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FACULTY OF ECONOMICS

MASTER'S THESIS

**AN ANALYSIS OF SUPPLIER SATISFACTION: THE CASE OF SPAR  
SLOVENIA**

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## **AUTHORSHIP STATEMENT**

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## INTRODUCTION

Globalization has not only increased the level of competition between large organizations, but has also augmented it to the level of networks, bringing to the forefront a growing importance of supply chains and their management (Rašković, 2012). Therefore, internal efficiency within an organization has become insufficient without effective supply chain management (hereinafter: SCM), (Tan, Lyman, & Wisner, 2002). Through effective SCM organizations have better potential to build a long-term and sustainable competitive advantage in the market, as well as increase organizational profitability and long-term prosperity. SCM has thus become a strong “weapon” with which organizations gain competitive advantage in the market. Indeed, organizations need to direct their strategies and processes to supply chain excellence (Li, Ragu-Nathan, & Ragu-Nathan, 2006).

In the contemporary global marketplace, supply and procurement are gaining significant importance within organizations, making SCM an increasingly strategic function. Managers have noticed that purchasing and supply do not present a sufficiently exploited source of savings in companies, because each saving on the supply side can positively affect company’s business and the bottom line. In each organization, there are some resources which are idiosyncratic and are not easily copied or acquired in line with the so-called Resource-based theory of competition (Hunt & Morgan, 1996). As such, they present a source of long-term competitive advantage. Some of them may in a SCM context include: very knowledgeable employees, efficient production processes, competences and processes, strong relationships with “best” suppliers etc. (Hunt & Davis, 2008). This shows that SCM has adopted an increasingly relationship-based and resource advantage focused approach to supply and procurement, going well beyond traditional procurement processes and optimization (Kraljič, 1983).

A company’s ultimate marketing goal is to provide the final user with the appropriate “value” by offering better quality products and/or services through value-adding relationships against the backdrop of an appropriate cost-time-service equation (Khan, Liang, & Shahzad, 2015). In order to achieve this goal and create strong barriers for competitors, organizations have to build trusting, long-term and value-adding relationships with other parties in their supply chains. Relying on suppliers’ knowledge and experiences will lead to increased information flows, reduced uncertainty, and consequently to higher performance, which increase financial performance (Khan et al., 2015).

Satisfaction is a key dimension of any relationship and a cornerstone concept within the so-called Relationship paradigm in marketing. In the relationship marketing literature, relationship quality presents a central strategic outcome and assessment of the relationship. It contributes to the improvement of loyalty, collaboration, planning, security and business continuity (Moliner, Sanchez, Rodriguez, & Callarisa, 2007). Woo and Ennew (2004, p. 1256) define relationship quality as “an overall evaluation of the strength of a relationship

between a buyer and seller”, and according to Dorsch, Swanson, and Kelley (1998) and Crosby, Evans, and Cowles (1990), relationship quality is a high-order multi-dimensional construct of trust, commitment and satisfaction between the exchange partners in a particular relationship. However, satisfaction is often used as a proxy to measure the quality of a relationship between two or more parties. In the economic and management literature, the so-called satisfaction concept is present in a plethora of study areas. For example, Flint, Blocker, and Boutin (2011) point to over 50 years of empirical research on satisfaction, turning it into a central theme within marketing (Oliver, 1996).

There are many studies dealing with customer satisfaction in buyer-supplier relationships. At the same time, companies usually do not assess how satisfied suppliers are with their business relationship (Spekman, Kamauff, & Myhr, 1998). Even more, many large organizations focus their attention, research and resources only on end-customers and on end-customer satisfaction.

Supplier performance evaluation is an important issue in practice. Organizations usually rate their suppliers according to their performance along a series of Key Performance Indicators (hereinafter: KPIs). Based on the results of such analyses, organizational buyers take certain actions which can lead to the creation of stronger relationships or decreased cooperation. Often, they may also lead to a termination of the relationship. However, good organizations devote much attention to each part within the supply chain. The basis of competitive advantage is product differentiation and/or cost reduction. Since nowadays, the competition has gone beyond supply chains, organizations necessarily need to think in the direction of value creation within supply chains and networks. In a supply chain, value can be created through the supply process differentiation and/or supply chain integration (Vijayan, Kamarulzaman, & Mukherjee, 2016). Thus, in order to increase overall performance, the opinions, processes and actions of all integrated members of the chain are important. Allowing suppliers to rate them too, is an effective feedback for organizations, for their future performance. Reciprocal dyadic satisfaction is thus “key” to maintaining a strong buyer-supplier relationship in the future (Meena, Samarah, & Sinha, 2012).

Taking into consideration satisfaction of all interest groups, that an organization is doing business with, is crucial for achieving greater market success. SCM implies joint efforts of optimizing value creation for end customers along the whole supply chain, as well as value creation by and for all members of a supply chain (Kaufmann, 2002). The American Marketing Association (hereinafter: AMA) defines marketing as: “the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large” (Definition of marketing, 2013). Relationship marketing theory, on the other hand, emphasizes the impact of long-term value-adding relationships on the overall performance of the organization (Morgan & Hunt, 1994). Therefore, value creation could present a central dimension for the existence of satisfaction among all parties of the chain.

The **purpose** of my master thesis is to address the issue of supplier satisfaction in an inter-organizational business context, and thus contribute to the under-studied literature on supplier satisfaction in industrial marketing compared to that in the consumer marketing literature. A key **goal** of my research is to analyze the antecedents and determinants of supplier satisfaction. I do this within the bakery division of Spar Slovenia, where I currently work. In this regard, my research approach is a company case study. I employ both a personal semi-structured interview and a survey, in terms of methodology. Other goals of my master thesis are as follows:

- To define and analyze the concept of supplier satisfaction.
- To present a theoretical framework of supplier satisfaction outlining its antecedents, determinants and outcomes (consequences).
- To identify and analyse key determinants of supplier satisfaction within Spar's bakery division.
- To make recommendations for improvement to Spar Slovenia and its bakery division in the area of monitoring and managing satisfaction of their suppliers.

I have structured my thesis into three substantive parts. In the first section, Chapters 1, 2, and 3 explain the theoretical concept of SCM and present a theoretical framework of supplier satisfaction. Firstly, I present the framework of SCM and its key components, with the emphasis on the supply function within an organization. Within a broader SCM context, buyer-supplier relationships represent the main theoretical core of my research. Afterwards, I continue with the study of the satisfaction, and look at its antecedents and determinants.

In the second section, I present the retail and food-processing industry in Slovenia. This is followed by the presentation of the retailer Spar Slovenia with strong emphasis on Spar's bakery division, which is the empirical setting of my research. Most of the focus is on the current relationships with its suppliers, raw materials, equipment, and final products they are producing and selling. The most important thing for Spar bakery is to have stable suppliers that offer the best quality materials. Their philosophy is to produce high-quality products, which is only possible by using high-quality raw materials.

The third section includes the empirical part of my research. I first outline and explain my research process and then present the results of my research. I end this part by presenting managerial recommendations for improvements considering both the overview of the literature and the results of my analyses. By analysing the survey results, I got an important insight into suppliers' satisfaction in cooperation with Spar's bakery division. Based on it, I identified some shortcomings in the existing SCM system and suggested some improvements.

# **1 SUPPLY CHAIN MANAGEMENT**

As a concept, supply chain management (hereinafter: SCM) evolved from two separate paths: logistics management and purchasing management (Tan, Handfiel, & Krause, 1998). The importance of logistics dates back to military warfare and the old times, but the modern procurement and organizations management has pushed organizations to develop it into a much broader concept and independent field of study. Since logistics present the effective management of product and/or information flows in a certain single plan business, supply chain as a much broader concept emphasizes the management of different “relationships” between the involved member of a chain with the desire to create a mutually profitable environment and added value (Christopher, 2011). Christopher (2011, p. 3) defines SCM as: “the management of upstream and downstream relationships with suppliers and customers in order to deliver superior customer value at less cost to the supply chain as a whole”.

With increased specialization and focus on one’s “core competencies”, outsourcing and sourcing have become key aspects of SCM (Raskovic, 2012). Global sourcing brings to the forefront uncertainties and risks. In order to ensure affordable important materials or semi-products in the long-run, organizations’ management have to learn how to deal with them. Kraljič (1983) has directed the study of supply and procurement processes within organization toward changing the general perspective of the operational function of purchasing to the strategic function of supply management. The importance of supply management becomes higher whenever procurement is found to be more complex, uncertain, physically hard available, or requires higher technological development (Kraljič, 1983).

The central dimension in SCM development is value creation. However, effective SCM strategies consequently create benefits for all participants in the chain by enabling them to achieve and sustain a competitive position in the market (Kaufmann, 2002). According to Porter’s value chain concept, organizations can achieve competitive advantage and efficiently deliver value to the customer by following nine value chain activities more efficiently than their competitors (Porter, 1985). The Porter’s value chain includes five primary activities: inbound logistics, operations, outbound logistics, marketing and sales, and service, and, four support activities: firm infrastructure, human resource management, technology, and procurement (Porter, 1985). Therefore, organizations must tend to develop SCM strategies that facilitate the creation of superior value and link it to their competitive advantage.

## **1.1 Structure of a supply chain**

Almost every organization is a participant in the transformational process of goods from raw materials to final products distributed to the end consumer. All these participants – be it manufacturers and/or service providers – are linked in what is called a supply chain. Yet, this link doesn’t necessarily need to be a linear one; hence the often use of the term supply network. This network is linking organizations together through flows of material/products,

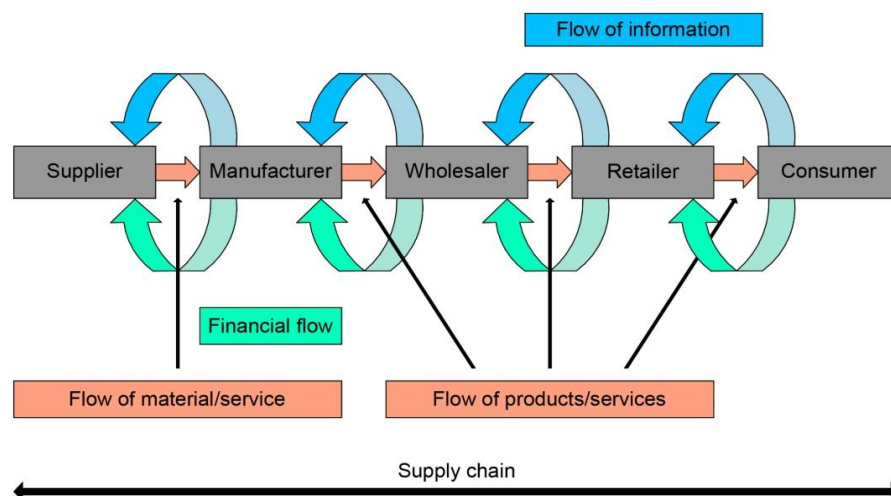


information, and/or finances. Such networks are usually complex, because they do not link together only different actors, but also different resources and activities. The Activity-Resource-Actor (hereinafter: ARA) interaction model distinguishes three elements of business relationships (activities, resources, and actors) and three different levels (individual, dyadic, and the network), with the interaction as a central dimension in B2B marketing concept (Medlin, 2004; Rašković, 2015). The formation of business relationships to achieve goals without interaction is not enough, because actors themselves present only a third of the model (Rašković, 2015). Thus, networks need to be managed interactively and properly. To what extent the supply chain needs to be managed depends on many factors (resources, capabilities), from which the most important are availability of raw materials, number of suppliers, and the complexity of products. In order to deeply understand SCM and its concept, we need to firstly define a supply chain and its components.

Christopher (2011) and Mentzer et al. (2001) came to similar conclusions. Christopher (2011, p. 13) defined a supply chain as: “the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate costumer”. Mentzer et al. (2001, p. 4) tried to make a “more” general definition of a supply chain: “a supply chain is a set of three or more entities, organizations or individuals who are directly involved in the upstream and downstream flows of products, services, finances, and information from a source to a customer”.

According to Kovačič, Jaklič, Indihar, and Groznik (2004), a supply chain presents the sequence of links and intertwined processes between suppliers and buyers. It usually includes several actors, which are adding some value to products at each phase, as shown in Figure 1.

*Figure 1. A supply chain and its different flows*



Source: Adopted from A. Kovačič et al., *Informatizacija in prenova poslovanja*, 2004, p. 281.

These links include all activities, from the supply of raw materials up to the sale of final products. At each level, raw materials come to a certain supply chain representative, who can either transform them into products and sell out to final customers, or let the other supply chain representatives use them as materials.

Links between members of the chain can be uni- or bi-directional, upstream or downstream the chain. As mentioned before, we can distinguish between several different types of flows: physical (in the form of products or services), financial, informational, and/or knowledge flows. Uzzi (1997) says that a network of inter-organizational relationships presents a depository of information and knowledge sharing, which can foster a joint problem solving approach. However, we cannot say that physical flows are more important than the others, just because they are more directly related to a final product which satisfies a consumer. The monitoring of other flows is also important for the proper functioning and response of the supply chain (Ayers, 2004).

Even though it looks like the flow of products/services is from the supplier to the buyer, informational flow is usually in the reverse direction. Buyers give the information about demand, which directly influences the whole supply chain. All members of the chain need to decide about the capacities and processes in addition to meeting consumers needs as fast as possible. Information flow, thus, becomes important for the whole supply chain, but it requires much attention because of the so-called **bullwhip effect**. The amplitude of the information increases among a supply chain in the same way as the amplitude of a whip. Consumers show their real demand, retailers than adjust their orders and forecasts to wholesalers, wholesalers to manufacturers, manufacturers to suppliers, etc. so the initial information gets distorted, which consequently causes an inefficiency in a supply chain (The economist, 2002). It is necessary for all partners to work together in order to avoid the bullwhip effect, or at least minimize it. Moreover, many organizations implement informational software for mutual planning and fast exchange of information (The economist, 2002; Herlyn, 2014). Buyers can also influence the costs, which can appear because of the inefficient product storage and its transportation. Financial flows are important for an undisturbed business and they protect business from possible termination of operations and activities.

Larger organizations are usually participants in myriad supply chains. In Slovenia, there are companies that take parts in supply chains as suppliers of certain products/components. While in other supply chains, they take parts as partners in development, but, they still appear as customers of raw materials or semi-products in some other chains etc. Thus, we can say that supply chain networks can be extensive and complex. Depending on complexity, Mentzer et al. (2001) distinguish between three different types:

1. A direct supply chain: it consists of a company, a supplier, and a customer.
2. An extended supply chain: it includes suppliers of the immediate supplier, as well as customers of the immediate customer.

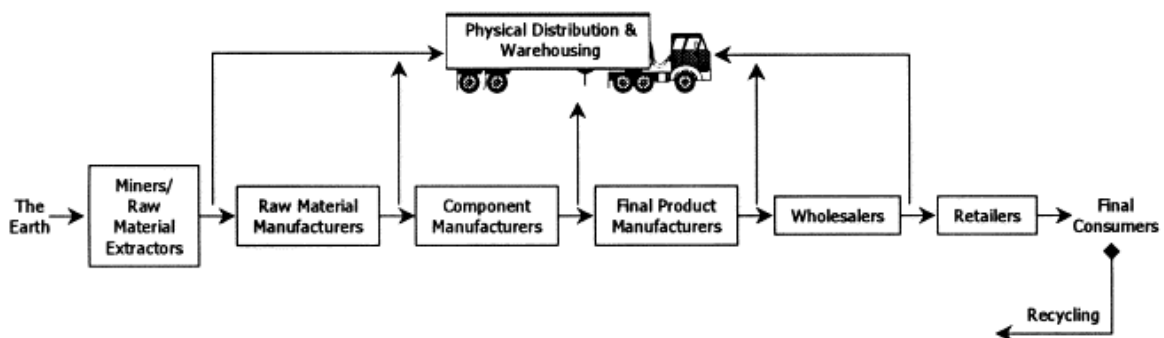
3. An ultimate supply chain: it includes all the organizations involved in all the upstream and downstream flows.

## 1.2 Activities and firms in a supply chain

Even though each supply chain is unique and can include many idiosyncratic actors, resources and activities (ARA interaction model), New and Payne (1995) have tried to create a general scheme of a supply chain. As described before, SCM defines organizations in context of participants in the transformational process of goods from the very raw material to the stage of final product distributed to the end consumers, underlined by a value-adding logic.

Based on the New and Payne (1995) framework (shown in Figure 2) a chain begins with the extraction of minerals and raw materials from the earth. Then it continues to production/manufacturing at different stages, depending on final product complexity (i.e. for some consumers the final product will be flour which requires less processing, for others maybe a mobile phone, which requires processing on several different levels). Thus, we have raw material manufacturers, component manufacturers, and final product manufacturers. The chain concept continues with wholesaling and retailing, until final product reaches the end consumer. Appropriate SCM also includes recycling or re-use of final products/materials, which can nowadays present the not so trivial share of the organizational profit, and firm's ecological policy.

Figure 2. Activities and firms in a supply chain



Source: S. J. New & P. Payne, *Research frameworks in logistics: three models, seven dinners and a survey*, 1995, p. 65.

Beside the elements presented in Figure 2, there is a very complex network of actors, resources, and activities (Rašković, 2015), which are mutually linked, and which create a unified value-adding organizational network. In that context, SCM usually includes the following activities: planning, product development, sourcing, production/manufacturing, assembly, transportation and logistics, distribution, delivery and after purchase activities (product support and service) (New & Payne, 1995).

General supply chains typically include internal divisions and external suppliers which are in charge of input provisions. It usually happens that one supplier recommends to a company his own another set of suppliers (also called second tier suppliers). Supply chains present a series of linked suppliers and consumers from raw materials to the final products in hands of the final consumer (Handfield & Ernest, 2002).

### **1.3 Supply chain management**

The traditional logistics and purchasing role has in the last two decades gradually evolved into a new approach known as supply chain management (hereinafter: SCM). SCM has evolved from two separate paths: purchasing and supply management, and transportation and logistics management (Tan et al., 1998). Most of the literature emphasizes the purchasing and supply perspective (Kraljič, 1983; Lamming & Hampton, 1996), where authors point that purchasing and supply management should be a basic strategic process, and not a supporting function to business strategy. The transportation and logistics literature, on the other hand, emphasize the importance of efficient physical distribution from manufacturer to the final consumer. Thus, logistics and physical distribution present an important function of business which has been integrated into strategic SCM (New & Payne, 1995; Christopher, Magrill, & Wills, 1998). Over the years, myriad authors have realized that all value-adding activities within a value chain are important to the overall business planning process, so they have integrated the two theoretical streams into a common SCM perspective (Harland, Lamming, & Cousins, 1999).

SCM deals with the management of business processes and relationships with other members of the chain which provide products, services and information. It is not the management of one-to-one businesses but the management of myriad relationships within a network. So, we can define SCM as the management of multiple relationships along the whole supply chain. As Lambert and Cooper (2000) point out, SCM tries to capture synergies of intra- and intercompany integration. And the International Centre for Business Excellence (1994) defines a supply chain management as: “the integration of business processes from end user through original suppliers that provides products, services and information that add value for customers and other stakeholders”.

