MANAGING SUPPLIER RELATIONSHIP:

CASE STUDIES OF SMALL AND MEDIUM ASIAN

GROCERY RETAILERS IN MELBOURNE

A Thesis Submitted
in Fulfilment of the Requirements
for the Degree of Doctor of Philosophy

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DECLARATION

I, Thi Viet Hoa Tran, certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work paid or unpaid carried out by a third party is acknowledged; and, ethics, procedures and guidelines have been followed.

Thi Viet Hoa Tran
January 2013
ACKNOWLEDGEMENTS

I would like to express my gratitude to my family, friends and benefactors. I am truly blessed to have received their delightful support and love.

First, my deepest gratitude for his support and encouragement throughout my doctoral study goes to my supervisor, Associate Professor Booi Kam. This study could not be completed without the exceptional input and guidance that he has provided. I am sincerely appreciative for the outstanding supervision and support I have received from him throughout this entire process.

I would like to express my profound gratitude to Dr. Charles Lau, my second supervisor. His generous guidance, support and understanding helped me tremendously during my PhD journey. Special thanks go to Prue Lamont and other staff in the Research Development Unit, who supported me through every stage of the process. I am deeply thankful to have worked with Susan Barr, Sue Brennan, Vivian Li and Yu-Wen Chien, in the College of Business, who have provided a highly supportive working environment.

Something that I have most cherished during my PhD study is the friendships with exceptional PhD students: Fahreen, Shamima, Ming, Daravone, Mai, Khanh, Hoa and Bac, whom I met during my PhD studies. Many special thanks to Hoa and Bac for their delightful encouragement. Special thanks also to Fahreen for her understanding, caring and important suggestions, along with her parent’s wonderful support, which helped me considerably during the critical last months.
I am very thankful to have Rose, my “adopted sister”, from whom I have received constant care, love and support and who has taught me so much in life. I owe my deepest gratitude to Steven Beeby for being such a caring, supportive, affectionate and wonderful friend. Thank you for sharing Australian culture with me, as well as a spiritual life. This has strengthened me greatly to become a better person. I feel very grateful to have gotten to know Steven’s family and friends, with whom I have shared many enjoyable social occasions.

I am incredibly blessed to have received endless love and support from my good friends back in Vietnam, especially the “over 30 year golden friendship N2” group. Thank you so much for always being there for me like a surrogate family, bearing the burden of the frustrations, and sharing in the joy of the successes.

Finally, I am truly blessed to have my son in my life, Louis, who has been with me every step of the way. This thesis would not have been possible without the faith and love of my wonderful son – my blessing – who has constantly given me an incredible level of support, patience, encouragement and understanding during the endeavour. I am saddened that my parents and my brother, Trung, are not here to share the PhD celebration with me, but I am sure that they are keeping an eye on me from heaven. Finally, I am very grateful to my two brothers, Nam and Kien, my aunts and my family for their continuous love, support and wishes.

Thi Viet Hoa Tran
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## GLOSSARY OF ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>C oil</td>
<td>Cooking oil</td>
</tr>
<tr>
<td>COD</td>
<td>Cash on Delivery</td>
</tr>
<tr>
<td>FMI</td>
<td>Fast Moving Item</td>
</tr>
<tr>
<td>IGA</td>
<td>Independent Grocers of Australia</td>
</tr>
<tr>
<td>IN</td>
<td>Instant Noodles</td>
</tr>
<tr>
<td>MA</td>
<td>Market Average</td>
</tr>
<tr>
<td>OEMs</td>
<td>Original Equipment Manufacturers</td>
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<tr>
<td>S</td>
<td>Sauce</td>
</tr>
<tr>
<td>SMAGRs</td>
<td>Small and Medium sized Asian Grocery Retailers</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Size Enterprises</td>
</tr>
<tr>
<td>SMI</td>
<td>Slow Moving Item</td>
</tr>
<tr>
<td>SRM</td>
<td>Supplier Relationship Management</td>
</tr>
<tr>
<td>SSL</td>
<td>Standard Shop Lot</td>
</tr>
<tr>
<td>TQM</td>
<td>Total Quality Management</td>
</tr>
<tr>
<td>VM</td>
<td>Vehicle Manufacturer</td>
</tr>
<tr>
<td>WD</td>
<td>Weekday, from Monday to Friday</td>
</tr>
<tr>
<td>WE</td>
<td>Weekend, from Saturday to Sunday</td>
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ABSTRACT

Despite its recognition by both practitioners and academics as a standard purchasing portfolio model, the Kraljic matrix, or its variants, has not included power as one of its framing dimensions. Mainstream literature on supplier relationship management has repeatedly pointed to the role of power in shaping supplier management posture of large buying firms. In comparative terms, not only are there fewer studies on how small buyers manage their relationships with suppliers, sharp contradictions also exist among findings on supplier management practices of small retailers.

This study addresses the question: “How do small and medium Asian grocery retailers (SMAGRs) manage their relationships with suppliers in relation to their power positions under different circumstances?” Using the Kraljic matrix as its analytical base, this study incorporates power relations, in addition to the strategic importance and supply risks of the items purchased, as a third dimension to examine the relationship management strategies SMAGRs used to deal with different suppliers. Based on a multiple case study of eight SMAGRs in Melbourne, this study found that SMAGRs used a mix of supplier relationship management strategies simultaneously to deal with the same supplier group for different purchase items. SMAGRs also displayed creativity in leveraging on trade exchanges and relationship management to generate transactional and relational power to augment their market power, bolstering their bargaining power in trade negotiations. The findings led to the
development of nine working propositions and seven sub-propositions. The theoretical and practical implications of these working propositions were discussed and directions for further studies recommended.
CHAPTER 1: INTRODUCTION

1.1. MOTIVATIONS

This study investigates the supplier relationship management (SRM) strategies of small and medium sized Asian grocery retailers (SMAGRs) in Melbourne, Australia. It examines how SMAGRs manage their suppliers under different supply conditions by leveraging the asymmetrical power relationships existing between them and suppliers.

The purchasing and supply management literature uses the term SRM to describe the management of dyadic buyer-seller relationships from the buyer’s point of view (Lintukangas 2008). In buyer-seller relationships, suppliers create and provide value for buyers in the form of access to resources, markets, information and technology, offering a base for them to achieve competitive advantage (Harland 1996; Imanipour, Rahimi & Akhondi 2012; Pawlak 2009; Prior 2012). SRM has been noted to be a strong driver of procurement efficiencies (Moeller et al. 2006), cost reductions (Herrmann & Hodgson 2001; Momiwand & Shahin 2012) and inventory management improvement (see for example Herrmann & Hodgson 2001; Hughes & Wadd 2012; Kannan & Tan 2006; Supatn 2010). Because collaborative planning with suppliers could lead to higher delivery quality, e.g., right lead time and lower delivery cost, due to improved visibility and communication, SRM can assist companies to increase
their customer-responsiveness, too (see for example Herrmann & Hodgson 2001; Mettler & Rohner 2009). In addition, SRM has also been identified as an antecedent to increasing product cycle times due to knowledge sharing with suppliers, which allows up-to-date information be utilized more effectively to enhance replenishment and efficient process management (see for example Lang et al. 2002; Momiwand & Shahin 2012). Because SRM also brings benefits to suppliers and increases supplier’s satisfaction, buyers are further empowered to attract and preserve the most competitive suppliers (see for example Hughes & Wadd 2012; Lang et al. 2002). As a result, SRM has been regarded as a value and business benefit driver of companies (Hughes & Wadd 2012).

As competitive pressures between supply chains intensify in the face of a highly unstable economic environment exacerbated by rapid technological developments, constant price pressure, increased competition, market restructuring and globalisation, companies have been turning to SRM for strategic alternatives (Eggert & Ulaga 2010; Herrmann & Hodgson 2001; Lambert & Schwieterman 2012; Miocevic & Crnjak-Karanovic 2012; Pawlak 2009; Wagner & Johnson 2004). Because of the benefits SRM can offer to companies, SRM has emerged as a new competitive weapon in supply chain management to deal with all aspects of business relationships between companies and their suppliers (Day, Magnan & Moeller 2010; Filho 2009; Imanipour, Rahimi & Akhondi 2012; Lambert & Schwieterman 2012; Miocevic & Crnjak-Karanovic 2012; Schoenherra et al. 2011). In supply chain operations, Lambert and Schwieterman (2012) contended that SRM is increasingly being
perceived as strategic, process-oriented, cross-functional, and value-creating for both buyers and sellers. SRM is also a means of attaining superior financial performance.

Kraljic (1983) and Bensaou (1999) argued that no single approach to relationship management is considered adequate. Different suppliers offer different potential to enhance a firm’s value and thus have to be treated unequally (Bemelmans et al. 2011; Miocevic & Crnjak-Karanovic 2012; Moeller, Fassnacht & Klose 2006). Prioritizing the right suppliers to work with has been suggested as one of the major steps an organisation should take to gain value from relationship investment (Day et al. 2010). Park et al. (2010) recommended that purchasing managers should adopt a “fit-for-purpose” approach, which echoes Dyer et al.’s (1998) dismissal of employing a “one-size-fits-all” strategy for supplier management. Not surprisingly, considerable efforts have been made, both in academia and in practice, to classify suppliers into different groups with a view to employing different strategies and allocating appropriate resources to manage them (see for example Caniëls & Gelderman 2005a; Choi & Krause 2006; Day et al. 2010; Gelderman & Van Weele 2003; Rezaei & Ortt 2011; Wagner & Boutellier 2002).

Popularized by Kraljic (1983), the portfolio approach, also referred to as purchasing portfolio management or supplier portfolio management, has emerged as one of the most widely used models to classify purchases, suppliers and relationships to determine the most appropriate means to

Empirical studies on SRM using the portfolio approach, in general, have found that the portfolio model assisted purchasing managers to invest their resources in a cost-efficient, or cost-effective, manner to establish the groundwork for supplier categorization, forming the basis for SRM in a company (Bemelmans et al. 2011; Herrmann & Hodgson 2001; Momiwand & Shahin 2012). The Kraljic model, in particular, is considered most helpful for developing effective purchasing strategies and for managing a supply base (Gelderman & Semeijn 2006). As a result, SRM literature views the portfolio approach as vital to building successful relationship management strategies (for example Day et al. 2010; Lintukangas 2009; Möller et al. 2006; Park et al. 2010; Zolkiewski & Turnbull 2002).
Despite its popularity and usefulness, the portfolio approach is not without criticism. One of the most common limitations levied on the approach is that the two basic dimensions of portfolio models cannot provide qualified recommendations according to the complexity of business decisions (e.g., Caniëls & Gelderman 2005b, 2007; Dubois & Pedersen 2002; Kähkönen & Lintukangas 2011). Dubois and Pedersen (2002) characterised the portfolio model as an oversimplification of reality. Cox (2009) added that the Kraljic portfolio model (1983) fails to capture the sophisticated nature of the supply market environment that buyers and suppliers typically experience, which shape the power relations between them.

Though not observable, power is an ever present factor in business-to-business relationships (Hingley 2005c), regardless whether parties in the relationship intend to use it or not (Dapiran & Hogarth-Scott 2003; Emerson 1962). Cox (2001b) contended that in the context of a dyadic exchange relationship between buyers and sellers, there are four power positions buyers may find themselves in: buyer dominance, interdependence, independence, or supplier dominance. The power relations between the buyer and supplier would shape the outcomes of a relationship (Cox 2004a). Power is fundamental to the way in which buyers and suppliers work together (Caniëls & Gelderman 2007) and companies use a diverse range of supplier management strategies, which differ in various power situations (Kähkönen & Lintukangas 2011).
Due to the dissimilar power bases between suppliers and buyers, power asymmetry exists in exchange relationships (Donada & Nogatchewsky 2006; Hingley 2005a, 2005b, 2005c; Johnsen & Ford 2008; Lee, C & Johnsen 2012; Meehan & Wright 2010). Gadde and Snehota (2000) noted that most companies take advantage of a variety of supplier relationships characterized by different degrees of involvement to reduce costs and increase benefits. Typically, the larger of the two parties would use its position to unilaterally manipulate the exchange relationship to advantage, leaving the smaller partner little room to manoeuvre. For instance, Chew and Sun (2009) reported that large retailers in Hong Kong routinely pressure their suppliers to engage in long-term relationships, demanding favourable payment terms, imposing listing fees for shelf-placement of merchandise, and collecting promotional money for providing strategic visual display within shops. Threat to ‘de-list’ one or more weaker brand products of a supplier commonly used by supermarkets in Britain is another well publicised example of opportunistic behaviour by large buyers (Mills 2003). Other well-documented cases of relationship manipulation include Marks and Spencer in the UK (Harrison 2004), Wal-Mart and Home Depot in the USA (Chen 2008; Mottner & Smith 2009), and Coles and Woolworth in Australia (Keith 2012; Smith, RL 2006). On the other hand, studies also show that small suppliers can make large powerful retailers more reliant and dependent on them by leveraging their capability to deliver goods of consistently high quality on a large scale at competitive prices, in addition to having the potential to innovate and add value to particular goods providers of brand integrity (Belaya & Hanf 2009b; Fearne & Dedman 2000). In sum, extant
literature on buyer-supplier relationship has found that power is always used opportunistically by either party in an exchange relationship to secure a better outcome at the expense of the other (e.g., Chew & Sun 2009; Chung 2012; Dobson 2005; Jambulingam, Kathuria & Nevin 2011).

Research on the purchasing practices of small firms, however, remains fragmentary (Ellegaard 2006, 2009). Literature on small buyers could be broadly classified into two major groups. The first focus mainly on small company purchasing behaviour without taking into consideration the power relations issue (see for example Ellegaard 2009; Morrissey & Pittaway 2006). For instance, these studies revealed that owner-managers in small firms characteristically build and keep strong close business relationships with suppliers based on trust while their procurement behaviour are motivated by not only finance, but also lifestyle (Ellegaard 2009; Morrissey & Pittaway 2004; see for example Smith, TL 2012; Walker & Brown 2004).

The second group of small purchasing studies primarily concentrated on power with little analysis on supplier relationship practices (see for example Chung 2012; Runyan & Droge 2008). This group found that small firms lack purchasing power due to their small size and limited resources, and are unwilling to engage in the market, resulting in a fragmentary and less strategic direction in their purchasing activities (see for example Morrissey & Pittaway 2006; Zheng et al. 2003). Further, though studies on small purchasing have been conducted in a variety of industries, very few have focussed on the grocery industry (see
Within the grocery retailing industry, studies on relationship management have primarily concentrated on the large buyers (see for example Chew & Sun 2009; Dobson & Chakraborty 2008; Fishman 2003; Galvin & Tyvonials 2004; Keith 2012; Smith, RL 2006) within the context of an asymmetrical supplier-buyer relationship (Mottner & Smith 2009). The predominant focus has been on how larger buyers capitalize on their buying power to exploit the asymmetrical relationships (see e.g., Dobson & Chakraborty 2008; Harrison 2004; Mills 2003; Mottner & Smith 2009; Pepe, Musso & Risso 2010). The manner in which smaller buyers cope with such an asymmetry, however, is less well understood.

Studies on buyer-supplier relationship have employed transaction cost economics (TCE) (Boudreau et al. 2007; Donada & Nogatchewsky 2006; Ireland & Webb 2007; Williamson 1975, 1981b), social exchange theory (SET) (Belaya & Hanf 2009a; Emerson 1976; Griffith, Harvey & Lusch 2006; Liu, Luo & Liu 2009) and resource dependence theory (RDT) (Belaya & Hanf 2009a; Mudambi & Navarra 2004; Pfeffer 1988; Stern & Reve 1980) separately as well as complimentarily to gain insights on relationships management. TCE and SET have been identified as useful foundations for predictions of relationship dynamics (Ambrose, Marshall & Lynch 2010). TCE and RDT have also been
recommended as suitable to discuss how a climate of trust and power in a strategic buyer-supplier relationship can be balanced (Ireland & Webb 2007).

Each of these three theories offers a unique way of examining power (transaction cost, withholding of rewards or punishing, and dependence). The main differentiations between the three theories in their conceptualizations of power stem mostly from their differences in capturing the sources and consequences of power. In SET, the sources of power are derived from inequality of resources. In RDT, a firm’s power sources come from resource dependence, while TCE views one of the consequences of power use is minimizing costs or maximizing profits. Using the concepts of power from these three theories, several studies have provided explanations of relationship success with the buyer being in a weaker power position to the supplier (Anderson, JC & Narus 1990). Other studies have also considered the buyer as the powerful player regardless of its size (Benton & Maloni 2005; Shervani, Frazier & Challagalla 2007; Zhang, Henke & Griffith 2009). This study draws on the diverse views of power given by TCE, SET and RDT to study the supplier relationship management strategies of SMAGRs in Melbourne.

Understanding how SMAGRs manage the apparent relationship asymmetry in their routine interactions with suppliers to gain vantage positions has the promise to offer new insights on extant literature on SRM. This study is designed to fill this knowledge gap. It will examine how small retailers manage
size asymmetry in their relationship with larger suppliers. The context of the study will be the Asian grocery industry in Melbourne, Australia.

1.2. RESEARCH CONTEXT

The grocery retailing sector in Australia is made up of two major supermarket chains, Coles and Woolworths, a number of other smaller supermarket or grocery chains, such as ALDI, Independent Grocers of Australia (IGA) and Foodworks, specialist retailers, such as butchers, fruit and vegetable shops and retail bakery outlets, and convenience stores. Coles and Woolworth jointly shared approximately 80% of the grocery sale in the country (Australian Food Industry Outlook 2012). IGA is next with a 12% share of the total grocery sale. Despite the entry of new players, such as ALDI (in 2001) and Costco (in 2009) in Australia, the market dominance of Coles and Woolworths continued to rise in the last few years (Watts et al. 2011). The overwhelming dominance of Coles, Woolworth and IGA puts Australia in the top two most concentrated food retail markets in the world (Watts et al. 2011). The majority of the outlets of these three supermarket chains typically have a dedicated shelf or aisle for the exclusive display of Asian groceries. While no specific statistics on the grocery retailing sector in Melbourne is available, the dominance of Coles, Woolworth and IGA, in particular Coles and Woolworth, is especially prevalent.

Due to the market dominance of these two supermarket chains, Asian grocery suppliers are relatively dependent on these two huge supermarket chains to retail their products (Keith 2012). As the market leaders, Coles and
Woolworths, and to a lesser extent IGA, have considerable influence over their suppliers and in controlling access to consumers. Asian grocery suppliers, in particular the larger ones, depend on the two supermarket chains, which have considerable buying power, to ‘underwrite’ their supply cost and to achieve economies of scale, similar to the grocery supply situation in UK (Mills 2003). A reduction in purchases in some specific items, such as instant noodles or oyster sauce, by one of the two major chains could, therefore, have the effect of substantially reducing suppliers’ profits, since there are few alternative buyers of comparable size to compensate for the loss of purchase (Australian Food Industry Outlook 2012).

