, committed relationship? The relationships and ordering of the model's constructs can prove useful to the development of supplier strategies appropriate to timing and external circumstances.

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