If we simplify, we can imagine SCM as a chain linking all elements of the production and supply process, from raw materials up to the end customers, encompassing different organizational entities (New & Payne, 1995; Scott & Westbrook, 1991). We can say that SCM actually creates a virtual organization of many independent units with one common goal, effective management of all operations – including purchasing, demand, research and development, production, monitoring and control. It is oriented towards business process excellence in managing the relationships between all members of the supply chain.

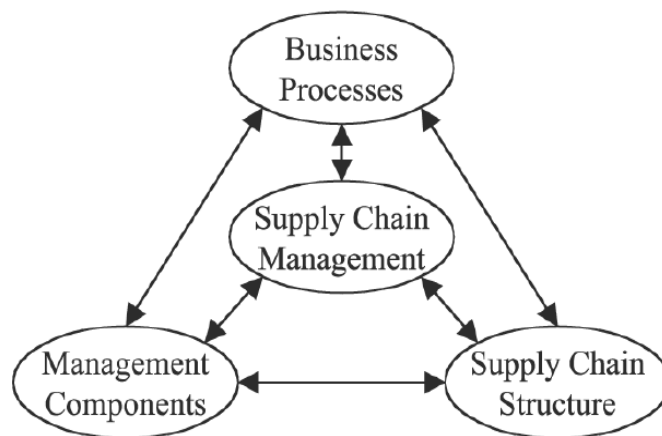
Harland (1996), for example, has classified management of business operations and the corresponding relationships according to four different levels:

1. Relationships and activities within an organization.
2. Relationships and activities with immediate suppliers.
3. Relationships and activities with first and second-tier suppliers and customers along the supply chain.
4. Relationships and activities within the entire supply chain.

#### 1.4 General structure of the SCM framework

The SCM general framework is comprised of three relatively interlinked elements: business processes and management components, which in turn correspond to the overall structure of a supply chain, as shown in Figure 3. As defined previously, a supply chain structure presents a set of companies and/or actors in a given supply chain. It is a unique network of interconnected actors willing to link their key business processes to create a value (Cooper, Lambert, & Pagh, 1997).

Figure 3. Supply chain management framework



Source: M. C. Cooper et al., *Issues in Supply Chain Management*, 2000, p. 70.

Business processes include all activities, which produce certain values for the end consumer. We can define them as a set of structured and measured activities supporting the creation of a desirable output for a specific segment or end-customer in the market. The key question that managers have is which processes to link with a certain supply chain member. In theory, we can find up to fourteen different business processes, but we will mention only eight, the most essential ones (Lambert, Cooper, & Pagh, 1998, p. 2):

1. Customer relationship management.
2. Customer service management.
3. Supplier relationship management.
4. Demand management.

5. Order fulfilment.
6. Manufacturing flow management.
7. Returns management.
8. Products development and commercialization.

Management components include all components/elements by which the business processes are managed and structured. The management of all components is very important since many management components are common to all members of the supply chain and involved across many business processes. The decision, which should be applied on each link, has to be made about the level of management and integration (Lambert & Enz, 2015).

Based on the available literature, Cooper et al. (1997) have outlined ten “components” of management relevant to a SCM context, namely:

1. Planning and control.
2. Work structure.
3. Organization structure.
4. Product flow facility structure.
5. Information flow facility structure.
6. Product structure.
7. Management methods.
8. Power and leadership structure.
9. Risk and reward structure.
10. Culture and attitude(s).

Even though the aforementioned SCM framework at the first look seems very simple, it requires huge management effort if a company wants to satisfy end consumer needs. Cooper et al. (1997) have emphasised some important facts, which can show the complexity of SCM and corresponding implications. Companies within the same chain can have different activity structures, different activities and links between activities, different names for same activities, or similar names for different activities. They can also have different number of processes, and different goals after all. ARA interaction model describes intertwining between three layers of business relationship – actors, resources, and activities - and interaction on three different analytical levels – companies, relationships, and networks (Medlin, 2002).

Since we said that SCM corresponds to a network of multiple relationships between organizations, and since some organizations can be involved in many different supply chains, there is a large possibility that their internal activities can be linked together. One company's action can ripple throughout the supply chain and endanger actions of other companies as well as end consumers (Christopher, 2011). Therefore, we can conclude that having stable links, and smartly managing key activities and business processes between the member companies, is crucial for a company to avoid the SCM risks and efficiently satisfy consumer needs.

## 1.5 The importance of “supply” in SCM

In the contemporary global marketplace, which has become more turbulent and uncertain, supply and procurement are gaining significant importance within organizations. Because of higher competition, it is more difficult to obtain higher profits. Managers have noticed that purchasing and supply are not enough exploited sources of savings, especially if we take into consideration the fact that each saving on the supply side positively affects a company's business and the bottom line. Ford, Gadde, Hakansson, and Snehota (2003) state that supply and procurement costs can in an average B2B context represent up to 70% of total costs. Thus, supply costs can hide large potential for cost savings, if managed correctly.

In the previous section, we could see that many authors have tried to define SCM in their literature, but actually, there is no generally accepted definition of SCM. As mentioned before, SCM has evolved from two separate paths: purchasing and supply management, and transportation and logistics management (Tan et al., 1998). The definition of the SCM in theory covers the supply process in the whole value chain, but in practice, because of the complexity of the value chain and hard integration, it often considers only suppliers that are strategically important to an organization.

Resource-advantage (hereinafter: R-A) theory emphasises the importance of organizational resources. These, according to Hunt and Davis (2008, p. 13), present: “tangible and intangible entities that are available to an organization, and enable it to produce efficiently and effectively products or services that have value for specific market segment”. In each organization, there are at least some resources, which are idiosyncratic to the organization and are not easily copied or acquired. As such, they present a base/source of long-term competitive advantage. Some of them may be, for example: very knowledgeable employees, efficient production processes, competences and processes, strong relationships with “best” suppliers (Hunt & Davis, 2008).

In comparison to neoclassical economic theory, which identifies only land, labour, and capital as production resources, the R-A theory identifies seven major resource categories that potentially feed an organization's competitive advantage (Hunt & Davis, 2008), namely:

1. Financial resources (e.g., cash resources, access to financial markets).
2. Physical resources (e.g., plant, equipment).
3. Legal resources (e.g., trademarks, licenses).
4. Human resources (e.g., the skills and knowledge of individual employees).
5. Organizational resources (e.g., competences, controls, policies, culture).
6. Informational resources (e.g., knowledge from consumer and competitive intelligence).
7. Relational resources (e.g., relationships with suppliers and customers).

The purchasing department is more or less cooperating with almost every other vital department within the organization, such as production, sales, finances, research and development, and human resources management. Just because of these interweaving with all crucial departments and with their suppliers, the purchasing function of the company can contribute a lot to the realization of company's objectives and its competitive advantage; not least because of the so-called garbage-in-garbage-out rule.

Tan et al. (2002) emphasize that SCM's objective in the short-term is to increase productivity, reduce inventory, as well as cycle time. However, in the long-term, SCM should increase customer satisfaction, market share, and profits for all members. Thus, the purchasing role can present the most important link between suppliers and customers. An effective use of supplier capabilities can lead to improvement of SCM performance. Purchasing and material management should be considered as a basic strategic business process and not as a supporting function to business strategy (Reck, Landeros, & Lyth, 1992). In a new fast changing global marketplace, there is an increased role of the purchasing department. Therefore, it is even more important to choose and maintain connections with suppliers which will support and facilitate firms' strategy in the long-run (Ellram & Carr, 1994).

As mentioned above, strategic sourcing increases the organizational competitiveness by providing more qualitative materials which are further converted into final products with higher quality. Involving suppliers in the earliest stages contributes in creating and maintaining organizational competitive advantages. Through strategic sourcing organizations can also increase volume produced, improve product design, and achieve flexibility (Narasimhan & Das, 1999).

If we simplify, we can say that the role of the purchasing department is to supply production with quality materials at the right time by minimizing or optimizing costs. Also, by using a good strategy, the purchasing department can achieve more benefits from the suppliers, such as suggestions for innovations, additional services, priority over others etc. Successful organizations are dependent on suppliers' capabilities and performance (Krause, Scannell, & Calantone, 2000).

In an empirical examination done by Tan et al. (1998), the authors have proven that purchasing and supply can have a huge impact on organizational business practices involved in SCM, and that factors such as customer relations and purchasing practices can have positive effect on corporate performance (Tan et al., 1998). Thus, efficient SCM improves corporate performance through the efficient organization of waste materials and more effective use of supplier capabilities and technology.

In addition to being competitive in the global market place, suppliers (as the members of a supply chain) should be involved in production itself too. This can improve cost efficiency and lead to innovations in products and processes. This does not refer only to the flows of



materials, but also to the flow of information, as well as mutual technological development. It is very important to involve suppliers at the earliest stage of production – many times in the design stage already. Suppliers usually have the best knowledge of the materials/products they are sourcing to an organization. This is especially important for manufacturing companies, where involving suppliers can help the manufacturer to select the best components, raw materials, and technology; and, it leads the organization to develop better concepts and solutions (Monczka, Trent, & Callahan, 1994; Ragatz, Handfield, & Scannell, 1997).

As I've mentioned earlier, the purchasing function of a company cooperates with suppliers and partners in the sense of long-term relationships. Satisfied and loyal suppliers are providing materials even in the critical times. Thus, the choice of reliable suppliers and fair cooperation are crucial for companies in order to maintain constant quality and reliable supply with punctual deliveries. Definitely, relationships with wrong suppliers can cause unexpected and unnecessary costs, delays in supply which can afterwards cause delays in production.

## **2 COMPETITIVE ADVANTAGE AND LONG-TERM RELATIONSHIPS**

The most general definition of a competitive advantage relates to the creation of an organizational advantage position on the market relative to competition. Competitive advantage involves organizational capabilities which enable an organization to be different and better from its competitors (McGinnis & Vallopra, 1999). Traditionally, there are two general sources of competitive advantage: 1) differentiation – the ability of the organization to differentiate from the competitors usually by additional value creation; and 2) cost efficiency – the ability to operate at lower costs, which consequently create higher profits. The most successful companies usually tend to have a successful combination of both (Christopher, 2011).

Globalization has forced “isolated” and “stand-alone” organizations to be involved in complex business networks. Since the organizational focus on local business operation is losing its power, more and more organizations are operating in a fast-changing global environment, the so-called “traditional approach” is moving towards the approach of supply chain competition, and creation of competitive advantages among supply chains (Kandampully, 2003).

### **2.1 SCM and competitive advantage**

The main objective and constant challenge of every organization, as a part of a supply chain network, is to meet consumer needs and satisfy their desires; but, it also needs to take into consideration cost, quality, and/or level service. Organizations, which on the market function with the philosophy of independency and display poor cooperation, are facing huge risks manifesting in a lack of competitive advantage. Being (internally) efficient within an organization has become, ironically, insufficient without effective SCM (Tan et al., 2002).

SCM has become a strong “weapon” with which organizations gain competitive advantage in the market. They really need to direct their strategies and processes to supply chain excellence (Li et al., 2006). With effective SCM, organizations have higher potential to build an effective, long-term, and sustainable position in the market, and consequently increase organizational profitability and long-term success.

Since SCM refers to the management of multiple relationships (Mentzer et al., 2001), and under the assumption that SCM can be defined as supply network (Rašković, 2012), relationships within a supply chain gain central importance in a competitive analysis. Dyadic relationships within supply chain have huge impact on the overall organizational performance and represent an important source of competitive advantage. However, individual dyadic relationships are not enough, because supply chain loses the initial meaning of the linear transactional chain, which becomes replaced by the meaning of complex network. In this way, a supply network decreases interdependence on one supplier, and increases the efficiency of overall competitive advantage creation (Gadde & Hakansson, 2001). Harland (1996), as well as Chen and Paulraj (2004), put the importance of dyadic relationships as the central unit of effective supply network management. In a supply network context and related to the ARA model, dyadic relationships within the network are only units of observation, since no single actor can manage the network because of its high complexity, and interdependence between actors, resources and activities (Knight & Harland, 2005).

There are three particular parts that should be emphasized from the perspective of supply network competitive advantage. First, interaction which corresponds to the development of interdependent relationships thorough unique strategic collaboration in order to achieve mutual benefits (Chen & Paulraj, 2004). Since organizations cannot independently operate in the market and achieve all their goals, this unique strategic collaboration facilitates achievement of competitive advantage by sharing resources, knowledge and assets (Dyer, 2000). Second is integration. It is a crucial part of building a competitive advantage. According to Hakansson and Snehota (1995), no one can manage a whole network, but at least can contribute to the management within a network. Third, is flexibility, which is crucial to effectively respond to both, opportunities and threats, as well as regular changes (Dyer, 2000). Thus, a competitive advantage of a supply network also corresponds to the ability to flexibly and efficiently manage the changes in the structure of the network.

The creation of a competitive supply chain requires excellent strategic perspective and proper management of many SCM practices. Li, Humphreys, Yeung, and Cheng (2007) define SCM practices as organizational activities which advance effective management of supply chain. The authors further point to the impact of five SCM practices (strategic supplier partnership, customer relationship, information sharing, quality of information sharing, and postponement) in association with competitive advantage on the overall level of organizational performance.

By going back to the dyadic level of buyer-supplier relationship, organizations have to set high criteria when selecting suppliers. According to the literature, factors that dominate in the supplier selection process are cost and quality. These are known as so-called “hard factors”. Stanley and Wisner (2001) suggested that quality and on-time delivery are the most important attributes that influence supplier selection. Wang and Che (2007) also outlined joint development, culture, trust, and communication as important tools, and emphasized that history of supply, production price, technical capability and transportation cost play big role in selection.

Establishment of strong buyer-supplier relationship increases mutual performance and can present a huge potential for gaining a competitive advantage (Kannan & Tan, 2002). Strong relationship reduces the order cycle, which consequently reduces the SCM response time. By reducing the response time, organizations directly influence customer satisfaction. This can also be a good source of competitive advantage.

## **2.2 Long-term relationships**

The evolutionary complexity of SCM has led theory to focus only on the upstream and downstream side of the supply chain, while the research of the importance of relationships between the members within the supply chain has been surprisingly neglected.

The first serious focus on the relationship importance in marketing and management emerged in the 1990s, stressing out the impact of long-term and value-adding relationships on overall organizational performance under the banner of so-called Relationship marketing. Such kind of marketing relates to all activities, encouraging the establishment, development and maintenance of successful exchanges, where one stops making clear distinctions between specific groups, such as buyers, sellers etc. Instead, relationship marketing talks about partners who exchange resources and possess specific capabilities (Morgan & Hunt, 1994).

The concept of a supply chain helps companies in building, managing and maintaining effective long-term relationships with partners (Fynes, de Búrca, & Mangan, 2008). A companies' SCM goal should be to build long-term close relationships in order to create a strong barriers for competitors (Choi & Hartley, 1996). In a supply chain, a partnership leads to increased information flows, reduced uncertainty, and higher performance. This will lead the company to the ultimate goal, which is to provide the final user with better quality products (and relationships) against the backdrop of an appropriate cost-time-service equation (Khan et al., 2015).

Through long-term relationship companies can achieve a superior market position and, in practice, record a significant increase in performance (Morgan & Hunt, 1994). Performance improvement is only possible for organizations which effectively transform their operational partnership with customers and suppliers into cooperation beneficial to all parties (Burnes &

New, 1997). Hence, beneficial mutual relationships give opportunities to organizations to create coordinated processes which look unique and very difficult to be copied by competitors. In such a sense, many authors emphasize that relationships between the parties in a supply chain (especially between producer and customers as well as producer and its suppliers) should be an integral part of the organizational management process (Towers & Burnes, 2008). We can thus say that interdependence between the members, mutual activities, and optimal utilization of mutual resources and activities is crucial for achieving long-term competitive advantage.

According to Walter, Muller, Herfelt, and Ritter (2003), superior performance and mutual benefits are achieved through quality relationships, which are characterized by trust, satisfaction, and commitment. In the relationship marketing, trust and commitment are central dimensions of success, because their presence makes better outcomes in sense of increased productivity, efficiency and effectiveness. Commitment and trust also encourage cooperative behaviour because prerequisite for effective competitiveness, in today's dynamic global market, is to be a trusted co-operator (Hunt & Morgan, 1994). Global competition requires high levels of cooperation because large corporations are not independent but are actually constructed of many different groups creating mutually dependent networks with the same interest (Solomon, 1992).

### **2.2.1 Relationship commitment**

Commitment is a belief that the relationship between two or more parties is very important, which makes the involved parties give their maximum to maintain that relationship. The involved parties actually believe that their relationship is so important and worth working on, so that they want it to last indefinitely. The desire for long-lasting duration of the relationship can be seen from the Moorman, Zaltman, and Deshpandé (1992, p. 316) definition of commitment: "Commitment to the relationship is defined as an enduring desire to maintain a valued relationship". If the relationship leads toward the increase of mutual benefits, there is for sure desire to keep the relationship which will last indefinitely (Hunt & Morgan, 1994).

### **2.2.2 Relationship trust**

Relationship trust is the belief that one party will behave in a correct way toward another party, and that will fulfil its obligations and play fairly and predictably (Zaheer, McEvily, & Perrone, 1998). When trust between partners exist, many things are much easier. Collaboration in many ways relies on a high level of trust. It also facilitates processes in supply chain and strengthens relationships between parties. The parties are motivated to share information, opened to communication and risk taking (Kwon & Suh, 2005). Trust encourages integrated information sharing which leads toward the creation of mutual capabilities, which can become unique and not easily copied by competitors. A high level of trust is an essential factor for many structural changes in supply chain processes. Superior

efficiency and performance of supply chain lies on trustful relationships (Khan et al., 2015). According to Morgan and Hunt (1994), trusting relationships are also characterized by higher levels of flexibility and tolerance compared to relationships with lower degrees of trust. Flexibility is seen as an especially important characteristic for any supply context (Rašković, 2012).

## **2.3 Buyer-supplier relationships**

There are many studies dealing with customer satisfaction in a B2C buyer-seller relationship context. At the same time, companies usually do not assess how satisfied suppliers are with their business relationship (Spekman et al., 1998). Even though researches related to supplier selection, supplier involvement, buyer-supplier performance, improvement of supplier responsiveness and other buyer-supplier topics are mostly focused on the supplier side (Chen & Paulraj, 2004), studies of buyer-supplier relationships can be found in many fields, such as: (1) organizational studies; (2) industrial economics; (3) industrial marketing; (4) relationship marketing; (5) strategic supply chain management; (6) international management; (7) purchasing; (8) strategic development; (9) network analysis; and (10) economic geography (Ellegaard, Johansen, & Drejer, 2002).

While a supply chain presents a network of different inter- and intra- organizational differentiated relationships (Nohria & Ghoshal, 1997), buyer-supplier relationships and their management are considered as the most important resources which also direct other resources of the organization (Hunt & Davis, 2012). Han, Trienekens, and Omta (2011, p. 313) define buyer-supplier relationship as: “a mutually beneficial partnership between a buyer and a supplier, which involves the development of trust and *guanxi*, and integration between the two parties”. For a multinational company (hereinafter: MNC) in the international market, these relationships present organizations’ intangible resources of competitive advantage and have significant impact on the financial performances of the company (Makovec Brenčič & Žabkar, 2001).

