

The Role of Relationship Value in Manufacturer-Retailer Context

(Peranan Nilai Hubungan dalam Konteks Pengilang-Peruncit)

Prita Prasetya

(School of Business and Economics, Universitas Prasetiya Mulya, Indonesia)

Mukhamad Najib

(Department of Management, IPB University, Indonesia)

Agus W. Soehadi

(School of Business and Economics, Universitas Prasetiya Mulya, Indonesia)

ABSTRACT

The content and form of relationship value dominate the literature. The study aims to add to relationship value research by examining its dimensions and outcomes. The relationship value presents a new taxonomy beyond the cost and benefit conception of value that dominates existing literature. Its consisting of four dimensions, i.e., personal, financial, knowledge and strategic value. The focus of the research, which synthesizes a conceptual framework from the relationship value framework, is on business-to-business situations and the value of the relationship to the manufacturer. Using structural equation modeling, the study examines the influence of relationship value on relational trust, relational commitment and performance. The sample covers 259 retailers categorized as Small and Medium Enterprises (SMEs) in Indonesia. It was found that relationship value drives relational trust and relational commitment perceived by retailers. In addition, both of them are key factors that nurture the value of relationships between manufacturers and retailers. Finally, relationship value is a determinant of business performance.

Keywords: Relationship value; relational trust; relational commitment; SEM; SMEs

ABSTRAK

Kandungan dan bentuk nilai hubungan mendominasi literatur. Kajian ini bertujuan untuk menambah penyelidikan nilai hubungan dengan memeriksa dimensi dan hasilnya. Nilai hubungan menunjukkan taksonomi baru melebihi konsep kos dan nilai faedah yang menguasai literatur yang ada. Ia terdiri daripada empat dimensi, iaitu nilai peribadi, kewangan, pengetahuan dan strategik. Fokus penyelidikan, yang mensintesis kerangka konseptual dari kerangka nilai hubungan, adalah pada situasi perniagaan ke perniagaan dan nilai hubungan dengan pengeluar. Dengan menggunakan pemodelan persamaan berstruktur, kajian ini mengkaji pengaruh nilai hubungan terhadap kepercayaan relasional, komitmen dan prestasi. Sampel ini merangkumi 259 peruncit yang dikategorikan sebagai Perusahaan Kecil dan Sederhana (PKS) di Indonesia. Didapati bahawa nilai hubungan mendorong kepercayaan hubungan dan komitmen hubungan yang dirasakan oleh peruncit. Di samping itu, kedua-duanya merupakan faktor penting yang memupuk nilai hubungan antara pengeluar dan peruncit. Akhirnya, nilai hubungan adalah penentu prestasi perniagaan.

Kata kunci: Nilai hubungan; hubungan kepercayaan; hubungan komitmen; SEM; PKS

INTRODUCTION

Marketing channels play an important role in both product sales and promotion. The main challenge for manufacturers in building cooperation with retailers is how to build mutually beneficial relationships in the long run. Research and practices on marketing channel management have long proven the importance of managing relationships between people or organizations that perform distribution functions (Weitz & Jap 1995). Proper marketing channel management will result in targeted business performance (Rosenbloom 2007). The relationship between manufacturers and retailers in distribution channels indicates interdependence. Therefore, a better understanding of the working relationship between distribution channels is required, in this case, manufacturers and retailers (Anderson & Narus 1990).

The theory of buyer-seller relationship explains that establishing relationships between partners becomes an important focus, especially about how the relationship is run (Dwyer et al. 1987). The rapidly growing marketing trend in manufacturer and retailer relationships over the past few decades has been to create closer relationships—so-called relationship marketing concepts with the aim of building, maintaining and improving mutually beneficial relationships. The focus of relationship marketing is to generate value to customers as well as target to acquire more profitable customers (Palmatier 2008). Therefore, this is why manufacturers invest resources in relationships to provide profits and higher value than expected.

Leonidou et al. (2014) showed that building long-term relationships can help companies and customers create higher value than just mutually beneficial and economic-oriented relationships. The company must create relationship value with customers and create and

maintain relationships to grow into more substantial and sustainable bonds. Relationship value can affect commitment, trust, and customer satisfaction to the company. In the long run, this bonding relationship will increase customer loyalty and allow the company to understand customer expectations and needs carefully. Some empirical studies show the benefits of closer buyer-seller relationships to achieve superior results (Cannon & Homburg 2001; Jap 2012; Nevins & Money 2008).

Indonesia is a country that accounts for 60-70 per cent of the total construction material market in Southeast Asia. Rising properties and the accelerating performance of the construction sector have made the demand for building materials relatively high. Investment in the building materials industry is projected for this industry to continue to grow in line with the increase in property development and construction. BCI Asia predicts the value of building construction will grow by 13.82% in 2020 to IDR 168.20 trillion compared to 2019, which is estimated at IDR 147.77 trillion. The most significant contributor to building construction came from the residential sector, IDR 56.75 trillion, equivalent to 33.74% (Ministry of Trade 2021). This growth encourages the growth of building materials retailers, especially those included in the SMEs scale.

Competition in the building materials industry makes all manufacturers try to increase their market share. Cooperation with distribution channels is an important factor in product sales. The main challenge for manufacture in building partnerships with retailers is how to build mutually beneficial relationships in the long term. More effort is required to build closer relationships with retailers so that partnerships do not depend solely on price issues. The more manufacturers supply to retailers, the more they will face the growing trend towards commodity products and look for new ways to differentiate through increased customer interactions. The building materials industry has developed considerably and made a lot of convenience for the construction process of many construction projects in Indonesia.

Working together as partners, manufacturers and retailers can deliver the best value to customers at the lowest possible cost. In the building materials industry in Indonesia, that seamless partnership between manufacturers and retailers will accelerate the spread of advanced systems. Such as just-in-time delivery, electronic data exchange, and so-called efficient consumer response systems allow manufacturers to monitor in-store sales and manufacture and ship their goods in response to actual consumer demand. Such a cooperation system can reduce the cost of exiting the industry by eliminating excessive inventory, same functions, and various intermediaries. Besides, the results witnessed when manufacturers and retailers networks work together to show that both parties can increase sales volume by customizing deals in different stores and different user purposes. The cooperation between the two generates significant benefits for both parties.

Manufacturer have widely recognized the important role of relationship value in business. However, empirical data support is still needed to prove the significant impact of relationship value on overall business performance. In building relationship values, the thing to note is knowing the elements of relationships to create value. The literature reveals that relational value creation is limited to specific relationship factors consisting of trust, commitment, customer adaptation and managerial activities (Ritter & Walter 2012; Walter et al. 2000). This study presents a new taxonomy of the value of a business relationship consisting of four dimensions: personal, financial, knowledge and strategic value beyond the conception of the cost and benefit of that value dominating the existing literature. This new taxonomy helps understand how participants in business-to-business interactions assess the value of relationships. Taxonomy explains all textual references to relationship costs, benefits and intrinsic value in this case-based study.