With very low entry barriers in the Asian grocery industry, Asian grocers, in general, belong to the micro, small-and-medium sized enterprise category, which the Australian Bureau of Statistics (2007) defines as firms with less than 200 employees. Like other small businesses in Australia, small and medium sized Asian grocers tend to have distinct management and organisational characteristics: independent ownership and operations and close control by owner-managers who also contribute most, if not all, the operating capital and is the principal decision maker for the business (Australian Bureau of Statistics 2001; Atkinson & Meager 1994; cited in Rola-Rubzen 2011)

Located in neighbourhoods with a sizeable presence of Asians, Asian grocery retailers are especially small in size. With very limited buying power, Asian grocery retailers are relatively dependent on Asian grocery suppliers for their
purchases, especially the big suppliers who also supply the two big supermarket chains. Consequentially, the big Asian grocery suppliers are in a strong position to make demands on price, supply quantity, payment terms, and delivery dates on small independent retailers, such as SMAGRs. It also implies that big Asian grocery suppliers could hedge the risk of lost sales from the two supermarket chains against the small retailers and could also recoup any margin lost from the price cut demanded by the two big chains (Lindgreen, Hingley & Vanhamme 2009). Operating in a market environment which inherently favours the big suppliers, SMAGRs appear to have little options except to conform to the demanding conditions of suppliers.

Despite the purchasing challenges stemming from the opportunistic behaviour of the big Asian grocery suppliers, the number of SMAGRs in Melbourne has been growing steadily. The fast increasing Asian population is one of the prime factors fuelling the growth, as Asian migrants have been one of the biggest groups of immigrants to Australia since 2009 (Australian Department of Immigration and Citizenship 2010). The Asian grocery industry is one of the most vibrant economic sectors in Melbourne and Sydney, Australia. A growing market for Asian groceries suggests that SMAGRs do have considerable leverage in their dealings with suppliers. In their study of Australian food industry, Lindgreen et al. (2009) found that a variety of buyers within the grocery marketplace have different strategies to complement their core business. These strategies are related not only to the type of retail organization but also to their size (Lindgreen et al. 2009). The Asian grocery market of
Melbourne thus offers an appropriate setting on which to explore how SMAGRs leverage their limited power base to manage their suppliers under different power circumstances.

1.3. RESEARCH QUESTION AND OBJECTIVES

Using a multiple case study approach, this study employs Cox’s power matrix (2001b) and the Kraljic portfolio matrix (1983) to examine how SMAGRs manage their relationships with suppliers under different circumstances. The overarching research question is:

“How do SMAGRs in Melbourne manage their relationships with suppliers in relation to their power positions under different circumstances?”

An in-depth investigation of the above question requires an understanding of the strategic intent and other salient characteristics of the SRM strategies used by SMAGRs and the way SMAGRs navigate the power landscape that surrounds their trading relationships with suppliers, giving rise to the following three sub-questions:

- What are the dominant characteristics of the SRM strategies in the Asian grocery retailing sector in Melbourne?

- What power bases do SMAGRs have in their dealings with suppliers?

- How do SMAGRs navigate the asymmetrical power relationships existing between them and their suppliers to gain competitive advantage?
1.4. STRUCTURE OF THE THESIS

This thesis is divided into six chapters. Following this introductory chapter, Chapter 2 reviews the mainstream literature on SRM. It is divided into four sections, commencing with a historical overview of SRM, followed by a review, as well as a critique, of the major portfolio frameworks that have been developed over the years. The chapter concludes with a discussion of the purchasing practices of small firms.

Chapter 3 presents the multiple case study methodology used to explore the research question. The research design, including the theoretical sampling process adopted, is first described, followed by the presentation of the data sources, the methods of data collection employed and the methods of data analysis, covering both the within-case and cross-case analysis used to induce the theoretical findings for the study.

Chapter 4 presents the results of the within-case analysis. Each case description will commence with an overview of the owners’ background, shop location and facilities, and business strategies to provide a backdrop to the power bases of the case SMAGR. It will then present the full array of suppliers the case SMAGR traded with, focusing on the manner in which the case SMAGR grouped these suppliers according to their perceived value. The power relationships between the various groups of suppliers and the case SMAGR are then described, following which the SRM postures adopted by the case SMARG
toward each of the supplier groups are discussed. The within-case analysis will conclude by mapping the SRM postures into the Kraljic matrix (1983).

Chapter 5 presents the results of the cross-case analysis. This chapter commences by identifying the key characteristics of the SRM strategies used by the eight case SMAGRs, highlighting the similarities and contrasting the differences between the strategies used under different circumstances. Factors influencing the choice of SRM strategies are discussed and working propositions developed as part of the process of theory building.

Chapter 6 discusses the findings in light of the extant literature on SRM and the implications of the working propositions on research and practice. This chapter concludes by highlighting its contributions, its limitations and plausible directions for extending the research.
CHAPTER 2: LITERATURE REVIEW

This chapter reviews the background literature on SRM, beginning with an historical overview. The review will trace the development of SRM as an academic discipline, from its roots in purchasing practices in the early 1990s. In recognition of the dominance of the portfolio approach as a SRM guiding frame, in both academic research and professional practice, the review will examine the key SRM portfolio models developed since the pioneering work of Kraljic (1983), providing a critique on their strengths and limitations. Because of the preoccupation of studies using the portfolio approach on big buyers, the review of portfolio models would not be adequate in terms of developing the needed knowledge base on the SRM practices of small buyers. The last section of the review, therefore, will be devoted to exploring the purchasing practices of small buyers.

2.1. SUPPLIER RELATIONSHIP MANAGEMENT – A HISTORICAL OVERVIEW

SRM has its root in early purchasing practices where unit price was the single most important factor in supplier selection (Emiliani 2010). As Twyford (1919, pp. 4-5) wrote: “Too often the question of price is made the determining factor in making a purchase without due consideration being given to the other phases of the transaction.” In a review of seven earliest books on purchasing published between 1915 and 1940, Emiliani (2010) noted that up till mid-1990s most large companies relied heavily on unit price reduction as the key to
designing purchasing solutions to secure goods and services, whether these be considered win-lose or win-win methods. “Price beating” and “sharp practices”, as the zero-sum, power-based coercive tactics used by large corporations are referred to, were prevalent among manufacturers and retailers then (Emiliani 2010). For instance, it was common practice for large departmental stores to reduce their payments to clothing suppliers for merchandise sold at discounted prices (Rozhons 2005a, 2005b, 2005c). The legendary “price beating” culture of US auto manufacturers Ford Motor Company, General Motor Corporation, and Chrysler LLC to suppress their suppliers to secure the desired savings is another noted example (Emiliani 2010). “Sharp practices” used in the grocery retail sector are evident from the common tactics used by large UK supermarket chains threatening to ‘de-list’ one or weaker brand products of a supplier; imposing retrospective reductions on agreed wholesale prices, especially when the retailer has surpassed a sales target; requiring compensation from a supplier when profit on a product turns out to be less than expected; or coercing a supplier to buy back unsold items, when no written ‘sale or return’ agreement existed (Mills 2003).

Not surprisingly, relationships between buyer and sellers were largely adversarial. According to Tang (1999), this behaviour was further encouraged by management experts, such as Porter (1980), who advised buyers to engage in multi-sourcing; use short-, rather than long-, term contracts; refrain from sharing sales and other business information with suppliers; and offer no suggestion to improve suppliers’ operations. Equally, the focus of academic
research was also on buyer behaviour and industrial procurement practices (Aspemar & Engström 2009), with a predominant concern on how to secure a steady flow of materials to support production (Kulmala 2004) and how to acquire them at cheapest price possible (Skjött-Larsen et al. 2007).

A strong price focus is the essence of these traditional transactional-oriented practices, where firms exploit short-term benefits, treating every transaction as a new business deal. Short-term business partners were kept at arm’s length. Suppliers were not given preference from past performance. The ability to choose the most cost-efficient trading partner at each point in time was regarded as key to achieving purchasing effectiveness (Axelsson et al. 2002).

The change came when US auto manufacturers realized that Japanese car manufacturers were more competitive not only in cost but also in product quality, delivery and new product development because they maintained close relationship with their suppliers (Womack, Jones & Roos 1990). Superior supplier relationships enabled Japanese manufacturers to introduce a series of operations improvement programs, such as Just-in-time and lean production, to gain competitive advantages (Hines 1996). The values that suppliers could offer to increase operational efficiencies began to gain recognition among Western manufacturers.

In addition to increasing global competitiveness, the change from a transaction-oriented purchasing strategy to a relationship-based buying
behaviour was also the result of three other forces: emergence of the total quality management (TQM) philosophy, industry restructuring, and advances in information technology (Sheth & Sharma 1997). Because of its emphasis on developing long-term relationships, rather than a short-term view of maximizing transaction gains, the TQM movement reinforced the importance of moving away from the cost-minimization transaction-based purchasing practice to a relationship-building approach of supply sourcing. The TQM philosophy gave rise to "reverse marketing", a practice which commences with external customers, moving upwards into the supply chain targeting at enlisting supplier support to processes related to reducing cycle times and zero inventory management (Sheth & Sharma 1997). Procurement processes and practices began to take a new form.

Industry restructuring through mergers, acquisitions, and alliances on a global basis, combined with the intensification of international outsourcing of non-core functions, such as data processing and human resources, also led to a situation in which the procurement function in many organizations was changed from a decentralized administrative function to a centralized strategic operation (Sheth & Sharma 1997). Lastly, rapid advances in information technologies, including networked computing, electronic data interchange, and other computer programmed procurement methods, have greatly facilitated the idea of leveraging the resources and capabilities of suppliers to gain operational effectiveness and competitive strength, restructuring the buying philosophy, processes, and platforms (Sheth & Sharma 1997).
Axelsson et al. (2002) argued that one of the most significant aspects of the relationship-oriented approach to purchasing is its focus on the interactions between buyer and supplier. Firms are not just buying products, but capabilities (Axelsson et al. 2002). Cost- and value-orientation, rather than price, becomes the critical thrust in achieving low total cost and creating new value (Axelsson et al. 2002). Many benefits of the relationship-oriented approach to purchasing have been highlighted. Kannan and Tan (2006) summarised them at two levels: operational and strategic. At the operational level, such benefits would surface “in the form of improved quality or delivery service, reduced cost, or some combination thereof” (Kannan & Tan 2006, p. 756). At the strategic level, close relationships with key suppliers could result in “sustainable improvements in product quality and innovation, enhanced competitiveness, and increased market share” (Kannan & Tan 2006, p. 756).

The shift toward a relationship oriented approach in purchasing practice heralded a new wave of SRM research, known as the portfolio approach (Gelderman & Van Weele 2005). The portfolio approach stresses the importance of managing different business units within an organization in an integrated manner to achieve long-term objectives (Turnbull, 1989). Rooted in Markowitz’s (1952) pioneering portfolio theory for the management of equity investment, the portfolio concept focuses on the interdependencies between management decisions in different business units. This focus gives the portfolio approach wide applicability, especially in strategic business management (Turnbull, 1989).
Cunningham (1982) was among the first to propose a portfolio approach to analysing and leveraging suppliers to fulfil different purchasing objectives. Cunningham’s (1982) goal-strategy matrix indicated how a wide range of purchasing strategies, such as multiple sourcing, long-term contract, and exercise of purchasing power, could be deployed to achieve four main purchasing objectives – security of supplies, matching appropriate supplies, controlling relationships, and cost saving and stimulating competition. A noted advocate of the portfolio approach was Kraljic (1983), who outlined four supply strategies to deal with different levels of purchasing sophistication: purchasing management, materials management, sourcing management, and supply management. Popularized by the pioneering work of Kraljic (1983), the portfolio approach to SRM have since received a great deal of attention in strategic purchasing (Bensaou 1999; Caniëls & Gelderman 2007; Dubois & Pedersen 2002; see e.g., Olsen & Ellram 1997; Park et al. 2010; Saccani & Perona 2007; Wagner & Johnson 2004). The next section will review some of the noted contributions to propagate the use of the portfolio model in SRM practices.

2.2. PORTFOLIO APPROACH TO SUPPLIER RELATIONSHIP MANAGEMENT

Urging companies to adapt to the growing uncertainty and complexity of global sourcing, Kraljic (1983) contended that purchasing sophistication is defined by two factors: strategic importance of purchasing and complexity of supply
market. In situations where supply risk is low, i.e., where alternative supply sources or material substitutes are available and not excessively expensive, Kraljic (1983) suggested that companies should adopt a purchasing management strategy for low value-added, low profitability impact product lines, and materials management strategy for items of strategic importance. In situations of high supply risk, Kraljic (1983) recommended a sourcing management strategy for items of low strategic importance but supply management strategy for items of high strategic importance. The procurement focus associated with the four situations, according to Kraljic (1983), should be directed to, respectively, non-critical items (low supply risks, low profit impact), leverage items (low supply risks, high profit impact), bottleneck items (high supply risks, low profit impact), and strategic items (high supply risks, high profit impact).

Kraljic’s (1983) purchasing portfolio marked a departure from earlier purchasing literature that viewed internal capabilities as the source of competitive advantage, shifting a company’s treatment of purchase from an operating function to a strategic operation. Dubois and Pedersen (2002) reckoned that the Kraljic’s (1983) model is one of the most used purchasing models in practice, partly because it is easy to understand and partly because it offers practical guidelines on how different purchasing situations, suppliers and/or supplier relationships could be managed. The Kraljic’s (1983) model spearheaded a new movement on purchasing portfolio framework development.

The first step of Olsen & Ellram’s (1997) framework asks that a company takes a normative approach to analyse its purchases to ascertain the ideal relationship types for its major purchases according to the strategic importance of the purchase and difficulty in managing the purchase situation. The strategic importance of the purchase is to be analysed based on factors internal to the firm, including competence factors (i.e., the extent to which the item purchased is a part of the company's core competencies), economic factors (i.e., the economic importance of the purchase and its impact on the company's profits) and image factors (i.e., the importance of the purchase to the company's image among customers and suppliers). The difficulty of managing the purchase situation refers to factors external to the company, which include product characteristics (i.e., novelty and complexity of the product to be purchased), supply market characteristics (i.e., supplier's power and technical and commercial competence), and environmental characteristics (i.e., risk and uncertainty associated with the purchase situation). These factors determine the amount of efforts needed to manage and monitor the
purchases, which will be categorized according to their perceived importance to the company's operations.

Employing the same four categories of purchases as Kraljic (1983), Olsen & Ellram (1997) suggested that the goal of SRM for the four purchase categories are:

1) leverage items: to create mutual respect and communicate to suppliers future requirements;
2) noncritical items: to standardize and consolidate purchases aimed at reducing administrative costs;
3) strategic items: to establish a close long-term relationship with suppliers, viewing them as natural extension of the firm; and
4) bottleneck items: to standardize the purchases or find substitutes, wherever possible, to lower operations costs.

The second step in Olsen and Ellram’s (1997) approach is to analyse the company's current supplier relationships to enable the company to compare its current supplier(s) with alternative suppliers and to identify which groups of products, suppliers, or relationships warrant greater attention than others, leading to a more effective allocation of resources. The last step is to develop actions plans for moving the step 2 outcomes to the ideal supplier relationship (i.e., step 1 outcome) for managing purchases. Olsen and Ellram’s (1997) framework highlights the importance of allocating scarce resources to manage
different types of relationships and developing models to manage a company's entire portfolio of supplier relationships.

Similar to Olsen & Ellram (1997), Bensaou (1999) also developed a three-step portfolio model. However, rather than using strategic importance of purchase and difficulty in managing the purchase situation as the framing factors, Bensaou (1999) employed buyer’s specific investments and supplier’s specific investments as the two framing dimensions. Bensaou’s (1999) portfolio model was designed to identify which type of relationship matches the competitive conditions surrounding the product or service exchanged, with the aim of selecting the appropriate management models for each type of relationship. The framework was developed from the results of an empirical study of 447 purchasing situations in three US and 11 Japanese car manufacturers. The first step of Bensaou’s (1999) portfolio approach was to classify supplier relationships into one of four categories using the two framing dimensions: market exchange, captive buyer, captive supplier, and strategic partnership. The second step is to identify the contextual profiles, in terms of product, market and supplier characteristics, for the four relationship types. The third step is the design of management profiles for each of the contextual profiles in order to take action.

Similar to Bensaou (1999), Tang (1999) also proposed a conceptual framework for mapping supplier relationships under different business environments. Tang (1999), however, chose strategic importance of the part, product, or
service to the buyer and buyer’s bargaining power as two determining factors to form four different business environments. Tang (1999) contended that when the strategic importance of the part to the buyer is low and when the buyer’s bargaining position is high, the buyer would dominate the supplier. This means the buyer can pressure the supplier to reduce cost and improve quality, which usually results in a “vendor” type relationship. When the supplier dominates the buyer, the supplier could be in a position to help the buyer to become more competitive in term of cost, quality, delivery, or new product introduction, leading to a “partner” type relationship. When the strategic importance of the part is high and the buyer's bargaining power is also high, Tang (1999) argued that it would be beneficial for the buyer to establish a “preferred supplier” relationship with the supplier. However, when the strategic importance of the part is low and the buyer's bargaining power is also low, the buyer would be better off to engage in an “exclusive supplier” relationship with the supplier.

Tang (1999) pointed out two key challenges in managing supplier relationships using the portfolio approach. The first is dynamic supplier relationship which happens in cases where the buyer can increase its bargaining power by finding substitute products and the supplier can lower the buyer’s bargaining power by providing value added activities. The second challenge is to effectively apply supplier relationship by risk and benefit sharing and trust building (Tang 1999). Tang (1999) argued that the framework’s two factors (i.e., strategic importance and buyer’s bargaining power) are vital for cases where the market risk is
relatively low, emphasizing that the framework can be easily extended to examine the case of high market risk, by including additional factors (e.g., supplier's technological capabilities, supplier's willingness to share or give access to technology, supplier's willingness to participate joint research and development project, and supplier's willingness to share financial risks).

