



# Intermediaries in power-laden retail supply chains: An opportunity to improve buyer–supplier relationships and collaboration



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## ABSTRACT

Despite the benefits of buyer and seller collaboration and hence relationships extolled in extensive studies, issues of relationship power inhibit implementation of collaborative and relational approaches, particularly in some parts of the retail sector. Further, most research regards buyer–supplier collaboration and relations as dyadic or focal relationships, or perhaps in a network context, and typically investigates buyer–supplier collaboration and relations from a power-dependency perspective; and within vertical supply integration. Little attention has been given to the potential role of supply chain intermediaries, such as logistics service providers, in objectively and independently determining and managing the course of buyer–supplier collaboration and relations in a business-to-business context. This article appraises the potential role of buyer–supplier collaboration and relations and their relevant opportunities in the power-laden, contentious environment of the retail grocery sector. With an interdisciplinary approach, drawn from supply management, relationship management, and logistics and supply chain management, this article emphasises the importance of horizontal collaboration using fourth-party logistics structures as horizontal intermediary conduits, who act independently between retailers and suppliers to facilitate collaborative and relational activity.

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## 1. Introduction

Research into business-to-business relationships is not new. On the demand – that is, customer or buyer side – relationship management and relationship marketing have long provided principal theories for understanding dyadic, buyer–supplier relationships (e.g., Håkansson & Snehota, 1982; Lindgreen & Wynstra, 2005; Möller & Halinen, 2000; Morgan & Hunt, 1994). The stream of such literature acts as an umbrella and covers a wide, interlinked set of issues such as interpersonal and inter-organisational relations, power dependence, trust, and collaboration, in a downstream direction of travel from suppliers toward buyers (Frazier, 1983; Jain et al., 2014; Meehan & Wright, 2013; Wilson, 1995).

There is also a large body of work on the supply – that is, supplier side – focusing on supplier assessment, collaboration, and segmentation (e.g., Kraljic, 1983; Roseira, Brito, & Henneberg, 2010; Ulaga & Eggert, 2006). However, the reverse application of relationship management – that is, from buyers to suppliers and key supply relationship development – remains largely lacking. One notable exception is a study by Lindgreen, Vanhamme, van Raaij, and Johnston (2013) that develops a

novel instrument to measure an organisation's use of transaction purchasing, electronic purchasing, interactive purchasing, and network purchasing.

Further, there is evidence that relationships between buyers and suppliers do not often adhere to notions of good, collaborative relationship practices (Hingley, Lindgreen, & Casswell, 2006; Robson & Rawnsley, 2001; Spekman, Kamauff, & Myhr, 1998). One notable example is the UK retail grocery sector, where retailers have been accused of using predatory practices with suppliers and exercising the power they achieved from suppliers during a transfer from the 1980s onwards (Ferne & Grant, 2008; Grant, 2005; Hingley, 2005). This work supports Cox (2004), who identified supply chain management as the most intensive resource (i.e., cost, requirement for buyers and suppliers), and that supplier development and supply chain management work best in situations where buyers have dominance or power over suppliers, or where there is interdependence in the power relationships between them.

And yet, distribution efficiencies in grocery retail have improved over the last 30 years to the benefit of both retailers and suppliers (Ferne & Grant, 2008; Ferne & McKinnon, 2003; Frankel, Goldsby, & Whipple, 2002). Many of these efficiency achievements have been predicated on the use of intermediaries such as logistics service providers, who provide transport and storage in food supply chains, to serve as objective, 'honest brokers' and who do not wield power in

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distribution and relationship processes in order to maintain balance and fairness, as well as efficiency and effectiveness, in the grocery supply chain (Mason, Lalwani, & Boughton, 2007; Mukhopadhyay, 2006; Potter, Mason, & Lalwani, 2006).

Thus, there is a conundrum that much current work emphasises relationship-building activities on both the demand and the supply side while other work provides evidence that demonstrates – in, for example, retailing and supply chain management – that the use of power, the existence of asymmetrical relationships, etc. are widespread. In other words, preaching the usage of relationships seems at odds with what is actually being practised. Logistics service providers work as connectors between the supply and the demand side and are less inclined to use power. This has been observed in Hingley, Lindgreen, Grant, and Kane (2011) whose empirical investigation concerned retailer organisations and logistics service providers; it was the logistics service providers who were more open to engagement and were prepared to facilitate connections; whereas retailers were less enthusiastic and feared loss of power and control.

Accordingly, we investigate the collaborative role and related practices of such intermediaries to enhance our understanding of reducing the influence of one-way power in buyer–supplier relationships in vertical supply chain structures, especially in the grocery retail sector. This article thus contributes to the supply chain and buyer–supplier relationship literature by providing further explanation of dyadic and triadic relations, networks, and the coordination of supply. We first discuss the role of intermediaries as channel moderators, facilitators, and gatekeepers, and then the characteristics and issues related to collaboration that arise from our investigation of retailers, suppliers, and intermediaries in the UK grocery retailing sector. We next propose insights into how intermediaries known as fourth-party logistics service providers (herein after termed 4PLs) might catalyse horizontal collaboration and serve as ‘honest brokers’ in buyer–supplier relationship development and finally conclude with managerial implications, limitations of this article, and suggestions for further research.