Long-term relationship between the organization and its suppliers can be defined as strategic supplier partnership. Development of strategic partnership should help to both parties – supplier and buyer – to utilize strategic and operational capabilities to achieve significant mutual benefits (Arawati & Za’faran, 2008). A strategic partnership corresponds to long-term relationships where mutual efforts, mutual planning, and problem solving strategies are desirable, or maybe necessary. In order to achieve significant mutual benefits, strategic partnership requires participation and responsibility of all parties and high level of efforts in many areas such as research and development, production, technology, and marketing. Strong buyer-supplier commitment allows both parties to direct more of their different resources towards mutual objectives (Dyer & Chu, 2003). Buyer-supplier partnerships create multiple benefits, such as quality improvement, higher flexibility, reduced inventory levels, lower costs, and increased companies’ performance (Khan et al., 2015). An efficient partnership

with suppliers enables organization to produce high quality products with best components, reduce waste, shorten the time of production and improve cost-efficiency. Involvement of the suppliers in early stages can also help the organization to better product-design (Yoshino & Rangan, 1995; Tan et al., 2002).

While Tan et al. (2002) emphasize that long-term organizational objectives are linked to increasing customer satisfaction, market share, and/or profits for all members of the supply chain, it is important for an organization to create, through collaboration, value-adding relationships with its suppliers. This is usually done by implementing just-in-time (hereinafter: JIT) systems, cooperation in the product design, components design for quality improvement and lower assembly costs (Quesada, 2012). Value-added relationship with suppliers can contribute to the improvement of production processes, lower costs and/or increase quality (Benetto, Becker, & Welfring, 2009). Since customers are willing to pay the price which they think is adequate for the product or service they will get, companies need to modify their products/service and offer them something additional. In that way, customers will get value-added product which exceeds their expectations (Bishop, 1990).

Whether an organization is in desirable relationships with its suppliers is reflected through several aspects of business. Cooperation with suppliers facilitates an organization to reach higher quality, flexibility, costs efficiency, better transportation and logistics, and/or gain higher profits. Quality of a product or service is not something that adds value *per se*. Nowadays, increased global competition has made quality more of an expectation than a distinguishing feature. With quality, the company is meeting or in better case exceeding the consumers' expectations, and presents the basic criterion for the sale of product or a service (Bishop, 1990). While high costs and low productivity will lead to a loss of market share and decrease in quality, good relationships with suppliers i.e. by using quality materials, processes, and metrics, will help the organization to achieve better efficiency, improve the productivity, add the value for customers, and consequently improve its performance (Quesada, 2012).

Global competition, a fast changing environment and higher market complexity call on organizations to be prepared to quickly react in order to meet consumers' needs. Consequently, organizations need to be much more flexible. Successful firms must be able to react as fast as possible to changes in the market and to adapt to situations caused by changes in the environment, changes in processes, legislations, increase of competition, and the most important, changes in consumers' needs etc. Organizational competitiveness depends on its ability to adapt to unpredictable situations. Thus organizations with high quality supplier relationships have a much better chances to adopt and effectively respond to unpredicted situations and find fast solutions problems with lower costs (Ryu, Park, & Min, 2007).

For manufacturing companies, it is typical to look for low-cost raw materials with which they can improve their cost efficiency and gain better competitive position in the market based on

costs. Instead of looking for domestic suppliers manufacturers, they usually look for lower-cost imports. Importing resources has many advantages, such as low prices of resources and low labour costs, but also some disadvantages. Organization becomes more dependent on suppliers, and some risks can appear usually because of the differences in culture, language, exchange rate, political and economic situation, regulations, logistics and transportation (Canbolat, Gupta, Matera, & Chelst, 2008). Thus, after finding a quality foreign supplier, on which the organization can rely, they need to put more efforts in building strong relationship to surely progress toward the common goal.

Beside the costs, especially when doing business with international suppliers, logistics have an important role. According to Bowersox, Closs, and Cooper (2007, p. 32), it is “the responsibility to design and administer systems to control movement and geographical positioning of raw materials, work-in-process, and finished inventories at the lowest total cost”.

A competitive global environment requires fast response to consumer needs, quick development of new products, and/or cost efficiency. To achieve this, companies need to implement suppliers’ experiences, knowledge, and information integration into own strategies and supply chain management (Quesada, Gazo, & Sanchez, 2012). Good relationships between buyers and suppliers make them feel familiar with each other’s information which facilitates processes and results in improved performance. Effective information arrangement is important source for SCM excellence (Khan et al., 2015). Inclusion of suppliers in the organizational supply chain strategies will create the unique buyer-supplier relationship which will be difficult to be copied by competitors (Eltantawy, 2005). It is very important to rely on suppliers’ knowledge and experience and to build the trustful relationships.

Another way for the establishment of long-term relationships with suppliers is to invest equity in suppliers. In this way, companies show their desire for long-term cooperation, as well as gain important control. An equity investment in a supplier can also be a perfect tool for increased flow of information between both parties. By shareholding strategy companies show their devotion and level of trust in suppliers, willingness for establishment of strong relationship, and readiness to take certain part of the risk if the supplier fails (Guth, Nikiforakis, & Norman, 2007). As mentioned before, the whole supply chain performance is dependent on the level of trust between all parties in it. Shareholding approach between a company and its suppliers is good tool for improving the whole supply chain performance and improving inter-relationships between other members of the chain. On the other hand, suppliers can also benefit from the firms growth and success (Faieza & Saba, 2012).

A qualitative buyer-supplier partnership, which is constructed on mutual commitment and trust and accompanied by fulfilment of specified promises and joint efforts in problem solving, facilitates the parties to avoid complex and lengthy contracts which are usually very expensive and difficult to monitor and control (Fynes et al., 2004).

### 3 SUPPLIER SATISFACTION

The term “satisfaction” comes from the Latin word *satis* and translated means “a lot, or enough”. It is also linked to the term *facere*, which translated means “to make, to do, to produce” (Wilson, 2003, p. 108). In the broader social sciences, satisfaction is understood as the degree of pleased human feeling resulting from comparing an actual state of a result and personal expectations of that state. Often, satisfaction is also seen as an indicator of the relationship quality between the perceiver and the “object”. Since satisfaction measures a degree of human feelings, it occupies an important place in everyday life. People feel satisfaction when they do something successfully, or when something good happens to them. Satisfaction can also be seen as the act of providing what is needed or desired, and/or a result that deals with a problem or complaint in an acceptable way (Satisfaction, n.d.).

In business and economy, satisfaction is understood as a “positive emotional state” resulting from the assessment of different kinds of business relationships between at least two organizations/companies (or other economic actors) (Anderson & Narus, 1984). It refers to the **economic** and **social** aspect of exchange between organizations and/or economic actors.

Within economics, Social exchange theory (hereinafter: SET) looks at resources, which involve different material or immaterial goods and are exchanged between actors in a market. It underlines not just economic interaction, but also social connotation (Schiele, Calvi, & Gibbert, 2012; cf. Foa & Foa, 1980). In a B2B context, SET emphasizes interaction and relational interdependence between resource-exchange partners (Cropanzano & Mitchell, 2005).

As an important dimension of relationships, satisfaction has been studied in many different areas. Within economics and management, satisfaction presents “a core construct” in several fields, such as marketing, human resources management and/or finance. Even though in the marketing and the management literatures, satisfaction has been studied more on the side of customers (customer satisfaction), employees (employee satisfaction), or investors (shareholder satisfaction), supplier satisfaction has the same conceptual background and substantive relevance. Business success requires satisfaction of various needs of all organization stakeholders, as well as the community at large (Jones, 1996; Maunu, 2003). If creating long-term value adding relations (key to AMA’s definition of marketing), which are marked by high relationship quality, is fundamental to marketing then satisfaction is also an essential part of the concept of marketing.

#### 3.1 Definition of supplier satisfaction

In the marketing literature, many authors have extensively conceptualized customer satisfaction as a relevant factor of business success (Walter et al., 2003). On the other hand, supplier satisfaction presents quite an unexplored topic (Pulles, Schiele, Veldman, &



Hüttinger, 2015). A successful business requires taking into consideration not only customer satisfaction, but also overall satisfaction of all relevant stakeholder groups. There is a noticeable dependence between relevant stakeholder groups and their mutual satisfaction, especially in marketing when focusing on value creation. Possible losses incurred as the consequence of dissatisfaction are likely to reflect on the performance of all members involved in value creation and in fact often multiply (similar to the so-called “bullwhip” effect in SCM), (Ivens & Müller, 2010).

Even though, from the manufacturers’ point of view, supplier satisfaction looks like an opposite from customers’ satisfaction, in reality there is a strong connection between the two concepts. Oliver (1996, p. 13) defines customer satisfaction as “the judgement that a product or a service future, or the product or service itself, is providing a pleasurable level of consumption-related fulfilment, including levels of under- or over- fulfilment”. Thus, if a company wants to do successful businesses, it needs to fulfil customers’ needs and wants in a positive manner. However, a company’s effort is not enough without the support of its suppliers, which are providing the company with resources (not just materials and supplies, but also information and know-how). Indeed, a company’s effort toward customer satisfaction needs to be integrated with the effort toward supplier satisfaction (Wong, 2000).

In the past 20 years, competitiveness in the global market has been profoundly intensified and shifted from the level of companies and organizations to the level of networks; especially when it comes to supply relations (Rašković, 2012). The classical purchasing and procurement management concept has increasingly moved toward a more integrated supply chain management concept (Kraljic, 1983), which especially highlights the relationships between the actors of the chain (Pinkerton, 2002; Rašković, 2012). Since most of supply chains consist of suppliers, manufacturers and distributors, in order to provide high quality products/services to consumers, they are increasingly dependent on suppliers and their corresponding resources and capabilities. As Benton and Maloni (2005, p. 2) have stressed: “[the] supply chain is as strong as its weakest link”, it is very important for an organization to keep its suppliers satisfied.

Marketing research has shown that overall market performance of organizations is strongly dependent on its supply (Handfield & Nichols, 2004). Suppliers usually possess certain capabilities, which can be available only for the organizations (buyers) that are in close and long-term relationship with them, and put mutual efforts in creating mutual added value, not just transactional benefits. One such example is the so-called supplier product innovation potential, which can be offered only to selected buyers involved in a strong relationship (Ivens & Müller, 2010).

Scheer and Stern (1992, p. 133) define satisfaction, which also includes supplier satisfaction, as “the overall approval of positive affect toward another party”, while Benton and Maloni (2005, p. 2) define supplier satisfaction as “the feeling of equity with the relationship no

matter what power imbalances exists". The authors further emphasize that supplier satisfaction is affecting the future of a supply chain partnership. Related to the Relationship-based theory and the Resource-advantage perspective (Hunt & Davis, 2008; 2012), the management of dyadic relationships between the actors (also a supplier and a buyer) should be seen as a source of competitive advantage. Efficient and effective management of such relationships is important for the improvement of organizational performance. In order to contribute to overall business success, suppliers need to be satisfied with a buyer-supplier relationship, as well as with the corresponding operations and interactions with buyers. According to Wong (2000), supplier satisfaction and commitment are key factors in building up a successful buyer-supplier relationship. Wong (2000) also emphasizes that organizations should pay attention to satisfaction of suppliers, because partnering efforts will be unsuccessful if suppliers' needs are not reached. In order to make suppliers satisfied with the relationship, based on Wong's (2000) research, a relational and cooperative approach toward them is crucial.

According to Tracey and Tan (2001), organizations should encourage involvement of their suppliers in the supply chain and create stable relationships with them, because this usually results in increased overall performance. Unsatisfied suppliers will provide low quality inputs, which will in turn lower the output quality and at the end cause greater consequences than expected, such as final consumer dissatisfaction, decreased sales volume, decrease of market share, and finally decrease in profit.

The role of suppliers in helping secure a high level of consumers' satisfaction is also big; albeit more indirect. Moreover, several steps can be taken to facilitate the improvement of final consumer satisfaction. According to Genna (1997), improved supplier product quality (defect-free and on-time delivery), as well as value-added products usually provide higher quality to final products and thus contribute to end customer satisfaction. A satisfied supplier can also help co-create customer satisfaction with advising activities or with production issues. Still, there are companies that do not understand the importance of suppliers' contribution with regard to the end customer satisfaction.

If a buyer-supplier relationship provides quality outcomes, which can meet or exceed the supplier's expectation, then supplier satisfaction will be achieved (Schiele et al., 2012). To simplify, from the supplier point of view the quality of outcomes of a relationship is the measurement of satisfaction, or dissatisfaction.

According to Wilson (1995), the level of supplier satisfaction comes from the divergence between the actual value obtained in a certain relationship and the expectation on the supplier side. Thus, to maintain any exchange relationship there is a minimum level of satisfaction required. Sometimes, a minimum level of satisfaction at the beginning can, during the exchange relationship with positive outcomes, rise gradually and upgrade the relationship (Wilson & Mummalaneni, 1986).

In business practice, there are often situations where some buyers are treated better than others by the same supplier. While other buyers have to wait their turn, a certain preferred buyer will get immediate attention and “treatment” manifested through priority goods and services provision, as well as better access to resources allocation, the best personnel support for a new product development, innovations suggestions, better financial conditions etc. (Schiele et al., 2012). In this way, suppliers give “preferred customer status” to a certain buyer (Hüttinger, Schiele, & Schröer, 2014). There are three drivers explaining the reasons why some buyers get preferred treatment from the same supplier. They include customer attractiveness, supplier satisfaction, and preferred customer status (Hüttinger, Schiele, & Veldman, 2012).

Organizations paying more attention to their suppliers tend to create strong(er) buyer-supplier relationships. Reciprocal adjustment is a key factor for increasing mutual efforts, maintaining strong relationships and keeping each other satisfied. If a buying organization helps with adjustment, it is expected that suppliers will increase their commitment to the relationship in order to facilitate supplier’s performance, (Pulles et al., 2015). By “investing” in supplier satisfaction and putting efforts in relationship improvement, organisations send a strong signal to their partners and strengthen the commitment and trust (Essig & Amann, 2009).

Purchasing companies can undertake certain actions to stimulate supplier satisfaction. Ghijsen, Semeijn, and Ernstson (2010) have analyzed the impact of supplier development and so-called influence strategies on supplier satisfaction. Their analysis has compared the influence of indirect strategies (such as information exchange and recommendations) and direct strategies (such as requests, promises, threats and legalistic pleas) at two dimensions of supplier development (human-specific and capital-specific). Their conclusion was that buyers should emphasize indirect influence strategies, because requests, threats and legalistic pleas had a negative effect on the supplier satisfaction level, and, put effort on capital-specific supplier development dimension.

Nyaga, Whipple, and Lynch (2010) have also tested the influence of collaborative activities (dedicated investments, information sharing, and joint effort) on satisfaction and performance from a dyadic perspective. They concluded that all three activities positively influence satisfaction, which is generally recognized through higher levels of trust and commitment. Their research emphasized that buyers need to show increased interest in information sharing and joint efforts to increase supplier satisfaction. Whipple, Frankel, and Daugherty (2002) tested the effect of information sharing on mutual overall satisfaction, and came to a similar conclusion. In their empirical research, they found that the increase of operational information exchange has a significant positive impact on mutual satisfaction in a dyadic relationship.

### 3.2 Measuring supplier satisfaction

There are several studies dealing with customer satisfaction in buyer-supplier relationships. At the same time, companies usually do not assess how satisfied suppliers in a given business relationship are (Ivens & Müller, 2010). Many organizations analyse and rate their suppliers according to their performance, but only a few also let their suppliers to rate them in return.

In both theory and practice, we can find several approaches to conceptualization of supplier satisfaction, but not many of actually measuring it. Maunu (2003) has carried out one of the first researches on this topic in which she proposed a specific supplier satisfaction survey tool which measures supplier satisfaction. Essig and Amann (2009) have conceptualized supplier satisfaction as an important factor of buyer-supplier relationship quality. They came up with an index-based evaluation of supplier satisfaction. Ivens and Müller (2010) have done an exploratory study of the impact of supplier satisfaction on relationship growth. Under the assumption that supplier satisfaction becomes more important in SCM, they developed a special instrument and applied it to a manufacturing organization. Their measuring instrument was comprised of many different factors divided into four supplier satisfaction sub-dimensions. Schiele et al. (2012, p. 1179) proposed a model that uses a social exchange perspective and tried to connect concepts of customer attractiveness, supplier satisfaction, and preferred customer status to the so-called “cycle of preferred customership”.

In a four-year longitudinal study under the assumption that there is a lack of commonly agreed theory of supplier satisfaction, Maunu (2003) tried to conceptualize supplier satisfaction and create a management tool for supplier satisfaction measurement. Her research provided important theoretical background for subsequent supplier satisfaction studies. She conceptualized supplier satisfaction, and based on available literature, derived crucial elements of supplier satisfaction; both its antecedents and determinants. She also created a special supplier satisfaction survey instrument, which could be applied as a management tool. The survey was created with the aim to facilitate internal and external supply chain processes of the company covered in the research, and encourage further researches on this topic. By employing her supplier satisfaction questionnaire buyers can improve relational processes with external partners through their measurement (Maunu, 2003).

Based on the currently available literature, her concept of supplier satisfaction included the following key elements: money, time, long-term relationship, communication, quality, trust, commitment, innovation and flexibility (Maunu, 2003). I will discuss more about the antecedents and determinants of supplier satisfaction from this research in the next section.

Leenders, Johnson, Flynn, and Fearon (2005, p. 374) came up with the so-called “purchaser-supplier satisfaction matrix” which provides a picture of satisfaction and stability of a specific buyer-supplier relationship. As shown in Figure 4, the matrix consists of four fields with purchaser satisfaction and supplier satisfaction on the 45-degree diagonal.

Figure 4. The purchaser-supplier satisfaction matrix



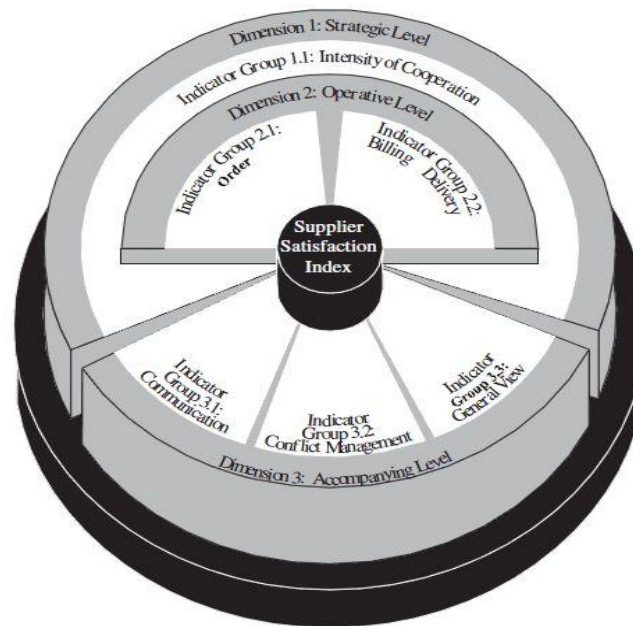
Source: Adopted from M. R. Leenders et al., *Purchasing and supply management: With 50 supply chain cases*, 2005, p. 375.