Nellore and Soderquist (2000) applied the portfolio approach to study procurement of original equipment manufacturers (OEMs). Similar to Kraljic (1983), Olsen & Ellram (1997) and Bensaou (1999), Nellore and Soderquist (2000) also adopted a three-step portfolio approach: (1) classify products, (2) analyse product, market, supplier or relationship situations, and (3) develop action plans. In classifying the components of OEM into different dimensions of the portfolio model, Nellore and Soderquist (2000) used the same classification dimensions as Kraljic (1983) and Olsen and Ellram (1997), plus specification generators, supplier type, specification types and buyer-supplier relations. The second step is to classify the suppliers based on their attractiveness to the OEM and the strength of the buyer-supplier relationship. The last step involves drawing up strategies to improve the supplier's strength and/or relationship with the buyer with particular consideration for specifications requirements, in order to deliver the desired component in optimal conditions. Nellore and Soderquist (2000) expanded the portfolio model by integrating it with the specification process to help original OEMs and suppliers to improve their relations with each other.
The application of the regular purchasing portfolio (Kraljic 1983; Van Weele 1994) was tested for planning supplier involvement in an ongoing development project by Wynstra and ten Pierick (2000). The study discovered the importance of introducing development risk to differentiate between phases of supplier involvement from interviews with purchasing and engineering representatives. Wynstra and ten Pierick (2000) also found that the degree of responsibility for product development contracted out to supplier affects the phase of involvement. Using these two criteria, Wynstra and ten Pierick’s (2000) classified four types of supplier involvement: strategic development, critical development, arm’s-length development and routine development. The aim of the Wynstra and ten Pierick’s (2000) supplier involvement portfolio is to set priorities for supplier involvement in new product development with the purpose of making optimal use of suppliers' expertise as well as management capacity (e.g., time and money spent on communication and co-ordination).

Wynstra and ten Pierick (2000) also offered guidelines for communication and project management issues for each type of involvement, giving indications of how to adjust co-ordination and management efforts to optimize the potential benefits of involving a supplier early and extensively, based on project-specific considerations.

Kaufman et al. (2000) employed statistical analysis to develop a strategic supplier typology, categorising suppliers based on degree of technological integration (technology) and nature of collaborative linkages (collaboration) in
manufacturing to assess individual suppliers from the buyers’ perspective. The collaboration dimension ranges from spot market arm’s length transactions on the low end to long-term relational contracts, which include such practices as certification, target pricing, incentive contracts, and inter-firm concurrent engineering with both customers and suppliers on the high-end. The technology dimension ranges from firms that struggle to maintain routine manufacturing practices on the low end to firms that take advantage of advanced manufacturing and design technologies on the high end (Kaufman et al. 2000). By dividing these two dimensions into high and low categories, Kaufman et al. (2000) created four distinct supplier strategies: commodity supplier (low technology and low collaboration), collaboration specialist (low technology and high collaboration), problem-solving supplier (high technology and high collaboration) and technology specialist (high technology and low collaboration).

As the names suggested, commodity suppliers use standardized technologies and relate to customers through standard market contracts, while collaboration specialists employ standardized technologies (general assets and skills) to make parts to meet customer specifications and delivery schedules as well as develop enhanced collaborative techniques to fulfil current and to anticipate future customer needs. Problem-solving firms employ both advanced technologies and collaborative methods to promote innovations in product design and manufacturing, while technology specialists emphasize technology and develop weak relationships with customers by investing heavily
in firm-specific skills and assets for producing proprietary products. Kaufman et al. (2000) contended that a strategic supplier typology is useful in explaining the differences in the composition and performance of various types of suppliers.

Reviewing SRM strategies offered by previous portfolio models, Cox (2001b) argued that power is fundamental to any buyer-supplier relationship. Cox (2001b) proposed a power matrix that utilizes buyer power attributes relative to supplier and supplier power attributes relative to buyer as dimensions. Cox’s (2001b) power matrix identifies four circumstances where buyers may find themselves in: buyer dominance, interdependence, independence, or supplier dominance. The power matrix informs buyers the circumstance they are in and what scope exists for them to boost their power relative to suppliers. This information enables buyers to choose the most appropriate suppliers to work with, as well as to find ways of moving their supply relationship from their current power circumstance to one that enhance their value appropriation (Cox 2001b). Cox (2004b) contended that the power matrix enables buyers to manage their suppliers with appropriate relationship management strategies once they know the nature of the business relationships they are in.

Couched in the context of power, Cousins and Crone (2003) proposed a dependency-based relations model aimed at allowing buyers and suppliers to understand the dependency drivers that influence the management of their
relationships. Cousins and Crone’s (2003) model was structured around two variables: buyer dependence upon supplier and supplier dependence upon buyer. Using Cousins and Crone’s (2003) model, relative dependency between buyer and supplier can be assessed by examining the relationship based on three categories: percentage or level of business with supplier/buyer, technology (e.g., availability and type of technology and access to technology) and levels of asset specificity (e.g., level of asset investment needed and undertaken and level of asset dedication).

Four types of dependence relations were identified in Cousins and Crone’s (2003) portfolio model: supplier dominated unilateral dependence relations, buyer dominated unilateral dependence relations, mutually dependent relations and mutually non-dependent relations. Cousins and Crone (2003) recommended that once the relationship has been evaluated, buyers and suppliers can then develop strategies to either reposition or maintain their current relationship. Because Cousins and Crone’s (2003) portfolio model takes into consideration issues of dependency among partners in classifying suppliers, the framework offers strategists the tools to understand and manipulate the relationship to maximise its returns by varying the degrees of dependency.

Using three Dutch industrial firms which had used the Kraljic’s (1983) purchasing portfolio, Gelderman and Van Weele (2003) conducted a study to see how the portfolio model are actually used in purchasing professionals and
addressed the gap between the conceptual problems and the actual application of purchasing portfolio model. Gelderman and Van Weele (2003) found that the investigated cases required three additional pieces of information in their portfolio approach employment, in addition to the two main dimensions (i.e., supply risk and strategic importance) indicated in the Krajlic matrix: overall business strategy, situations on supply markets, and performance capacities and intentions of (individual) suppliers. While the Kraljic model disregard the supplier’s side, the practitioners considered the situations on supply markets and took into account situations of specific supply markets in conjunction with their assessments of individual suppliers when developing their strategies (Gelderman & Van Weele 2003). Gelderman and Van Weele (2003) also found that purchasing professionals considered strategies and conditions which usually refer to (im)possibilities to reduce the dependence on a supplier and to (im)possibilities to increase buying power. They identified that there is no simple, standardized blueprint for the portfolio analysis application and it entails reflecting on results, critical thinking and sophistication of purchasing management (Gelderman & Van Weele 2003).

The employment of the Kraljic model (1983) was also examined in a global supply base practice by Gelderman & Semeijn (2006), who explored purchasing strategies used by a Dutch chemical company which had adopted the Krajlic (1983) matrix in their purchasing practice. They found that the strategies employed by the Dutch chemical company for bottleneck items were mainly focused on the acceptance of forced single sourcing and assurance of supply,
while that for non-critical items was aimed at minimizing the preparation and placing costs for purchase orders. The strategy for leverage items was targeted at exploiting the company’s power position, while that for strategic items, the company has no choice but to accept the terms of dominant suppliers and strategic partnerships were only pursued if a competitive advantage in end markets could be gained. Gelderman & Semeijn (2006) concluded that the company’s purchasing strategies were generally aimed at adapting and improving conditions, rather than at changing positions in the portfolio matrix. The authors also noted that the purchasing strategies of the company were generally not aimed at reducing the number of suppliers because any supplier reduction would increase the company’s dependence on suppliers, making it vulnerable to price hikes (Gelderman & Semeijn 2006).

Using supplier’s commitment to a company (low vs. high) and the commodity’s importance to a company (low vs. high), Svensson (2004) developed a generic model of supplier segmentation portfolio model in the automotive industry. Designed for vehicle manufacturers (VM) to meet their requirements in optimising current business activities and existing resource allocations, Svensson’s (2004) model consists of four principal relationship strategies: transactional, friendly, business partner and family.

The transactional relationship strategy characterises a situation in which the VM invests limited resources in the relationship and the supplier delivers only single and simple components to the VM. It is a situation in which low mutual
commitment exists, alternative supplier choices are available, and price-driven transactions dominate. The friendly relationship strategy is appropriate when the supplier is not so innovative and often dependent on the VM. The business partner relationship strategy denotes circumstances in which the supplier has a range of product offerings and is usually a market leader, involving significant buying amounts. This relationship strategy requires VM maintains a high level of competition between this supplier, which is one of the larger ones delivering to the VM, and others. Lastly, the family relationship strategy is characterised by commitment to mutual success between the VM and the supplier and high commodity importance to VM (i.e., strategic technology advancement, critical to the VM’s cost success, and important to the brand of the VM). This strategy warrants that VM invests resources to develop strong corporate partnership with this supplier.

Svensson (2004) illustrated the applicability of the model based on the perspectives of a VM and its suppliers and found that the family relationship strategy dominated among the relationships between the VM and its most important suppliers. The next prevalent strategy was the friendly relationship strategy, while the transactional and business partner relationship strategies did not form part of this VM’s supplier segmentation (Svensson 2004). Svensson (2004) also found that the degree of perceived co-operation was high in almost all of the studied relationships. Svensson’s (2004) model provides a basis for making managerial decision on supplier segmentation.

Caniëls and Gelderman (2005b, 2007) found that expected and observed relative power were similar in three quadrants of the Kraljic matrix (1983): supplier dominance and moderate total interdependence in the bottleneck quadrant; buyer dominance and moderate total interdependence in the leverage quadrant; and balanced power and lowest total interdependence in the non-critical quadrant (Caniëls & Gelderman 2005b, 2007). However, the observed supplier was in a dominant position in the strategic quadrant where total interdependence is highest. Therefore, Caniëls and Gelderman (2005b, 2007) concluded that the presumed power symmetry of buyer–supplier relationships in the strategic quadrant seems no longer valid.

Without considering power and interdependence issues, Moeller et al. (2006) examined SRM from the perspective of supplier life cycle, dividing supplier
management into three main sequential phases (Figure 2.1). The first phase is out-supplier management. The main task in this phase is to observe suppliers, who do not yet have a relationship with the purchasing firm, with an intention of establishing relationships with the best suppliers available on the market. After the first transaction, a former out-supplier would change status to become an in-supplier. The second phase is in-supplier management, the objective of which is to build and maintain relationships with the in-suppliers to enhance value creation. Moeller et al. (2006) considered four management tasks in in-supplier management: (1) set-up management, (2) development management, (3) contract management, and (4) disturbance management. The aim of set-up management is to establish a relationship in the very beginning, whereas the latter three tasks serve to develop and stabilize a relationship (Moeller et al. 2006). Within the scope of disturbance management, the purchaser tries to avoid breakdown of continuous relationships via three different means: (1) a chosen ending (i.e., one partner takes the purposeful decision to end the relationship), (2) a forced ending, caused by external circumstances and (3) a natural ending. The last phase is in-supplier dissolution management which is used to end the relationship when the suppliers contribute nothing to further the relationship (Moeller et al. 2006).
Moeller et al. (2006) employed strategic importance of the suppliers (minor versus major) and relationship contribution (low versus high) to study in-supplier portfolio management. Strategically important suppliers need to fulfil “hard” criteria (e.g., punctuality, price and quality of the delivered goods) and “soft” criteria (e.g., innovativeness and responsiveness) (Moeller et al. 2006). Non-strategic suppliers, however, have to fulfil mainly “hard” criteria (Dyer et al. 1998).
Moeller et al. (2006) suggested that when the supplier is of strategic importance, a development management regime has to be applied. More specifically, suppliers that have a high relationship contribution, “real value enhancers,” are usually subject of development management activities at a high level. This is because the purchasing firm needs to keep these suppliers and has to make sure they neither shift their activities to competitors nor terminate the relationship. Those strategically important suppliers currently having a low level of importance to the firm are still “potential value enhancers.” They can nevertheless be subjects of development management activities because they might contribute to a higher level during the course of a long and prospering relationship.

Suppliers of minor strategic importance are described either as “value contributors” or as “underperformers”. If value is generated with this kind of suppliers, they are still operatively important because they are “value contributors”. These relationships can be subject of contract management, where specific investments are reduced to a minimum because of small potential benefits and the danger of their potential loss. If strategically less important suppliers do not contribute to joint value generation, they become “underperformers.” Depending on the existence of alternatives, the purchasing firm can act in one of four different ways: (1) manage underperformance using contract management, (2) remediate underperformance with major relationship investments as per development management, (3) develop an alternative supplier, or (4) work on an insourcing alternative.
Overall, Moeller et al. (2006) have integrated the supplier life cycle into the SRM framework to allow purchasing firms to identify the status of their suppliers to allocate resources adequately. The SRM framework enables purchasing firms to make the best out of every relationship including open-handedness towards significant suppliers and self-centredness towards the less significant ones (Moeller et al. 2006).

Saccani and Perona (2007) conducted their study within a specific context, arguing that a relationship might accomplish superior returns if it is consistent with the exchange context. They proposed a contingency model for shaping and managing buyer–supplier relationships in manufacturing within the context of exchanging physical products (e.g., sub-assemblies, parts or components and raw materials) and related information. Saccani and Perona’s (2007) contingency model, uses operational impact and exchange criticality as the two framing dimensions to characterise the exchange context (Saccani & Perona 2007). The operational impact of the exchange refers to its importance from an operational stance and is related to volume, frequency and running costs of the exchange (Saccani & Perona 2007). The exchange criticality indicates the level of customisation and complexity of the exchanged part, its impact on product performance and differentiation, as well as the risks related to market supply and demand. This dimension therefore determines the need for cooperation in the relationship (Saccani & Perona 2007). Generally, a growing operational impact increases the amount of interactions, calling for actions to improve efficiency and effectiveness of operations, while growing
exchange criticality highlights the need for increasing levels of cooperation among the exchanged parties (Saccani & Perona 2007).

In classifying buyer-supplier relationships, Saccani and Perona (2007) focused on two groups of criteria: level of interactions and level of cooperation between firms. They identified four types of buyer-supplier relationships: traditional relationships, operational relationships, project-based partnerships and evolved partnerships and suggested several ways of relationship management, in line with a number of drivers for the four types of buyer-supplier relationships (i.e., specific asset investment, operation planning and information sharing, bargaining power exploitation or joint action in operations, and short-term or long-term relationship). Saccani and Perona (2007) contended that their contingency model offered managers suggestions on how to shape their buyer (or supplier) relationships to maximise value creation within each relational context.

Recently, Pawlak (2009) employed purchased product contribution to current and future profit and availability of alternative supply sources as dimensions to develop an SRM framework for managers to choose appropriate beneficial supplier relationship types. Pawlak’s (2009) argued that the proposed framework integrated external and internal business environment in studying relationship types, based on product category and incorporating the power issue.
Pawlak (2009) argued the availability of alternative sources of supply and the criticality of a resource are the main determinants of power in buyer-supplier relationships. The switching costs, the criticality of a resource and the financial magnitude of a resource are factors that influence and are considered in the purchased product contribution to current and future profit (Pawlak 2009). Pawlak (2009) contended that a product’s contribution to a profit and to the profit’s sustainability is a vital dimension, as companies’ main goal is to make a profit.

Pawlak (2009) did not use the same relationship types adopted by Kraljic (1983) but classified supplier relationship into four groups: distant, medium-close, flexible and close friendship. Pawlak (2009) argued that low contribution of purchased products to current and future profit indicates that a product is not financially important to the company, and hence, distant relations is more appropriate, since an investment indicates a close friendship. Even a medium-close relationship or flexible relationship would be a waste of money (Pawlak 2009). In case where the availability of alternative sources of supply is high, a medium-close relationship would be ideal (Pawlak 2009). The closeness of a relationship will depend upon the criticality of a purchased product (i.e., the product might be necessary to achieve competitive advantage, improve the company’s image or exist in a market) that has a low contribution to profit. In this instance, Pawlak (2009) suggested the buyer should try to minimise risk by looking for alternative supply sources, and therefore a flexible relationship is proposed as an optimal solution for this scenario. In the close friendship
scenario, a buyer is typically dependent on a supplier, thus Pawlak (2009) argued that a buying company would have an incentive to closely collaborate to establish good relationship with a supplier.


In the first stage, following the portfolio model approach, Park et al. (2010) highlighted three steps: (1) classify items, (2) adopt strategies (competitive vs. cooperative strategy) based on level of supply risk and analyse supplier relationships in case of high supply risk, and (3) develop action plans. Step 1 classifies items using the Kraljic matrix (1983) with profit impact and supply risk as the two framing dimensions. When the supply risk is high, a cooperative strategy was proposed. When the supply risk is low, a competitive approach was suggested with purchase decisions made based on cost reduction using current buying power, and, in this case, Step 2 would be omitted.

Park et al. (2010) employed Olsen and Ellram’s (1997) relationship attractiveness portfolio in step 2 (of stage 1) to analyse supplier relationship,
based on the relative attractiveness of a supplier and the strength of the relationship. The last step is development of action plans, dependent on level of supply risk (low vs. high), the characteristics of the items and relationship analysis. In case of low-risk materials, action plans are established according to the portfolio strategy. Strategies for non-critical items include efficient processing, systems contracting, standardization, and consolidation, while management of leverage items requires strategies like the exploitation of power, driving profit, and leveraging volume (Park et al. 2010). With high-risk materials, Park et al. (2010) suggested different action plans, depending on supplier relationship attractiveness. For instance, when the relative supplier’s attractiveness is high and the intensity of the relationship is strong, Park et al. (2010) proposed that buyers take actions that strengthen the relationships regardless of the results of Step 1 (Park et al. 2010).

The portfolio model is also applied in the fourth stage of Park et al.’s (2010) integrative SRM framework (i.e., supplier assessment and development). In this stage, Park et al. (2010) used the Kraljic (1983) portfolio strategy to divide categories into non-critical items, leverage items, bottleneck items, and strategic items, to evaluate the strategic importance of materials in Step 1, and the Olsen & Ellram’s (1997) portfolio in step 2 to evaluate relationship attractiveness. The two portfolio models from the two steps were then combined in the last step to establish the strategic material evaluation, which is divided into three groups of relationships: transactional, collaborative, and strategic (Park et al. 2010).
Similar to Cox (2001b) and Cousins and Crone (2003), Kähkönen and Lintukangas (2011) also examined the role of power in SRM implementation. Based on a multiple case study of three large Finnish companies which employed the portfolio model to categorise their products from three different industries, Kähkönen and Lintukangas (2011) found the level of supply management has an influence on a firm’s intention to utilize its power, which also depends on the type of product being purchased and the associated supply risk. From their findings, Kähkönen & Lintukangas (2011) argued that companies use a diverse range of supplier management strategies, which differ in different power situations. They concluded that power balance and power relation between buyer and supplier strongly influence the nature of the relationship and the supply strategies used (Kähkönen & Lintukangas 2011).