## 2. Theoretical background

### 2.1. Relationship theory: buyer and supplier perspectives

Many relationship and network theorists have highlighted the importance of relationships in business network contexts (Anderson, Håkansson, & Johanson, 1994; Becker, 2008; Håkansson & Snehota, 1995), with the contention that individual organisations and dyadic relationships both contribute to networks of inter-relationships, built on trust and commitment, which in turn derives from shared values and information, mutual dependence, communication, and relationship benefits (Jain et al., 2014; Lindgreen, 2003; Morgan & Hunt, 1994; Spekman et al., 1998; Wilson, 1995).

From a buyer's perspective, supplier selection criteria include the supplier's internal integration, collaboration, trust, and commitment capabilities. Supplier criteria also focus on information sharing, performance on both product and financial levels, and the supplier's ability to learn and grow with the buyer (Liker & Choi, 2004; Samiee & Walters, 2006; Spekman et al., 1998). A successful supplier strategy contains four basic operational dimensions: identifying, analysing, selecting suitable strategies for, and developing operational-level capabilities to maintain profitable long-term relationships with key accounts (Ojasalo, 2001). These operational dimensions reflect some of the supplier-side selection criteria, reinforcing the notion of collaboration between the two sides in a buyer–supplier dyad.

### 2.2. Power in buyer–supplier relationships

Power in buyer–seller relationships has been defined as the potential or ability of one channel (or supply chain) member to influence decisions of another channel (or supply chain) member (Frazier, 1983;

Kumar, 2005; Meehan & Wright, 2013). The inappropriate or predatory use of power (i.e., where there is an adversarial relationship due to the unequal share of value appropriation in a relationship; Cox, 2004) leads to overall inefficiencies and ineffectiveness in supply chains. For example, buyers may insist on unreasonable delivery times and quantities or provide inaccurate forecasts (Grant & Torgersen, 2006) that lead to demand amplification of upstream orders versus actual sales, or the infamous ‘bullwhip effect’ (Lee, Padmanabhan, & Whang, 1997).

An ideal where power is equally shared is found when both the buyer and the seller have a ‘cooperative orientation’ where there is social, long-term financial (i.e., shared investment), and confidential information exchange across the dyadic relationship between buyer and seller (Ojansivu, Alajoutsijärvi, & Salo, 2013). However, while retailers have used their power over suppliers in some cases (Spekman et al., 1998; Grant, 2005), competitiveness in the UK grocery retail market has led some retailers but many suppliers and logistics service providers to consider how they can collaborate to keep costs down and retain a competitive advantage (Grant, Fernie, Trautrimis, & El-Adas, 2008).

### 2.3. Supply chain collaboration and the retail grocery sector

Fernie and Grant (2008) note there has been considerable change in the past 30 years in retail grocery supply chains, from supplier-led to retailer or buyer-led. In the early 1980s, grocery retailers shifted from direct store delivery to regionally controlled distribution centres; soon after, unprecedented levels of efficiency began to emerge as retailers massively reduced their inventory levels and lead times. Further efficiencies and cost reductions occurred when retailers turned to logistics service providers to handle supply chain services for them on a dedicated basis. In the 1990s, retailers moved away from product-specific warehousing to multi-temperature composite warehousing and distribution, which further reduced supply chain inventory levels through just-in-time collaborative approaches such as efficient consumer response or pilot collaborative, planning, forecasting, and replenishment initiatives (Barratt, 2004).

The collaboration inherent in some of these approaches worked to enhance the innovation and performance of the collaborating firms (Soosay, Hyland, & Ferrer, 2008). But it also demanded a shift in culture, toward one that prioritised not just collaboration but also trust, mutuality, and information exchange, with senior management support and sufficient resources (Barratt, 2004; Lindgreen, Palmer, Wetzels, & Antioco, 2009). Conversely, managerial inertia and a focus on parochial, short-term results negatively affected performance and customer service, thus creating conflicts in the supply chain (Simatupang & Sridharan, 2002). Nor could collaborative frameworks based solely on marginal relationships deliver superior performance (Bailey & Evans, 2006).

Collaboration among supply chain partners also underlies more general supply chain management notions, including the overarching, total systems perspective that includes relationship management across network firms, purchasing, customer service, and cost control, all to attain total supply chain satisfaction (Mason et al., 2007).

### 2.4. Vertical and horizontal collaboration in the retail grocery sector

In supply chains, collaboration can take two forms: vertical or horizontal (Barratt, 2004; Simatupang & Sridharan, 2002), however vertical collaboration among suppliers, intermediaries, and retailers is more common. Stephens and Wright (2002) and Hingley et al. (2011) both found that food retailers express virtually no interest in wider, deeper, multiple-retailer horizontal collaborations because they fear the loss of their competitive advantage. And yet both forms of collaboration rely on the use of logistics service providers to operate effectively.

For example, Fernie and McKinnon (2003) argue that more efficient collaboration among suppliers would encourage greater collaboration

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