

Fair treatment by supermarkets key to suppliers' performance

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Small suppliers who believe they are fairly treated by big supermarkets will put more resources into their relationship with buyers and perform better, according to academics at the University of East Anglia (UEA).

The research explored the concept of relational justice, specifically how small-scale food and drink producers perceive their treatment by 'key customers' - in this case supermarkets—and the impact this has on their allocation of resources and business performance.

Published in *Supply Chain Management: an International Journal*, the findings show that the way supermarket buyers treat their suppliers matters more for their suppliers' performance than their status as key customers.

The study also suggests that the length of time a small producer has been supplying a supermarket makes no difference to how they perceive their treatment. Rather, suppliers form their perceptions of fairness relatively quickly, so buyers should establish good relationships from the outset when taking on new producers, particularly when they are small business with limited resources.

Researchers Dr. Ricardo Santana and Prof Andrew Fearne, of UEA's Norwich Business School, say the findings are highly relevant given the increasing scrutiny of supermarket buyer behaviour and its impact on suppliers.

"Positive and negative exchanges can have unexpected consequences that ultimately determine the health of a relationship and resulting performance outcomes," said Dr. Santana. "Managing buyer-supplier relationships is, therefore, a challenging social task that involves tackling behavioural issues and power dynamics between the buyer and the supplier.

"Larger retailers should design strategies to enhance necessary elements of relational justice and should empower and encourage buyers and category managers to foster social elements, for example by offering the supplier the opportunity to provide input on decisions that affect the

relationship, and fairly rewarding the suppliers who invest in the relationship by meeting standards and deadlines.

"Such strategies can help weaker suppliers feel that their voices are heard, concerns are addressed in the relationships, and their account managers are treated with dignity, courtesy, and respect."

Dr. Santana added: "This study finds that such perceptions help suppliers perform better in their relationships with key customers, which eventually could be beneficial to the whole [relationship](#) and be in the holistic, long-term, interest of the supply chain."

Larger customers can establish commitment from suppliers at an early stage in their relationships, by respecting the principles of relational justice in their dealings with suppliers.

The authors say such principles can be easily incorporated into personal development plans of retail buyers, and their adherence easily measured through supplier assessments.

Prof Fearne said the conduct of suppliers was also important: "In the highly competitive environment of fast-moving consumer goods, it is not purely down to the behaviour of the buyers. It's also about the way you as the [supplier](#) behave.

"All suppliers, whether old or new, need to stand out from the crowd. This is particularly important as retailers are having to rationalise their ranges so they can do better deals and make it easier for customers to shop. Market power has diminished as customers are talking with their pockets."

Prof Fearne added: "There are suppliers who invest significant resources in their key customers, such as a big supermarket, and in return they get

treated fairly by the buyers, so they can perform better than those who don't recognise the importance of good [customer](#) service.

"We need smaller businesses to behave like big companies and we have found evidence of suppliers doing better when they are pro-active in managing their customer relationships. If you provide good customer support, buyers will support you in return and will listen when you've got problems."

More information: 'Customer Categorization, Relational Justice and SME Performance in Supermarket Supply Chains', Ricardo Malagueno de Santana and Andrew Fearne, is published in *Supply Chain Management: an International Journal*.

Provided by University of East Anglia

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