Table 2.1 summarized the key characteristics of the portfolio models reviewed. The review has demonstrated that the portfolio model not only has wide applicability but is also a robust approach to assessing as well as understanding SRM. The next section will review the strengths and limitations of the portfolio models with a view to determine their suitability as a conceptual base for this research. Specific attention will be directed to exploring suitable framing dimensions for the portfolio model to be used in this study of SRM strategies of SMAGRs.
<table>
<thead>
<tr>
<th>Portfolio Model</th>
<th>Context</th>
<th>Objectives</th>
<th>Approach</th>
<th>Portfolio Frame</th>
<th>Supplier/Product/Relationship Classification</th>
<th>Application Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kraljic (1983)</td>
<td>Conceptual (based on European companies approach in developing supply strategies)</td>
<td>Determine supply strategy type to exploit purchasing power vis-à-vis important suppliers; Reduce supply risks to an acceptable minimum</td>
<td>Identify which supply strategy type to minimize supply vulnerabilities and optimize potential buying power.</td>
<td>Dimension 1</td>
<td>Quadrant 1: High D1: High D2: High</td>
<td>Quadrant 1: High 1. Classify purchasing material requirements based on two dimensions 2. Analysis market based on supplier and buyer strength 3. Map supplier strength vs. buyer strength for the categories created in step 1 4. Develop action plans to diversify, exploit or enter a balanced relationship</td>
</tr>
<tr>
<td>Olsen &amp; Ellram (1997)</td>
<td>Conceptual (based on literature review)</td>
<td>Ensure a more effective allocation of resources in managing purchases</td>
<td>Identify which groups of products, suppliers, or relationships warrant greater attention than others</td>
<td>Difficulty in managing purchase situation</td>
<td>Strategic importance of purchase</td>
<td>Quadrant 2: High D1: High 1. Analyze purchases to ascertain ideal relationship types for major purchases 2. Analyze current supplier relationships to compare its current supplier(s) with alternative suppliers 3. Develop actions plans for moving step 2 outcomes to ideal supplier relationship (i.e., step 1 outcome)</td>
</tr>
<tr>
<td>Bensaou (1999)</td>
<td>Based on empirical study of 447 purchasing situations in three US and 11 Japanese car manufacturers</td>
<td>Select appropriate management models for each relationship type</td>
<td>Identify which relationship type matches competitive conditions surrounding product or service exchanged</td>
<td>Buyer’s specific investment Supplier’s specific investment</td>
<td>Strategic partnership Captive buyer Captive supplier Market exchange</td>
<td>Quadrant 3: Low D1: Low D2: High 1. Classify supplier relationships into one of four categories 2. Identify contextual profiles of each relationship type by product, market and supplier characteristics. 3. Design of management profiles for each contextual profile for action.</td>
</tr>
<tr>
<td>Tang (1999)</td>
<td>Conceptual (based on literature review)</td>
<td>Select appropriate supplier relationships as well as the operating characteristics of different types of supplier relationships</td>
<td>Map supplier relationship type to different business environments (i.e., defined by strategic importance of the part to buyer and buyer’s bargaining power)</td>
<td>Strategic importance of the part, product, or service to buyer</td>
<td>Buyer’s bargaining power Preferred supplier Partner Vendor Exclusive supplier</td>
<td>Quadrant 4: Low D1: Low D2: Low 1. Define two determining factors for selecting supplier relationship (i.e., strategic importance of the part to buyer and buyer’s bargaining power) 2. Classify supplier relationship types and their operating characteristics. 3. Map appropriate supplier relationship type to different business environment.</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>Portfolio Frame</th>
<th>Quadrant 2: High D1: High D2: Low</th>
<th>Quadrant 3: Low D1: Low D2: High</th>
<th>Quadrant 4: Low D1: Low D2: Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application Process</td>
<td>1. Classify purchasing material requirements based on two dimensions 2. Analysis market based on supplier and buyer strength 3. Map supplier strength vs. buyer strength for the categories created in step 1 4. Develop action plans to diversify, exploit or enter a balanced relationship</td>
<td>1. Analyze purchases to ascertain ideal relationship types for major purchases 2. Analyze current supplier relationships to compare its current supplier(s) with alternative suppliers 3. Develop actions plans for moving step 2 outcomes to ideal supplier relationship (i.e., step 1 outcome)</td>
<td>1. Classify components or products based on two classification dimensions 2. Analyze product, market, supplier or relationship situations based on supplier attractiveness to OEM and strength of buyer-supplier relationship 3. Develop action plans</td>
</tr>
</tbody>
</table>
### Table 2.1: Summary of Portfolio Models

<table>
<thead>
<tr>
<th>Portfolio Model</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dimension 1</td>
<td>Quadrant 1 D1: High D2: High</td>
<td>Quadrant 2 D1: High D2: Low</td>
</tr>
<tr>
<td>Wynstra &amp; ten Pierick (2000)</td>
<td>Empirical (based on an extensive case study of a Dutch medical equipment manufacturer)</td>
<td>Set priorities for supplier involvement in new product development, aiming at making optimal use of suppliers’ expertise and management capacity</td>
<td>Define appropriate form of supplier involvement along with guidelines for communication and project management issues for each type of involvement</td>
<td>Degree of development responsibility held by the supplier</td>
<td>Development risk</td>
<td>Strategic development</td>
</tr>
<tr>
<td>Kaufman et al. (2000)</td>
<td>Conceptual (based on literature review) and empirical test (based on 200 survey)</td>
<td>Allocate appropriate strategy for each strategic supplier typology</td>
<td>Use frameworks from the strategic management and operations strategy literatures to explore the relationships among collaboration, technology, and innovation</td>
<td>Technology</td>
<td>Collaboration</td>
<td>Problem-solving supplier</td>
</tr>
<tr>
<td>Cox (2001b)</td>
<td>Conceptual (based on literature review)</td>
<td>Provide basic power matrix where buyers can understand circumstances they are in and what scope exists for them to increase their power relative to supplier</td>
<td>Enable buyers to manage their suppliers with appropriate relationship management strategies once they know the nature of the business relationships they are in</td>
<td>Buyer power attributes relative to supplier</td>
<td>Supplier power attributes relative to buyer</td>
<td>Interdependence</td>
</tr>
<tr>
<td>Cousins &amp; Crone (2003)</td>
<td>Empirical (based on a three-year longitudinal research of UK automotive industry)</td>
<td>Offer strategists the tools to understand and manipulate relationship to maximize their returns by varying degrees of dependency</td>
<td>Identify which type of relationship strategy the buyer or supplier should use, based on the level of dependence between them, in a way of managing costs and benefits in the most efficient way</td>
<td>Buyer dependence upon supplier</td>
<td>Supplier dependence upon buyer</td>
<td>Mutually dependent relations (high level of interdependence)</td>
</tr>
<tr>
<td>Gelderman &amp; Van Weele (2003)</td>
<td>Empirical (based on three in-depth case studies of Dutch industrial firms)</td>
<td>Identify current practices with respect to purchasing portfolio models, in term of handling of measurement and strategic issues by experienced professionals</td>
<td>Investigate case studies to understand how purchasing portfolio models are being or could be used in practice to pursue effective differentiated purchasing strategies</td>
<td>Profit impact</td>
<td>Supply risk</td>
<td>Strategic: - Maintain strategic partnership</td>
</tr>
<tr>
<td>Svensson (2004)</td>
<td>Methodological (based on research in the automotive industry and interviews of European VM-executives) and empirical illustration (based on 62 suppliers and 66 purchase managers)</td>
<td>Provide a generic model of supplier segmentation portfolio as well as generic guidelines to support managerial decision of a dynamic relationship strategy towards suppliers in automotive industry</td>
<td>Identify a basis for making managerial decision on supplier segmentation, aiming at optimizing current business activities and existing resource allocations</td>
<td>Commodity’s importance to company</td>
<td>Supplier’s commitment to company</td>
<td>Family</td>
</tr>
<tr>
<td>Caniëls &amp; Gelderman (2005b)</td>
<td>Empirical (based on comprehensive survey among Dutch purchasing professionals)</td>
<td>Develop and test hypotheses on power-dependence balance for each purchasing strategy identified by Gelderman and Van Weele (2003)</td>
<td>Quantify empirically ‘relative power’ and ‘total interdependence’ for a number of portfolio-based purchasing strategies from Gelderman and Van Weele (2003)</td>
<td>Profit impact</td>
<td>Supply risk</td>
<td>Strategic quadrant: - Maintain strategic partnership</td>
</tr>
<tr>
<td>Portfolio Model</td>
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<tr>
<td>Gelderman &amp; Semeijn (2006)</td>
<td>Empirical (based on an in-depth case study, focusing on a global chemical company)</td>
<td>Obtain insight in the organization and development of differentiated purchasing strategies by means of a portfolio approach in a global sourcing context</td>
<td>Explore multi-national companies where headquarters share knowledge and expertise using a purchasing portfolio approach for the development of differentiated purchasing and supplier strategies</td>
<td>Profit impact</td>
<td>Supply risk</td>
<td>Strategic quadrant: - Accept the terms of (dominant) suppliers - Exceptionally, strategic partnership Bottleneck: - Accept forced single sourcing - Assurance of supply through: • Consignment systems • Safety stocks • Search for alternatives Leverage: - Exploit power position through: • Maximizing added value (cost savings) • Monitoring and managing supplier performance Non-critical: - Minimize order cost through: • Standardization of procedures • Combining order and invoices • E-procurement</td>
</tr>
<tr>
<td>Moeller et al. (2006)</td>
<td>Conceptual (based on literature review)</td>
<td>Develop a SRM framework from the perspective of supplier life cycle to enable purchasing firms to make the best out of every relationship with suppliers</td>
<td>Identify which type of supplier management the purchasing firms should use to allocate resources adequately, from the perspective of the integration of supplier life cycle and the SRM framework.</td>
<td>Strategic importance</td>
<td>Relationship contribution</td>
<td>Real value enhancer: Development or Contract management Potential value enhancer: Development or Contract management Value contributor: Contract management Underperformer: - Dissolution management (with alternatives) - Contract management (without alternatives) Non-critical quadrant: Pooling of requirement (Balanced)</td>
</tr>
<tr>
<td>Caniëls &amp; Gelderman (2007)</td>
<td>Empirical (based on comprehensive survey among Dutch purchasing professionals)</td>
<td>Develop and test hypotheses on the power-dependence balance for each quadrant of the Kraljic portfolio matrix (1983)</td>
<td>Quantify empirically ‘relative power’ and ‘total interdependence’ for each quadrant of the Kraljic portfolio matrix (1983)</td>
<td>Profit impact</td>
<td>Supply risk</td>
<td>Strategic quadrant: Maintain partnership (Supplier dominance) Bottleneck quadrant: Keep safety stock (Supplier dominance) Leverage quadrant: Partner of convenience (Buyer dominance) Non-critical quadrant: Pooling of requirement (Balanced)</td>
</tr>
<tr>
<td>Saccani &amp; Perona (2007)</td>
<td>Conceptual (based on literature) and empirical test (based on survey of 45 buyer-supplier relationships in Italian appliance manufacturing)</td>
<td>Propose a contingency model for shaping and managing buyer-supplier relationships within the context of exchanging physical products (e.g. sub-assemblies, parts or components and raw materials) and related information</td>
<td>Identify which relationship management type matches with a number of drivers (i.e., specific asset investment, operation planning and information sharing, bargaining power exploitation or joint action in operations, and short-term or long-term relationship)</td>
<td>Exchange critically</td>
<td>Operational impact</td>
<td>Evolved partnership</td>
</tr>
<tr>
<td>Pawlak (2009)</td>
<td>Conceptual (based on literature review) and empirical test (based on secondary data from journals and interview five big organizations)</td>
<td>Develop an SRM framework for managers to choose appropriate beneficial supplier relationship types</td>
<td>Identify which supplier relationship type in line with integrating external and internal business environment.</td>
<td>Availability of alternative sources of supply</td>
<td>Purchase product contribution to current and future profit</td>
<td>Medium-close relationship</td>
</tr>
<tr>
<td>Park et al. (2010)</td>
<td>Conceptual (based on literature) and empirical test (based on case study of a Korean semiconductor manufacturing company)</td>
<td>Suggest an integrative SRM framework, composed of five steps: (1) Shaping purchasing strategies; (2) supplier selection; (3) collaboration; (4) supplier assessment and development; and (5) continuous improvement.</td>
<td>Employ purchasing portfolio model (Kraljic 1983) and the relationship attractiveness portfolio (Olsen &amp; Ellram 1997) in evaluating strategic material in stage 1 and stage 4 of the SRM integrative framework</td>
<td>Profit impact</td>
<td>Supply risk</td>
<td>Strategic items</td>
</tr>
<tr>
<td>Kähkönen &amp; Lintukangas (2011)</td>
<td>Empirical (using a multiple case study of three large Finnish companies from three different industries)</td>
<td>Examine an imperative role of power in SRM implementation in relation to the practice of portfolio-based SRM strategies.</td>
<td>Identify which SRM type is appropriate, given the various levels of power relations.</td>
<td>Profit impact</td>
<td>Supply risk</td>
<td>Strategic items</td>
</tr>
</tbody>
</table>
2.3. ASSESSMENT OF THE SUPPLIER RELATIONSHIP MANAGEMENT PORTFOLIO MODELS

While the purchasing portfolio concept has been widely accepted as an effective practitioner tool (Pagell, Wu & Wasserman 2010), many of the purchasing portfolio models developed have also received extensive criticism (Gelderman & Van Weele 2005).

First, the portfolio model has been panned for being difficult to operationalize (Gelderman & Van Weele 2005). The distinction between “high” and “low” supply risk, for instance, is unclear (Homburg 1995; Olsen & Ellram 1997; Ramsay 1996). Similarly, the “high” and “low” profit impact defined in the Kraljic model have also been slammed as ambiguous, since they can be both positive and negative (Pawlak 2009).

Nellore & Soderquist (2000), however, defended the portfolio model, saying that the different dimensions used in the portfolio models are only approximate estimations of the parameters they are supposed to be measured. They also argued the complexity of suppliers may not fit exactly into the discrete categories resulting from the subjective classification dimensions (Nellore & Soderquist 2000). To limit the impact of such problems, Nellore & Soderquist (2000) argued that the interrelation between the category of the supplier and the specification at hand is more important than the initial classification of components.
Second, the portfolio model has been criticised for resulting in independent strategies for each quadrant (Coate 1983; Gelderman & Van Weele 2005; Nellore & Soderquist 2000; Olsen & Ellram 1997; Ritter 2000), and provide limited explanations on how to actually manage each classification (quadrant) (Derkinderen & Crum 1994; Nellore & Soderquist 2000).

Third, the purchasing portfolio approach has been censured as incapable of providing any proactive thinking about what can, or should, be done to change the existing reality of power (Cox 1997). SRM researchers (e.g., Caniëls & Gelderman 2005b, 2007; James et al. 2012; Kähkönen & Lintukangas 2011) also noted that most purchasing portfolio models primarily depend on two dimensions and lack attention on power relations which are imperative in developing appropriate SRM strategies. Caniëls and Gelderman (2007) further indicated that little is known about the exact way in which power and dependence in buyer–supplier relationships enter the Kraljic matrix (Dubois & Pedersen 2002; Gelderman & Van Weele 2003).

In their review of critiques on the purchasing portfolio models, Gelderman and Van Weele (2005) argued that by simplifying the many issues surrounding buyer–supplier relationships, portfolio models fail to capture a number of fundamental aspects, including the context of industrial networks, which have inter-firm relationships as units of analysis rather than firms (Dubois & Pedersen 2002), the interdependencies between products (Ritter 2000), and
the concern for sustainable competitive advantage through inter-firm relationships (Wagner & Johnson 2004).

Despite the criticisms, purchasing portfolio models have received growing acceptance and continuous usage. The portfolio concept is considered a tool to enforce the allocation of an organization’s limited resources in supplier management (Kraljic 1983; Olsen & Ellram 1997). The approach has been known to provide possibility to differentiate purchasing strategies for different suppliers (Cox 1997; Gelderman 2003) and offer a means to explore interdependencies and trade-offs among supply relationships (Wagner & Johnson 2004). The portfolio models outcome provides direction and, in some cases, prescriptive input into the strategic and tactical development behind supply management activities, such as the deployment of a particular governance structure for a relationship (Day et al. 2010). As a result, an extensive body of studies on supplier relationship have been conducted using the portfolio management approach (see e.g., Gelderman & Semeijn 2006; Kaufman et al. 2000; Moeller et al. 2006; Park et al. 2010; Saccani & Perona 2007; Svensson 2004).

The Kraljic matrix (1983) has been regarded as the standard in the field of purchasing portfolio models (Gelderman 2003; Lamming & Harrison 2001). Day et al. (2010) contended that despite an earlier application of supplier portfolio modelling (see for example Cunningham 1982), “Kraljic (1983) has broad appeal with practitioners and researchers, spurning a series of prioritization,
categorization and selection processes which use different objects of analysis (products, single relationships, aggregated supplier groups by spend, and product markets)” (2010, p. 626). Cox (1997) also highlighted the significance of the Kraljic model, proclaiming that it has become the dominant approach to what the profession regards as “operational professionalism”.

Following the Kraljic portfolio approach, several other authors have adopted a portfolio perspective to analyse different aspects of purchasing and supply management (Gelderman & Semeijn 2006; Gelderman & Van Weele 2003; Nellore & Soderquist 2000; Olsen & Ellram 1997; Wagner & Johnson 2004; Wynstra & ten Pierick 2000). Various portfolio models employed different classification categories and show the importance of several portfolio approaches when analysing buyer-supplier relationships (Nellore & Soderquist 2000). Different portfolio purchasing approaches have been developed with the aim of enabling companies to developing differentiated sourcing strategies, based on the classification of different purchase items within a defined portfolio (Aspemar & Engström 2009; Dubois & Pedersen 2002).