This study paper is divided into three sections. The first section reviews the extant literature of relationship value and the relevant concepts. The following section explores the relationship value as a second-order construct link with key constituents of relationship quality, i.e., relational trust and commitment. Hypotheses are tested in support of the proposed model following an evaluation of fit statistics for the structural equation model (SEM). Finally, conclusions are drawn relative to the relationship between constructs, relationship value, relational trust, relational commitment and business performance.

LITERATURE REVIEW

RELATIONSHIP VALUE

The concept of relationship value is a theory of social exchange that is then brought in business for business transactions by researchers (Eiriz & Wilson 2006; Ulaga & Eggert 2001; Wilson and Jantrania 1994). Based on the assumption of social exchange theory, economic or social benefits result from social interaction between individuals or organizations. The social exchange theory focuses on long-term relationships and ongoing exchanges between partners, whether individuals or organizations (Tanskanen & Aminoff 2015). Furthermore, the theory of social exchange also introduces time factors in relational exchange. The result is the benefits and future costs depending on the time, experience, and future results. Only organizations that provide value to customers can maintain long-term relationships (Richards & Jones 2008).

Factors that affect the value of relationships consist of measurable and unmeasurable factors as well as tangible and unreal benefits (Matear & Baxter 2003). In the context of industry, especially the dyadic relationship between buyers, the value of the relationship is seen

from the perspective of both parties, namely suppliers and customers (Corsaro et al. 2010). Business partners in relationships can offer each other a wide range of values (Pimpa 2008). Therefore, the relationship between partners is based on whether or not there are values. Choosing the right supplier will help buyers improve their perception of the benefits obtained from suppliers if establishing a cooperative relationship (Kannan & Tan 2006). Ulaga and Eggert (2006) developed a model for creating differentiation through value creation in manufacturing and supplier relationships where the dimension of relationship value is the relationship between benefits and costs. It is motivated by the phenomenon that in today's business relationships, manufacturing is more consolidating preferred suppliers and looking for alternative suppliers as reserves. Other proposed relationship value construct can be measured and consist of five dimensions, i.e., product quality, delivery performance, customer orientation, service support, and personal interaction. In general, principals

can learn something new from our structural model of the antecedents of customer satisfaction and loyalty through relationship value, which can serve as a tool for assessing new relationships and developing new relationships with their customers (Prasetya et al. 2021).

Research that has been conducted by marketing experts continuously examines the construction that builds relationship value (Table 1). Ford and McDowell (1999) emphasized that relationship value goes beyond financial matters, the value resulting from the transfer of knowledge, reputation and network access. Day (2000) emphasized that strategic value and personal relationships are the basis for building competitive advantage. Most of the marketing literature that discusses relationship value focuses on the tradeoffs between benefits and tradeoffs. A more comprehensive perspective on building relationship values was developed by Biggemann and Buttle (2012). This study integrates the concept of value based on the relational approach, that relationship value in business is more than the concept of costs and benefits. The four

TABLE 1. Conceptualization of relationship value research

Study	Empirical setting	Conceptualization of Relationship Value
Tzempelikos, 2020	Field study of 228 purchasing managers in UK manufacturing firm	The concept of relationship value is multidimensional, second-order construct including dimensions of benefits and costs that reach beyond a trade-off between quality and price.
Casidy and Nyadzayo, 2019	Field study of 324 SME CEOs. SME was defined as having fewer than 200 employees	The concept of relationship value is an antecedent to loyalty and performance in business markets. Relationship value as expectations of the accessibility to the customer's resources and intangible value of relationship.
Munksgaard and Frandsen, 2019	Qualitative longitudinal study with six in-depth interviews with the supplier	The concept of relationship value is supplier's ability to consistently develop its business and connect value drivers in a dynamic process of (inter) action to create value outcomes represents a main aspect of relationship value.
Cui and Coenen, 2016	Field study of 60 senior facility managers from different large international companies in eastern Switzerland.	The concept of relationship value is an antecedent to relationship quality. Benefit (product quality, service delivery, supplier know how, core business support, troubleshooting support, personal interaction, sustainability) and sacrifice (price, process cost)
Badenhorst-Weiss and Tolmay, 2016	Field study of 160 senior managers in automotive supply chains in South Africa.	The concept of relationship value is built from core product offering, procurement process and operations
Skarmeas, Zeriti, and Baltas, 2015	Field study of 287 importing firms in the UK	The concept of relationship value is norms, knowledge sharing, complementary capabilities, relationship specific assets build up a relationship value
Sun, Pan, Wu, and Kuo, 2014	Field study of 275 Taiwan's information and communication technology (ICT) industry.	The concept of relationship value is trade-off between multiple benefit dan sacrifice based on perception of key decision makers
Biggemann and Buttle, 2012	Qualitative study from four focal companies and their suppliers (15 participants) and customers, in different industrial sectors.	The concept of relationship value is consisting of four dimensions: personal, financial, knowledge and strategic value that reach beyond the cost and benefit conception
Čater and Čater, 2009	Field study of 477 customer-supplier relationships in the manufacturing context	The concept of relationship value is the trade-off between a sum of benefits and compare to reduce sacrifices (direct product cost)
Ulaga and Eggert, 2006	Field study of 400 purchasing managers in US manufacturing companies	The concept of relationship value is the trade-off between benefit and sacrifice from the supplier offering, considering with the alternate supplier

driving factors for relationship value are personal value, financial value, knowledge value and strategic value.

Anderson et al. 1994 emphasized that relationship value is specific, which means it is connected to social or personal values. The two organizations involved in a commercial exchange create a kind of hybrid organization that brings together a long-term relationship to provide more value than the amount of individual value created by each organization. The efficiency and effectiveness of the resources used by the two existing organizations in relational interactions are greater than the efficiency and effectiveness that the organization can achieve individually. The broad context of this research is in the business-to-business market, where companies are increasingly moving from pure product offerings to service-based and solution-oriented hybrid offerings towards relationship value.

Personal Value Personal value is defined as the circumstances in which a party endorses or accepts the other party's actions in unusual circumstances, or her different will be accepted or not (Biggemann & Buttle 2012). Ford and McDowell (1999) define value as something related to one's personal beliefs. Barnes (2003) understands the value of the customer's feelings and emotions or is understood as emotional value. Most individuals value limited relationships based solely on personal interpretation. Personal value indicators can be seen when manufacturers are more willing to help retailers or tolerate special situations to prevent disconnection. Personal value can be seen from customer retention and references to other parties.