Partners can take a position on the matrix based on both satisfaction and stability. The minimal acceptable level is the marginal level of satisfaction of both parties (scores 5, 5 on the chart), and partners should increase efforts to move toward the position (10, 10), although it is almost impossible in practice (Leenders et al., 2005). The authors argued that many marketing and management tools could upgrade the position on the satisfaction chart. They may include offering substantial volumes, long-term commitments and exclusive agreements, rapid responses to requests from suppliers, internal information sharing and integrated communication, and they may display a willingness to change behaviour.

Essig and Amann (2009) have also conducted a research in the field of supplier satisfaction, which they see as a very important factor of buyer-supplier relationships. Their research attempted to measure supplier satisfaction throughout a derived index-based evaluation. The index used in the research was comprised of three different dimensions, and each dimension has its underlying factors, as shown in the Figure 5.

The first dimension relates to the so-called **strategic level** of satisfaction, operationalized by the indicator of **intensity of cooperation**. The second level is the so-called **operational level** of satisfaction, which includes the following two factors: order and billing/delivery. The third dimension relates to the so-called **accompanying level** of satisfaction, and its corresponding factors are: communication, conflict management, and general view.

Figure 5. Proposed structure of the supplier satisfaction index



Source: M. Essig & M. Amann, *Supplier satisfaction: Conceptual basics and explorative findings*, 2009, p. 106.

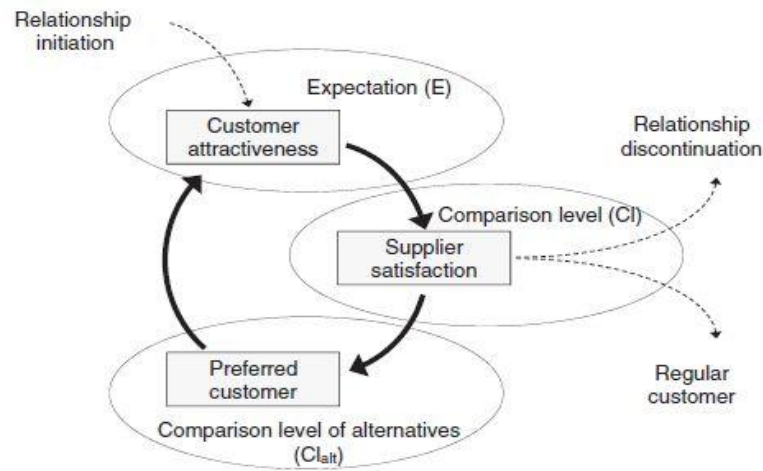
Ivens and Müller (2010) have tried to conceptualize and measure supplier satisfaction in business markets by focusing on four different dimensions of the underlying exchange relationship. They suggested that supplier satisfaction is comprised of four satisfaction sub-dimensions:

- Satisfaction with development cooperation.
- Satisfaction with operative processes.
- Satisfaction with contracts and agreements.
- Satisfaction with contact persons.

All four dimensions included in the model represent specific levels of the exchange relationship, but more from a business process perspective. Development cooperation reflects the factual level, operative processes reflect the organizational level, contracts and agreements represent the power level, and contact persons reflect the human level in the relationship. Cumulative satisfaction is the sum of experiences across all four conceptualized dimensions.

The model of the so-called “preferred customership” by Schiele et al. (2012) outlines three different and broader drivers of satisfaction, namely: customer attractiveness, supplier satisfaction, and preferred customer status. It further connects them into a cyclical model by using Social exchange theory as its theoretical background (see Figure 6). According to Hüttinger et al. (2012), more satisfied suppliers award their customers with the so-called preferred customer status and provide them with specific benefits which others do not get.

Figure 6. The cycle of so-called preferred customership



Source: H. Schiele et al., *Customer attractiveness, supplier satisfaction and preferred customer status: Introduction, definition and an overarching framework*, 2012, p. 1180.

By gaining a preferred customer status, customers gain privileged access to supplier's best resources and capabilities by which they can increase their advantage over their competitors on the market (Steinle & Schiele, 2008). Based on Social exchange theory, Schiele et al. (2012) argued that the three underlying constructs of preferred customership are crucial for gaining preferential treatment in business relationships. Customer attractiveness is the initial point, which in the case of met supplier expectations, will lead towards an exchange relationship and supplier satisfaction. Customer attractiveness in this research is defined as a set of positive attractive characteristics of the buying firm towards the supplier (Schiele et al., 2012), or mirrored, as the emotional desire to get in closer relationship with the certain customer (Hald, Cordón, & Vollmann, 2009). Once the relationship is established, the supplier will access the satisfaction level with the customer. Then the supplier can choose whether to continue with the relationship and to keep regular status toward the customer, or to invest more effort in the relationship and award a customer with the preferred status. Preferred customer status again increases supplier's expectations, which consequently increases customer attractiveness and creates a repeating cycle.

### 3.3 Antecedents and determinants of supplier satisfaction

Because of the importance of managing different relationships within a supply chain, including buyer-supplier relationship, the relationship literature pays much more attention to the determinants influencing satisfaction in such relationships. Therefore, before constructing and conducting any kind of supplier satisfaction survey, the exact antecedents and determinants of supplier satisfaction need to be specified. In this part, I will base my overview of the relevant antecedents and/or determinants of supplier satisfaction on a comprehensive overview of the relevant literature on buyer-supplier relationships, the so-called relationship

paradigm and its application in supply contexts, and the so-called resource-based competitive advantage applied to a supply context.

In their study of satisfaction in buyer-seller relationships within a cross-national context, Voldnes, Grønhaug, and Nilssen (2012) have used general antecedents of satisfaction in dyadic buyer-supplier relationships. Their emphasis was on several antecedents for which they assumed to have an influence on satisfaction in dyadic relationships, such as: trust, communication (in terms of information sharing), power-dependence, symmetry, and commitment. The choice of these antecedents is because cross-national businesses are dealing with higher uncertainties than domestic, and they should focus on minimizing them.

**Trust** is one of the most important factors in building strong exchange relationships and presents the probability that exchange partners will act correctly and honestly, operating toward positive outcomes and not taking unexpected actions (Voldnes et al., 2012). **Communication** in the relationship presents the involvement in joint participations, and with its own factors (participation, quality and extent of shared information, etc.) has a positive effect on the relationship quality and trust (Voldnes et al., 2012). **Power-dependence** is mutual interdependence between the exchange partners (buyer on the seller or vice versa), and can be symmetric – equal dependence with positive impact on satisfaction, or asymmetric – different level of dependence with negative effect on satisfaction (Voldnes et al., 2012). According to Morgan and Hunt (1994), relationship **commitment** is a desire to continue with the certain relationship. Exchange partners are likely to cooperate in order to gain and increase mutual benefits. Increased relationship commitment has a positive effect on buyer-supplier satisfaction.

Moreover, very few authors have focused their researches on supplier satisfaction antecedents in a dyadic exchange relationship context. Maunu (2003) proposed a new conceptualization of nine key supplier satisfaction dimensions, which she further tested in the empirical part of her research. Table 1 outlines the nine dimensions, divided into two groups. The so-called business related dimensions are “hard dimensions” based on facts, while communication related dimensions correspond to “soft dimensions” and are based on human values.

Table 1. The supplier satisfaction dimensions

Business Related Dimensions	Communication Related Dimensions
<ul style="list-style-type: none"> <li>– Profitability.</li> <li>– Agreements.</li> <li>– Early Supplier Involvement.</li> <li>– Business Continuity.</li> <li>– Forecasting/planning.</li> </ul>	<ul style="list-style-type: none"> <li>– Roles &amp; Responsibilities.</li> <li>– Openness &amp; Trust.</li> <li>– Feedback.</li> <li>– ‘The Company’ Values.</li> </ul>

Source: S. Maunu, *Supplier satisfaction: The concept and a measurement system*, 2003, p. 95, Table 4.



In the conceptual part of the study, Maunu (2003) has also done a comparison between the gathered key elements of supplier satisfaction provided by other authors, and so-called self-defined supplier satisfaction dimensions (see Table 2).

Table 2. The dimensions comparison between general literature and current study

Dimensions defined in this study	Elements defined by current literature
<ul style="list-style-type: none"> <li>– Profitability.</li> <li>– Agreements.</li> <li>– Early Supplier Involvement.</li> <li>– Business Continuity.</li> <li>– Forecasting/Planning.</li> <li>– Roles &amp; Responsibilities.</li> <li>– Openness &amp; Trust.</li> <li>– Feedback.</li> <li>– ‘The Company’ Values.</li> </ul>	<ul style="list-style-type: none"> <li>– Money.</li> <li>– Commitment.</li> <li>– Quality, Innovation.</li> <li>– Long-term relationship.</li> <li>– Flexibility, Time.</li> <li>– Communication.</li> <li>– Trust.</li> <li>– Communication.</li> <li>– -</li> </ul>

Source: S. Maunu, *Supplier satisfaction: The concept and a measurement system*, 2003, p. 97, Table 5.

As shown in the Table 2, she listed supplier satisfaction elements studied in the literature before (money, time, long-term relationship, communication, quality, trust, commitment, innovation and flexibility), and also provided justification of the elements, verified them, and modified them to fit her context. She connected each element of supplier satisfaction to their own conceptualized dimensions (as presented in Table 2), and specified pairs that most fit to her own research setting.

**Communication** and desire to communicate, present key elements of connections and interaction within relationships. It involves actors who are connected via communication media and where quality of the relationship is seen through the quality of mutual interactions. Communication has an important role in managing conflicts, which needs to be discussed openly and from both sides, and resolved with a positive and acceptable solution for both parties (Maunu, 2003). In the remainder of this section, I present all business-related as well as communication-related dimensions of supplier satisfaction, defined in Maunu’s (2003) study.

**Profitability** and **agreements** are crucial issues for any business. The basic requirement to operate in the market is to have a business generating profit for all involved. Indeed, the terms of doing business need to always be fair enough for both parties in order to generate profit and maintain desire to take part in suchlike relationships. Agreements present formal or informal deals between partners. Organizations usually make agreements into which they set the rules and procedures which they need to follow (Maunu, 2003).

**Early supplier involvement** (hereinafter: ESI) refers to the involvement of suppliers in the partnering organization projects from the earliest stages, and to the involvement of sharing sensitive information. It is usually difficult to implement ESI, but putting efforts in implementation would be beneficial to both parties. Successful ESI enables a supplier to optimize plans, reduce costs, and provide quality inputs already in the earliest stage. Suppliers feel satisfaction because they can have an impact product design and at the same time control the costs of production (Maunu, 2003).

**Business continuity** perhaps presents the core satisfaction element from the suppliers' point of view because it refers to the questions regarding future businesses. Suppliers assess buyer's future projects, needs, technology, and volumes. Suppliers need to analyze the situation in the industry, as well as the information of buyer's future business tendencies. Involved risk sharing makes the business continuity become a crucial dimension only with the selected and satisfied partners (Maunu, 2003). The possibility of losing business can shake the trust, thus increased communication and information sharing between the partners is required.

**Forecasting/planning** includes a short-term and a long-term dimension. While moving from a short-term towards long-term dimension, forecasts are shared with decreased number of partners with the decrease in reliability. The forecasting dimension presents a systematical predictions about future plans, investments, and volumes of the same business as well as future predictions of new businesses models. With the use of forecasting analysis, suppliers can compare a certain organization with their best customer (Maunu, 2003).

**Roles and Responsibilities** strictly define business organizations in an exchange relationship and persons involved in business by specifying their authority, tasks and responsibilities (Maunu, 2003). **Openness** and **Trust** present more personal and subjective aspects of people's behavior while processing business/specific task, and reflects deep core of people's professionalism (Maunu, 2003).

**Feedback** includes all forms of shared information about processes and conditions, as well as the results of a certain business into which suppliers are involved. It is usually manifested through two forms: soft based feedback – soft information and comments about how things are going, and hard based feedback – including statistical and numerical calculations and analysis. Through feedback, suppliers can also assess the stability of business relationship (Maunu, 2003).

**The Company's values** are a central dimension of the satisfaction analysis because they present the company's climate and culture, behavior patterns etc. They include elements such as: customer satisfaction, individual achievements and continuous learning. Suppliers usually see the buyer's values, and efforts in honest fulfilling of what is expected toward customers and employees. If a supplier shares similar values as the buyer, the satisfaction level increases (Maunu, 2003).

In the Essig and Amann (2009) study, supplier satisfaction was treated through the prism of an index containing 36 different indicators, which were divided into three different dimensions/levels, and contain 6 different factors, as shown in Table 3.

Table 3. Dimensions and indicators of the supplier satisfaction

1. Strategic level	Intensity of cooperation	<ul style="list-style-type: none"> <li>– Strategic value.</li> <li>– Intensity of integration with R&amp;D.</li> <li>– Number of strategic contacts.</li> <li>– Possibility of cross-selling.</li> <li>– Degree of earliness of integration in production processes.</li> <li>– Willingness to accept suggestions for improvement.</li> </ul>
2. Operational level	Order Processes	<ul style="list-style-type: none"> <li>– Ordering procedure.</li> <li>– Adherence to arrangements.</li> <li>– Adherence to long-term contracts.</li> <li>– Bargaining position.</li> <li>– Time schedule.</li> </ul>
	Billing/Delivery	<ul style="list-style-type: none"> <li>– Payment habits.</li> <li>– Payment procedures.</li> <li>– Delivery deadlines.</li> <li>– Required effort for delivery.</li> <li>– Receiving procedure.</li> <li>– Support during preparations for first-time delivery.</li> </ul>
3. Accompanying level	Communications	<ul style="list-style-type: none"> <li>– General care.</li> <li>– Availability of direct contact.</li> <li>– Politeness of employees.</li> <li>– Image.</li> <li>– Technical competence.</li> <li>– Business competence.</li> <li>– Communication media used.</li> <li>– Quality of information.</li> <li>– Frequency of information.</li> <li>– Preciseness of communication.</li> <li>– Support by quality management.</li> </ul>
	Conflict management	<ul style="list-style-type: none"> <li>– Quality of reaction.</li> <li>– Reaction speed.</li> </ul>
	General view	<ul style="list-style-type: none"> <li>– Intensity of cooperation.</li> <li>– Order process.</li> <li>– Billing/delivery.</li> <li>– Communications.</li> <li>– Conflict management.</li> </ul>

Source: M. Essig & M. Amann, *Supplier satisfaction: Conceptual basics and explorative findings*, 2009, p. 109.

In the development of their supplier satisfaction index, Essig and Amann (2009) defined the crucial dimensions of supplier satisfaction with the specific indicators for each dimension. As shown in Table 3, they specified 36 different indicators, which they used in constructing a specific questionnaire. The questionnaire contained 36 closed questions on specific supplier satisfaction aspects, and was distributed among a sample of 491 suppliers.

Since Spar bakery is a manufacturing organization, and produces fast-moving consumer goods (hereinafter: FMCGs), several antecedents used in Essig and Amann's research can contribute to my empirical examination of supplier satisfaction. In all of Spar's businesses order processing as well as billing and delivery have important roles. The nature of Spar's bakery business requires frequent and low volume deliveries – thus factors, such as ordering procedures, adherence to agreements, delivery deadlines, payment habits and procedures will be used in my research. Communication, on the other side, is an essential antecedent not only for the supplier satisfaction concept but in any efficient relationship. Determinants related to the communication, especially communication media, quality and frequency of information, contact persons etc. will be also included in the empirical part of my research. Since Spar's bakery cooperates with many suppliers, conflict management also needs to be involved in my research, as there is a great potential for conflict through frequent and transaction-oriented business interactions with suppliers.

Another research was conducted by Hüttinger et al. (2014) in which the authors explore the antecedents of preferential customership. Since preferential customership consists of customer attractiveness, supplier satisfaction, and preferred customer status, the authors have derived eight matching antecedents for all three concepts included in what they call the **cycle of preferred customership**. I present the corresponding antecedents in Table 4.

Table 4. The antecedents of customer attractiveness, supplier satisfaction, and preferred customer status

Antecedents & indicators	Explanation of the antecedent
<b>Growth opportunity</b> – growth, volume, brand name, image.	The suppliers' ability to grow together with the buyer and generate new benefits through the relationship.
<b>Innovation potential</b> – expertise, innovation possibilities & orientation.	The supplier's opportunity to generate innovations in the exchange relationship due to the buying firm's innovative capabilities and its contribution in joint innovation processes.
<b>Operative excellence</b> – planning, decision making, processes.	The supplier's perception that the buying firm's operations are handled in a sorrow and efficient way, which facilitates the way of doing business for the supplier.

table continues

Table 4. The antecedents of customer attractiveness, supplier satisfaction, and preferred customer status (con.)

Antecedents & indicators	Explanation of the antecedent
<b>Reliability</b> – opportunism, contact compliance, agreements.	The supplier's perception that the buying firm acts in a consistent as well as reliable manner and fulfils agreements.
<b>Support of suppliers</b> – training, supplier development, advice.	The buying firm effort or assistance to increase a supplier's performance and/or capabilities.
<b>Supplier involvement</b> – early and close involvement in NPD.	Degree to which the supplier's personnel participate directly in the customer's product development team and is entrusted with developing product ideas.
<b>Contact accessibility</b> – cross-functional contact person.	The availability of a person who intensively shapes and advances exchange processes and reflects the buying firm's willingness to develop structural bonds with the supplier.
<b>Relational behaviour</b> – solidarity, mutuality, flexibility.	The buying firm's behaviour towards the supplier with regards to the relational focus of exchange capturing multiple facets of the exchange behaviour such as solidarity, mutuality, and flexibility.

Source: Adopted from L. Hüttinger et al., *Exploring the antecedents of preferential customer treatment by suppliers: A mixed methods approach*, 2014, pp. 702-703.

In view of the fact that supplier satisfaction requires a cross-functional approach and should be studied from many different viewpoints, Hüttinger et al. (2012, p. 1201) have provided a summarized overview of supplier satisfaction drivers employed by different authors.

The authors have arranged supplier satisfaction antecedents into four groups, called dimensions. These include:

1. **The technical excellence** (R&D) of a customer – involving drivers that indicate competences of a buyer, such as technical competences, early supplier involvement, joint relationship efforts, buyer's openness for improvement suggestions, and supplier developments.
2. **Supply value** – involving drivers related to value supplied, such as financial position of a buyer, substantial volumes, profitability, growth opportunities, dedicated investments, and drivers that influence relationship quality (agreements, commitment to relationship, investment toward relationship etc.);

3. **Mode of interaction** – involving drivers of effective communication, provided information, feedback, conflict management, customer's behaviour, openness, trust and commitment etc.
4. **Operational excellence of customers** – involves drivers that indicate actual business performance related to orders, time scheduling, billing, delivery, payment habits, planning, forecasting, and customers' reliability.