The wide adoption of the Kraljic model is largely attributable to the relevance of its two dimensions to purchasing activities. The two dimensions of the Kraljic model, i.e., strategic importance and supply risk, have been most influential on portfolio model studies (Bensaou 1999; Caniëls & Gelderman 2005b, 2007; see for example Kraljic 1983; Moeller et al. 2006; Nellore & Soderquist 2000; Olsen & Ellram 1997; Park et al. 2010; Svensson 2004; Tang 1999). While a number of
other labels have been used in many portfolio models, they essentially reflect
the two dimensions Kraljic (1983) identified. For example, though Pawlak
(2009) did not explicitly acknowledge mimicking the Kraljic portfolio model
(1983), the two dimensions adopted of “purchased product contribution to
current and future profit” is equivalent to “strategic importance”, while
“availability of alternative sources of supply” implies “supply risk”. Kaufmann
and Michel (2005), who reviewed dimensions of several portfolio approaches
(Bensaou 1999; Kraljic 1983; Olsen & Ellram 1997), pointed out that all the
approaches are very similar and can be united into one approach with two
dimensions by disregarding how exactly they are labelled and conceptualized.
Kaufmann and Michel (2005) contended that the two dimensions should
encompass an external market situation and an internal strategic positioning of
the purchased item, which basically imply the “complexity of the supply
market” (external dimension) and “importance of the purchase” (internal
dimension), the two dimensions used in the Kraljic (1983) matrix.

While most of the criticisms levied at the portfolio model appear to have been
dealt with, the lack of focus on power, a major determinant of buyer-supplier
relationships (see e.g., Caniëls & Gelderman 2005b, 2007; Cox 2009), does not
seem to have been adequately addressed, though most portfolio models did
mention about the role of power in supplier management (Kähkönen &
Lintukangas 2011; Kaufmann & Michel 2005; Kraljic 1983; Olsen & Ellram 1997;
Pawlak 2009). For instance, based on the portfolio approach objective, which is
to “minimize supply vulnerability and make the most of potential buying
“power” (Kraljic 1983, p. 112), Kraljic’s recommended strategies grounded on the power bases of the buyers (i.e., exploit power or diversify) without discussing the power relationship between buyers and suppliers. Caniëls and Gelderman (2005b, 2007) therefore contended that power and dependence play a significant part in the Kraljic (1983) model. Also, Tang (1999) employed buyer bargaining power as one of the dimensions in his supplier relationship map portfolio but did not consider supplier power, which should also influence buyer behaviour. Similarly, Cousins and Crone (2003) developed a model of dependency-based relations without analysing the power relations between buyers and suppliers. Pawlak (2009) also alluded to the importance of power in SRM but fell short of studying the power relations between buyers and suppliers.

Kähkönen and Lintukangas (2011) was one of the few studies that empirically examined the role of power relations between buyers and suppliers. However, their study was conducted from the perspective of three large buyers, which all held a dominant position over their suppliers. Therefore their findings may apply to the case of buyer dominance, but may not cover the other three power regimes, i.e., supplier dominant, interdependent relationship and independent relationship, as per Cox’s (2001b) configuration. The explanation of why three companies employed different SRM strategies under the same power position also appears inconclusive. Kähkönen and Lintukangas (2011) contended that the level of supply management influenced how buyers use their power: the higher the level of supply management, the more they want
to collaborate with suppliers, or the lower the level of supply management, the more buyers want to exploit their power. However, two of Kähkönen and Lintukangas’ (2011) cases that were in a dominant level of supply management employed different strategies: one wanted to collaborate with suppliers while the other wanted to exploit their power.

Also, Kähkönen and Lintukangas (2011) suggested that companies should adopt strategies based on collaboration under a balanced power relationship, because power does not inhibit, but encourages, the use of a collaborative strategy, but inequality in power and imbalance in the relationship may prevent it. This appears contradictory to their empirical findings which revealed one of the supplier-dominant companies also used collaborative strategy (Kähkönen & Lintukangas 2011). What SRM strategies buyers should implement when their power relations with suppliers are not dominant (i.e., dependent, interdependent and independent) have not been fully addressed. Moreover, Kähkönen and Lintukangas (2011) only analysed strategies employed by the case companies in only one quadrant of the portfolio (high supply risk and high strategic importance). Buyers operating in environments that fit the other three quadrants of the Kraljic (1983) matrix have not been examined. This is another gap in Kähkönen and Lintukangas’ (2011) study that needs to be answered on the relation between power and SRM practices.

In conclusion, the review of the major portfolio models in supplier management literature indicates that there are three important dimensions a
portfolio approach should encompass: (1) strategic importance of purchase, (2) supply risk and (3) power relation. While the first two dimensions have been incorporated in most portfolio models, the third dimension has been not been thoroughly investigated. Because two-dimensional matrices do not provide sufficient depth to analysing SRM approaches, Zolkiewski and Turnbull (2000) contended that a need for a multi-dimensional portfolio model to provide appropriate strategies for buyers to manage suppliers under different circumstances is warranted. Studies exploring scenarios capturing all three dimensions are lacking. To fill that gap, this study integrates the Kraljic (1983) portfolio matrix and the four power relations between buyers and suppliers (Cox 2001b) to explore how SMAGRs manage their suppliers under different circumstances.

2.4. LITERATURE ON PURCHASING PRACTICES IN SMALL FIRMS

Despite the lack of focus in incorporating power relation as a dimension in the portfolio models, a huge array of SRM strategies have been documented (see Table 2.1). However, these SRM strategies, whether developed based on literature review and analytical arguments or empirically identified based on real-life professional practices, were predominantly grounded on contexts surrounding the operations of large companies. In fact, Mudambi & Schünder, (1996) had long observed that the majority of purchasing research findings is from, and for, large corporations. Not surprisingly, most purchasing theories that have been developed have been targeted at large companies (Morrissey &
Pittaway 2004). The “little big business” syndrome, which Robinson and Pearce (1984) coined to describe the dominant concepts of strategic management developed based on the context of large organisations being scaled down for use in small businesses, is still as valid today as it was first noted in the mid 1980’s (Fueglistaller & Schrettle 2008). Because small firms are not smaller version of larger ones (Shuman & Seeger 1986), Runyan & Droge (2008) warned that results generalised from studies of large organisations should be interpreted with caution when applied to small firms. Morrissey and Pittaway (2006) argued that small and medium size enterprises (SMEs) use different methods when engaging in purchasing relationships and should, hence, be viewed differently from the practices of large firms. In an allied manner, Smith (2012) also contended that small business is a complex and diverse sector within which there is a great degree of heterogeneity (Anderson, V & Boocock 2002; Holden et al. 2006; Patton, D, Marlow & Hannon 2000).

A number of studies have pointed out a range of noticeable differences between large and small companies in terms of their business operations. For instance, large firms generally have all strategic options SMEs have, but not vice versa (Fiegenbaum & Karnani 1991). Small firms also differ from large ones in numerous ways: more problems in building business reputation (Fombrun & Shanley 1990), informal communication patterns (Hutchinson 1999), smaller variety of markets and products (Birley & Westhead 1990), and limited financial, human and physical resources availability (Díez-Vial 2009).
Understandably, differences also exist between small and large retailers that affect their buying processes, including limited managerial expertise (Gales & Blackburn 1990; McLaughlin 1995), restricted finance and business objectives (Gales & Blackburn 1990; Jarillo 1989; Morrison, Breen & Ali 2003) and limited power (Shaw & Dawson 1995). Since small businesses have very different cultural and operational practices compared with large firms (Smith 2012), purchasing and SRM practices implemented by large companies cannot be considered applicable to small firms (Morrissey & Pittaway 2006; Pressey et al. 2009; Smith 2012). Table 2.2 summarises those differences between small and large firms on 11 aspects related to purchasing and SRM: purchasing behaviour, purchasing decision making, function of purchasing, procurement aim, supplier evaluation, supplier management, supplier trust-based relationship, supplier loyalty, supplier dependence, tolerance towards supplier opportunisms and vertical integration.

Purchasing behaviour of small firms are typically reactive (Arend & Wisner 2005; Pearson & Ellram 1995; Presutti 1988; Scully & Fawcett 1994), they are classified as informal and autodidact purchasers, who down-prioritize purchasing (Presutti 1988; Scully & Fawcett 1994) and lack formal strategy and formulation processes (Chapman 1999; Dean, Brown & Bamford 1998; Levy & Powell 2000). Despite having a lower degree of purchasing leverage than large firms (Cox 2001b), small firms can achieve flexibility from their limited resources and informal management structure to enable them to respond rapidly to environmental changes (Adams et al. 2012) and to offer customized
products and services, which large companies cannot (Fueglistaller & Schrettle 2008).

Purchasing decision making in small firms are highly subjective, or even unprofessional to some degree, and are driven more by personality rather than rational analysis (Ellegaard 2006; Manzer, Ireland & van Auken 1980; Morrissey & Pittaway 2006; Pressey et al. 2009). Small company owners tend to focus more on day-to-day problems instead of long-term goals (Adams et al. 2012) and spent little resources on developing their purchasing capabilities (Ellegaard 2009).

Purchasing function in SMEs is usually centralised on one person, typically on the owner-manager, who is responsible and take the lead in purchasing (Presutti 1988). Unlike large firms, which have a tendency to develop purchasing into a separate function (Jenner & Johnsen 2002), small firms do not view purchasing as a separate function but an integral part of operating the company (Gadde, L & Hakansson 2001).

Small, owner-managed businesses were generally motivated in doing business by not only financial motive, but also “lifestyle” (Morrissey & Pittaway 2004). Small business owner generally considered non-financial measures (e.g., personal satisfaction, pride and a flexible lifestyle) more important than money (Walker & Brown 2004). According to Ellegaard (2009), small company owners also considered price as a minor issue when dealing with suppliers.
Regarding supplier evaluation, Pressey et al. (2009) discovered that although SMEs lack formal procedures in evaluating suppliers, they emphasise supplier capabilities (e.g. production and delivery) as vital to their businesses. Ellegaard (2009) also found that small company owners considered operational security from suppliers (i.e., covering quality and delivery as well as service and problem-solving capabilities) as imperative to their business.

With respect to supplier management, the literature appears to be having two contradictory sets of findings. The first set (e.g., Mudambi et al. 2004) suggests that small firms have a tendency to engage in co-operative arrangements with suppliers, instead of favouring adversarial interaction modes. This set also indicates that small businesses prefer to build a closer or long-term relationship with a particular supplier (Adams et al. 2012; Ellegaard 2006) in order to reduce supply risk (Ellegaard 2008, 2009). According to Mudambi et al. (2004), size asymmetry was a determining factor affecting the cooperation level purchasing SMEs could expect from a larger supplier.

The second set (e.g., Quayle 2001), on the other hand, argued the buyer-supplier relationships that exist among small firms tend to be in the traditional adversarial type as opposed to the collaborative one, saying that there is little evidence to suggest that small firms make a sustained effort to establish a foundation for a lasting relationship (Quayle 2000). This second set (e.g., Moore 1998) also claimed that the benefits of shifting from adversarial to collaborative relationship, which has been well documented (Hines, P 1994;
Holmlund & Kock 1996; Schmitz 1995), has not been broadly practised by smaller firms. This second set further noted that cooperation relationship between firms considered as a way to increase power and reduce dependency on larger firm remains problematic when applied to SMEs (e.g., Morrissey & Pittaway 2004; 2006). The collaboration concept, considered as a better way to effectively manage large suppliers, is also seen to be less accepted as a reality by smaller firms, since smaller firms are more price-driven in their supplier management (Morrissey & Pittaway 2006). Morrissey and Pittaway (2006) explained the distinguished characteristics of small firms (e.g., limited managerial experience, finance, business objectives and power) are the main reasons for the difficulty for cooperation in supplier relationship. Therefore, there appears to be no consistent findings regarding how small purchasers manage their suppliers.

The literature suggesting small firms tend to prefer collaborative, rather than adversarial, relationships is supported by findings pertaining to other relational attributes, such as supplier trust, supplier loyalty, supplier dependence, and tolerance toward supplier opportunism. According to Ellegaard (2006, 2009), trust-based supplier relationship is a predominant characteristic of small purchasing firms. Trust offers SMEs an alternative for managing supplier relationships in the absence of power (Zheng et al. 2003). Owner-managers in SMEs typically seek to develop and maintain strong business relationships based on ‘trust’ (Morrissey & Pittaway 2006).
Supplier loyalty is another common characteristic in SMEs (Möller & Pesonen 1981). Small companies exhibit a high degree of supplier loyalty and tend to have stable and close supplier relationships to ensure consistency of supplies (Ellegaard 2006). Small company owners have also been observed to be extremely loyal customers who rarely meet suppliers but still manage to maintain a close and trusting relationship with them (Ellegaard 2009).

Chung (2012) argued that, due to their smaller scale operations, small retailers are more likely to be dependent on suppliers and hence tend to be more tolerant toward supplier opportunism, compared with large retailers. Díez-Vial (2009) also contended that small firms depend more on suppliers and are more motivated to vertically integrate and obtain greater flexibility from vertical integration than large companies.
Table 2.2: Summary of generalized differences between small and large firms on aspects related to SRM

<table>
<thead>
<tr>
<th></th>
<th>Small firms</th>
<th>Large firms</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Low degree of purchasing leverage</td>
<td>- High degree of purchasing leverage</td>
<td>- Cox (2001b)</td>
</tr>
<tr>
<td></td>
<td>- Respond rapidly to environmental changes; high flexibility in customizing</td>
<td>- Respond slowly to environmental changes; high flexibility in customizing products and services</td>
<td>- Adams et al. (2012), Fiegenbaum &amp; Karnani (1991), Fueglistaller &amp; Schrettle (2008), Levy &amp; Powell (2000)</td>
</tr>
<tr>
<td><strong>Function of purchasing</strong></td>
<td>- Separate purchasing function in larger SMEs</td>
<td>- Professional separate purchasing function</td>
<td>- Ellegaard (2006)</td>
</tr>
<tr>
<td></td>
<td>- Multiple responsibilities assigned to one person in smaller SMEs</td>
<td>- Professional managers take the lead in purchasing field</td>
<td>- Ellegaard (2009)</td>
</tr>
<tr>
<td></td>
<td>- Owner-managers take the lead in purchasing field</td>
<td></td>
<td>- James et al. (2012; 2011) Jenner &amp; Johnsen (2002)</td>
</tr>
<tr>
<td><strong>Procurement aim</strong></td>
<td>- Financial motive</td>
<td>- Profit motive</td>
<td>- Gadde &amp; Hakansson (2001), Pressey et al. (2009)</td>
</tr>
<tr>
<td><strong>Supplier evaluation</strong></td>
<td>- Lack formal procedures</td>
<td>- Formal and professional</td>
<td>- Morrissey &amp; Pittaway (2006)</td>
</tr>
<tr>
<td></td>
<td>- Suppliers reliability needed (e.g., quality and delivery)</td>
<td></td>
<td>- Ellegaard (2009), Morrissey &amp; Pittaway (2004), Smith (2012), Walker &amp; Brown (2004)</td>
</tr>
<tr>
<td><strong>Supplier management</strong></td>
<td>- Co-operative</td>
<td>- Cooperation relationship to increase power and reduce dependency as well as manage suppliers</td>
<td>- Murambi et al. (2004)</td>
</tr>
<tr>
<td></td>
<td>- Arm’s-length</td>
<td></td>
<td>- Quayle (2000, 2001)</td>
</tr>
<tr>
<td></td>
<td>- Cooperation relationship not accepted in SMEs since SMEs is more price-driven</td>
<td></td>
<td>- Morrissey &amp; Pittaway (2004; 2006)</td>
</tr>
<tr>
<td><strong>Supplier loyalty</strong></td>
<td>Higher</td>
<td>Lower</td>
<td>- Ellegaard (2006, 2009)</td>
</tr>
<tr>
<td><strong>Supplier dependence</strong></td>
<td>Higher</td>
<td>Lower</td>
<td>- Chung(2012), Diez-Vial (2009), Morrissey &amp; Pittaway (2006), Park &amp; Krishman (2001)</td>
</tr>
<tr>
<td><strong>Tolerance towards supplier opportunism</strong></td>
<td>Higher</td>
<td>Lower</td>
<td>- Chung (2012)</td>
</tr>
<tr>
<td><strong>Vertical integration</strong></td>
<td>High motivation</td>
<td>Low motivation</td>
<td>- Diez-Vial (2009), Park &amp; Krishman (2001)</td>
</tr>
</tbody>
</table>
In sum, research on small buyers remains fragmentary (Ellegaard 2006, 2009). More significantly, findings on purchasing practices and supplier management practices of small firms are inconclusive. From a reviews of 20+ years of research on small, independent retailers, Runyan and Droge (2008) observed that most of these studies generally focused on explicit issues (e.g., power and dependence) arising from size differences between small retailers and their big suppliers without analysing the relations between these factors (e.g., relationships between power and purchase behaviour) and SRM practices of small firms. While a few studies have investigated small company owners’ behaviour with regards to specific purchasing tasks, e.g. supplier selection, contracting, or e-business adoption, they were undertaken without taking into account power and dependence relationships between small buyers and suppliers (Gales & Blackburn 1990; Pressey, Winklhofer & Tzokas 2009). Ellegaard (2006, 2009) pointed out that SRM in small firms is a promising area for more intensive research. Furthermore, while most studies on small buyers have examined a variety of industries, e.g., high-tech industry (Brush 2000), plastics moulding industry (Morrissey & Pittaway 2006), meat industry (Díez-Vial 2009), education industry (Pressey et al., 2009), manufacturing companies (Ellegaard 2008, 2009; Mudambi & Schünder 1996; Mudambi et al. 2004), industrial companies (Adams et al. 2012), and clothing industry (Chung 2012), little attention has been directed to the grocery sector. The need to explore SRM from the perspective of small- and medium-sized grocery retailers has become obvious.
CHAPTER 3: RESEARCH METHODOLOGY

3.1. RESEARCH DESIGN

“How SMAGRs manage suppliers under different circumstances” is a complex phenomenon with intricate sets of meanings, many of which evolve from the experiences of the relationships the grocery owner had with their suppliers over the years. The literature review also points out that SRM is strongly influenced by the power relationship between the supplier and buyer. According to Yin (1994), case studies are particularly suited to explore complex phenomena in their natural settings. As the research questions are largely exploratory (Yin 2003), and given the lack of prior research on SRM strategies from the small grocery retailers’ perspective, a multiple case study using the inductive qualitative methodology (Eisenhardt 1989) was adopted.

While qualitative data have serious weaknesses and problems, Daymon and Holloway (2002) argue that interpretive (qualitative) methods are particularly suited to explore people’s intentions, motivations and subjective experiences. Qualitative research has been gaining ground as a legitimate and complementary alternative to quantitative investigations (Halldórsson & Aastrup 2003). According to Tewksbury (2009) the knowledge gained through qualitative investigations is more informative, richer and offers enhanced understandings compared to that which can be obtained via quantitative research. Recent empirical work by Chia (2005) and Sandberg & Abrahamsson
(2011) also illustrate that the qualitative approach is useful when exploring issues relating to relationship management, lending further justification for using the qualitative approach in this study of SRM. Case studies, with a focus on developing rich constructs, based on in-depth investigations using semi-structured interviews and on-site observations, was thus considered most appropriate for this study.