Financial Value Relationship value is seen as a comparison of costs and benefits. However, it is not easy to assess the value of relationships from financial factors based on the relationship between actual costs and benefits. Biggemann and Buttle (2012) verify that very close relationships with customers are intangible assets and can be of financial value when the business is prepared for sale. K believes that the quality of the relationship will help the company to meet sales targets. In a broader view, it is the relationship between manufacturers and retailers that a close relationship between the two will increase business opportunities and efficiency due to better planning. Even such closeness will create confidence from the principal that customers will gain satisfaction in business relationships associated with financial results, such as increased profitability (Payne et al. 2008). Financial value is associated with economic value, indicated by the increased inefficiency, gaining a deeper share in the business, market share, and customers' desire to pay more (Biggemann & Buttle 2012). Success in business relationships economically is an indicator of achieving goals in relationships, namely effectiveness, productivity, and performance.

Knowledge Value The knowledge-based value defines that relationships can also provide value in the form of creation and transfer of knowledge, encouraging the creation of new ideas, sharing information or market intelligence in more detail about the state of the market as a form of meeting the demands of a growing market. Closer relationships will provide communication opportunities that enable the parties to share information. Partners will exchange information about market intelligence. The value of the relationship is the creation of dynamic ideas that arise from both parties, Biggemann and Buttle (2012). Ballantyne (2004) verified that the emergence of special knowledge in social relationships is built and created together between partners. The value of knowledge will enable the emergence of innovative solutions and improve mutual understanding of relationships and generate trust. Knowledge value can also be seen as value co-creation (Payne et al. 2008).

Strategic Value Strategic Value resulted from increased stability and decreased uncertainty provided by partners in relationships, thus extending planning time. Strategic Value gives partners opportunities to create better planning, reduce risk, enable better asset utilization, and opportunities to build new business foundations. Strategic Value will emerge because of the relationship to improve the company's competitiveness. The idea of benefiting from expanding business networks in relationships is an anticipated constructive effect (Anderson & Narus 1990). The function of the inter-supplier network is to utilize the supplier network as a resource to gain greater access. In other cases, it can be defined by bringing together two suppliers who have complementary products for joint promotion. The Strategic Value of the relationship can be indicated through long-term planning and expansion of the relationship network.

RELATIONAL TRUST

Trust is one of the most researched and accepted concepts in relationship marketing (Dwyer et al. 1987; Ganesan, 1994; Ulaga & Eggert 2006). Trust is the basis for building a relationship model. When the parties cooperate, there will be ways used by both parties to overcome difficulties such as power conflicts, low profitability, and so on. Morgan and Hunt (1994) presented the commitment-trust theory that building trust as a key mediation variable is important for relational exchange. Literature on marketing channels has provided many definitions of trust. The most common definition is the belief that exchange partners will take action in the best interests of other partners. In the context of industrial relations, Doney and Cannon (1997) define trust as perceived credibility, i.e., an expectation that it is a partner able or reliable. Second, trust is a virtue, representing the extent to which one partner is genuinely

attracted to the well-being of another partner and motivated to seek mutual benefit. Relational trust is the ability and willingness felt by the other party to behave, taking into account the interests of both parties in the relationship.

Trust is an effective facilitator of cooperative behaviour in customer-supplier relationships (Dwyer et al. 1987). In a business-to-business relationship, customers will seek to reduce risk perception by selecting suppliers who are considered capable of reliability and showing interest in buyer prosperity. Various management literature has discussed the importance of trust in various forms of inter organized relationships (Handfield & Bechtel 2002), and trust between partners has been identified as an important element of buyer-supplier relationships (Anderson and Narus, 1990). At the heart of relationship development and maintenance is establishing behavioural norms that enable future exchanges and reduce risks in those relationships. The most basic norm is trust, which provides a foundation for understanding expectations and cooperation in relationships. The primary rationale of relational trust relationships with improved performance is that a high level of trust will reduce dependence on formal control mechanisms, thus reducing transaction costs and improving relationship performance. A study conducted by Badenhorst-Weiss and Tolmay (2016) revealed a strong correlation between trust and relationship value. Trust between sellers in the supply chain is essential and leads to better value in relationships.

RELATIONAL COMMITMENT

In addition to trust, Morgan and Hunt (1994) identified commitment as a critical mediation variable of relationship marketing. The importance of commitment has been widely recognized in the relationship marketing literature, that relationships are built based on mutual commitment. Commitment has been defined as a lasting desire to maintain the value of relationships. It is based on the belief that committed relationship partners are unlikely to switch even if competitor suppliers provide better deals. That high commitment will help stabilize the relationship. The role of commitment to improving the value of business-to-business relationships results in perceived risk reduction and affects performance between (Moore 1998). Relational commitment is a behavioural indicator of relationship quality. It is defined as an exchange partner believing that ongoing relationships with other partners are essential to ensure relationships can be maintained (Morgan & Hunt 1994). The commitment encourages cooperation and investment that refers to product or process innovation, making it possible to acquire new customers or suppliers and market development, Törrönen and Möller (2003). Commitment is the belief of the exchange partner that an ongoing relationship is significant to make maximum efforts to maintain it. Relational commitment is very important

because it is a binding, balancing and sacrifice of each party against the other party in cooperation (Anderson & Weitz 2009). This opinion is supported by Dwyer et al. (1987) by supporting that commitment in the relational exchange between organizations is a binder and a driver for long-term relationships. Relational commitment is a driving factor for each party to sacrifice.

INTERRELATIONSHIP BETWEEN RESEARCH VARIABLES

RELATIONSHIP VALUE, RELATIONAL TRUST AND RELATIONAL COMMITMENT

The influence of the value of relationships with trust and commitment has been extensively researched (Huntley 2006; Ryssel et al. 2004). Both commitment and trust are antecedents for relationship quality. At the same time, Golicic and Mentzer (2006) establish commitment and trust are dimensions of the magnitude of relationships, i.e., antecedents of relationship value. Instead, Ulaga and Eggert (2006) tested it as an inverse relationship in their model, finding that value was significantly and positively associated with both variables. Harris and Goode (2004) concluded that the perceived value was related to trust and set the value as an antecedent. Pura (2005) shows that commitment is a perceived value and relates to the intention in behaving. Morgan and Hunt (1994) proved that the benefits of relationships were antecedents of commitment, although the results contrasted when empirically tested that there was no significant relationship between the two constructions. Finally, Sirdeshmukh et al. (2002) proved the relationship between belief and value, concluding that the relationship between the two was unclear. Further research was needed to evaluate the nature of the relationship between these variables.

