# Relationship Quality in Bangladeshi Retail Industry

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**Abstract.** In this article the authors develop a new measurement scale (The RELQUAL scale for retailers) to assess the degree of relationship quality between the retailers and their suppliers. The sample of this study consists of retailers in Bangladesh. Relationship quality is presented as a high order concept. Using factor analysis, findings reveal that a better quality of relationship results in trust upon the supplier. The four item new scale shows strong evidence of reliability as well as validity among the Bangladeshi retailers. Suggestions for applying the measures in future research are presented.

**Keywords:** Relationship marketing, relationship quality, RELQUAL scale, retail.

## 1. Introduction

With the ever growing dominance of super centers and specialty shops, retail industry has become a part of every modern day to day activities of urban population. In retail industry, retailer-supplier relationship plays a crucial role in retailers' supply chain management. From the competitive retail marketing perspective Fliedner & Vokurka (1997) mentioned that retailers can improve their supply chain agility by forming cooperative strategies with their suppliers, bringing success in competitive markets, as ongoing high quality business relationships have been recognized as a source of competitive advantage (Hennig-Thurau and Hansen, 2000). Hussain & Ara (2004) mentioned that in Bangladesh retail has always been considered as an individual or family business entity with a very limited scope of organized expansion. The retail revolution started to take place in Bangladesh during the mid 80's while locally groomed retail brands played a major role in shifting the mindset of the middle and upper middle class segments toward retail consumption. There has been remarkable growth in retailing activities and buyer seller relationships over the years. Due to the expansion of retailing from the 1990s, retail has turned into a global phenomenon (Dawson & Mukoyama, 1993; Goldman, 2001). Despite of the potential growth, the retail industry is not without challenges. Etgar & Moore (2007) clearly identified that expansion of retailers has been accompanied by numerous retail failures. From the methodological contribution's perspective, the application of the relationship quality (RELQUAL) scale in retail industry can be a unique research proposition. It is a fact that relationships in an international context cross over national boundaries, which phenomena is highly unlikely in the domestic context. Therefore these relationships get affected by the new social, cultural and other environmental values and differences. Hence it would be important to test the RELQUAL scale in other international settings in order to assess its stability across different samples and contexts. Payan et al. (2009) and Lages et al. (2004) strongly recommended that the future researchers should test the measurement of the RELQUAL scale in other industrial settings (ie; retail) and replication of the study in different country or continental context (ie; Bangladesh & Asia) in order to continue refining and validating the scale. The present study fills this gap by applying the RELQUAL scale to measure the relationship quality between the retailers and their suppliers, within a third world context (ie; Bangladesh).

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# 2. Literature Review

The concept of relationship quality has arisen from theory and research in the field of relationship marketing (Crosby et al., 1990; Dwyer et al., 1987), in which the ultimate goal is to strengthen already strong relationships and to convert indifferent customers into loyal ones (Berry & Parasuraman, 1991). Gummesson (2002) quoted relationship quality as the true quality of interaction between a buyer being interpreted in terms of accumulated value. Hennig, Thurau and Klee (1997) postulated that to fulfill the needs of the customer associated with the relationship, relationship quality is the degree of appropriateness. Retailer-supplier relationship works like a two way sword. It has an asymmetrical nature within itself. It also can create a "win-win" situation for both the parties. Therefore it can be concluded that the true form of relationship quality determined the level of commercial and business cohesiveness retailers and suppliers should have between them. There has been no clear consensus on the dimensions of relationship quality constructs and previous researchers used items inconsistently to describe relational constructs. In this aspect Julie (2006) stated that most of the studies on relationship quality based on the empirical context under investigation and they lacked specific attempts to fully develop a relationship quality constructs as well as practical measures. In recent years Rodriguez and Callarisa (2006) confirmed that relationship quality could be successfully measured with satisfaction, trust and commitment, while Ismail (2009) mentioned that these three core variables are interrelated rather than independent in constructing relationship quality. In relationship marketing literature researchers presupposed that better relationship quality can be an integration of satisfaction, trust and commitment (Gerrard and Lawrence, 1997) and Nelson (2007). So it can be postulated that trust, satisfaction, and commitment are coherently joined together in conceptualizing quality of relationship (Yang & Wu, 2008). After almost two decades of research in consumer markets, the basic conceptualizations of trust, satisfaction and commitment as RQ dimensions have significantly prevailed in most of the studies (Vesel and Zabkar, 2010). To date, The RELQUAL scales is the only scale that has been routinely used to measure relationship quality within the B2B settings. There have been several studies measuring relationship quality in the B2B domain. Roberts at al. (2003) measured relationship quality between service firms and their customers. Relationship quality has been measured for manufacturers and distributors by Dorcsh et al. (1998) and Kumar et al. (1995). Bejou et al. (1996) measured relationship quality between salespeople and their customers. But no empirically proven and tested scale has been found to measure relationship quality within the retail sector (to the researcher's best of knowledge). Based upon this scenario Samiee & Walters (2003) expressed their deep concern about the empirical testing of relationship quality frameworks by mentioning that the conceptual growth of new frameworks has been faster than their empirical testing, while hard data on these aspects is lacking. This study intends to empirically assess the quality of the relationship in a retailer-supplier domain and thus contribute by filling this gap in relationship marketing literature. The items to measure the relationship quality has been shown in Table: 1 below:

Table: 1 The Relationship Quality Measure (RELQUAL scale)

| Items | |
|---|---|
| | *Commitment* |
| (1) We intend to do business with this supplier well into the future | |
| (2) We are dedicated to continuing to do business with this supplier | |
| (3) We are resolute about future intent to do business with this supplier | |
| (4) We want to maintain a long term relationship with the supplier | |
| (5) We have chosen this supplier for practical reasons | |
| | *Satisfaction* |
| (1) Our firm is comfortable about its relationship with this supplier | |
| (2) The relationship between the two firms is positive | |
| (3) Our relationship with this supplier reflects a happy situation | |
| (4) Performance of the supplier is better than we expected | |
| (5) Using the supplier is a good experience for us | |
| | *Trust* |
| (6) This supplier has always been fair in its negotiations with us | |
| (7) We can rely on this supplier to keep promises made to us | |
| (8) This supplier is trust worthy | |

(9) We trust this supplier

(10) The supplier works hard for our well being

Source: Adapted from Payan et al (2009) & Kim et al. (2003)

## 3. Methodology

This study is "exploratory" in nature and involves "factor analysis". The unit of analysis for this study was individual retail companies in Bangladesh. The retailers' sampling frame is based upon the listing of all the retailers in the most recent (Edition 2009-2010) "Bangladesh Business Directory (Yellow Page)". Based upon the retailers categorization and the number of companies in the database the 300 respondents have been selected following Sekaran's (2003) proportionate random sampling method. As the purchase or procurement managers of the retail companies handle the suppliers, the questionnaires were mailed to the Purchase or Procurement Managers of the selected retail companies.

## 4. Findings of the Study

For data collection purposes, 300 questionnaires were distributed to retailers in all over Bangladesh, giving a response rate of 40.33 percent. In order to ascertain whether the measurements used in this study have construct validity, exploratory factor analysis was conducted on all items measuring the constructs of relationship quality (trust, satisfaction and commitment). Further analysis followed by the basic guidelines mentioned by Hair et al., (2006) satisfying the conditions of having sufficient correlations among the factors (not more than .30), MSA values from anti image matrices (values over .50), KMO and Bartlett's test of sphericity and the component matrices values reaching the accepted level of factor loading (.50). The exploratory factor analysis was carried out in several steps, to attain the optimum number of factors for further analysis. In the final stage, only four items remain with the overall value of Kaiser-Meyer-Olikin of .62. All the four items MSA values reached the required level of .50, and Bartlett's test of sphericity significance value was highly significant (p=.00). In the component matrix principal component analysis extracted one unique component with all the factors loading on one dimension with values ranging from .70 to .88 and the variance explained by this factor was 63.54 percent. The Cronbach's alpha was .78, i.e at the accepted level. On the basis of the factor loadings, the 4 items consist of the trust element. Compared to the original dimensions of relationship quality (i.e. satisfaction, trust and commitment), the end result of the factor analysis in the present study shows the uni-dimensional of relationship quality that is dominantly conquered by items under the trust dimension.

Table 2: Factor and Reliability analysis on relationship quality

| Items | | Factor loadings |
|---|---|---|
| We can rely on this supplier to keep promises made to us | .70 | |
| This supplier has always been fair in its negotiations with us | | .71 |
| This supplier is trust worthy | | .88 |
| We trust this supplier | .87 | |
| Eigenvalue | | 2.54 |
| % of variance | | 63.54 |

## 5. Discussion

The RELQUAL scale structure derived from the exploratory factor analysis. In addition to obtaining respondents evaluations of the three dimensions, the factor model captures a higher level of variance among them, reflecting an overall assessment of relationship quality between the retailers and their suppliers. Based upon several previous studies (Leuthesser, 1997; Dorsch et al., 1998; and Roberts et al., 2003), which have assessed relationship quality using multiple dimensions, this study started with the umbrella constructs of relationship quality (trust, satisfaction and commitment). Eventually after the exploratory factor analysis all the three dimensions resulted in one single dimension. It was found that in the context of Bangladesh,

relationship quality is perceived by the respondents as consists of only the element of trust. This phenomenon of uni-dimensionality of relationship quality parallels the past findings by Caceres and Paparoidamis (2005), where they had multiple dimensions of relationship quality which resulted in single dimension after exploratory factor analysis. Again, this uni-dimensionality of relationship quality supports the study by Wong & Sohal (2002) and DelVecchio (1998), where they considered relationship quality as single dimension in their studies. In this context the study by Wong & Sohal (2002) need to be mentioned as their study was also conducted in the retail industry. By this, it may also be concluded that particularly in the retail environment the dimensions of relationship quality tend to have single dimension.

In a summary, this research creates the RELQUAL scale that measures relationship quality in retail industry. At a time when researchers are challenges to present studies with practical implications, we expect that the RELQUAL scale is able to align real world constraints with methodological soundness and contribute to further advancement of the fields of retailing and relationship marketing.

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