The multiple, rather than single, case study approach was adopted because the results of multiple-case studies are typically more generalizable and better grounded than those of single-case studies (Davis, Eisenhardt & Bingham 2007). Multiple cases permit a replication logic in which the cases are treated as a series of experiments that confirm or disconfirm emerging conceptual insights (Eisenhardt 1989; Yin 1994). They “enable comparisons that clarify whether an emergent finding is simply idiosyncratic to a single case or consistently replicated by several cases” (Eisenhardt & Graebner 2007, p. 27).

The Asian grocery sector in Melbourne provided the context of this research and SMAGRs were the unit of analysis. While there is no ideal number of cases in multiple case studies, Eisenhardt (1989) suggested between four and 10 cases. In this study, eight SMAGRs were chosen to represent different business settings, locations, and sizes. Informants for this study were shop owners and sales supervisors who were directly involved in purchasing and business management.
A purposive sampling approach was used to select SMAGRs with the objective of capturing a range of variation in SRM practices to achieve depth and richness in theory building (Coyne 1997). To achieve this goal, several on-site visits to three predominantly Asian suburbs in Melbourne were conducted in the first two weeks of April 2009. The on-site visits focused on assessing the relative market power of prospective SMAGRs based on the intensity of the business activities observed, their locational distinctiveness, size of retailing space, range of goods offered and price levels.

An informal shopper survey of Asian grocery shoppers was also conducted during the on-site visits. The objective was to assess the relative performance of the various SMAGRs in the town centres (i.e., wet market and Asian shopping strip) of the three Asian dominated suburbs. Shoppers exiting from different SMAGRs in the selected areas were randomly selected. The main questions asked were: Why do you choose that particular shop to obtain your Asian grocery needs? What do you think about other grocery shops in the areas? On average, three to four shoppers exiting from each shop were interviewed, resulting in a total of 130 interviews. Responses from the survey participants provided useful information on the business characteristics of the SMAGRs in the three selected areas in terms of average price level and range of goods and services offered. The informal shopper survey also provided useful information to assist in identifying a number of SMAGRs as suitable candidates for case studies.
The on-site field assessment and results of the informal shopper survey led to the identification of 20 SMAGRs as potential study cases. The 20 SMAGRs were selected with the aim of maximizing opportunities to gather data regarding variations along dimensions of factors considered to have an effect on SRM. These factors included size of shops, which could be an indication of the resource strength and buying power of the SMAGRs, the location, which may reflect the market power of the SMAGRs, and the range of groceries offered, which would be a yardstick for gauging buying power. As a result, the 20 SMAGRs selected comprised shops of various sizes (to capture possible variation in resource strength and buying power), with different locational features and pricing strategies (to capture differences in market power), offering a dissimilar range of groceries, non-food items, and with contrasting intensity of business activities (to capture differences in buying power). This diverse sample of SMAGRs was expected to offer a firmer grounding for developing emergent constructs than a homogeneous sample (Harris & Sutton 1986).

The shop owners of the 20 SMAGRs identified were approached between May and June 2009 to seek their cooperation to participate in the study. Twelve SMAGRs agreed to be interviewed. However, after the first interview, four of the 12 SMAGRs were dropped because the owners did not agree to be further interviewed, resulting in eight SMAGRs for the study.
Tables 3.1 and 3.2 display the characteristics of the eight selected SMAGRs discerned from initial on-site field observations. The characteristics presented were based purely on subjective evaluation (i.e. no objective measurements were used) both from the investigator’s perspective as well as the results of the informal shopper survey. To protect the identity of the eight case SMAGRs, they are labelled as SMAGR1 to SMAGR8 in this study.
<table>
<thead>
<tr>
<th></th>
<th>SMAGR1</th>
<th>SMAGR2</th>
<th>SMAGR3</th>
<th>SMAGR4</th>
<th>SMAGR5</th>
<th>SMAGR6</th>
<th>SMAGR7</th>
<th>SMAGR8</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level of business activity</strong>&lt;sup&gt;[1]&lt;/sup&gt;</td>
<td>WD&lt;sup&gt;(2)&lt;/sup&gt; Busy</td>
<td>Busy</td>
<td>Busy</td>
<td>Busy</td>
<td>Busy</td>
<td>Relatively quiet</td>
<td>Relatively quiet</td>
<td>Relatively quiet</td>
</tr>
<tr>
<td></td>
<td>WE&lt;sup&gt;(3)&lt;/sup&gt; Extremely busy</td>
<td>Extremely busy</td>
<td>Extremely busy</td>
<td>Busy</td>
<td>Busy</td>
<td>Busy</td>
<td>Busy</td>
<td>Busy</td>
</tr>
<tr>
<td><strong>Distinctive Locational Features</strong></td>
<td>• Located in centre of a busy, mainly Asian suburb.</td>
<td>• Located at the main entrance of a wet market in a predominantly Asian suburb.</td>
<td>• Located at the main entrance of a wet market in a predominantly Asian suburb.</td>
<td>• Located at the main entrance of a wet market in a predominantly Asian suburb.</td>
<td>• Located at the main entrance of a wet market in a predominantly Asian suburb.</td>
<td>• Located at the main entrance of a wet market in a predominantly Asian suburb.</td>
<td>• Located at the main entrance of a wet market in a predominantly Asian suburb.</td>
<td>• Located at the main entrance of a wet market in a predominantly Asian suburb.</td>
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<tr>
<td></td>
<td><strong>Note:</strong> (1): The level of business activities among the 8 SMAGRs were rated relative to each other, which resulted in three groups: extremely busy, busy, and relatively quiet. (2): WD – Weekday, from Monday to Friday (3): WE – Weekend, from Saturday to Sunday</td>
<td><strong>Note:</strong> (1): The level of business activities among the 8 SMAGRs were rated relative to each other, which resulted in three groups: extremely busy, busy, and relatively quiet. (2): WD – Weekday, from Monday to Friday (3): WE – Weekend, from Saturday to Sunday</td>
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</table>
Table 3.2: Observed Characteristics of the Eight Selected SMAGRs

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<tr>
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<th>SMAGR1</th>
<th>SMAGR2</th>
<th>SMAGR3</th>
<th>SMAGR4</th>
<th>SMAGR5</th>
<th>SMAGR6</th>
<th>SMAGR7</th>
<th>SMAGR8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of outlet/shop</td>
<td>7 – 8 SSLs</td>
<td>6 – 7 SSLs</td>
<td>5 – 6 SSLs</td>
<td>4 – 5 SSLs</td>
<td>3 – 4 SSLs</td>
<td>1 SSL</td>
<td>1 SSL</td>
<td>1.5 SSLs</td>
</tr>
<tr>
<td>Range of goods offered</td>
<td>FMI</td>
<td>Extensive</td>
<td>Extensive</td>
<td>Average</td>
<td>Average</td>
<td>Average</td>
<td>Average</td>
<td>Limited</td>
</tr>
<tr>
<td>SMI</td>
<td>Average</td>
<td>Limited</td>
<td>Limited</td>
<td>Limited</td>
<td>Limited</td>
<td>Limited</td>
<td>Limited</td>
<td>Limited</td>
</tr>
<tr>
<td>Price of popular grocery items</td>
<td>Rice</td>
<td>&gt; MA(*)</td>
<td>&gt; MA(*)</td>
<td>&gt; MA(*)</td>
<td>= MA(*)</td>
<td>&lt; MA(*)</td>
<td>= MA(*)</td>
<td>= MA(*)</td>
</tr>
<tr>
<td></td>
<td>IN</td>
<td>&gt; MA(*)</td>
<td>&gt; MA(*)</td>
<td>&gt; MA(*)</td>
<td>= MA(*)</td>
<td>&lt; MA(*)</td>
<td>= MA(*)</td>
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<td></td>
<td>S</td>
<td>&gt; MA(*)</td>
<td>&gt; MA(*)</td>
<td>&gt; MA(*)</td>
<td>= MA(*)</td>
<td>&lt; MA(*)</td>
<td>= MA(*)</td>
<td>= MA(*)</td>
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<tr>
<td></td>
<td>C oil</td>
<td>&gt; MA(*)</td>
<td>&gt; MA(*)</td>
<td>&gt; MA(*)</td>
<td>= MA(*)</td>
<td>= MA(*)</td>
<td>= MA(*)</td>
<td>= MA(*)</td>
</tr>
</tbody>
</table>

Note:
(4): The size of the retail shops of the 8 SMAGRs were rated relative to each other using the standard shop lot (SSL) as a common denominator. The size of SSL in Melbourne typically measures around 60 sq. m.
(5): The range of goods offered among the 8 SMAGRs were rated relative to each other, using three categories: extensive, average and limited.
(6): FMI – Fast Moving Item, e.g. instant noodle, rice, and sauces.
(7): SMI – Slow Moving Item, e.g. dried abalone and shark fin.
(8): Three categories were used to rate the price of key and popular items: market average (= MA), above market average (> MA) and below market average (< MA).
(9): IN – Instant Noodles
(10): S – Sauce
(11): C oil – Cooking oil
(*) MA – The price levels of these four items were derived from the information gathered from the informal shopper survey. The price of a grocery item offered by a SMAGR was rated as one of three categories – above MA (> MA), MA or below MA (< MA) – based on the majority view of shoppers. The rating was validated based on the advertised price. The advertised prices of the four grocery items from the 8 SMAGRs were ranked and divided into three groups according to whether the advertised price was: i) 5% below the computed average (< MA); ii) ± 5% of the computed average (MA); and iii) 5% above the computed average (> MA).
3.2. DATA COLLECTION

This study used two main data sources: semi-structured interviews as well as on-site unobtrusive observations. Semi-structured interviews formed the predominant means for uncovering the complex business and supply and delivery arrangements SMAGRs had with suppliers. In all instances, the owners (husband and wife in all eight cases) were directly responsible for procuring and managing supplies. As a result, the semi-structured interviews were held primarily with both the husband and wife, either singly or jointly on different occasions. In three cases, i.e., the three largest SMAGRs among the eight, the sale supervisor was also interviewed, because the sales supervisor was also involved in sourcing supplies and had direct dealings with suppliers.

Semi-structured interviews allow in-depth exploration of behaviour to enable the nature of the relationships between SMAGRs and their suppliers be inferred (Dapiran & Hogarth-Scott 2003). They provide a means for the researcher to probe the respondents’ thoughts and feelings about issues they were most familiar with (Yin 2003). An interview protocol (see Appendix 1) was constructed to facilitate the semi-structured interviews. The interview protocol comprised a series of open-ended questions designed to allow informants to relate their experiences with suppliers. The questions were deliberately worded as broadly as possible to allow interviewees the freedom to narrate their dissimilar experiences with different suppliers (Glaser & Strauss 1967). Yin (2003) explained that open-ended questions are common in case study
interviews whereby the researcher asks the respondent for factual information as well as opinions. Open questions also give interviewees greater freedom to answer questions that suit their interpretations and perspectives (Turner 2010).

The semi-structured interviews were conducted between July 2009 and August 2010. Interviewees were briefed on the topic and purpose of the research prior to the interview. They were allowed to narrate their experiences at their own pace, especially when describing their routine interactions with their suppliers and the ways they dealt with different suppliers, including the reasons for doing so.

Except in three instances, all interviewees were business owners (husband and wife) of the selected SMAGRs. All initial semi-structured interviews were conducted on-site the premise of the selected SMAGRs. In keeping with inductive methodology (e.g. Sutton & Callahan 1987), interviews were conducted in an interactive, conversational style with impromptu questions injected as and when clarification was considered necessary. Depending on the position of the interviewee, i.e., owner or sale supervisor, the questions were adapted accordingly. For instance, ‘you’, ‘your suppliers’, ‘your customers’ or ‘names of grocery suppliers’ were used. Terms such as ‘supplier’, and ‘salesman’ were used interchangeably. As part of the semi-structured interview process, questions were also asked as a follow-on to the interviewee’s answers. For instance, asking interviewees to describe in greater
detail the different ways of dealing with suppliers or the reasons for their reactions to suppliers’ terms and conditions. At times, some statements made by interviewees pre-empted some of the remaining questions, in which case no further questions were posed. In these situations, interviewees were asked to provide specific examples as a point of clarification. This tactic was adopted to triangulate key information to remove ambiguity for subsequent data interpretation.

All interviews were conducted in the language of the interviewees, i.e., in either Vietnamese or Chinese, and were audio-recorded. The interview transcripts were then translated into English by the researcher and two other persons conversant with the language of the interviews. The three translated transcripts were cross-checked and reviewed by the three translators. The process was repeated multiple times until a consensus was reached. To ensure internal consistency, site visits were conducted to get contextual information and in-depth understanding of the business operations and SRM processes.Permissions from all eight shop owners were also requested to allow the researcher to observe some of the negotiation sessions they had with suppliers as an unobtrusive observer. Unobtrusive observations helped verify many of the responses and operational nuances (Lee, RM 2000; O’Brien 2010). Table 3.3 summaries the background profile of the eight selected SMAGRs.
### Table 3.3: Profile of Selected SMAGRs

<table>
<thead>
<tr>
<th>SMAGR1</th>
<th>SMAGR2</th>
<th>SMAGR3</th>
<th>SMAGR4</th>
<th>SMAGR5</th>
<th>SMAGR6</th>
<th>SMAGR7</th>
<th>SMAGR8</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ownership</strong></td>
<td>Family (Husband &amp; Wife)</td>
<td>Family (Husband &amp; Wife)</td>
<td>Family (Husband &amp; Wife)</td>
<td>Family (Husband &amp; Wife)</td>
<td>Family (Husband &amp; Wife)</td>
<td>Family (Husband &amp; Wife)</td>
<td>Family (Husband &amp; Wife)</td>
</tr>
<tr>
<td><strong>Establishment History</strong></td>
<td>Established current business</td>
<td>Bought over business from relatives</td>
<td>Bought over business from brother who also owned grocery shop next door</td>
<td>Bought over an established business</td>
<td>Bought current business from a friend</td>
<td>Bought over an established business</td>
<td>Bought current business from sister</td>
</tr>
<tr>
<td><strong>Employment Size</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Weekday</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full time</td>
<td>45</td>
<td>32</td>
<td>30</td>
<td>10</td>
<td>5</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Part time</td>
<td>20</td>
<td>15</td>
<td>15</td>
<td>12</td>
<td>4</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Sale Focus</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Fruit</td>
<td>- Fruit</td>
<td>- Fruit</td>
<td>- Fresh fish and seafood</td>
<td>- Fruit</td>
<td>- Dried foods</td>
<td>- Dried foods</td>
<td>- Dried foods</td>
</tr>
<tr>
<td>- Vegetables</td>
<td>- Vegetables</td>
<td>- Vegetables</td>
<td>- Dried foods</td>
<td>- Vegetables</td>
<td>- Cold beverages</td>
<td>- Cold beverages</td>
<td>- Cold beverages</td>
</tr>
<tr>
<td>- Dried foods</td>
<td>- Dried foods</td>
<td>- Dried foods</td>
<td>- Dried foods</td>
<td>- Cold beverages</td>
<td>- Cold beverages</td>
<td>- Cold beverages</td>
<td>- Cold beverages</td>
</tr>
</tbody>
</table>
Unlike the case of large corporations, all eight selected SMAGRs had neither formal business documents nor a web-site for consultation. As such, follow-up interviews became the primary means of data verification and clarification. In total, 40 face-to-face interviews were completed with business owners and sales supervisors of the eight selected SMAGRs. In addition, numerous telephone calls were made to some of the SMAGRs in between the follow-up interviews. The time taken for each interview typically ranged from 45 minutes (for follow-up interviews) to over 4 hours (for first interviews) (Table 3.4). The guidelines prescribed by Glaser and Strauss (1967) and Eisenhardt (1989) were followed in stopping interviews: when no more new information became discernible, data-saturation was considered to have been reached.
Table 3.4: Interview Records

<table>
<thead>
<tr>
<th>Interviewee(s)</th>
<th>SMAGR1</th>
<th>SMAGR2</th>
<th>SMAGR3</th>
<th>SMAGR4</th>
<th>SMAGR5</th>
<th>SMAGR6</th>
<th>SMAGR7</th>
<th>SMAGR8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shop Owners</td>
<td>Shop Owners</td>
<td>Shop Owners</td>
<td>Shop Owners</td>
<td>Shop Owners</td>
<td>Shop Owners</td>
<td>Shop Owners</td>
<td>Shop Owners</td>
<td></td>
</tr>
<tr>
<td>Sales Supervisor</td>
<td>Sales Supervisor</td>
<td>Sales Supervisor</td>
<td>Sales Supervisor</td>
<td>Sales Supervisor</td>
<td>Sales Supervisor</td>
<td>Sales Supervisor</td>
<td>Sales Supervisor</td>
<td></td>
</tr>
</tbody>
</table>

No. of Face to Face Interviews

<table>
<thead>
<tr>
<th>Interviews</th>
<th>Order</th>
<th>Duration of Interviews</th>
<th>Order</th>
<th>Duration of Interviews</th>
<th>Order</th>
<th>Duration of Interviews</th>
<th>Order</th>
<th>Duration of Interviews</th>
<th>Order</th>
<th>Duration of Interviews</th>
<th>Order</th>
<th>Duration of Interviews</th>
<th>Order</th>
<th>Duration of Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Interview</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>4.5 hours</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>4.5 hours</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>4.5 hours</td>
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<td>4.5 hours</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>4.5 hours</td>
</tr>
<tr>
<td>Follow-up</td>
<td>Face-to-face</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>4 hours</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>4 hours</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>4 hours</td>
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<tr>
<td></td>
<td></td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>3.5 hours</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>4 hours</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>3.5 hours</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>4 hours</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>4 hours</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>4 hours</td>
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<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>4 hours</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
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<td>4 hours</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>3.5 hours</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>4 hours</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>3.5 hours</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
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<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>5 hours</td>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>4 hours</td>
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<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>4 hours</td>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>5 hours</td>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>4 hours</td>
<td>5&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Phone</td>
<td>None</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>15 minutes</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>25 minutes</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>20 minutes</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>25 minutes</td>
<td>None</td>
<td>None</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>30 minutes</td>
<td></td>
</tr>
</tbody>
</table>

| Phone          | None | 2<sup>nd</sup> | 15 minutes | 2<sup>nd</sup> | 20 minutes | 2<sup>nd</sup> | 30 minutes | 2<sup>nd</sup> | 20 minutes | None | None | 1<sup>st</sup> | 30 minutes |

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3.3. DATA ANALYSIS

3.3.1. Within-Case Analysis

Following Miles and Huberman (1994), the analysis of the case narratives was based on inductive reasoning and used two types of analysis, within-case and cross-case. The goal of within-case analysis was to identify generalizable constructs and patterns for each case independently, in relation to the research questions of understanding how SMAGRs managed different suppliers within the context of their power relationships with different groups of suppliers. The analysis and data collection proceeded in an iterative manner in which interview questions were progressively refined to pursue emerging themes within each case. While similarities and differences in SRM approaches were noted among cases, these were left for further analysis until all individual case write-ups were completed to maintain analytic independence of the replication logic (Graebner & Eisenhardt 2004).