Relationship value is an antecedent to relationship quality, i.e., commitment, satisfaction, and trust in the nomological network of relationship marketing (Ulaga & Eggert 2006). Relationship value displays a stronger impact on commitment and trust. Retaining customers has become an increasingly important task for organizations to gain a sustainable competitive advantage (Li 2010). The benefit of customer trust and commitment to the company is to improve marketing performance, and in return, customers get special benefits and feel loyal. A study conducted by Gil-Saura et al. (2009) confirmed the relationship between relationship value and trust and commitment. The research integrates the value construct of relationships, commitment and trust in building strong relationships between buyers and business-to-business suppliers. The value of relationships contributes to generating trust and commitment and is proven as mediation to predict loyalty. Based on this, to understand and confirm this relationship within the scope of the relationship between the manufacturer and retailer, more research is needed, the following is therefore proposed:

- H₁ Relationship value significantly affects relational trust
 H₂ Relationship value significantly affects relational commitment

RELATIONAL TRUST AND RELATIONAL COMMITMENT

Gil-Saura (2009) developed and tested a relationship marketing model on how relationship value, trust, commitment, satisfaction, and loyalty are defined and relate to each other in a business-to-business (B2B) context. Most studies have conceptualized that relationship marketing can increase loyalty and firm performance through relational mediators, such as trust, commitment, and relationship satisfaction (Lindgreen & Wynstra 2005; Palmatier et al. 2006). Ryssel et al. (2004) prove an effect of trust and commitment to the value of relationships. Huntley (2006) verify that both commitment and trust are antecedents for relationship quality, while (Golicic & Mentzer 2006) establishes commitment and trust as the dimension of relationship magnitude as an antecedent of relationship value. On the contrary, Ulaga and Eggert (2006) empirically prove the existence of a two-way relationship in the relationship model. The value of the relationship is significantly and positively intertwined between the two variables. Harris and Goode's research (2004) concluded that perceived value is associated with trust. Trust and commitment are not independent concepts, and they are interconnected. A lot of literature has proved a direct positive relationship of trust with commitment. A high commitment improves relationships, as commitment implies vulnerabilities, so organizations look for trustworthy partners. The following is therefore proposed:

- H₃ Relational trust significantly affects relational commitment

BUSINESS PERFORMANCE

Performance is an indicator of the success of work achieved by individuals or organizations. Business performance has always been seen as a result of the performance of a, particularly strategic role. The Company's strategy is always directed to produce the Company's performance, both in marketing and finance. In the management literature, organizational performance is an important construction defined as success in achieving organizational goals (Sheu & Hu 2009). Highlighting the importance of building performance, Furrer et al. (2008) found that the Company's management strategy is centred on objectives to improve performance and manage performance effectively. The Company can evaluate the performance of channel partners through various dimensions of performance, evaluation of channel partners is essential to maintain a successful distribution relationship.

A large part of the research has conceptualized that relationship marketing can increase loyalty and strong performance through relational mediators, such as trust, commitment and relationship satisfaction (Lindgreen & Wynstra 2005; Palmatier et al. 2006). The theory of social exchange from a dyadic perspective shows that social attributes, such as trust and commitment, are the main drivers of performance in exchange relationships (Palmatier 2008). Relational relationships become important when with relational approaches, such as trust and commitment as the main determinants of success in relationships. Still, this construct is social rather than a control mechanism.

The main rationale for improving performance is that a high level of trust will reduce dependence on formal control mechanisms, thus reducing transaction costs (Li 2010). Relational commitment can be attributed to the scope of the purpose of the relationship. The broad scope of goals includes more complex goals such as the commitment to carry out key processes, developing new products, and developing new markets. A more general goal is to improve performance and productivity (Ling-Yee 2007; Selnes & Sallis 2003). Research conducted in Indonesian marketing channels by Herlambang et al. (2006) found that a lack of trust between manufacturers and distributors will create conflicts, both in manufacturers and internal distributors. Mutual trust between manufacturers and distributors positively affects the economic performance of distributors (Setyawan et al. 2013). The commitment will result from mutual profit between buyers in supply chain relationships (Anderson & Weitz 2009). Performance improvements will be possible when companies commit to long-term partnerships (Krause et al. 2007). Commitment has a direct positive impact on performance. Meanwhile, from a retailer's point of view, supplier commitments will affect supplier performance evaluation and satisfaction, thereby leading to the following:

- H₄ Relational trust significantly affects business performance
 H₅ Relational commitment significantly affects business performance

The value of the embedded relationship will increase satisfaction between partners, as reflected by the improvement in business performance in the form of increased profit and sales volume as well as financial performance. Research conducted by (Li, 2010) tested the importance of dyadic relationships between manufacturers in creating economic performance and relational performance. Relationship value is expected to positively impact distributor performance, which can be defined as a real perceived achievement of the relationship results. Nguyen and Nguyen's research (2011) showed that the value of the relationship had a positive impact on distributor performance indicated by sales growth, profit growth and increased market share

of manufacturer products. It can strengthen the position in the market, so it is expected that the relationship will continue in the future, leading to increased profitability, the following is therefore proposed:

H₆ Relationship value significantly affects business performance

METHODOLOGY

SAMPLING AND ANALYSIS TECHNIQUES

This study uses a personal survey approach in data gathering. Data were obtained from building material retailers in Indonesia. Specifically, retailer categorized SMEs with requirement according to Law Number 20 (2008). SMEs are an entity owned by an individual or individual business unit with limited human resources and defined by assets and annual sales (Table 2). The sample selection technique utilized is the purposive sampling method. A key informant method was managers and owners were requested to answer the questionnaire that evaluated different aspects of their commercial

relationship with their main supplier. The sample was selected through retailer size, proportional allocation to the market share and by coverage area. Finally, 259 questionnaires were correctly obtained. The sample included 259 distributors of building material in five big cities in Indonesia. 89 in Jabodetabek, 78 in Surabaya, 34 in Jogjakarta, 30 in Solo and 28 Bandung.

The questionnaire data were analyzed using Structural Equation Modeling (SEM) with the help of LISREL 8.8 software. Multivariate analysis was conducted by testing and estimating causal relationships between research variables simultaneously. Furthermore, the test results are used to test the research hypothesis that has been described earlier. The interval scale used to show the respondent's assessment is with a Likert interval of 1 to 5. The number 1 indicates a very disapproval rating (very low), and the number 5 indicates a very agreeable (very high) assessment.

MEASUREMENT RESEARCH VARIABLE

Relationship value was measured based on Biggemann and Buttle's (2012) scale. It was a second-order construct consisting of four dimensions, i.e., personal value