As we could see, in comparison to customer satisfaction, supplier satisfaction still presents not enough explored concept in both literature and practice. Many organizations do not pay much attention to supplier satisfaction even though sourcing and procurement present very important aspects and elements of SCM. Mutual satisfaction in dyadic relationships between buyer and supplier is essential for improving the overall performance, and creating a competitive advantage. We could also see that in the previously presented review of current research, the corresponding authors outlined very similar antecedents and determinants of supplier satisfaction, modified to the settings of a specific research. Working in Spar's bakery for almost a decade has enabled me to meet the nature of Spar bakery business, business processes, products and materials. Based on this fact and based on the available literature, I can make an appropriate judgement of important antecedents and determinates of supplier satisfaction, which is relevant for my research. I will base my research mostly on the Maunu's (2003) and Essig and Amman's (2009) conceptual models and their empirical findings.

## **4 OVERVIEW OF RETAIL IN SLOVENIA**

Based on the latest available data in July 2017 for year 2013, the most important shares in the structure of Slovenian food-processing activities were occupied by four key industries: bakery, meat processing, milk processing, and beverage production (Ministry of Agriculture and Environment, 2014). From all of the manufacturing industries in Slovenia the food-processing industry and agriculture are the most important. The food-processing industry is in the first place, with approximately 21%. This is followed by the manufacture of fabricated metal products, except machinery and equipment with more than 10%, and the manufacture of motor vehicles, trailers and semi-trailers with more than 8% of share (Statistical Office of the Republic of Slovenia, 2014). Even though the bakery industry belongs to the food-processing industry, the majority of bakeries competes and generates their profits by selling products in the retail markets. Thus, I will focus on the Slovenian retail industry, rather than the food-processing industry.

Slovenia has one of the most modern retail markets in the region. While countries in the region still rely on traditional grocery store formats, Slovenian retailers have invested in modernizing stores for better consumer shopping experiences. After several years of difficult economic situation and high unemployment, the Slovenian retailing industry in 2015 and 2016 started to recover from the global economic and financial crisis of 2008 (Euromonitor International, 2017).

Due to the global economic and financial crisis, which hit Slovenia with a slight delay but particularly hard, most of consumers were forced to look for price-affordable solutions and concentrate their purchases on essentials. Consequently, as shown in Table 5, some of the retailing sectors, mostly non-grocery specialist, suffered significant downturn (Euromonitor International, 2016). Table 5 shows that store-based retailing has recorded a constant decrease in sales in the period from 2010 to 2015, mostly because of the decrease in sale of non-grocery products, while grocery retailers have had relatively constant sales with fairly small fluctuations (Euromonitor International, 2016).

The most important characteristic of the Slovenian retail industry is the structure of the market itself. The Slovenian retail market is in many ways shared by the “leading trio” – namely: Mercator, Spar, and Tuš. This is complemented by three low-cost discount traders – namely: Hofer, Lidl, and Eurospin. By taking into account the whole retail market in Slovenia, the three leading traders hold over the 35% of the market share (Mercator 19.2%, Spar 11.4%, and Tuš 6.5%). Adding to this, the three discounters, the market concentration reaches almost 50% (Euromonitor International, 2017, p. 11).

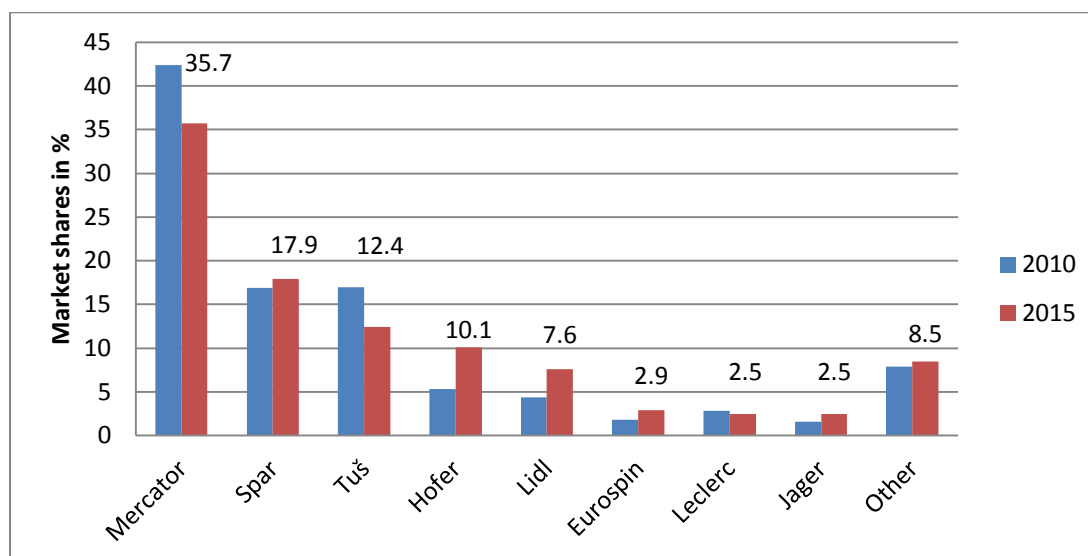
Table 5. Sales in Store Based Retailing by Channel – Value (2011-2016)

EUR million	2011	2012	2013	2014	2015	2016
Grocery Retailers	3,865.1	3,849.3	3,802.9	3,756.4	3,876.7	3,947.9
Non-Grocery Specialists	2,547.0	2,506.4	2,428.7	2,346.2	2,338.9	2,380.2
Mixed Retailers	45.1	43.0	41.4	40.6	39.9	40.5
Luxury Retailing	2.0	2.0	2.0	2.1	2.1	2.1
<b>Store-based Retailing</b>	<b>6,457.3</b>	<b>6,398.7</b>	<b>6,272.9</b>	<b>6,143.2</b>	<b>6,255.6</b>	<b>6,368.6</b>

Source: Euromonitor International, *Retailing in Slovenia – Industry analysis*, 2017, p. 10, Table 4.

Since this research also involves retailers that are generally specialized for sale of products which present only a small portion of sales for Mercator, Spar, Tuš, and others (such as, for example, hardware retailers Bauhaus and Mercur), we could get a more relevant picture of the market share and competition between leading retailers by involving only traders with registered standard classification activity G47.110 (Retail sale in non-specialized stores, with food predominantly). In Figure 7, I present market shares of retailers within registered activity G47.110. The presented data refers to the share of sales revenue (value-based market share) between all companies with the same registered activity.

Figure 7. Valued-based market shares of retailers in 2010 and 2015



Note. \*Figure 7 includes retailers with the registered activity G47.110

Source: A. Lončar, & M. Rabuza, *Bitka trgovcev*, 2016.

Figure 7 shows the structural changes in the market between 2010 and 2015. Mercator and Tuš have lost significantly their market shares from 2010, while Spar's market share has marked even a slight increase. On the other hand, we can observe a noticeable increase in the market shares of discounters, particularly Hofer and Lidl, which have more than doubled their market shares in the same period. The level of competition between existing companies in the market is extremely high, particularly due to a small market size and a large number of players. Strong barrier for new entrants are present, due to high market shares of existing players, large number of stores, and fierce price completion. Based on 2016 data, Mercator has over 700 stores including franchises, Tuš around 200 stores, Spar around 100 stores, Hofer around 80, and Lidl around 50 stores. Most of them are nicely spread across the whole country (Lončar & Rabuza, 2016). In addition to major retailers, there are also individual stores which are not linked to any of the large organization through franchising or partnering contracts.

Even though there are retailers with a higher number of stores, it does not necessarily mean that they have higher market share. As the unofficial market survey, the Shopping monitor measures almost every year the power of retailers in the Slovenian market. It shows the changes in the Slovenian retail market. The project measures "the first store where citizens spend most of their money" on monthly basis (Južnič, 2015). Based on the analysis from 2015, the data for the last two years do not show significant changes in the market, but the data for the last decade displays significant changes in the market for all leading retailers in Slovenia. This means that the period of structural changes has ended and the market has stabilized in the last couple of years. According to the Shopping monitor (2015), Mercator is



losing its position in the market, since its value-based market share has decreased from approximately 36% in 2009 to 28% at the end of 2014. Spar's share has stayed relatively constant with around 30 % of market share in the period from 2009 to 2015. Tuš has marked a decrease from 18% in 2009 to 13% at the end of 2014 (Južnič, 2015). In the last few years, we can observe a new trend in the Slovenian retailing markets related to the entrance of so-called discount traders, which are becoming more appealing to the Slovenian population. Such retailers have recorded a significant increase in market shares, especially Hofer and Lidl. Based on the Shopping monitor (2015), Hofer's share has increased from 5% in 2009 to 11% at the end of 2014, while Lidl's share has increased from 6% to 10% (Južnič, 2015).

Since the Slovenian grocery market is relatively small and at the same time extremely competitive, Slovenian consumers are seen as not very loyal to either retailers and/or brands. The increase of discount retailers is mostly due to economic difficulties, greater price sensitivity, and changes in purchasing habits of consumers. Discount prices, promotions and special deals have gained greater importance in the purchasing behaviour of Slovenians. Indeed, other retailers had to adopt their strategies to maintain their consumers (Euromonitor International, 2016).

The so-called Marketing monitor by Slovenian Marketing Association (Sln. *Trženjski monitor DMS*) carries out the annual assessment of buying habits of Slovenian consumers. Based on 2016 data, there has been a high share of consumers that make thoughtful and planned purchases, and in comparison to 2015, there has been a slight increase of planned purchases. There has also been a slight increase of customers which usually purchase products on sale or on promotion, and price affordable products. In comparison to 2015, more than a half of questioned agreed that they have increased their purchases in discount retailing stores, such as Hofer, Lidl, Eurospin etc. (Marketing monitor, 2016).

## **4.1 Spar Slovenia LLC**

Spar is one of the largest franchised multinational retail chains in the world, founded in 1932 by Dutch retailer Adrian van Well under the name De Spar (Dutch. *Door Eendrachtig Samenwerken Profiteren Allen Regelmatig* - through united co-operation everyone regularly profits). At the beginning, it was founded on the basis of voluntary mergers of various independent wholesalers and retail stores. Its successful business model affected fast expansion in 1950s, firstly in Europe, then in Africa and Far East, and in 1990s also in South America and Australia. Today, the multinational retail chain Spar is present in more than 44 countries in the world and includes over 12,500 different stores (Spar Worldwide, 2016).

Spar Slovenia LLC is a part of the multinational retail chain Spar, operating in the Slovenian market since 1991. It was founded by ASPIAG (Austria Spar International AG) as an independent company. In the Slovenian standard classification of activities, the company is

registered under the standard classification category G47.110 Retail sale in non-specialized stores with food predominating (Spar Slovenija d.o.o., n.d.).

Table 6 presents some important information and indicators of Spar Slovenia business from 2011 to the end of 2016.

Table 6. Important business information related to Spar Slovenia for 2011-2016 period

<b>SPAR Slovenia</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Number of stores	86	88	90	92	97	99
Number of employees	4 307	4 302	4 329	4 307	4 426	4 504
Gross turnover (in mio Eur)	713	720	727	730	732	743
Pure profit (in mio Eur)	13.3	14.9	18.4	17.6	16.4	N/A

Source: Adopted from Spar Slovenia, *Trajnostno poročilo za leto 2015*, p. 15, Table 2; *Rezultati podjetja Spar Slovenija v letu 2016*, 2017; B. Križnik, *Spar po novem širi poslovno mrežo tudi s franšizami*, 2016.

Spar Slovenia started operating with only one retail store in the capital city of Ljubljana, and since then it has recorded increasing growth in market share, the number of stores, and product range, with new and innovative approaches. Today, Spar Slovenia counts 99 different stores (35 supermarkets, 49 hypermarkets, 13 Interspar megamarkets, and 2 City stores) and 10 restaurants regionally spread across whole territory of Slovenia (About the company, 2017).

As shown in Table 6, Spar Slovenia is a serious competitor in the Slovenian retail industry, and a stabile company with a constant increase in business performance. This is mostly due to the strategy of sustainable development. From the very beginning, the number of stores was drastically increasing, while in the last years it has recorded a more modest increase by few stores. The number of employees in the period from 2011 to 2014 was around 4,300 and in 2015 and 2016 increased drastically, making Spar one of the biggest employers in Slovenia. We can also see that the gross turnover indicates positive business operation on the market, while on the other side Spar's pure profit has had some fluctuations. Still in 2015, in comparison to the 2011, Spar recorded a significant increase in overall profit.

According to customers' opinion, Spar is still among the most respected and most trusted companies in Slovenia. This statement is based on an independent research Shopping monitor at the end of 2015. Customers have estimated that Spar is offering the best relation between quality and price, which is considered as one of the most important factors in purchasing, and that Spar Slovenia is the most trustful trader between competitors (Spar Slovenia, 2015).

## 4.2 The Spar bakery division

The Spar bakery division started operating in autumn 2007. It produces bread, pastry, and confectioneries. At the very beginning, it had around 60 employees and produced on average one ton of products per day. It has been growing continuously and has been increasing its activities and the number of employees since then. In 2017, the Spar bakery division (including bakery and confectionary) had 125 employees and produced approximately 19 tons of products every day (Internal sources, 2017), including around 83 different bakery products, and around 37 confectionery products (Spar bakery, 2017)

Among all sorts of food, bread has the highest symbolic, religious, cultural and traditional meaning in Slovenia. Since baking of fresh bread reminds of the warm family atmosphere, Slovenian bakeries are putting the highest efforts to gain customers in the “broad sea” of competition. Slovenian bread assortment offers over two hundred different types of bread and pastries, mostly because of extremely high competition in the bread market, which is forcing producers to constantly innovate.

The biggest competitors to Spar bakery are Žito, Mlinotest, Pekarna Brumat, Don Don (Pekarna Grosuplje), Mlinopek, Hlebček, and a large number of small and medium local businesses across the whole country (Gospodarska Zbornica Slovenije, 2017). Even though Spar Slovenia is the only retailer with their own bakery and confectionary in the country, the sales range includes products of many Slovenian large bakeries, as well small local businesses. Since bread is a very traditional category, retailers have to offer a wide range of product choice. In that way bread sellers adapt their assortments to the local environment and local population preferences (Spar Slovenia, 2015).

Spar bakery is one of the leading players in the industry. It has received many awards for quality of its products and innovation. Each year, the biggest Slovenian bread and pastry producers, which are members of Slovenian chamber of commerce, as well as the biggest non-member producers preset and submit Spar’s bakery products for quality testing. Starting from 2012, Spar bakery has won 46 Golden awards for bread quality, 6 of them in 2012, and afterwards 10 awards each year (Internal sources, 2016).

The decision-making system of the Spar bakery division could be described as “semi-autonomous”. It does not have its own SCM. Instead, it is carried out in cooperation with the central organization. Many decisions are made separately from the central part, but some of the decisions have to be coordinated and approved by the country’s headquarters. Most of supply questions, such as choice of suppliers, are made independently. Almost all decisions are made in cooperation and with agreement between the general director of the division, production manager, and three production technologists (Internal sources, 2017).

Since there is large number of different raw materials used in the production of bread and pastries, as well as sweets, there is a wide range of different suppliers. Financially and quantitatively, the most important suppliers are those of flour, followed by suppliers of oil, concentrates, mixtures, many dairy products (milks and creams), powders for cream preparations, and flavor accessories (Internal sources, 2016).

Regarding the management of buyer-supplier relationships, managers of Spar bakery are aware that the long and stable relationships with suppliers are crucial for smooth operation and quality. There are many factors influencing the relationship with suppliers, which need to be considered when selecting new suppliers. Supplier selection is usually a long and complicated process which requires a lot of time and effort. Suppliers are evaluated by many criteria, which can differentiate across the industries. But still, there are several which may be general, such as: cost of production and raw materials costs, quality, stuff, facilities, logistics and delivery etc.

The whole process of supplier selection in the Spar bakery division is usually quite straightforward. When a need for a certain product or material arises, the organization firstly communicates their demand to current suppliers, and some potential suppliers that are offering a specific raw material or product. Furthermore, even if there is no demand for some materials or products, many Slovenian and foreign suppliers contact the bakery during the year to present their products. After the suppliers' presentation, Spar bakery enters them in a database as potential suppliers, which can be useful afterwards, when the demand occurs (Internal sources, 2017).

For the best quality of supplies, Spar bakery has a combination of domestic and foreign suppliers, which can be divided in three groups: domestic suppliers of products and raw materials produced in Slovenia, domestic suppliers (distributors) of products and raw materials produced in foreign lands, and foreign suppliers (direct supply channel) (Internal sources, 2017).

## **5 ANALYSIS OF SUPPLIER SATISFACTION**

Within the empirical part of my research, I have noticed that there is a lack of information about Spar's relationship with its suppliers, the processes of supplier selection, the selection and use of specific criteria related to satisfaction of suppliers, and efforts invested in maintaining strong and long-lasting relationships with suppliers. This is because Spar bakery has never formally analyzed satisfaction of their suppliers. They have always relied on the personal assessments of relationships with their suppliers and have guided their cooperation based on personal opinion, not a systematic and regular assessment framework.

In order to assess the level of supplier satisfaction within the Spar bakery division and find answers to research questions #3 (What are key determinants of supplier satisfaction within

Spar's bakery division?) and #4 (What could the Spar bakery division undertake to increase the satisfaction of its suppliers?), I have employed a mixed-method empirical approach. Firstly, I have conducted a semi-structured personal interview with the Managing director of the Spar bakery division. Secondly, I have carried out an online survey with all relevant Spar Bakery's suppliers and service providers by using a structured questionnaire.

## **5.1 Data from the personal interview**

Before employing the questionnaire, which was the central part of my empirical research, I conducted a semi-structured personal interview with the Managing director of Spar bakery division, Mr. Boštjan Kos. Mr. Kos has been employed in Spar's bakery division since 2007, when the bakery first started operating. He first held the position of Independent specialist for economic and business area for eight years, where he also served as "the right hand" of the former Managing director. He was doing analysis and was practically involved in many business areas of the bakery division, including supply. I believe his background and tenure within Spar's Bakery division makes him the most knowledgeable senior-level manager when it comes to supply issues within the division. Since 2015, when the former managing director retired, Mr. Kos took the position of Managing director of the Spar bakery division.

The purpose of the personal interview was to help me understand "how" the bakery division understood and defined supplier satisfaction, how much do they care about keeping suppliers satisfied, and which actions do they undertake in this regard? The interview included 26 general questions and several sub-questions connected to the specific area of relationships with suppliers. Please see Appendix A for more details and protocol of the personal interview with Mr. Kos.

The first set of introductory questions was focused on information about the supplier selection processes. Next, I focused on the length and durability of supplier relationships, level and types of long-term cooperation, and the level of dependency of both sides. Questions about supplier satisfaction assessment and most important antecedents and determinants of supplier satisfaction were also important. I followed up this by focusing on the same specific factors of supplier satisfaction, which I outlined in the theoretical part and were also captured in the survey.

## **5.2 Data from the survey**

To obtain data related to supplier satisfaction within Spar's Bakery division, I designed and employed a survey among Spar bakery suppliers and service providers. I constructed my questionnaire within the on-line web-based platform *EnKlik Anketa* (<https://www.1ka.si/>), which enables data collection without direct contact with the respondents. The advantage of such a questionnaire is that enables fast gathering of information, since access to the survey is

available only through a simple click on a sent link. The platform also offers already designed samples of questionnaires and specific formats, as well as basic analyses and graphic displays of collected data. Another important advantage is that the platform records data in real time, so I could monitor the research and make short analyses. Lastly, the platform is free of charge and is widely employed by researchers in social sciences and business studies.