Upon completion of all the interviews for a particular case study, the interview transcripts and on-site unobtrusive observation notes were synthesized into individual case portfolios. Each case portfolio described the SMAGR’s sourcing operations and its relationships with different suppliers over time. The case portfolio are typically between 60 and 80 double-spaced pages in length and included narrative, selected quotes from informants, and tabulation and diagrams summarizing key information about the operations of the SMAGRs
and their business arrangements with suppliers. The case-writing process took approximately eight months to complete.

Within-case analysis involved a detailed case description of each SMAGR (Eisenhardt 1989). Each case was written based on data confirmed by triangulating narratives from the multiple semi-structured interviews conducted with the husband and wife owning the SMAGRs as well as with the sales supervisor in three instances. Notes taken during the unobtrusive on-site observations of discussions between shop owner(s) and suppliers were also consulted, providing a further check in the data triangulation process.

The main objective of triangulations is to describe the case in an internally consistent and objective manner with minimal subjective interpretations. The within-case description explored events and processes, outlining what were done and why they were done. It was accomplished based on the following steps:

First, the manners in which SMAGRs valued their suppliers under different situations were examined. Particular attention was paid to exploring why each SMAGR perceived the importance of the same supplier differently under dissimilar circumstances. Attempts were made to link these perceptions to the SMAGR’s business backgrounds and sale strategies as well as the tangible benefits derived by purchasing from different suppliers.
Second, the power bases of SMAGRs, in relations to their suppliers were analysed using the power matrix developed by Cox (2001b), which consists of four regimes: supplier dominant, retailer dominant, interdependent and independent. Cox et al. (2003) argued that the power bases and power relations between buyers and their suppliers affect the way buyers manage their suppliers. The four regimes provided the framework on which the coding scheme for power relations was developed (Table 3.5).

Table 3.5: Coding Scheme for Power Relations

<table>
<thead>
<tr>
<th>Power Relations (Cox 2001b)</th>
<th>Relative Power (Cox 2001b)</th>
<th>Key Characteristics (Cox 2001b)</th>
<th>Empirical Support (e.g., Caniëls &amp; Gelderman 2007; Cousins &amp; Crone 2003; Gelderman &amp; Semeijn 2006; Gelderman &amp; Van Weele 2003)</th>
</tr>
</thead>
</table>
| **Buyer Dominance (>)**   | The buyer has all of the levers of power. | • Few buyer/many suppliers  
• Supplier is highly dependent on buyer for revenue with few alternatives  
• Suppliers/Buyers switching costs are high/low | • Unilateral dependence relations (buyer dominated)  
• Partner of convenience |
| **Supplier Dominance (<)** | The supplier has all of the levers of power. | • Many buyer/few suppliers  
• Supplier has no dependence on buyer for revenue and has many alternatives  
• Suppliers/Buyers switching costs are low/high | • Unilateral dependence relations (supplier dominated)  
• Maintain partnership  
• Keep safety stock |
| **Interdependence (=)**   | Both the buyer and the supplier possess resources and so neither the buyer nor the supplier has more power relative to the other. | • Few buyer/few suppliers  
• Supplier is highly dependent on buyer for revenue with few alternatives  
• Suppliers/Buyers switching costs are high/high | • Mutually dependent relations  
• Exploit buying power  
• Develop a strategic partnership |
| **Independence (Ø)**      | Neither the buyer nor the supplier has significant leverage opportunities over the other party. | • Many buyer/many suppliers  
• Supplier has little dependence on buyer for revenue and has many alternatives  
• Suppliers/Buyers switching costs are low/low | • Mutually non-dependent relations  
• Individual ordering  
• Pooling of requirement |
Third, the different ways each SMAGR used to manage different suppliers under different power regimes were examined. The power configurations linking each SMAGR to different groups of suppliers together with the details surrounding each relationship were graphically represented as rich pictures (Checkland 1981, 1990), which were progressively refined to achieve parsimony. Figures 3.1 and 3.2 illustrate two of the rich pictures developed for SMAGR2.

From the within-case analysis, unique situations and contingent factors that underpinned the exclusive SRM approaches adopted by each SMAGR under different circumstances, i.e., level of supply risk, strategic importance of supplies (and hence suppliers), and power relation with suppliers, were identified. The within-case analysis concluded with the mapping of the SRM postures into the Kraljic matrix (1983), showing the unique SRM patterns of each case. The outcome is a detailed dossier of each SMAGR to facilitate the development of rich constructs for cross-case comparison, which will be discussed in the next section.
- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Growth rate – Fast growing
- Margin to retailers – High
- Type of goods supplied – Dried foods which are now in the grocery market.

Relationships

- Criteria for supplier selection – Price and type of goods supplied.
- Supplier base – there are a few closed suppliers in this cluster.
- Duration of contract with SMAGR2 – short term without contract. SMAGR2 has business relationship with those suppliers for a long time, since he established his shop in 2002, but for the new types of goods, they would have business after the promotion time is finished and can last as long as the market still accept it.
- Mode of payment – credit payment, normally from 4 weeks to 8 weeks.
- Flexibility in payment – SMAGR2 can ask for payment extension, sometimes up to 12 weeks.
- Delivery frequency – SMAGR2 order when the shop run out of new type of dried foods, in case the market accept the new goods.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - The suppliers have supplied exclusively certain type of grocery items, but not for the new type of dried foods.
  - The suppliers need to sell those new types of goods through the retailer SMAGR2.
- Suppliers power base:
  - “New type of goods supplied” – supply in new type of dried foods which could become popular in the grocery market.
  - Expert power – The suppliers have been doing in grocery industry for a long time, so they would have good experience and know about market demand, so the new type of goods they have would catch the grocery market, and the SMAGR2 retailer would gain more benefit from their knowledge.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR2 know about customers’ demand as well as other suppliers’ goods selling prices. In addition, the customers take the shop owner’s advice as a good reference which benefit to the suppliers when SMAGR2 promotes their new types of grocery goods.
- Attitude in the relationships – open, honest, trusting, commitment and control.
  - The suppliers trust SMAGR2 as an honest good business partner since he opened the shop, so they take SMAGR2 as a good choice to introduce the new types of goods they have.
  - SMAGR2 always commits to agreement with the suppliers.

After we have an agreement, I ask my employees to introduce new type of goods to customers when they need shopping advice. My employees and I are cooperate selling the new types of goods can get more profit because the customers accept the new type of goods as much as they can. Luckily that SMAGR2 and myself get trust from my customers so the promotion is effective almost of the time.

SMAGR2 is straightforward and clear with the suppliers about unsold goods returnable term and make sure that he gets the agreement from the suppliers.

SMAGR2 organize his business and manage his employees towards his business target.

Essentially, customers to other main goods sold in the shop, like fresh seasonable fruits and vegetables.

- Price
  - Criteria to choose suppliers:
    - Price
    - Supplier’s characteristics
    - Inventory Management:
      - Goods in store – no returns, instant noodles, rice, fish sauce, fruits, vegetables, and others.

Figure 3.1: Partial View of First Rich Picture showing Relationship Management Practices of SMAGR2 with Two Major Groups of Suppliers
- Long-established closed relationship with SMAGR2
- Exclusive popular brand items supplied
- Long-time credit payment and large range of goods supplied.

Supplier Dominant Relationship S21 > SMAGR2

- Huge customer base
- Capability in achieving sale target for exclusive popular brands.

Suppliers S21

- Big suppliers
- Popular brand items supplied
- Long-time credit payment offered.

Interdependent Relationship S22 = SMAGR2

- Huge customer base
- Goods supplied are SMAGR2’ main sale focus.

Suppliers S22

- Long-established closed relationship with SMAGR2
- Various range of fresh vegetables supplied.

Interdependent Relationship S23 = SMAGR2

- Huge customer base
- Goods supplied are SMAGR2’ main sale focus.

Suppliers S23

- Recent-established small suppliers
- Popular brand items at competitive price supplied
- Short-time credit payment and limited range of goods supplied.

SMAGR2 Dominant Relationship S24 < SMAGR2

- Huge customer base
- Goods supplied are SMAGR2’ main sale focus.

Suppliers S24

- Large number of suppliers in wholesale market
- Fresh fruits and flowers supplied

SMAGR2 Dominant Relationship S26 < SMAGR2

- Recent-established small suppliers
- Small range of fresh, home-cooked foods supplied.

Suppliers S26

- Large customer base
- Pursuit "one-stop service objective.

SMAGR2 Dominant Relationship S28 < SMAGR2

- Non-food supplied
- Fixed-commission paid per unit sold.

Suppliers S28

- Recent-established small suppliers
- Small range of fresh vegetables supplied.

Independent Relationship S27 0 SMAGR2

- Large customer base
- Pursuit "one-stop service objective.

Suppliers S27

Figure 3.2: Final Rich Picture showing Relationship Management Strategies of SMAGR2
3.3.2. Cross-Case Analysis

A cross-case analysis was performed to examine ‘similarities and differences’ in relationship management approaches used by the eight SMAGRs. Based on methods suggested by Miles and Huberman (1994) and Eisenhardt (1989), the relationship management strategies of each case SMAGR were examined to determine whether similar themes emerged in multiple settings. Eisenhardt (1989) described the cross-case technique as “searching tactics to force investigators to go beyond initial impressions, especially through the use of structured and diverse lenses on the data” (p. 541). This study first identified categories, patterns and dimensions that were exhibited by all eight SMAGRs. A pair-wise comparison was then carried out to examine two cases at a time to identify similarities and differences between different pairs of cases. The insights that emerged from these pair-wise comparisons were then cross-referenced to establish consistent patterns and themes across cases. Emerging relationships through replication logic were progressively refined, revisiting the data to see if each SMAGR demonstrated the identified pattern. Figures and tables were used to facilitate comparisons between cases. The analyses process was iterative and lasted for eight months.

In searching for patterns of SRM, the cross-case analysis first examined whether SMAGRs’ business characteristics, including SMAGRs’ business background, operational characteristics and business focus, affected their business strategies and the way they managed different groups of suppliers. Second, attempts were made to relate the manner of supplier classification to
suppliers values, placing them within the context of Cox’s (2001b) power matrix. Third, the cross-case analysis examined the manner in which the interplay of these factors – business characteristics, business strategies, supply risks, value of suppliers and power relations – affect SMAGRs’ approaches to SRM.

The cross-case analysis resulted in a taxonomy of SRM approaches as practiced by the eight case SMAGRs under different power relations they held with their suppliers. Following Eisenhardt’s (1989) suggestion on process of building theory from case study research, this study used the outcome of the data analysis to iteratively generate tabulations of evidence for each SRM approach used by the case SMAGRs to develop construct representing SRM postures. Answers on the “why’s” behind different types of supplier relationship constructs were sought, as a way to “shape hypothesis” (Eisenhardt 1989). A key outcome of the cross-case analysis was the development of a set of propositions for theory building.

The major steps taken to accomplish this research are summarized in Figure 3.3.
Figure 3.3: Research Plan

DATA COLLECTION

- On-site face-to-face Semi-structured Interviews
- Follow-up face-to-face Phone Interviews
- Within-Case Analysis
- Cross-Case Analysis

DATA ANALYSIS

FINDINGS & DISCUSSIONS

SAMPLE SELECTION

- Reconnaissance Survey (in 3 Asian dominated suburbs in Melbourne)
- Informal Shopper Survey (in 3 Asian dominated suburbs in Melbourne) (80 interviews)

20 SMAGRs identified for study

Invitation to participate in study

12 SMAGRs agreed to participate

Preliminary interview

8 SMAGRs confirmed availability for follow-up interviews

Unobtrusive Observation
3.4. DATA VALIDITY

A number of criteria have been used to evaluate the validity and reliability of qualitative studies, depending on the philosophical perspective adopted. In terms of assuring methodological rigor, four criteria are commonly employed in case study research (Eisenhardt 1989; Yin 2003): construct validity, internal validity, external validity, and reliability. This study followed the four criteria indicated by Yin (2003) to ensure consistency in data collection and analysis. The definitions and techniques for establishing validity and reliability in case study research as well as their implementation in this study are shown in Table 3.6.

Table 3.6: Techniques and implementation of establishing validity and reliability in case study research

<table>
<thead>
<tr>
<th>Validity</th>
<th>Definition 1(1)</th>
<th>Techniques from case study literature(1)</th>
<th>Implementation in this study</th>
</tr>
</thead>
</table>
| Construct | Tests whether the research measures what it is supposed to measure. | - Use multiple sources of evidence  
- Establish a chain of evidence  
- Key informants review draft of case study report | - Multiple in-depth interviews in each SMAGRs, follow-up interviews and on-site unobtrusive observations. |
| Internal  | Focuses on the extent that conclusions can be drawn for causal effects and establishes a causal relationship. | - Pattern matching  
- Explanation building  
- Rival explanations  
- Logic models | - Investigated patterns regarding SRM: strategic importance, supply risk and power relations between SMAGRs and suppliers  
- Looked for logical consistency in interview transcripts. |
| External  | Looks at whether the research results can be can be generalized. | - Rational for case selection  
- Use replication logic in multiple case studies | - Selected eight SMAGRs with contrasting characteristics in three Asian predominant suburbs. |
| Reliability | Demonstrates repeatability aim to minimise errors and bias. | - Use case study protocol  
- Develop case study database | - Refined and implemented case study protocol with each unit of analysis |

Note:
3.4.1. Construct Validity


To address construct validity, two main sources of data collection were used in this study: semi-structured interviews and on-site unobtrusive observation. This is because all eight selected SMAGRs had neither official business documents nor a web-site for reference. Unobtrusive observation offers a means to clarify some of the background information obtained during the interviews. Further, follow-up interviews, both face-to-face and phone, became the primary means of data verification and validation. Throughout the data interpretation stage, this tactic was used to eliminate ambiguous information.

3.4.2. Internal Validity

Internal validity refers to the casual relationships between variables and results (Yin 2009). Whereas construct validity is relevant mainly during the data collection phase, internal validity applies also to the data analysis stage, even though many decisions regarding internal validity are made in the design phase (Yin 1994). One of the strategies proposed in the literature to ensure internal
validity is through pattern matching. Researchers are urged to compare empirically observed patterns with either predicted ones or those established in previous studies and in different contexts (Denzin, NK & Lincoln 1994; Eisenhardt 1989; Gibbert & Ruigrok 2010).

This study combined the Kraljic matrix (1983) and power matrix (Cox 2001b), which have been extensively used in previous studies, to examine the SRM strategies used by the case SMAGRs. More specifically, the different SRM postures employed by the eight Asian grocery cases were analysed under different power relations (Cox 2001b) and mapped onto the Kraljic matrix (1983). The results were also compared with previous studies using the portfolio approach (Gelderman & Semeijn 2006; Gelderman & Van Weele 2003) to challenge the constructs developed to explore the admissibility of rival explanations.

3.4.3. External Validity

External validity, or “generalizability”, flows from the contention that empirical findings must be applicable to settings other than those in which they are studied (Gibbert & Ruigrok 2010). The generalizability claim is grounded in the replication logic, central to building theory from cases (Eisenhardt & Graebner 2007). Eisenhardt (1989) argued that case studies can be a starting point for theory development and proposed a cross-case analysis involving four to ten cases to provide a sound basis for analytical generalization.
To provide a rich context for analytical generalisation, this study selected eight SMAGRs with contrasting characteristics in three Asian dominant suburbs in Melbourne. As part of the analysis process, cross-case analysis of the eight SMAGRs was conducted to examine similarities and variations in SRM approaches based on replication logic.

### 3.4.4. Reliability

Reliability refers to the absence of random error or degree of consistency in conducting study, enabling subsequent researchers to arrive at the same results if they were to conduct the study along the same steps again or repeat the same procedure used (Denzin, NK & Lincoln 1994; Gibbert & Ruigrok 2010; Silverman 2005; Yin 2003). Reliability can be enhanced by transparency through maintaining a good documentation and a case study database (Peter & Zaremba 2011). With regard to interview data, in particular, Silverman (2005) suggests tape-recording all face-to-face interviews and carefully transcribing the interview tapes.

Accordingly, this study tape-recorded all the 40 face-to-face interviews. Notes were also systematically taken for on-site unobtrusive observations to build a profile for each selected SMAGR (60 to 80 double-spaced pages in length).
CHAPTER 4: WITHIN-CASE ANALYSIS

4.1. CASE 1 – SMAGR1

4.1.1. Background and Characteristics

SMAGR1 was a family-owned (husband and wife) business. The couples had been running grocery business for over 10 years prior to establishing SMAGR1 in 1999. Their prior involvement in running grocery business gave them an edge over many other Asian grocers in the area, especially when it came to dealing with suppliers.

As one of the biggest Asian grocery shops in the vicinity of a wet market in a predominantly Asian suburb, SMAGR1 had a large storage area behind the shop, which included a sizable cold room for keeping fresh produce. A vantage location inside a popular wet market coupled with an extensive range of fresh produce at competitive prices had been the primary customer draw card of SMAGR1. As a result, SMAGR1 had cultivated a large pool of loyal customers, which had been the envy of other Asian groceries in the area. SMAGR1 was a favourite client of a great number of suppliers, as the volume of goods it ordered from suppliers was also the largest among the Asian groceries in the area. Consequently, SMAGR1 was usually in a strong bargaining position when negotiating with suppliers.
SMAGR1 focused on selling fast turn-over goods. It projected itself as a “one-stop” Asian grocery centre in the wet market, offering a huge range of dried goods and an extensive assortment of fresh produce. SMAGR1 was not an exclusive agent for any popular fruit brands, but it always had available top quality fruit (e.g., mangoes and cherries) whenever they were in season. As the wife put it:

“We learn from our previous experience that location is very important for grocery retailing. That is why we closed our previous business, which did not have a good location, and started this current business inside the wet market. We know that people who shop at the wet market are not just buying meat and vegetables. They also shop for groceries, especially the daily-used items, like sauce, instant noodles and rice. More importantly, they are very price sensitive and will always compare prices between stores. Thus, we want to offer all the daily essentials that an Asian household needs to prepare their meals at very competitive prices.”