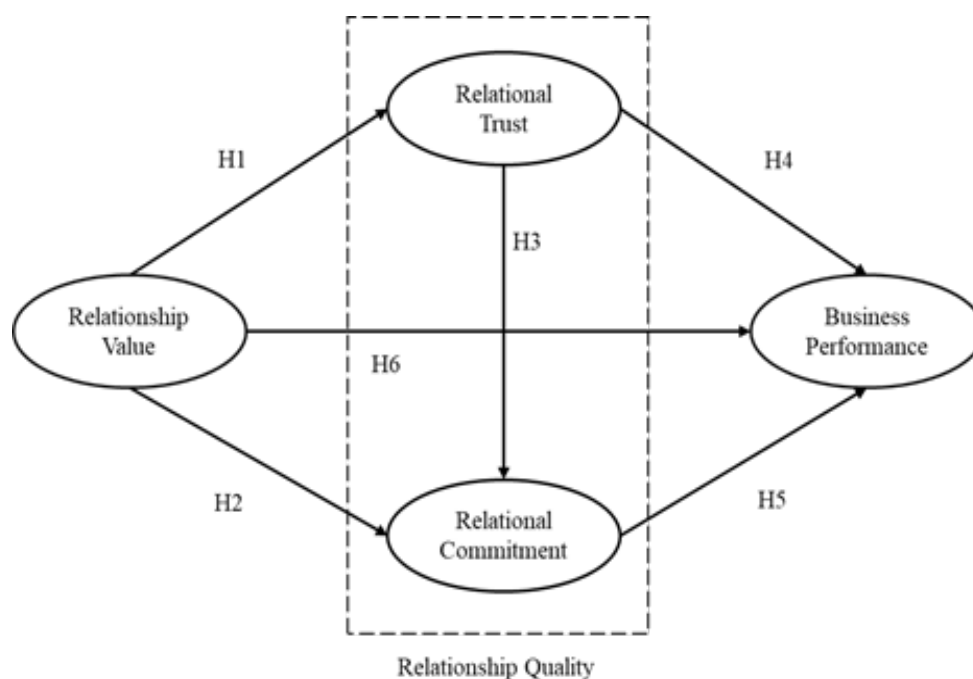


FIGURE 1. Research framework

TABLE 2. The characteristics of Indonesian SMEs

Entity	Value of Assets (Excluding Land and Buildings) in rupiah (IDR)	Annual Sales in rupiah (IDR)	Number of Employees
Micro	Assets less than 50 million	sales less than 300 million	1–4
Small	Assets 50–500 million	sales 300 million–2.5 billion	5–19
Medium	Assets 500 million–10 billion	sales 2.5 billion–50 billion	20–99

Source: Indonesia Law Number 20 of 2008, Ministry of Cooperatives and SMEs

(measured by three items), financial value (three items), knowledge value (three items) and strategic value (three items). The scale of relation trust was measured using Mbango (2017); Morgan and Hunt (1994); and Walter et al. (2000) developing, and maintaining successful relational exchanges-constitutes a major shift in marketing theory and practice. After conceptualizing relationship marketing and discussing its ten forms, the authors (1. The scale of relational commitment was measured using Morgan and Hunt (1994); Nyaga et al. (2010) and Palmatier et al. (2013) developing, and maintaining successful relational exchanges-constitutes a major shift in marketing theory and practice. After conceptualizing relationship marketing and discussing its ten forms, the authors (1. Business performance was measured by 4 items. These measures were developed by Turkkantos (2014); Ulaga and Eggert, (2006); Witek-Hajduk and Napiórkowska (2017). The questionnaire was initially prepared in English and then translated into Indonesian by an academic who is fluent in both languages. In turn, back translation was undertaken to ensure the equivalence of meanings.

constructs of relationship value. This procedure was administered using the structural equation modeling (SEM) approach following the practice of previous studies (Londoño et al. 2016; Ulaga & Eggert 2001, 2005). Generally speaking, this study considers first-order relationship value constructs as reflective and second-order constructs as formative (Lewin et al. 2008; Ruiz-Martinez et al. 2018; Ulaga & Eggert 2006). However, the specification of a relationship worth relationship value model should ensure that the causative relationship is correct. Most of the marketing literature that discusses relationship value focuses on the trade-off between benefits and sacrifices. A more comprehensive perspective on building relationship value was developed by Biggemann and Buttle (2012). This research integrates the concept of value based on the relational approach, that relationship value in business is more than the concept of cost and benefits. Four dimensions of relationship value are personal value, financial value, knowledge value and strategic value (Figure 2).

RESULTS

In order to realize our research objective, it had been necessary to design a model of first and second-order

FEASIBILITY OF RESEARCH MODEL

The questionnaire data were analyzed using Structural Equation Modeling (SEM) with the help of LISREL 8.8 software. Multivariate analysis was conducted by testing and estimating causal relationships between research variables simultaneously. Furthermore, the test results are

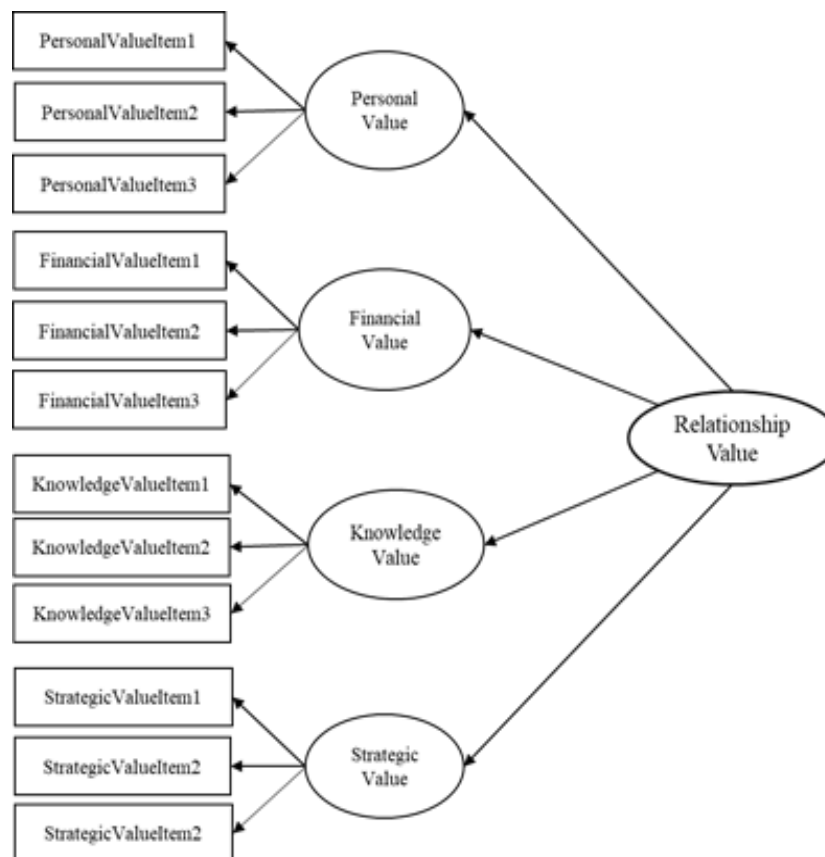


FIGURE 2. Second-order factor for relationship value dimensions

used to test the research hypothesis that has been described earlier. Testing of this research model was conducted using structural equation modelling (SEM). In addition to being known as the analysis of moment structures, this statistical analysis is used to simultaneously estimate several separate but interconnected regressions. Unlike regression analysis, with SEM, there can be several dependent variables, and these dependent variables can be independent variables for other dependent variables. In other words, SEM can be used for research models in which there are intervening variables as in this study.

SEM is a multivariate statistical technique that combines aspects in multiple regressions that aim to test dependent relationships and factor analysis with many variables used to estimate a series of dependent relationships that affect each other together. SEM data processing techniques with confirmatory analysis method were used in this study. Observed variables describe one latent specific variable. As a testing method that combines factor analysis, trajectory analysis and regression, SEM is more of a confirmatory method than an explanatory method to evaluate dimensions or indicators submitted based on previous research. SEM has two elements or models, namely structural models and measurement models.