The survey was completely anonymous. This was stressed in the introductory text. It took 10-15 minutes to complete. In the introductory text, I also emphasized that the survey would be used only for the purpose of my master thesis research.

The questionnaire was not officially pre-tested, because questions were related to suppliers of specific organizations. Specific questions were used based on an extensive review of the relevant literature and from existing scales, which were slightly adapted where needed. I forwarded the questionnaire to five managers within the bakery division, which have similar experience in the supply area. I asked them to assess the clarity of questions and general understanding of the questionnaire. Since I did not get any negative comments, I proceeded with actual data collection.

The questionnaire was designed based on the available literature presented in the Chapter 3, and mostly focused on the different antecedents and determinants of supplier satisfaction conceptualized by several leading authors in the field. In the questionnaire, I mostly used closed-type questions (see Appendix B), complemented by some open-end questions where the respondents could write their reasons for disagreement with the statements. Most questions were in the form of Liker-type statements, where the respondents could choose the level of agreement/disagreement with the statement on a 5-point ordinal-type scale (1-Strongly disagree to 5-Strongly agree). Since the Spar bakery division has domestic and foreign suppliers, I have designed the same questionnaire in Slovenian and English languages.

The questionnaire was divided in two main parts. The first set of questions was related to the duration of the relationship between the suppliers and Spar bakery, the nature of their business relationship, and the volume of business between them. The second set of questions was related to supplier satisfaction itself, where I focused on specific antecedents and determinants which were relevant for my research, such as communication, order and delivery, payment, conflict management etc.

In my research, I targeted a population of 68 different suppliers and service providers of Spar's bakery division. The final response rate was 52.9%, which is very high. In the period from June 25, 2017 to August 05, 2017 when the survey was available and active, I obtained a sample of 36 valid responses, while five responses were only partially completed, and thus excluded from the analysis.

## **5.3 Methodology**

I mainly employed two different methodological approaches, both based on primary data collection. For the semi-structured personal interview, I mostly used a qualitative approach of data analysis, where with the method of comparison, I tried to compare collected answers with the literature and findings of previous researchers. For the survey, I mostly used a quantitative method of analysis. I used SPSS statistical software package. Given the tentative nature of my sample, I mainly used a simple mean-based descriptive statistical approach. At the end of the research, I also discussed the results of the interview and results of the survey, since Spar bakery has never analyzed the satisfaction of suppliers.

## **6 RESULTS**

### **6.1 Interview results**

In this sub-chapter, I present the general findings from the personal interview with Mr. Kos. I have structured the presentation of the results based on the various sets of questions. The first set of questions relates to the composition of the supplier portfolio, as well as the decisions and criteria for supplier selection. The second set of questions refers to the role of supply and the importance of supplier satisfaction in buyer-supplier relationships. The third set of question contains the assessment of different antecedents and determinants of supplier satisfaction from the Bakery division's perspective.

According to Mr. Kos, doing business always carries satisfaction implications for all involved parties, both the buyer and the supplier. Even though it seems that marketing puts more emphasis on customer satisfaction, supplier satisfaction, especially for the manufacturing organizations, plays an equally important role. Practitioners put more emphasis on customer's satisfaction, because customers are more publicly exposed and they are the final indicator of quality of a certain product and/or service. If customers are satisfied, they will buy products, otherwise production has no sense. Many people forget the second part of the production and it is supply. Without good and reliable suppliers, organizations cannot produce quality products, which will meet and exceed customer needs and expectations. Thus, satisfaction is a "two-sided coin" with equal importance for each side. Mr. Kos points out that within Spar bakery, there is almost equal attention paid to the supply side, as to the customer side, because Spar bakery's success lies in good and high-quality supply.

The bakery's supply is very specific. Since there is a wide range of different raw materials used in the production of bread and pastries, there are also many different suppliers. According to the business range, suppliers of flour are in the first place regarding the importance (both in terms of costs and quantity). This is followed by oil, concentrates, mixtures, many dairy products (milk and creams), powders for cream preparations, and flavor accessories. If we take into consideration suppliers and service providers, raw material

suppliers present around 90% of the supply portfolio. Yet, Mr. Kos still emphasized that each supplier or service provider is important for a specific area, and it is hard to classify suppliers according to overall importance. Even though there is only one provider of transportation, it has equal importance, because “if we do not put our bread on the shelves in the early morning, our production is in vain”, said Mr. Kos. Spar bakery does not evaluate the importance of suppliers because each supplier is very important. This was the general opinion of Mr. Kos.

Even though there are several suppliers and service providers common for Spar Slovenia as a whole, most of supply questions, such as choice of new suppliers, are made independently from the purchasing department. “Supplier selection depends from the nature of business, i.e. if we are searching for cleaning service than we work together with other departments in Spar Slovenia. In that way we get much better prices. If we need services like for example Oven repair, than we choose licensed service.” Almost all decisions regarding supply of raw materials are made in cooperation and agreement between the General director of the division, production leaders, and three production technologists, because they know the best requirements of products and capacities of the production plant.

Spar bakery always looks at the quality of supplied materials, and they never deviate from this. The highest priority in the overall philosophy of the organization is given to quality. Only then, do other factors come into play. Price is never the most important factor when it comes to supply. Mr. Kos emphasizes that “There are a lot of providers on the market and once we select few of them with best quality, we decide on the price basis”. After quality and price, various delivery conditions usually follow, such as delivery time, costs, transportation and logistics, and of course payment methods and conditions, innovations, etc. The various after-purchase services are another factor which should be emphasized. In the case of Spar bakery, a fast response time and dealing with complaints and unexpected orders is also very important. This is because, Spar bakery produces FMCGs (which have a short shelf life), so ordering and production planning are usually done on daily basis, and because many of the raw materials that are used in production have short expiration dates.

The structure of the supplier portfolio has not changed drastically in the last few years. The number of suppliers is increasing because of increased sales volume and higher production, usually by one or two suppliers each year. Mr. Kos said that he personally believes in long-term relationships and puts all efforts to maintain long-lasting relationships with all suppliers. As a result, almost all suppliers from 2007 are still working with the bakery today.

The Spar bakery division aims to have a supplier portfolio, which minimizes its dependency on a particular supplier. They are always looking for back-up solutions. Again, it depends on the nature of business – i.e. services of machinery and equipment need to be licensed which increases dependency. Moreover, for the supply of raw materials, they use tenders and have myriad suppliers of the same material to decrease ingredient dependency.



Within the second set of questions, I focused on the general understanding of supplier satisfaction within a dyadic buyer-supplier relationship context. I was interested how they actually understand supplier satisfaction, how much attention does Spar bakery pay to supplier satisfaction, and which elements according to them are the most important for supplier satisfaction assessment and management.

Regarding the question, whether suppliers analyze Spar bakery as a customer in buyer-supplier relationship, Mr. Kos said that it happens rarely and informally. Since 2007, they have never gotten any explicit feedback from any supplier regarding the issue of their satisfaction with Spar bakery. There is a high possibility that they have analyzed Spar's bakery operations, but in an informal way, and usually only at the beginning of cooperation. He believes that the analyses are mainly focused on financials (usually payment deadlines), but since Spar bakery is reliable payer, not much attention is given to them after a while. Service suppliers occasionally come to the division to check conditions and ask about satisfaction with their service, but without any official forms, documents, sheets and specific metrics.

According to Mr. Kos: "Supplier satisfaction is a desire of suppliers to cooperate with the Spar bakery through the long period with a fair play and efforts that will increase mutual benefits". Operations of the bakery are oriented toward satisfaction of all interesting groups, including suppliers, because only satisfied suppliers can lead an organization toward the end customer's satisfaction.

During the long experience and according to his opinion, Mr. Kos pointed out several elements that are very important for supplier satisfaction, even though they maybe do not fit with existing theory. In the first place, according to him, are "fair play" and "honest cooperation", which seem to be connected to general business interaction. He emphasized that both sides must work together in a fair and honest manner, if they want to achieve mutual satisfaction and maintain the relationship. After that, there comes "regular communication on the daily basis", and "quick and honest exchange of information", which shows the importance of communication and information sharing.

Spar bakery has never formally measured supplier satisfaction. Following more of transaction logic, they always try to assess a series of specific business exchanges. Based on that, they also implicitly assess the level of satisfaction with a certain supplier. Generally, they believe that suppliers are satisfied with Spar bakery, mostly because they are flexible, regular payers, have good image, and present a good reference for further businesses. Thus, a deductive logic is mostly applied. On the question of how important is for Spar bakery to have satisfied suppliers and what do they undertake to make or keep them satisfied, Mr. Kos said that it is almost equally important to have satisfied suppliers, not just customers. They put much effort in informing them on time, making orders on time, and tend to be flexible as much as possible, so the suppliers can organize themselves and finish the business exchange

effectively and mutually beneficial. Having said this, I could observe a strong transaction and exchange-orientation within the bakery division's approach to supplier satisfaction.

Regarding trust and commitment and their connection to satisfaction, Mr. Kos said that they have never measured commitment and trust. However, according to his personal experience and opinion, suppliers trust the bakery and are committed to their supply relationship. Trust is usually reflected through a supplier's desire to continuously cooperate with the bakery, and he thinks that trust and commitment are key factors, which in turn increase satisfaction. He also thinks that Spar bakery has "preferred customer status" among its suppliers, because Spar bakery is known as a good customer in the overall bakery business. Suppliers also have special offers for Spar bakery and tend to be more flexible in many different areas of business.

In the third set of questions, I focused on specific factors of supplier satisfaction. In Table 7 on the next page, I present determinants and antecedents defined by the literature and which came out in the interview, but only those that were relevant for Spar bakery supplier satisfaction analysis. It is important to mention that the detection of relevant determinants requires a cross-functional approach, since many authors define similar determinant under the different antecedent.

Through the interview, I have also looked at the level of supplier satisfaction assessed by Spar bakery director and its associates. Since they have never done any formal supplier satisfaction analysis, I relied on their opinions and business experience. The assessment of supplier satisfaction at the end of this chapter will be compared to the results of the survey presented in the next section.

Communication is one of the key elements of interaction in any relationship, including business relationships. Communication with suppliers in the Spar bakery division takes place on a daily basis over standard communication channels. Supply issues are usually communicated by the Managing director, or by production managers, which have the best evidence of stocks or know best if any specific need occurs. Even though there is high communication frequency, Spar bakery tends to meet in person with key suppliers from time to time. The frequency of personal meetings depends on the frequency of orders and deliveries, the extent of exchange businesses and possible occurred complications.

Regarding information sharing, Mr. Kos said that the level of shared information depends on the nature of the business itself. With some "bigger" suppliers, there is a higher level of mutual information sharing, often requiring high levels of trust, since sensitive business information is shared. Many raw material producers have their own R&D department and usually share information related to new products, new recipes, and at the end also know-how. Information sharing with some other suppliers or service providers almost doesn't exist, mostly because of the nature of the business.

Table 7. Assessment of Spar bakery suppliers' satisfaction based on the literature

References	Drivers of supplier satisfaction	Assessment of supplier satisfaction by Spar bakery
Maunu (2003) Leenders et al. (2005) Essig & Amann (2009)	<b><u>Communication</u></b> – Communication media. – Frequency. – Contact accessibility.	– By phone, e-mail, or in person. – Usually on a daily basis. – Always relevant persons are available. – Communicated issues always have high reliability.
Essig & Amann (2009)	<b><u>Order and delivery</u></b> – Order flexibility (quantity ordered). – Delivery flexibility (quantity delivered, transportation, logistics, delivery time and place, pick-up points). – Bargaining position.	– Limited order flexibility because of warehouse limitations. – Limited time flexibility because of the nature of products. – Fixed transportation terms. – Spar has increased bargaining position.
Maunu (2003) Essig & Amann (2009)	<b><u>Profitability and agreements</u></b> – Payment habits (respect of payment terms and deadlines). – Respect of formal and informal agreements.	– Maximum efforts to respect deadlines and payment terms. – Spar is known as a regular payer. – Spar always respects formal agreements and keeps its informal promises.
Whipple et al. (2002) Leenders et al. (2005) Essig & Amann (2009) Nyaga et al. (2010)	<b><u>Information</u></b> – Level of information. – Quality of information. – Frequency of information sharing.	– Depends from the supplier and certain business. – Information is in most cases usable. – Usually information of new products and also knowhow.
Maunu (2003)	<b><u>Forecasts and plans</u></b> – Information of future needs. – Long-term plans. – Forecasts reliability. – On-time forecasts.	– Spar bakery shares information about future needs to the certain suppliers. – Spar bakery makes future forecasts. – Short-run forecasts because of the nature of business more reliable.
Maunu (2003) Essig & Amann (2009)	<b><u>Technical excellence</u></b> – ESI (Early Supplier Involvement). – Product innovations. – R&D. – Suggestions for improvements.	– Mutual efforts with suppliers in new product development. – Independent and also mutual R&D departments. – Work together with suppliers to place new product or brand.
Forker & Stannack (2000) Wong (2000) Maunu (2003) Essig & Amann (2009) Nyaga et al. (2010)	<b><u>Conflict management</u></b> – Contact persons. – Honesty. – Reaction speed. – Dissatisfaction.	– Highly professional contact persons. – As fast as possible management. – Unsatisfied suppliers usually because of quantity purchased.

Source: Personal representation based on reviewed literature and personal interview with Mr. Kos.

Spar bakery has many important suppliers that are working close with it since 2007, so that they know and trust each other very well. Flexibility in order and delivery issues from both sides is at a high level. “During all this years of co-working we know everything about our suppliers’ production and capabilities, so we excellently know when to make an order. We try to make orders on time and with understandable quantities, so even if something occurs, there is still enough place adjustments”, said Mr. Kos. On the other hand, due to increased business, Spar bakery has big warehousing limitations, which require higher flexibility in delivery. Suppliers have to deliver small quantities and make deliveries more often. Deliveries have to be on time, otherwise shelves in the stores will be empty. There is no flexibility in transportation, and transportation must be always organized by suppliers.

Mr. Kos thinks that suppliers are very satisfied with Spar bakery payment terms. In the bakery business, Spar is known as a good payer who respects payment terms and conditions and always respects deadlines. There is no specific deadline policy because deadlines are the matter of individual agreement between Spar bakery and each supplier. The most important thing is that Spar bakery has never had any conflict regarding delays in payment or any other similar issue. It takes a very short time for new suppliers to discover that Spar is a regular payer, which also facilitates trust.

There is a high level of supplier involvement in products innovations and R&D. Mr. Kos said: “All suppliers of raw materials have their own R&D departments and we usually work together with them in developing new products. Firstly, they develop some new materials, than we all together make some new bread”. Since suppliers know the best characteristics of materials and ingredients, they are integrated into new products development from the very beginning.

As mentioned before, almost all suppliers of the bakery division are willing to establish long-term relationships with Spar bakery. After a short testing period, they usually insist on long-term contracts and negotiate for a long-lasting cooperation. The same is also with the Spar bakery, because it is very difficult to find a reliable supplier. It is definitely in the bakery division’s interest to find one that meets and exceeds their expectations.

The brand of Spar bakery is already recognized by consumers, which also facilitates relationships with suppliers. It took them several years to create their own image/brand and increase capabilities for the broader market, but it was worth it. Potential, as well as existing suppliers are aware of the bakery’s success, long-term orientation, and expansion in the bakery industry. In the bakery industry, Spar bakery is also known as a good payer which is nowadays very important. In the Spar bakery division they know that the image and overall business performance of Spar Slovenia plays an important role as well, since it is one of the biggest retailers in Slovenia. In some sense, suppliers find Spar Slovenia as a guarantee for its bakery businesses. Spar overall image and reputation also increases the bargaining power with their suppliers.

Conflicts do not appear frequently. They are usually related to delivery time or time of services rendered. “We are very demanding about the time of delivery or service, and we insist on our time requirements”, emphasized Mr. Kos. He added that they always insist to solve all of complications in person, because it is the most effective way of finding a quick solution. They have also had experience with unsatisfied suppliers, mostly related to the volume of business. Dissatisfaction occurs because they and their suppliers do not always have the same idea regarding business. “Some suppliers want to sell higher quantities and more of goods, and even though we have many personal reasons why we don’t need them, we can still see their dissatisfaction”, pointed Mr. Kos.

According to my opinion, it looks that there is a great belief that suppliers are satisfied with Spar bakery as a customer. I will discuss the results of the interview as well as the results of the questionnaire at the end of this chapter.

## 6.2 Survey results

In terms of sample structure, 86% of the respondents in the survey were suppliers of raw materials for food production, while the remaining 14% included suppliers of clothing, inventories, accessories, packaging, as well as service providers, such as transportation, logistics, cleaning, washing, etc. Even though the sample is not balanced, that structure was expected because of the nature of the Spar bakery business. Table 8 summarizes general characteristics of the sample.

Table 8. Survey sample characteristics (based on supply background)

Products/services	Raw-materials for food production	Clothing, Inventory & Accessories, and Packaging	Services (Info & Technology, Cleaning, Washing, etc.	Total
Frequency/percentage	31 (86%)	4 (11%)	1 (3%)	36 (100%)

Source: *Spar Bakery division supplier satisfaction survey*, 2017.

According to the length of the relationship and mutual cooperation, some suppliers and service providers are involved in the Spar bakery business since the very beginning (2007), while others are quite new. The survey did not include suppliers that are involved in Spar bakery business for less than a year, because they are still not relevant in terms of supplier satisfaction analysis. Table 9 shows the average length of relationships and the share of suppliers and service providers within the additionally formed classes.

Table 9. Length of the supply relationships

Years of cooperation	Less than 2	2-4	5-7	More than 7	Mean	Std. deviation
Frequency/percentage	4 (11%)	7 (20%)	5 (14%)	20 (55%)	6.9 years	3.8 years

Source: *Spar Bakery division supplier satisfaction survey, 2017.*

The minimum length of the supply relationship was 1 year and the maximum length was 15 years. As Spar bakery has been operating since 2007 and Spar Slovenia since 1991, there are three companies that assessed their cooperation for more than 10 years. There are two possible reasons for that. First, those companies have been Spar Slovenia suppliers even before the bakery division started operating. Second, the respondents might have miscalculated the length of the relationship. As we can see, more than half of the surveyed suppliers have been cooperating with the bakery division for more than 7 years, and around 70% for more than 5 years. I believe this indicates that Spar bakery maintains long-term relationships (6.9 years on average in a decade of operations) with its suppliers; especially taking into account that it is only a decade old.

In the second question, respondents had to assess the level of dependency on the Spar bakery division. More precisely, they were asked to assess the extent of business generated by sales to Spar bakery. Table 10 shows that for an average supplier, Spar Bakery represents 7.8% of their total sales. At minimum, Spar Bakery represents just 1% of sales to one supplier; while at maximum it represents 40% of sales to another supplier. Based on the average share of sales, I assess that the level of dependency and intensity of cooperation are rather limited in most cases.

Table 10. Extent of business generated by sales to Spar bakery division

Extent of business	Up to 5%	5 to 10%	10 to 20%	More than 20%	Mean	Std. Deviation
Frequency/ Percentage (n=35)	15 (42.8%)	9 (25.7%)	8 (22.8%)	3 (8.6%)	7.8%	8.3%

Source: *Spar Bakery division supplier satisfaction survey, 2017.*

The third set of questions was related to the specific antecedents and determinants of supplier satisfaction. For each antecedent there are several related determinants that facilitate the assessment of supplier satisfaction in a specific supply relationship aspect, as well as

considering the general level of satisfaction. Each question included a set of statements, where respondents had to choose the level of agreement with the statement on a 5-point ordinal Likert-type scale, as shown in the tables below.

The fourth set of statements is related to business profitability, as shown in Table 11. The question included various factors that referred to profitability, such as profitability of business, payment terms and payment agreements defined by Maunu (2003), as well as intensity of cooperation and payment habits defined by Essig and Amann (2009). Table 11 shows descriptive statistics of factors related to profitability of exchange business within the dyadic buyer-supplier relationships.

Table 11. Descriptive statistics related to profitability

Statements	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree	Mean	Std. deviation
We are satisfied with the intensity of cooperation with Spar bakery.	1 (3%)	1 (3%)	6 (17%)	14 (39%)	14 (39%)	4.1	1.0
Business with the Spar bakery is profitable.	0 (0%)	3 (8%)	4 (11%)	20 (56%)	9 (25%)	4.0	0.8
Payment habits of Spar bakery fit to the agreement.	0 (0%)	1 (3%)	0 (0%)	8 (22%)	27 (75%)	4.7	0.6
Payment terms and deadlines are always respected.	1 (3%)	0 (0%)	1 (3%)	8 (22%)	26 (72%)	4.6	0.8

Source: *Spar Bakery division supplier satisfaction survey*, 2017.

Most of the respondents agreed that business with Spar bakery is profitable (average score of 4.0 on a 5-point ordinal scale, std. deviation 0.8), and indicated that they are satisfied with the intensity of cooperation (average 4.1, std. deviation 1.0). Unsatisfied companies explained that they could not assess profitability, because they have been doing business with Spar bakery only for a short period.

The next question is related to agreements between Spar bakery and its suppliers/service providers. Within agreements, I wanted to see suppliers' attitude toward the quality of agreements, as well as their assessment of the formal and informal agreements. Table 12 shows descriptive statistics of factors related to the agreements.

Table 12. Descriptive statistics related to agreements

Statements	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree	Mean	Std. deviation
Agreements cover all necessary issues.	1 (3%)	0 (0%)	4 (11%)	10 (28%)	21 (58%)	4.4	0.9
Spar bakery respects formal and informal agreements.	1 (3%)	0 (0%)	2 (6%)	13 (36%)	20 (56%)	4.4	0.8
Informal agreements play important role in our business with Spar bakery.	2 (6%)	5 (14%)	9 (25%)	7 (19%)	13 (36%)	3.7	1.3

Source: *Spar Bakery division supplier satisfaction survey, 2017.*

As we can see in Table 12, there is a high percentage of respondents that agree or strongly agree that Spar bakery respects formal and informal agreements; as well as that these agreements cover all necessary issues. Even though agreements are respected and detailed, for almost the half of the partners informal agreements do not play an important role or organizations are neutral in answering this question. Those partners that disagreed with the statement said that they do not rely on informal agreements and always want to “officially put things on paper”. Such an approach can be related to suppliers’ bad experience with Spar bakery, to any other business partner, or to the lack of trust in their dyadic relationships.

Regarding the order and delivery factors conceptualized in Essig and Amann (2009), showed in Table 13, we can see that Spar bakery makes orders on time and that delivery points are available and accessible easily. More than 85% of the respondents agreed with these two delivery aspects.

Table 13. Descriptive statistics related to order and delivery

Statements	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree	Mean	Std. deviation
Spar bakery makes orders on time.	1 (3%)	0 (0%)	4 (11%)	13 (36%)	18 (50%)	4.3	0.9
Delivery points are easily accessible.	1 (3%)	0 (0%)	4 (11%)	11 (31%)	20 (56%)	4.4	0.9
Delivery terms (quantity ordered, delivery deadlines, and transportation) are flexible.	2 (6%)	5 (14%)	5 (14%)	8 (22%)	16 (44%)	3.9	1.3

Source: *Spar Bakery division supplier satisfaction survey, 2017.*



As we can see in Table 13, for some business partners the flexibility of delivery terms presents a huge problem. 20% of them are unsatisfied with quantity orders, delivery deadlines or transportation. They complain about small quantities and too-often deliveries, lack of influence on the quantity ordered by the bakery, or increased transportation costs because of the frequent deliveries.

Another generally important issue, particularly an important issue for food production businesses, is the technical excellence based on the Maunu (2003) and Essig and Amann (2009) conceptualization. Within the next question, I asked about ESI (Early Supplier Involvement understands the involvement of suppliers in the partnering organization projects from the earliest stages, and involves sharing of sensitive information), involvement in R&D, and suggestion for improvements. Table 14 shows the mean scores for these statements, which are somewhat lower than the values of previously tested sets of determinants.

Table 14. Descriptive statistics related to technical excellence

Statements	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree	Mean	Std. deviation
We believe that ESI exists in our business practice.	2 (6%)	3 (9%)	7 (20%)	13 (37%)	10 (29%)	3.7	1.1
We have already been involved in Spar bakery R&D projects.	3 (9%)	4 (11%)	10 (29%)	11 (31%)	7 (20%)	3.4	1.2
ESI is mutually beneficial for us and Spar bakery.	3 (9%)	2 (6%)	8 (23%)	12 (34%)	10 (29%)	3.7	1.2
Spar bakery always involves our company in its projects.	2 (6%)	6 (17%)	12 (34%)	11 (31%)	4 (11%)	3.3	1.1
Spar bakery takes into consideration our suggestions for improvement.	0 (0%)	2 (6%)	8 (24%)	16 (47%)	8 (24%)	3.9	0.8

Source: *Spar Bakery division supplier satisfaction survey, 2017.*

Within the set of statements presented in Table 14, there are many respondents that neither agree/nor disagree with specific determinants being evaluated. Almost one third of the respondents does not believe or declares neutral that ESI exists in their business practice. More than a third does not believe nor is sure whether ESI could be mutually beneficial in their business practice with the bakery division. While 51% of the respondents have already been involved in Spar bakery R&D projects, 20% of them said that they have never been

involved in R&D. 23% of the respondents also said that Spar bakery does not involve them in any of its projects.

When taking into consideration suggestions for improvements results are better, but at the end, it still does not necessarily mean that bakery is operating according to their suggestions. Some of the unsatisfied suppliers said that the nature of their business does not require involvement in the Spar bakery R&D projects, they only give informal suggestions for possible improvements, or as mentioned before, materials that they provide do not require special treatments and consequently any ESI involvement.

Another important issue within long-term relationships relates to forecasting. More important suppliers rely on organizational plans and forecasts, and based on them organize their different capacities and capabilities, production processes and distribution. In stabile dyadic relationships, future forecasts need to be communicated on time and reliable as much as possible. In Table 15, I show descriptive statistics related to forecasts and plans.

Table 15. Descriptive statistics related to forecasts and plans

Statements	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree	Mean	Std. deviation
We have enough information about Spar bakery short-term needs.	1 (3%)	3 (8%)	4 (11%)	15 (42%)	13 (36%)	4.0	1.0
We have enough information regarding Spar bakery long-term needs.	1 (3%)	5 (14%)	9 (25%)	17 (47%)	4 (11%)	3.5	1.0
Future forecasts are announced early enough.	1 (3%)	4 (11%)	9 (25%)	13 (36%)	9 (25%)	3.7	1.1
Future forecasts are assessed fairly accurate.	1 (3%)	3 (8%)	12 (33%)	11 (31%)	9 (25%)	3.7	1.0
Spar bakery forecasts are reliable.	1 (3%)	2 (6%)	8 (22%)	15 (42%)	10 (28%)	3.9	1.0
Demand forecasts are on time.	1 (3%)	0 (0%)	4 (11%)	14 (39%)	17 (47%)	4.3	0.9

Source: *Spar Bakery division supplier satisfaction survey, 2017.*

As we can see in Table 15, many respondents are neutral or disagree with the statement that Spar bakery communicates future forecasts early enough (average score of 3.7 on a 5-point scale, std. deviation 1.1). Almost half of them do not agree (11%) or are neutral (33%) that the bakery future forecasts are assessed accurately.

On the other hand, most of the respondents agree that forecasts are reliable and that specific demands appear to be forecasted on time. Regarding the information about short-term (average 4.0, std. deviation 1.0) and long-term needs (average 3.5, std. deviation 1.0) there is a significant difference. Respondents have more information about short-term than long-term needs.

As mentioned before, communication is one of the most important issues of any relationship. As Table 16 shows, suppliers/service providers of Spar bakery are very satisfied with the factors determining quality of communication. Descriptive statistics showed very high results of all factors except communication of weekly, monthly and yearly plans. Therefore, we can conclude that communication between Spar bakery and its partners is at an overall satisfactory level.

Table 16. Descriptive statistics related to communication

Statements	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree	Mean	Std. deviation
Spar bakery shares all necessary information with us.	1 (3%)	0 (0%)	3 (8%)	23 (64%)	9 (25%)	4.1	0.8
Essential information is always received honestly.	1 (3%)	0 (0%)	2 (6%)	20 (56%)	13 (36%)	4.2	0.8
Spar bakery keeps their promises.	1 (3%)	0 (0%)	2 (6%)	16 (44%)	17 (47%)	4.3	0.8
Spar bakery's weekly, monthly, and yearly plans are always communicated on time.	1 (3%)	4 (11%)	10 (28%)	14 (39%)	7 (19%)	3.6	1.0
Contact persons and communication media are specified and regularly available.	1 (3%)	0 (0%)	0 (0%)	15 (42%)	20 (56%)	4.5	0.8
Contact persons are competent and professional.	1 (3%)	0 (0%)	1 (3%)	12 (33%)	22 (61%)	4.5	0.8

Source: Spar Bakery division supplier satisfaction survey, 2017.

Suppliers are satisfied with information sharing, availability of communication media, honesty, professional and expertise contact persons, and their attitude to promises.

The last analyzed factor of supplier satisfaction relates to feedback. Table 17 presents the corresponding statements connected to various aspects of providing feedback.

Table 17. Descriptive statistics related to feedback

Statements	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree	Mean	Std. deviation
We regularly get general feedback from Spar bakery.	1 (3%)	3 (8%)	7 (19%)	9 (25%)	16 (44%)	4.0	1.1
We regularly get specific delivery feedback from Spar bakery.	1 (3%)	3 (8%)	5 (14%)	12 (33%)	15 (42%)	4.0	1.1
We always get fair and honest feedback.	1 (3%)	1 (3%)	1 (3%)	15 (42%)	18 (50%)	4.3	0.9
We regularly give feedback to Spar bakery orders and payments.	1 (3%)	4 (11%)	1 (3%)	13 (36%)	17 (47%)	4.1	1.1
There is a formal feedback channel with Spar bakery.	1 (3%)	5 (14%)	6 (17%)	13 (36%)	11 (31%)	3.8	1.1

Source: *Spar Bakery division supplier satisfaction survey, 2017.*

The majority of respondents agreed that they get general, as well as specific types of feedback from Spar bakery. Some respondents said that specific delivery feedback is enough and that general types of feedback are not very important. A high mean score (4.3) also indicates that suppliers and service providers always get fair and honest feedback. Suppliers also agree that they provide their own types of feedback related to orders and payments to Spar bakery. Slightly weaker results, but still good, relate to the use of a formal feedback channel (average 3.8 on a 5-point ordinal scale, std. deviation 1.1). This can be due to the understanding of the term “formal feedback channel”. Some respondents are satisfied with the usual daily communication with their contact persons through informal feedback like talking, while others require previously defined and more formal feedback channels.

The last question in the survey was more general, but still a good indicator of satisfaction with the relationship. Consistent with the so-called “**Net promotion score**” (hereinafter: NPS) methodology in marketing, I asked the respondents to indicate on a 10-point ordinal-type scale, if they would recommend Spar bakery as a client to someone else. NPS groups respondents into three groups, (1) **promoters** (score 9-10), (2) **passives** (score 7-8), and (3) **detractors** (score 0-6). Then it measures NPS as the difference between % of promoters and % of detractor (Net Promoter Network, 2017). Based on the survey results, the following NPS was obtained: promoters (75%) – detractors (6%) = 69% NPS score. The calculated NPS indicates a high willingness of Spar bakery suppliers to recommend the bakery division to other organizations.

### **6.3 Research limitations**

In my research, I need to outline some theoretical, as well as empirical limitations. The theoretical part of my research was crucial for the understanding of the so-called supplier satisfaction concept, as an important issue in dyadic buyer-supplier relationships. Within the theory I have detected different antecedents and determinants that are influencing supplier satisfaction in such relationships, as well as the various dimensions of supplier satisfaction.

Firstly, the concept of supplier satisfaction is still not sufficiently explored within buyer-supplier relationships in the marketing literature and practice in comparison to the customer satisfaction and consumer satisfaction. Even though within SCM supplier satisfaction is equally important as customer satisfaction, many companies do not pay enough attention to it. Secondly, there is no general tool for measuring supplier satisfaction. My approach was based on the Maunu's (2003), study which uses a special survey of supplier satisfaction, as a management tool. Thirdly, the antecedents and determinants of supplier satisfaction defined in previous researches have been in many cases adapted to specific research frameworks and, as such, could not be used in my research. Also, many authors indicated similar types of determinants, but under different names, or within the different antecedents. Thus, I mostly used determinants defined in Wong (2000), Maunu (2003), Leenders et al. (2005), and Essig and Amann's (2009) studies, and with a cross-matching approach only those determinants that I believed were relevant for my research context.

Regarding the empirical part, the main limitation was for sure the small tentative sample size, which profoundly limits the use of statistical methods. But, although my sample was small, it actually covered a very high share of Spar bakery supplier population.. Since the research was related to a particular organization, more precisely the division within an organization, not a very big sample could be expected to begin with. Actually, during my research, the number of partners included in the survey was decreased for a reason. The initial idea was to include in the survey all suppliers and service providers of the Spar bakery division (around 90 of them), but in consultation with General director of the bakery (Mr. Kos), we had to exclude some suppliers (20 of them) because they are also suppliers of other divisions of Spar Slovenia. We believed that their answers could be biased and partially connected to the satisfaction toward Spar Slovenia and not toward bakery division. I also expected higher response rate among suppliers because of the belief that the communication of Spar bakery with its suppliers is on daily basis and that suppliers will be willing to take their time to answer the questionnaire. Another limitation was generalization of all suppliers and service providers consequently because of the small population (n=68). Lastly, I am well aware that, especially since the questionnaire was distributed by the Spar bakery division head, some responses might have been biased in terms of social desirability, or fear of telling the truth.

## 6.4 Discussion of the results

At the beginning, by taking into consideration the personal interview and the survey results, I can generally say that suppliers of the Spar bakery division are quite satisfied. I can start from the last question which was related to the so-called “Net promotion score” and could be a general indicator of the level of supplier satisfaction. Excellent scores indicate a high level of satisfaction with Spar bakery as a business partner. Mr. Kos believes that in general, suppliers of the Spar bakery division are very satisfied. He relied on the long-term experience and honest communication on daily basis. On the other hand, the results of the survey showed quite high scores for almost all aspects of supplier satisfaction captured by the survey. Mr. Kos also touched upon several factors such as “fair play”, “communication”, and “quick exchange of information”, to which he pays particular attention when assessing suppliers’ satisfaction with the bakery business.

The average length of the supply relationship was 6.9 years in the 10 years of Spar bakery division’s operations. Based on the survey results, Spar bakery tends to establish and maintain strong relationships with its suppliers. Mr. Kos also emphasized that almost all of the suppliers from 2007 are still cooperating with them. Loyalty is a focal point in a long-term relationship, according to Biong (1993), a combination of loyalty and satisfaction should be seen in a long-term perspective. He also points out that sales force, product (including quality, brand, and product line), profitability and support have a strong impact on satisfaction and loyalty, and thus on long-term relationship.

As a central part of any business exchange, profitability was scored very high among the suppliers. The results showed that suppliers are very satisfied with the intensity of cooperation and payment terms, such as payment agreements, terms and deadlines. On the other hand, Mr. Kos emphasized that Spar is known as a regular payer and that they put maximum efforts to respect payment terms, as well as all types of corresponding formal and informal agreements. Regarding agreements, the suppliers agreed that agreements with Spar bakery cover all necessary issues and that Spar bakery respects formal and informal agreements. Some of the respondents said that informal agreements do not play an important role in their business and that they want to put things on paper and make them official. According to my opinion, this can be related to the lack of trust between the partners, so Spar bakery should maybe increase their informal agreements and respect them in order to strengthen their trust and confidence.

Common business processes (such as ordering and delivery of goods and raw material) are affected by financial factors, as well as time aspects, which in turn directly affect supplier satisfaction (Wong, 2000; Maunu, 2003). In their research, Essig and Amann (2009) also merged order processes and communication, since ordering is not efficient without good communication elements. According to Mr. Kos and based on the descriptive statistics from the survey, Spar bakery makes orders on time and offers satisfactory conditions for deliveries. However, within order and delivery determinants, there is an issue decreasing the level of

satisfaction among suppliers. Some suppliers are not satisfied with the flexibility of delivery terms, such as quantities, frequency, or transportation. Long distances usually require higher logistic efforts in order to have optimal time and cost consumption in goods delivery (Maunu, 2003). Mr. Kos said that they are aware of lower flexibility, which appears because of small warehousing capacities.

Another topic is technical excellence. Even though Mr. Kos said that suppliers, especially raw material suppliers, have their own R&D departments and are always invited to participate in Spar bakery projects, the results of the survey showed that there are still partners that have not been involved, but are willing to participate in various bakery projects. According to Mr. Kos, suppliers are involved early and usually participate in products development from the beginning of development. Further, there are many partners who do not believe that ESI even exists in their business practice and that ESI could be mutually beneficial for both sides. Based on research by Wong (2000) and Essig and Amann (2009), they all emphasized that the development-based partnership requires a high degree involvement or a long-term relationship. The literature emphasizes that the ultimate goal of ESI is to improve the product quality, optimize and decrease costs, and optimize production processes (Maunu, 2003). Thus, ESI is essential part that should be considered in Spar bakery's strategy.

Forecasting and planning is a topic, which can be linked to trust and commitment; and can thus directly impact supplier satisfaction. If there are more reliable and long-term forecasts, partners can easily adjust their processes and capabilities (Özer, Zheng, & Chen, 2011) in order to ensure their raw materials or semi products. By analysing this area, I have noticed that suppliers of the Spar bakery division have much more information about short-term than long-term needs of the division. Many suppliers also think that future forecasts, especially monthly or yearly forecasts and plans, are not communicated early enough, and that are not assessed accurately. Regarding demand forecasts, they are usually on time, which Mr. Kos confirmed as well.