MEASUREMENT MODEL

Measurement model analysis is used to ensure that all indicators or observed variables are qualified or valid and have good reliability. There are four latent variables in this study: relationship value, relational trust, relational commitment, and performance. Latent variable relationship value is second-order confirmatory factor analysis (2nd order CFA) measured from 4 variables (1st order CFA), namely personal value, financial value, knowledge value and strategic value. The validity of the discriminant relates to the principle that different constructors should not be highly correlated. Discriminant validity occurs if two different instruments measuring two predicted unrelated constructs produce a not correlated score (Hair et al., 2009). Table 3 shows the correlation between the examined construction and the squared correlation between the examined constructions.

The construction validity test in this study is one of a series of SEM LISREL analysis conducted. Construct validity tests conducted include convergent validity tests and discriminant validity in first-order and second-order CFA in measurement model evaluation. Construct validity indicates the extent to which the measurement scores with an instrument reflect the theoretical

TABLE 3. Correlation between constructs

Correlation	Correlation Coefficient	Correlation Coefficient ²
Relationship Value ↔ Relational Trust	0.722	0.521
Relationship Value ↔ Relational Commitment	0.828	0.686
Relational Trust ↔ Relational Commitment	0.867	0.752
Relational Trust ↔ Business Performance	0.789	0.623
Relational Commitment ↔ Business Performance	0.831	0.691
Relationship Value ↔ Business Performance	0.766	0.587

TABLE 4. Testing of convergent validity of second-order CFA of relationship value construct

Relationship Value Dimension	Indicator	Factor Weight	Result
Personal Value	PersonalValueItem1	0.60	Valid
	PersonalValue Item2	0.71	Valid
	PersonalValue Item3	0.65	Valid
Financial Value	FinancialValue Item1	0.65	Valid
	FinancialValue Item2	0.63	Valid
	FinancialValue Item3	0.75	Valid
Knowledge Value	KnowledgeValue Item1	0.74	Valid
	KnowledgeValue Item2	0.70	Valid
	KnowledgeValue Item3	0.76	Valid
Strategic Value	StrategicValueItem1	0.62	Valid
	StrategicValueItem2	0.63	Valid
	StrategicValueItem3	0.74	Valid

TABLE 5. Testing of convergent validity of research construct

Variable	Indicator	Factor Weight	Result
Relationship Value	Personal Value	0.76	Valid
	Financial Value	0.87	Valid
	Knowledge Value	0.64	Valid
	Strategic Value	0.54	Valid
Relational Trust	RelationalTrustItem1	0.73	Valid
	RelationalTrustItem2	0.88	Valid
	RelationalTrustItem3	0.86	Valid
	RelationalTrustItem4	0.64	Valid
Relational Commitment	RelationalCommitment1	0.81	Valid
	RelationalCommitment2	0.86	Valid
	RelationalCommitment3	0.82	Valid
	RelationalCommitment4	0.70	Valid
Business Performance	BusinessPerformance1	0.79	Valid
	BusinessPerformance2	0.77	Valid
	BusinessPerformance3	0.80	Valid
	BusinessPerformance4	0.73	Valid

TABLE 6. Calculation of Average Variance Extracted (AVE)

Variable	(Standard Loading Factor) ²	n	Average Variance Extracted	Result
Relationship Value	1.74	4	0.59	Valid
Relational Trust	2.05	4	0.75	Valid
Relational Commitment	2.07	4	0.69	Valid
Business Performance	1.86	4	0.74	Valid

TABLE 7. Calculation of construct reliability

Variable	\sum (Standard Loading Factor) ²	$\sum e_i$	Construct Reliability	Result
Relationship Value	7.90	1.21	0.87	Reliable
Relational Trust	9.67	0.70	0.93	Reliable
Relational Commitment	10.18	0.51	0.92	Reliable
Business Performance	9.55	1.86	0.94	Reliable

TABLE 8. Goodness of fit

GOF Criteria	Result of Research Model	GOF Criteria	Result of Research Model
Absolute fit measures		Incremental fit measures	
Chi-Square (χ^2)	249.305	CFI	0.982
Degree of freedom	98.000	TLI	0.978
Probability	0.000	NFI	0.970
GFI	0.900	Parsimonius fit measures	
RMSEA	0.070	AGFI	0.851
RMR	0.010	PNFI	0.792
Normed Chi-Square (CMIN/DF)	2.525		

construct underlying the instrument's preparation. The construct validity for the second-order dimension CFA of the relationship value construct is shown in table 4 and for the research construct in Table 5. The loading factor value indicates the magnitude of the correlation between the indicator and its latent construct, indicating that all indicators are significant. Its means that variable constituent indicators have high consistency and can accurately measure latent variables.

The convergent validity parameter discussed in this section is the Average Variance Extracted (AVE) value. The expected AVE value is more than 0.5, indicating more than half the construct explaining the indicator. AVE is calculated using the following formula:

$$AVE = (\sum \text{Standar Loading}^2) / n$$

Where n is the number of construct indicators in the question, variance extracted values are used to measure the number of variances that the construct can capture compared to the variance caused by measurement errors. The extracted variance value comes from the total squared value of the standard loading divided by the total squared value of the standard loading and the error's total value. The variance extracted value ≥ 0.50 indicates good reliability. The results of each construct's AVE calculation can be seen in Table 6.

$$\text{Variance Extracted} = \frac{\sum \text{Standar Loading}^2}{\sum \text{Standar Loading}^2 + \sum \text{Error}}$$

In SEM analysis, the most appropriate reliability test uses construct reliability instead of Cronbach alpha (Shook et al. 2004). The most fundamental difference between construct reliability and Cronbach alpha is the existence of equivalency assumptions. In other words, construct reliability does not assume that each item/observed variable has the same loadings against latent variables (construct) in Cronbach alpha. The use of Cronbach alpha as a reliability measurement, in reality, provides lower reliability when compared to construct reliability. Shook et al. (2004) verified the construct reliability value ≥ 0.70 indicates good reliability. Reliability test results are broken down in Table 7, while to calculate construct reliability, can use the following formula:

$$\text{Construct Reliability} = \frac{(\sum \text{Standar Loading})^2}{(\sum \text{Standar Loading})^2 + \sum \text{Kesalahan Pengukuran}}$$

STRUCTURAL MODEL

Once SEM assumptions are viewed, the next thing is to determine the criteria to evaluate the model and the influences displayed in the model. Hair et al. (2009) suggest that there is no single statistical testing tool to measure or test hypotheses regarding models in SEM analysis. Generally against the different types of

fit indexes used to measure the degree of conformity between the hypothesized model and the data presented. Researchers are expected to conduct tests using several fit indexes to measure the veracity of the proposed model. Some of its conformity indexes and cut-off values are used in testing whether a model is accepted or rejected. Research model can be seen from the overall fit point, close fit to the base model, and parsimony model. Based on this, Hair et al. (2009) then grouped the goodness of fit index (GOFI) into three parts, namely absolute fit measures, incremental fit measures, and parsimonious fit measures. Table 8 shows the indices used to test the feasibility of the model in this study and its results.