Communication between the Spar bakery division and its suppliers is at a high level. Both types of my research showed that parties are satisfied with the elements of communication. There is a sufficient communication frequency, and essential information is shared and gained honestly. Promises are kept and the communication media are available and clearly defined. Suppliers are also satisfied with the behaviour of contact persons and their expertise. Mr. Kos also said that bigger suppliers share quality information to the bakery, especially those related to new products/materials and knowhow.

Communication on a daily basis and frequent personal contacts are very important. Information sharing, based on previous transactions, can be linked to feedback processes in the way of mutual honesty to facilitate improvement of business processes in the future. Maunu (2003) points out to "soft" and "hard" types of feedback. Soft feedback understands how things are doing, while hard feedback includes numerical statistical analyses of quality

performance, delivery accuracy etc. She came to conclusion that partners are more willing to get soft feedbacks, but once the relationship gets older and stabilized, desire for hard feedbacks occurs. Honest feedback contributes to informing a company whether their efforts in new and better processes and investment in capabilities is valued by suppliers, and indicates a company's direction toward the industry leader position (Maunu, 2003). Both, the bakery and its suppliers showed that the honest feedback exists in their business practices. The only disadvantage for some respondents is the lack of a formal feedback channel, or channels. Since Spar bakery has many long-term partners, a formal feedback channel for gathering hard feedback and their statistical analyses is needed.

## **7 MANAGERIAL RECOMMENDATIONS**

My research showed that suppliers of the Spar bakery division are satisfied with the exchange relationships and crucial elements that define their buyer-supplier relationship. However, after analyzing the results of the personal interview with Mr. Kos and the survey among suppliers, I have noticed several shortcomings and detected a space for possible improvements. Firstly, since Spar bakery has never done any supplier satisfaction analyses, it is crucial for them to start thinking of making it a regular and systematic process. Secondly, despite the overall high level of supplier satisfaction, there are several concrete factors that affect their supplier satisfaction and which can be improved.

In order to be successful in business, it is mandatory for organizations to take into consideration the overall satisfaction of all relevant stakeholder groups. Thus, a company's effort toward customer satisfaction is not enough without putting efforts toward supplier satisfaction, according to Wong (2000). Indeed, if supplier satisfaction is not achieved, partnering efforts will be unsuccessful. Furthermore, the general director of Spar bakery division pointed-out that suppliers are equally important to consumers, because they are providing the bakery with quality inputs which are crucial for producing quality products. Therefore, since Spar bakery has never done any supplier satisfaction analysis, it is necessary for them to start with first developing an appropriate set of matrices and indicators to measure supplier satisfaction, as well as carry out such assessment on a regular and systematic basis. The assessments of satisfaction among their suppliers rely on personal opinion through daily communication and the flow of their business exchange. However, this cannot be reliable, since the so-called "human factor" is prone to forgetting and independent conclusion which in many cases becomes tricky and unreal. Based on that, I recommend to Spar bakery to include "periodic" formal assessments of supplier satisfaction, based on a standardized tool. I further recommend them to separate their suppliers into several groups with similar characteristics, and adjust questions and used determinants according to the characteristics of a certain group.

The shortcomings that were detected within the empirical part of my research are related to the specific element of suppliers' satisfaction and allow me to suggest some concrete managerial recommendations. Firstly, after a period of working in the Spar bakery division I



became familiar with the limitations of its small warehousing capacities. A constant increase of business and production has led to decreased warehousing capacities, which have in the last few years forced the bakery into more frequent, but smaller orders of materials. This of course decreases the flexibility of orders and directly influences suppliers' costs, which consequently increases dissatisfaction among suppliers. In my opinion, Spar bakery needs to enlarge its warehousing capacities, as soon as possible. This will not only drive down costs, but also increase supplier satisfaction in terms of delivery frequency.

Relationship trust is the belief that one party will behave in a correct way toward another party, fulfil its obligations, and play fairly and predictably (Zaheer et al., 1998). A serious both-sided approach to obligations between exchange partners and "fair play" also increases their respect to informal agreements. One of the reasons why some suppliers of Spar bakery insist on formal agreements and have a tendency to put all issues on paper can be related to a decreased level of trust. Since trust is one of the key elements of satisfaction in any relationship, Spar bakery needs to work on increasing trust among its suppliers. One of the approaches to increase trust among suppliers is to generally communicate problems that make difficulties in respect of some informal agreements. Suppliers easily accept the reason for agreement disrespect, if they know the real reason for that. Do not avoid to be honest, even if you expect that the price of failing might be high.

Another implication detected within my research relates to the lack of ESI and suppliers' involvement in projects of the bakery. Even though Mr. Kos said that almost all suppliers have their own R&D departments and that they are involved in Spar bakery projects from the very beginning, there are still suppliers who are not satisfied with project involvement. Maunu (2003) says that ESI is usually difficult to implement in practice, but higher efforts are for sure beneficial for both (all) parties. Thus, Spar bakery should increase their efforts to involve their "older" partners in products development, while in the process of selecting new suppliers, Spar bakery has to be selective and chose those that have higher tendencies to be innovative and suggest improvements.

Even though communication between Spar bakery and its suppliers is at generally high satisfaction level, I have detected the lack of formal feedback channels. Since feedback presents a final step in communication and learning, it usually presents a measure of not only communication quality, but also trust and commitment. Most suppliers are satisfied with the usual way of communication and feedback, but again, because of the proverbial human factor, formal IT solutions would be much better and systematic option. Through the formal feedback software suppliers and Spar bakery could provide the information on specific orders, deliveries and payments. Feedback software would collect the data and periodically provide the suggestions for improvements, gathered data could be analyzed generally and would be available to more persons that are in charge.

## CONCLUSION

Due to globalization and increased competition, effective supply chain management has become the one if not the most important factor for gaining a long-term competitive advantage in the market. Since competition has moved from the level of individual organizations to the level of supply chains, retailers have to increase their efforts in achieving SCM excellence. Supply and procurement definitely present an insufficiently explored source of savings and as such increase the importance of supply in SCM. Only organizations which build trusting, long-term and value-adding relationships with partners can more easily achieve their aims and provide final consumers with the best quality products or services. Thus, we can say that the final consumer satisfaction will be achieved only if an organization takes into account the satisfaction of all interest groups, especially suppliers.

After studying the supplier satisfaction literature, I have noticed that supplier satisfaction is still not enough explored, and is poorly employed by managers. The literature used in my master thesis detects several antecedents and determinants of supplier satisfaction, which can be broadly used within organizations, but there is no general measurement tool which could be used without some adjustments. Through analysing recent studies and research, I have detected several factors of supplier satisfaction which were relevant for my empirical research and related to the nature of business of the Spar bakery division.

After conducting a personal interview with the Managing director of the bakery division and employing a survey of supplier satisfaction among Spar bakery suppliers, I have also tried to assess the general level of satisfaction from both perspectives. The interview results showed a high perception of supplier satisfaction within the management group of the bakery division. Based on daily communication, specific business exchanges, and experience in Spar bakery, they believe that their suppliers are very satisfied with dyadic relationship and Spar bakery as a customer. I could assess that suppliers are generally satisfied with the Spar bakery division as a buyer and exchange partner. The survey, on the other hand, indicated some shortcomings in a few areas. The shortcomings that I detected in the research are mostly related to ESI, delivery flexibility, and lack of a formal feedback channel. There are some suppliers which believe that ESI exists in their business practice, but they feel not enough involved in the Spar bakery's development processes. The delivery flexibility could be established by reducing insufficient frequent deliveries, which initiate additional costs for suppliers, while the lack of formal feedback channel could serve for statistical and numerical analysis of feedbacks in a longer time horizon.

To conclude, since Spar bakery has never measured a supplier satisfaction, I believe that my research could present a good starting point in starting to think about including supplier satisfaction analysis in the division strategy.

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## **APPENDIXES**



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## **APPENDIX A: Questions of the interview and key summaries**

1. It seems that marketing is all about customer satisfaction and that purchasing is all about the quality of sourced supplies and about the speed of delivery. Did you ever think about supplier satisfaction? Do you think that it gets less attention than customer satisfaction? If yes, why? What about the Spar bakery division?

- In each business, both sides (buyers and suppliers) should be equally satisfied.
- Companies usually care more about their customers than about their suppliers, because customers are more publicly exposed from suppliers. But, it is very important to equally take care for both of them.
- Supplier satisfaction is very important in the Spar bakery division because we need good and reliable suppliers in order to satisfy our customers' needs.

2. Which suppliers and service providers are present in the Spar bakery business operations? Which suppliers are the most important? How do you compare and evaluate the importance of suppliers in your company?

- We have many different suppliers and each of them is equally important.
- According to the range of business, financially and quantitatively, in the first place are the suppliers of flour, then oil, concentrates, mixtures, and many dairy products (milk and creams).
- We do not formally evaluate the importance of suppliers. We rely on our experiences and subjective assessments.

3. Who decides about new supplier/service provider requirements and selections? Can you briefly describe the process and the key criteria you use?

- We work together with other departments of Spar Slovenia, with our production leaders and technologists. The final decision is always from the Head of Bakery.
- It depends from needs and offers. For example, if we look for a cleaning service, we first consult our other departments and then decide. For services like Oven repair, we always choose licensed services, whereas for raw materials, we use tenders.

4. Which factors, according to your experience, are the most important in the supplier selection process?

- The quality of service or raw materials is always on the first place. If the factor of quality fits our criteria, then we consider price, and of course delivery and payment terms (time, costs, transportation and logistics). After-purchasing service is also very important.

5. Does Spar bakery often select new suppliers or it usually maintains strong and long relationships with its existing ones? How long is the average relationship with your suppliers?

- I personally believe in long-term relationships with suppliers.
- Almost all our suppliers from 2007 are still working with us. But every year, we have been finding someone new as well.

6. How would you assess the level of Spar bakery's dependency on its suppliers? Do you have a policy where you don't want to be too dependent on a particular supplier? What about vice versa? Some companies have a policy where they shouldn't represent more than, say, 20-30% of their suppliers' business?

- We are always looking for backup solutions, so we don't depend only on one supplier.
- It depends what we are looking for. Like I said for Oven repair we must use official services, but for raw materials, we use tenders to obtain the best prices.

7. How often do suppliers analyze Spar bakery as a customer? Which criteria do they use and do you get any feedback?

- It happens rarely and informally. Usually at the beginning of cooperation.
- We don't know that because we never get any feedback.

8. How do you define supplier satisfaction in the Spar bakery division? Is it related to your performance and to your competitive advantage? If yes, how?

- The satisfaction of our suppliers is reflected in their long-lasting desire to cooperate with our bakery. Fair cooperation and joint efforts have always been increasing our mutual benefits.
- Spar bakery operations are directed toward the satisfaction of all interesting groups, including suppliers. Because only satisfied suppliers can lead an organization toward the customer's satisfaction.

9. Which elements, according to your experience and opinion, are the most important for supplier satisfaction in a buyer-supplier relationship?

- The most important elements are fair play and honest cooperation.
- Regular and frequent communication.
- Quick exchange of important information.

10. According to your opinion, are the suppliers of Spar bakery satisfied? Could you assess the level of satisfaction? How do you measure this and how often?

- We have never measured supplier satisfaction formally. Usually by experience and personal assessments.
- I believe that suppliers are very satisfied. Spar is a good reference for further businesses.

11. How important is for Spar bakery to have satisfied suppliers? What do you undertake to make/keep them satisfied?

- It is almost equally important as to have satisfied customers.
- We put much effort to inform them on time, make orders on time, and tend to be flexible as much as possible, so the suppliers can organize themselves and finish the exchange in the effective and beneficial way.

12. Do the suppliers trust Spar bakery? How is it manifested? What is in your experience the relationship between trust and satisfaction?

- We believe that they trust.
- It is manifested through willingness to continually work with us.
- Through satisfaction we achieve trust.

13. Do you think that Spar bakery has a "preferred customer status" to its suppliers?

- I think yes. In overall bakery business, Spar bakery is known as a good customer.
- Suppliers often have special offers for Spar bakery.

14. Are the suppliers committed to the relationship with Spar bakery? How? Do you measure this?

- We don't measure commitment, but I think suppliers are committed to the relationship with Spar bakery.

15. How often and in what ways do you communicate with your suppliers? Assess the frequency, importance of communication, and communication media. What kind of information flows do you exchange? What kind of feedback do they provide to you and you to them?

- We communicate with the main suppliers on a daily basis.
- We usually use phones, e-mails, and have meetings from time to time.
- We exchange mutually trustful information, information regarding specific orders, discussions of misunderstandings etc.

16. Are the suppliers of Spar bakery division flexible and adapt their own processes (i.e. delivery procedure, distribution, transportation etc.)?

- Yes, they are flexible. Throughout all this years of co-working, we have learned almost everything about their production and processes and we exactly know when we have to make an order.

17. To what extent is Spar bakery flexible to order and delivery elements (organization of transportation, quantities ordered, delivery time and place, logistics management etc.)?

- We are flexible to some extent but we have some big limitations. Our biggest limit is the size of our warehouse and thus, suppliers must deliver more often.

18. Do you think that suppliers are satisfied with your business terms (terms of payment, deadlines, etc.) of Spar bakery?

- I think they are very satisfied because we are regular payers.
- We respect deadlines as much as possible.

19. How would you assess the suppliers' preparation to share information with Spar bakery? Assess the quality of information. What types of information are they reluctant to share?

- They share very favorable information which can facilitate the development of new products.
- They share with us their new products/raw materials and also knowhow. That is very important for both sides.

20. Do suppliers participate in product innovations? If yes, how? If no, why not?

- All suppliers of raw materials have their own R&D and we work together with them in developing new products. First they produce new materials and then we make new sorts of breads together.

21. Do suppliers participate in R&D? How? In what stage of product development are suppliers integrated?

- Suppliers, especially raw material suppliers, are involved in our R&D.
- With their new materials and ingredients, they are helping us in developing new products.
- They are integrated from the beginning of development.

22. Are there any differences and complications between Spar willingness to long-term contract and cooperation, and suppliers' willingness to long-term contract and cooperation?

- No. We all want to have long-term contracts.

23. Do Spar bakery's image, reputation, and/or capabilities play an important role to suppliers? How do you see this? Do you actively promote and manage this among suppliers and potential suppliers.

- We are known as very good payers, which is in these days very important. We also promote that, but all our potential suppliers already know it.

24. Does the overall business performance of Spar Slovenia have a significant importance in establishing and maintaining long-term relationships with your bakery division suppliers?

- Yes. Spar Slovenia is a huge and well-known company and that helps us in maintaining long-term relationships with other parties.

25. Do you have many conflicts with your suppliers? How often and why do they usually arise? How do you solve them?

- The conflicts are usually connected with time of delivery or time of services because we are very demanding.
- We solve all problems with personal contact, in that way we are able to find quick solutions.

26. Did you have any experience with unsatisfied suppliers? Can you provide us some examples?

- It is not always that suppliers and customers have the same idea about business. Dissatisfactions usually occur with suppliers that want to sell more goods, which we don't need that much.

## **APPENDIX B: Questionnaire of Spar bakery suppliers' satisfaction**

Dear Supplier/Service provider, my name is Hariz Zulji and I am a student at Faculty of Economics in Ljubljana. In my master thesis, I am focusing on supplier satisfaction within the Spar bakery division, where I currently work. Your participation in this research will also help the Spar bakery division to better understand the satisfaction of its suppliers.

The survey is completely anonymous and takes approximately 15 minutes. The collected data will be treated in strict confidence and analysed on the general level (not in any case on the level of individual company). I will use the data only for my master thesis research.

Thank you in advance for your cooperation.

Hariz Zulji  
hariz.zulji@gmail.com  
040 606 177

### **THE QUESTIONNAIRE**

Q1 - How long have you been Spar bakery supplier/provider?

Please indicate the number of years:

years.

Q2 - What percentage of your business is generated by sales to Spar bakery?

Percentage of your business generated by Spar bakery:

% of business (sales).

Q3 - Which products/services are you supplying to Spar bakery?

Please choose the ones that you think are the most important.

- ☐ Raw-materials for food production.
- ☐ Clothing, Inventory & Accessories, and Packaging.
- ☐ Transportation and Logistics.
- ☐ Services (Info & Technology, Cleaning, Washing, etc.).
- ☐ Other (please specify):

Q4 - Please indicate your level of agreement with the provided statements below:

	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree
We are satisfied with the intensity of cooperation with Spar bakery.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Business with Spar bakery is profitable.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Payment habits of Spar bakery fit to the agreement.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Payment terms and deadlines are always respected.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q5 - If you disagree or partially agree with the statements above, please explain why.

Q6 - Please indicate your level of agreement with the provided statements below:

	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree
Agreements cover all necessary issues.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Spar bakery respects formal and informal agreements.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Informal agreements play important role in our business with Spar bakery.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q7 - If you disagree or partially agree with the statements above, please explain why.

Q8 - Please indicate your level of agreement with the provided statements bellow:

	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree
Spar bakery makes orders on time.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Delivery points are easily accessible.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Delivery terms (quantity ordered, delivery deadlines, transportation etc.) are flexible.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q9 - If you disagree or partially agree with the statements above, please explain why.

Q10 - Please indicate your level of agreement with the provided statements bellow:

ESI (Early Supplier Involvement) implies supplier involvement in new product development from the earliest stages, and it includes the exchange of confidential information.

	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree
We believe that ESI exists in our business practice.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have already been involved in Spar bakery R&D projects.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
ESI is mutually beneficial for us and Spar bakery.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Spar bakery always involves our company in its projects.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Spar bakery takes into consideration our suggestions for improvement.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q11 - If you disagree or partially agree with the statements above, please explain why.



Q12 - Please indicate your level of agreement with the provided statements bellow:

	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree
We have enough information about Spar bakery short-term needs.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have enough information regarding Spar bakery long-term plans.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Future forecasts are announced early enough.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Future forecasts are assessed fairly accurate.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Spar bakery forecasts are reliable.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Demand forecasts are on time.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q13 - If you disagree or partially agree with the statements above, please explain why.

Q14 - Please indicate your level of agreement with the provided statements bellow:

	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree
Spar bakery shares all necessary information with us.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Essential information is always received honestly.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Spar bakery keeps their promises.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Spar bakery's weekly, monthly, and yearly plans are always communicated on time.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contact persons and communication media are specified and regularly available.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contact persons are competent and professional.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q15 - If you disagree or partially agree with the statements above, please explain why.

Q16 - Please indicate your level of agreement with the provided statements below:

	1-Strongly disagree	2-Somewhat disagree	3-Neither agree/nor disagree	4-Somewhat agree	5-Strongly agree
We regularly get general feedback from Spar bakery.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We regularly get specific delivery feedback from Spar bakery.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We always get fair and honest feedback.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We regularly give feedback to Spar bakery orders and payments.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is a formal feedback channel with Spar bakery.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q17 - If you disagree or partially agree with the statements above, please explain why.

Q18 – On a scale 1-10, please indicate how likely you would recommend the SPAR bakery division as a client to someone else, "1 - don't recommend at all, 10 - highly recommend."