According to (Hair et al. 2009), the model's match assessment is assessed based on how many model sizes can be met by the research model. The more match target values of the Goodness of Fit Index size that the model meets, the better the research model. Therefore be concluded that overall the model has good GOFI. The structural model results in this study, using a two-sided t-test with a significance level of 95 % or an α of 5%, the influence of one construct on another construct is significant when the t-value of statistics show t-value > 1.96 . Analysis of the model shows that it entirely supports the hypothesis (table 9).

DISCUSSION

The first hypothesis analysis results, data support the model that relationship value positively affects relational trusts. It is evidenced by the standardized coefficient of estimate (β) of 0.72 and the t-value of 9.85. This study shows that relationship value is a factor that influences relational trusts in business-to-business relationships between manufacturers- retailers. The higher the relationship value created, the higher the relational trust felt by retailers. Manufacturers, if they want to develop relational trusts, need to increase their attention to the value of relationships. Increased profits with manufacturers are the main factors that most influence the relational trust that retailers feel.

A study conducted by Ulaga and Eggert (2006) supported the results of this research hypothesis test that the value of the relationship is significantly and positively related to satisfaction and commitment. While Golicic and Mentzer (2006) set commitment and trust as a dimension of the magnitude of the value of the relationship. Trust is an important factor in the relationship of manufacturers and retailers because in a cooperative relationship, the two are based on mutual trust. The value of relationships contributes to generating trust. A widely used study in relationship marketing is the commitment-trust theory presented by Morgan and Hunt (1994) that building trust as a key mediation variable is important for relational exchange. In the manufacturer and retailer relationship, retailers will choose suppliers who are considered to have reliability and honesty and

TABLE 9. Result of structural model

	Hypotheses	Path Coefficient	t-value	Result
H ₁	Relationship Value → Relational Trust	0.72	9.85	Supported
H ₂	Relationship Value → Relational Commitment	0.42	6.16	Supported
H ₃	Relational Trust → Relational Commitment	0.56	7.43	Supported
H ₄	Relational Trust → Business Performance	0.27	2.23	Supported
H ₅	Relational Commitment → Business Performance	0.39	2.46	Supported
H ₆	Relationship Value → Business Performance	0.25	2.44	Supported

show interest in creating profits. Another study supporting this hypothesis is that conducted by Badenhorst-Weiss and Tolmay (2016) revealed a strong correlation between trust and relationship value that trust between buyer-sellers in the supply chain is very important and leads to better value in relationships.

Statistical test results from this research hypothesis support the model that relationship value positively affects relational commitment. Relationship value is an important factor as a driver of the creation of relational commitment in business-to-business relationships between manufacturers and retailers. The higher the relationship value created, the higher the relational commitment felt by retailers. In addition to relational trust, relationship values also contribute to generating relational commitments. From the data analysis, it is known that the value of relationships affects the commitment of retailers to establish cooperative relationships. Empirical evidence from this study is that commitment is used by all partners involved in cooperation. Theoretically, these findings further reinforce that Jap (2012) and Wagner and Lindemann (2008) have researched that there is an influence on the value of relationships to commitments in cooperation. This study proves that relational trust is the dominant variable that influences relational commitment in generating business performance. These results reinforce the studies conducted by Morgan and Hunt (1994), which verified that trust is the main basis for building a commitment between organizations to establish more intense cooperation because it is awakened from positive behaviours. The results of this study also support the results of the studies Huntley (2006) and Ryssel et al. (2004). Thus, relational commitment is a very important variable in building, maintaining and fostering relationships. The quality of relationships in cooperation between organizations is reflected in the commitment of business people. Relational commitment will be higher when both parties underlie each relationship with mutual trust and will become more value creation derived from sharing value between manufacturers and retailers to strengthen cooperation relationships in the long term. These findings support the theory of social exchange theory and commitment trust theory, that social relationship is built based on the positive behaviour of businesses.

The data supports the model that relational trust and relational commitment variables affect performance.

These results support studies conducted by Lindgreen and Wynstra (2005) and Palmatier et al. (2006) that relationship marketing can improve loyalty and firm performance through relational mediators, such as trust, commitment and relationship satisfaction. The theory of social exchange from a dyadic perspective shows that social attributes, such as trust and commitment, are the main drivers of performance exchange relationships. The study results also support studies conducted by Krause et al. (2007) that commitment has a direct positive impact on performance. Performance improvements will be possible when companies commit to long-term partnerships. The commitment will deliver mutual benefits between manufacturers and retailers in supply chain relationships. This study confirms the results of a study from Morgan and Hunt (1994) that identified commitment as a key mediation variable of relationship marketing. That relational commitment is defined as a lasting desire to maintain the value of a relationship. This research proves that the creation of relationship value can produce relational commitments between manufacturers and retailers. It is based on the belief that committed relationship partners are unlikely to switch even if a competitor manufacturer provides a better offer. A high commitment will help stabilize the relationship and reduce perceived risk that affects performance between the two parties.

Based on the results of statistical tests, it is known that the data supports the model, so it is concluded that relationship value variables do not affect performance. This study supports research conducted by Nguyen and Nguyen (2011) verified that relationship value has a positive impact directly on marketing performance. Relationship value has a positive impact on a retailer's performance, which can be defined as a real perceived achievement of the relationship result. Business performance for both partners is the result that is achieved from the cooperation relationship. Satisfaction indicates that the results received by retailers are in line with their expectations or even under wraps. The cooperation of the two is done based on a mutually beneficial relationship in which neither party is harmed.

In turn, more broadly, the presence of market orientation and its impact on business performance is reported from company perspectives within an industrial firm (Bigne & Blesa 2003; Mirzaei et al. 2016; Narver & Slater 1990; Raina 2016). Market-oriented companies

need an understanding of their customers, and a customer check can show the relationship between company and customer perception. The internal perspective assumes that informants have a purpose and an accurate understanding of their market orientation of the company. That there is a disconnect between what managers think about customers understanding of their company's product offerings and what they have done (Kozlenkova et al. 2015). Performance improve the company's competitiveness can be made through the development of organizational culture focused on understanding the market's needs, the desire and demand of the market that is market-oriented. The same conclusion was also given by Powers and Kennedy (2020). Market orientation contributes significantly to improving several corporate competencies that can drive high performance in cost and success in providing new services. The achievement of good performance is a contribution of the dynamic strategy and several success factors. Including commitment, carrying capacity, strong team management, ability to develop and maintain business continuity; using the right strategy approach; able to identify and focus on the market (market-oriented); have a vision, leadership ability and good relationship with customers or clients (Ledwith & Dwyer 2009).

In B2B context, the manufacturer and reseller are in a partnership to deliver value. This relationship includes competition and conflict. In this relation, the quality of a relationship for any single player depends on the relationship's quality and strength. Relationships value as a focus of marketing strategy aids in understanding retailers' needs and wants, which is useful to implement profitable exchanges. It also helps to customize solutions to important retailers more efficiently than otherwise, helps in achieving satisfaction. In addition, relationship value aids in obtaining increased trust and commitment from the retailers; this is important if businesses have to be sustained for extended periods. Relationship value leads to partnering, and partnering leads to profitable exchanges. Relationship value with retailers helps even out volatile demands. It also protects the emotional well being, furthering the retailers understanding and interactive processes. Relationship value is one of the supports to systematic action setting in competitive marketing strategy.

CONCLUSION

This paper contributes to the study of business relationships between manufacturers and retailers using a network approach. The results of this study support the idea of many actors forming the context in which interactions occur and explain differences in the value assessment of relationships from a traditional cost/benefit approach. This paper expands on current typology and offers operational definitions for four-dimensional relationship values in the context of business-to-

business marketing that distinguishes between the value of goods and services from the value of buyer-seller relationships. A business-to-business relationship can provide a value of four dimensions. It is characterized by some sub-dimensions that depending on the context in which built the relationship. Based on the analysis and discussion described, that a concluded that relationship value positively affects the performance of retailers, either directly or through relational trust and relational commitment. Relationship value between manufacturers and retailers will create relational trust and relational commitment in establishing cooperative relationships.

The direct influence of relationship value on performance has a higher total effect than relational trust and relational commitment mediator variables. This result is in line with a study conducted by Nguyen and Nguyen (2011), which found that the value of relationships has a positive impact directly on marketing performance. The value of a relationship positively impacts the distributor's performance, which can define as the manifest perceived achievement of the result of the relationship. The meaning of the results of this study is that the value of relationships can directly improve business performance. For retailers, the creation of relationship value alone is sufficient to improve performance. With more and more competitors in the building materials market, each manufacturer will provide a more competitive offer in establishing cooperation. The relationship between manufacturers and retailers is part of relationship marketing based on the theory of social exchange. In this theory, the relationship of cooperation is carried out with a relational approach where trust and commitment are the main determinants in the relationship's success. This result follows a study conducted by Palmatier (2008) which examined the theory of social exchange of dyadic perspective.

MANAGERIAL AND RESEARCH IMPLICATION

This research proves the relationship between relationship value, relational trust and relational commitment. These findings can help manufacturers understand that relationship value can directly affect the retailer's business performance. Therefore, manufacturers should increase relationship value to retailers and grow relational trust and relational commitment to achieve goals. In particular, the findings of this study have important significance in the managerial implications. First, it concerns the positive impact of relationship value in the business-to-business market. Relational trust and relational commitment are mandatory qualifications that must build in cooperation relationships because manufacturers will always be oriented to achieve long-term goals with sustainable results. The study shows that the relationship value path shows positive signs, which means that the higher relationship value is expected to remind relational trust and relational commitment.

Second, the real influence of relationship value on business performance is an important finding to be taken into account for manufacturers. The characteristics of different retailers both have realistic expectations towards manufacturers.

Results of this study are beneficial to both scholars and practitioners. This paper describes a study confirm that relational trust and relational commitment bring significant benefits in cooperation. Manufacturers should pay close attention to developing both factors. The value of such efforts will be evident when high levels of competition threaten market share and the stability of the retailer's network. This study shows that trust and relationship commitment are important assets. By understanding the factors that create relationship value, providers are more likely to build lasting relationships with their retailers. The findings confirm that trust and commitment affect the value of relationships, which in turn affect benefits such as performance, efficiency, reliability, and comparative costs.

Finally, this study introduced relationship value as second-order construct in a theoretical relationship management framework, in manufacturer-retailer context. The aim of this research has been to conceptualize relationship value and to verify this concept with relationship quality and performance model through a field study. The empirical results strongly support the relevance of relationship value in B2B relationship and justify an addition to relationship marketing theory. In accordance with existing literature, this study found strong support for the positive effect of relationship value on trust and commitment, and the positive effect of trust on commitment in business performance. As expected, relationship value has on its part a strong positive effect on performance.

LIMITATION AND FURTHER RESEARCH

This study has limitations. First, the study of relationship marketing always leads to the creation of long-term harmonious relationships. Studies in relational marketing studies are mainly based on the theory of social exchange: trust, commitment, satisfaction, loyalty, the effectiveness of communication, etc. This research only discusses relational belief theory and relational commitment, whereas in its implementation, relational marketing requires other aspects such as technology, social responsibility and ecology. Therefore, future studies are recommended to build a more comprehensive theoretical and empirical study to contribute to the enrichment of relationship marketing studies. Second, the samples in this empirical research come from the relationship between manufacturers and retailers in the building materials industry in Indonesia. Although the industry characteristics are general, the relationship between relationship value, relational trust, and relational commitment can vary in different industry contexts.

Therefore, empirical research in the future can be done on multiple industries.

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Prita Prasetya (corresponding author)
 School of Business and Economics
 Universitas Prasetiya Mulya
 BSD City Kavling Edutown I.1 Tangerang, INDONESIA.
 E-Mail: prita.prasetya@pmbs.ac.id

Mukhamad Najib
 Department of Management
 IPB University.
 Jl. Raya Dramaga Kampus IPB Dramaga, Bogor, INDONESIA.
 E-Mail: najib@apps.ipb.ac.id

Agus W. Soehadi
 School of Business and Economics
 Universitas Prasetiya Mulya
 BSD City Kavling Edutown I.1 Tangerang, INDONESIA.
 E-Mail: aws@pmbs.ac.id

APPENDIX A

Items

Personal Value

It is easier to work with the main supplier
There is better interaction between the main supplier's people and ours
We can address problems more easily with the main supplier

Financial Value

The main supplier's product offers value for money
The main supplier's product is a good product for the price
The main supplier would perform consistently

Knowledge Value

The main supplier provides information about the current market conditions
The main supplier provide complete information about products
We exchange information with suppliers to improve cooperation

Strategic Value

The main supplier provide long-term planning with us
The main supplier cooperation plans in accordance with our expectation for the future
The main supplier provide opportunities to cooperate with other profitable parties

Relational Trust

This main supplier is trustworthy
This main supplier is keep promises
This main supplier is fair
This main supplier is reliable in this business

Relational Commitment

We'd like to continuing doing business with this main supplier
We intend to do business with this main supplier well into the future
We are resolute to continuing doing business well into the future
This main supplier always try to maintain a harmonious relationship with us

Business Performance

This relationship has increased our profitability
This relationship has reduced our order cycle times
This relationship reduced our order cycle times
This relationship reduced our inventory