4.1.2. Suppliers Classification

As one of the largest grocery shops inside a popular wet market, SMAGR1 always had a large congregation of shoppers. This made SMAGR1 a prime target of suppliers, which competed intensely to obtain orders from SMAGR1. Therefore, SMAGR1 used “cheapest price” as one of the key criteria to select suppliers. As the husband stated:

“We choose suppliers based on price. We will buy from whichever supplier that offers us the cheapest price, no matter how long is the relationships we have with the suppliers. There are an increasing number of grocery suppliers in the market. So most suppliers are desperate for customers. I am sure they want to have our business more than others’ since we are the biggest Asian shop in this wet market.”
Given that its business goal was to be a “one-stop” Asian grocery shop, SMAGR1 was particularly interested in promoting new brands of fast-moving items, such as sauces and instant noodles. It saw the potential of these brands as a revenue generator. As a result, SMAGR1 was especially popular among suppliers with new brands of groceries to offer. Indirectly, the support SMAGR1 gave to promoting new brands of products further enhanced its negotiating power when dealing with suppliers.

In addition, SMAGR1 relied on item “popularity” (or the speed at which goods were sold) to select suppliers. SMAGR1 regarded suppliers of popular, or fast-moving, items, such as rice and sauces, as most valuable to its business, though the profit margins (as a percent of its cost) of such items were normally very small. As the husband explained:

“I have different ways of dealing with different suppliers but I mainly aim at how much profit I can get. Our business objective is to provide customers a huge variety of brands, especially fast-moving items at cheap prices. I therefore give high priority to suppliers who can match my business objective. Moreover, I would not have any business with a supplier who is very friendly and easy going but is not honest in his business dealings, especially if he supplies goods which are not in high demand.”

The manner in which SMAGR1 classified its suppliers was essentially a combination of three criteria, i.e., price, brands and item popularity, which gave rise to three major categories of suppliers, as shown in Figure 4.1.1. The first category was big suppliers holding exclusive rights to supply popular
brands of dried foods. The price levels of these suppliers were typically not competitive, i.e., higher than market prices. Only one group of suppliers, S11, fell into this category.

The second category was dried food suppliers of both popular as well as less popular items. None of the suppliers in this category held an exclusive right to supply name brand items but many often had new brands to offer. The prices given by this category of suppliers were generally very competitive, i.e., below market rate, leaving only a small margin for the retailer. This second category of suppliers comprised two groups, S12 and S13, differentiated by their business size, years of establishment and range of goods supplied. S12 was the larger of the two.

The third category was those supplying popular fresh produce (i.e., fruit, vegetables, and fresh, home-cooked foods). These suppliers were not agents of name brands but were willing to offer competitive pricing. Four groups, S14, S15, S16 and S17, of suppliers fell into this third category. S14 were big fresh vegetable suppliers and S15 were small suppliers providing a limited range of similar fresh produce as S14. S16 were fruit suppliers, located in the wholesale market while S17 were suppliers of fresh, home-cooked foods.
Figure 4.1.1: SMAGR1 Suppliers

- **S11**
  - Big family-based business
  - Established from 25 to over 35 years
  - Supplied an extensive range of dried goods

- **S12**
  - Big family-based business
  - Established from 25 to over 35 years
  - Supplied an extensive range of dried goods.

- **S13**
  - Small family-based suppliers
  - Established business for less than 15 years
  - Supplied a narrow range of dried goods.

- **S14**
  - Big family-based business
  - Established for over 25 years
  - Supplied a wide range of fresh vegetables.

- **S15**
  - Small family-based suppliers
  - Established business for less than 15 years
  - Supplied a narrow range of fresh vegetables.

- **S16**
  - Big family-based business
  - Established from 25 to over 35 years
  - Supplied fresh seasonal fruits.

- **S17**
  - Small family-based suppliers
  - Established business for less than 15 years
  - Supplied fresh home-cooked foods.
4.1.3. Power Relations with Suppliers

Due to its substantial customer base, SMAGR1 commanded a dominating position in its dealings with big suppliers of dried goods (S12), small suppliers of dried goods (S13), small suppliers of fresh vegetables (S15), and small suppliers of fresh, home-cooked foods (S17).

However, SMAGR1 was dependent on S11 suppliers who held exclusive rights to supply several popular brands of dried goods. Because it had to rely on the big fresh vegetable suppliers to maintain its position as a major fresh produce supplier in the wet market, SMAGR1’s power relationship with S14 suppliers was interdependent. As for its fruit supplies, SMAGR1 sourced them direct from the wholesale market from a few regular wholesalers (S16). The purchase was essentially transactional which suggests an independent power relationship as per Cox’s (2001b) power configuration. As the husband indicated:

“In my opinion, the grocery environment has changed for the better for retailers because there are more suppliers in the grocery market. They are competing with each other to find grocery retailers as their customers. They do need us, especially big grocery shop, like my shop. My shop is one of the biggest Asian grocery shops in the wet market. I do not care to look for suppliers because their jobs are to use us to sell their goods. However, I need suppliers who have the exclusive right to supply popular items”.

Table 4.1.1 summarizes the implied power relations between SMAGR1 and its suppliers.
Table 4.1.1: Summary of Implicit Analysis of Power Relations between SMAGR1 and its Suppliers

<table>
<thead>
<tr>
<th>Supplier Groups</th>
<th>Value of Goods Supplied to SMAGR1</th>
<th>Power Relations (1)</th>
<th>Explanation from Implicit Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>S11</td>
<td>Fast-moving, high-profit, popular dried goods (including exclusive brands) at market price –</td>
<td>SMAGR1 &lt; S11</td>
<td>SMAGR1 was dependent on big dried goods suppliers (S11) to supply fast turn-over items.</td>
</tr>
<tr>
<td></td>
<td>main revenue source for SMAGR1.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S12</td>
<td>Fast-moving, high-profit, popular dried goods (including nonexclusive brands) at competitive</td>
<td>SMAGR1 &gt; S12</td>
<td>Big dried goods suppliers (S12) were dependent on SMAGR1 to market their dried goods</td>
</tr>
<tr>
<td></td>
<td>prices – main revenue source for SMAGR1.</td>
<td></td>
<td>(nonexclusive brands and new brands)</td>
</tr>
<tr>
<td></td>
<td>Medium-moving, average-profit, less popular dried goods (new brands) at competitive prices –</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>potential source of revenue for SMAGR1.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Slow-moving, average-profit, less popular dried goods (e.g., shark fin) at market prices –</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ordinary source of revenue for SMAGR1.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S13</td>
<td>Fast-moving, high-profit, popular dried goods (nonexclusive brands) at competitive prices –</td>
<td>SMAGR1 &gt; S13</td>
<td>Small S13 suppliers were dependent on SMAGR1 to market their dried goods (nonexclusive brands and</td>
</tr>
<tr>
<td></td>
<td>main revenue source for SMAGR1.</td>
<td></td>
<td>(new brands)</td>
</tr>
<tr>
<td></td>
<td>Medium-moving, average-profit, less popular dried goods (new brands) at competitive prices –</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>potential source of revenue for SMAGR1.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S14</td>
<td>Fast-moving, high-profit, popular items (nonexclusive brands) at competitive prices –</td>
<td>SMAGR1 = S14</td>
<td>Big fresh vegetables suppliers (S14) and SMAGR1 were dependent on each other to access one</td>
</tr>
<tr>
<td></td>
<td>main revenue source for SMAGR1.</td>
<td></td>
<td>another’s resources</td>
</tr>
<tr>
<td>S15</td>
<td></td>
<td>SMAGR1 &gt; S15</td>
<td>Small farms (S15) relied on SMAGR1 to sell their fresh vegetables.</td>
</tr>
<tr>
<td>S16</td>
<td></td>
<td>SMAGR1 Ø S16</td>
<td>S16 fruit wholesalers and SMAGR1 were independent.</td>
</tr>
<tr>
<td>S17</td>
<td>Slow-moving, average-profit, popular, fresh, home-cooked foods at competitive prices –</td>
<td>SMAGR1 &gt; S17</td>
<td>Small suppliers of fresh, home-cooked foods (S17) were dependent on SMAGR1.</td>
</tr>
<tr>
<td></td>
<td>ordinary source of revenue for SMAGR1.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:
(1) COD = Cash on delivery
(2) Based on Cox (2001b). Cox classified four buyer-supplier relationship types based on power circumstances, including independence (SMAGR Ø S), buyer dominance (SMAGR > S), supplier dominance (SMAGR < S), and interdependence (SMAGR = S)

4.1.4. Supplier Relationship Management Strategies

Because of its establishment history, SMAGR1 had long business association with many suppliers. However, it was not interested in building a close relationship with most of them. For this reason, the relationships between SMAGR1 and many of its suppliers remained primarily at the transactional level. Based on the benefits it could gain from dealing with different suppliers, SMAGR1 applied different ways to manage them. As the husband indicated:
“Our relationship with suppliers is based essentially on market demand and the price of the goods I want to buy. The relationship will continue as long as I order goods from them. If the goods supplied were no longer in demand, I would stop ordering from the suppliers, and therefore the business relationship will end.”

Among the seven sub-groups of suppliers in the three categories, S11 suppliers were the only group that dominated SMAGR1. Because S11 suppliers held the exclusive rights to a number of name brands of fast-moving items, which SMAGR1 cherished greatly, SMAGR1 essentially adopted a compliant attitude toward this group of suppliers. Typically, SMAGR1 would accept S11 suppliers’ terms in total for all their supplies (i.e., non-name brands included): price and payment terms. Since SMAGR1 regularly placed a large order on exclusive popular brands from S11 suppliers, it was able to sometimes obtain favours from S11 suppliers with respect to extension of payment time and to obtain a larger quantity of popular brands of dried food items even when there was a shortage. However, in order to reduce supply risk as well as to provide a greater variety of goods, SMAGR1 also promoted other less popular brands supplied at competitive prices by suppliers S12 and S13. As the husband explained:

“I always have two or more suppliers for the same types of goods, because one supplier will sell the same goods at a higher price than another. My business philosophy is I have to control my suppliers; I never let suppliers control my business. I never let suppliers get in a position when they could say I have to buy goods from them, otherwise I cannot run my business. I don’t want to put myself in that situation. That’s the reason why I have more than one supplier for the same type of goods. I always show them the prices of goods from other suppliers to show
SMAGR1 held a dominating position against the other two groups of suppliers in the second category, i.e., S12 and S13 suppliers. SMAGR1 purchased popular items from all S12 and S13 suppliers based on price. Its strategy was to exert a competitive pressure on these suppliers. Suppliers from these two groups regularly offered “new-brand” dried goods to SMAGR1 to access its huge customer market. This implies that SMAGR1 had the ability to “pay less and demand more” from S12 and S13 suppliers, since these two groups of suppliers had little option but to sell to SMAGR1. In order to choose what new brands of goods to buy, SMAGR1 used three main criteria: demand potential, quality, and price. SMAGR1 also demanded S12 and S13 suppliers to meet its two basic conditions of flexible credit payment deadline and unconditional return of unsold goods. As the sale supervisor explained:

“I think suppliers want to be my boss’ business partner because of the consistently large amount of goods ordered. This is also because there is strong competition in the grocery supply market. All suppliers want their products to sell fast. So they all need business from my boss since we have many customers. In order to put their goods on our shelves, suppliers also accept all the conditions my boss lays down: payment extension and unrestricted return of unsold items.”

For S14 fresh vegetables suppliers, with whom SMAGR1 held an interdependent relationship, the primary posture this Asian grocer adopted was to maintain the close relationship already in existence. Placing orders on a
regular basis without hesitation, assuring payments on-time, and providing up-to-date market information were SMAGR1’s typical ways of showing constant support to S14 suppliers. At times, however, SMAGR1 also took advantage of the interdependent relationship it had with S14 suppliers. SMAGR1’s multisourcing practice for fresh vegetables supplies was the most noticeable: SMAGR1 would regularly obtain supplies from different S14 suppliers based on price. On many occasions, SMAGR1 would use early payment as an enticement to renegotiate a previously agreed price with S14 suppliers. This allowed SMAGR1 to schedule different delivery times and payment days for different S14 suppliers to ensure a secured source of regular fresh vegetable supplies.

SMAGR1 would not hesitate to flex its buying muscles on the small S13 and S15 suppliers. Conscious of the dependent positions S13 and S15 suppliers were in, SMAGR1 would capitalize on the opportunity to maintain a large number of S13 dried food suppliers, dictating prices and payment terms whenever it placed an order with any S13 suppliers. This tactic was used not merely to create competition among S13 and S15 suppliers, but also to hedge against the “high” price set by big S12 and S14 suppliers.

SMAGR1’s relationship with S16 suppliers located at the fruit wholesales market was largely transactional in nature. Despite having many S16 suppliers to choose from at the wholesale market, SMAGR1 would regularly source from the same few suppliers if their prices were competitive. Its intention was to slowly nurture or maintain a supportive relationship with these regular
suppliers to enable SMAGR1 to ask for credit payment instead of COD which was the payment method in the wholesale market. To cultivate the relationship, SMAGR1 would voluntarily provide up-to-date information on market demand for fruit to these regular suppliers.

Home cooked food was not one of SMAGR1’s main sales objects. SMAGR1 regarded small home cooked food suppliers (S17) as a “revenue supplement”: whatever SMAGR1 could profit from the sale of such merchandize was considered an extra. S17 suppliers also considered SMAGR1 as a “convenient” outlet, only because of the shopper traffic around the neighbourhood of SMAGR1. Both parties were basically indifferent to each other’s attitude in their business dealings.

The full array of SMAGR1’s SRM strategies is shown in Table 4.1.2
Table 4.1.2: SMAGR1’s Supplier Relationship Management Strategies

<table>
<thead>
<tr>
<th>Supplier Sub-groups</th>
<th>SMAGR1’s Strategic Intent</th>
<th>Evidence</th>
<th>SRM Strategy Posture (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S11 Supplier</td>
<td>1. To maintain a good close relationship with S11 supplier.</td>
<td>1. Accepted the supplier’ demand on selling price and payment term.</td>
<td>Compliance</td>
</tr>
</tbody>
</table>
| S12 Suppliers       | 1. To minimize the price of purchased goods  
2. To reduce supply risk  
3. To enlarge variety of goods sold  
4. To have goods on shelves at competitive prices. | 1. Periodically sourced from at least two S12 and S13 suppliers based on cheapest price  
2. Maintained a large number of suppliers S12 and S13 to gain price concessions and ensure continuity of supply  
3. Applied 3 criteria to choose suppliers for new brands of goods: 30 days credit payment term, return of unsold goods and one month of market testing time.  
4. Performed “one-off” business transaction for high-value slow-moving items. | Hedging (Objectives 1 & 2)  
Opportunistic (Objective 3)  
Transactional (Objective 4) |
| S13 Suppliers       | 1. To minimize price of purchased goods  
2. To ensure product availability on shelves  
3. To extend range of goods sold. | 1. Irregularly ordered popular goods from S13 and S14 suppliers  
Set price and allocated volume of goods ordered from S13 suppliers  
2. Maintained a large number of suppliers in sub-group S13  
3. Applied three criteria to choose suppliers for new brands of goods: 30 days credit payment term, return of unsold goods and one month of market testing time. | Hedging (Objectives 1 & 2)  
Opportunistic (Objective 3) |
| S14 Suppliers       | 1. To maintain good relationship with S14 suppliers  
2. To establish effective purchasing regime to ensure:  
- high quality goods at competitive price  
- create competitive pressure between suppliers to ensure responsive services.  
- to reduce supply risk. | 1. Made regular orders from different suppliers in S14 suppliers  
Set an agreed price for a one-year period Bargained with different suppliers in sub-group S14 to get competitive prices Based on the agreed price, made orders from S14 suppliers according to quality Scheduled delivery and payment time Negotiated to get even cheaper price at the payment day. | Relationship Maintenance |
| S15 Suppliers       | 1. To obtain goods at competitive price | 1. Set price of goods for S15 suppliers | Opportunistic |
| S16 Suppliers       | 1. To build a friendly business relationship to obtain support in times of need  
2. Attempt to maintain a good relationship with some S16 suppliers to get credit payment terms, instead of COD. | 1. Chose fruit suppliers based on prices.  
2. Was stable in trusting business exchange payment routine Sustained constant volume of goods orders from regular suppliers based on prices Provided up-to-date fruit market demand to S16 suppliers | Transactional (Objective 1)  
Relationship Maintenance (Objective 2) |
| S17 Suppliers       | 1. To expend little or no effort in sourcing. | 1. Regular order constant volume of goods from S17 suppliers | Indifferent |

Note:  
(*) – Refer to SRM strategy posture in Table 5.1

4.1.5. Supplier Relationship Management Postures: A Synthesis

The forgoing discussion indicates that SMAGR1 placed high importance on dried goods (including exclusive and nonexclusive fast-moving name brands as
well as new brands) and fresh produce (i.e., vegetables and fruit). Among them, only S11 was considered of high supply risk because there were no alternative suppliers for the same brands of goods. The other groups of suppliers (i.e., S12, S13, S14, S15 and S17) were considered low supply risk since several alternative suppliers were available. SMAGR1 placed low importance on slow-moving dried foods items (e.g., dried shark fins and abalone) and fresh, home-cooked foods because they were not SMAGR1’s main sale focus. Figure 4.1.2 shows SMAGR1’s SRM strategies towards different groups of suppliers following the Kraljic portfolio matrix (1983).

<table>
<thead>
<tr>
<th>High Supply Risk</th>
<th>Low Supply Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High Strategic Importance</strong></td>
<td><strong>Low Strategic Importance</strong></td>
</tr>
</tbody>
</table>
| • Fast-moving dried goods (e.g., rice, noodles & sauces)  
SMAGR1 > S12 & SMAGR1 > S13  
→ **Hedging**  
• New-brand dried goods  
SMAGR1 > S12 & SMAGR1 > S13  
→ **Opportunistic**  
• Fresh vegetables  
SMAGR1 = S14  
→ **Relationship Maintenance**  
SMAGR1 > S15  
→ **Opportunistic**  
• Fresh fruits  
SMAGR1 Ø S17  
→ **Transactional & Relationship Maintenance**  
| • Slow-moving dried goods (e.g., shark fins)  
SMAGR1 > S12  
→ **Transactional**  
• Fresh, home-cooked foods on consignment  
SMAGR1 > S16  
→ **Indifferent**  |
| • Fast-moving name brand dried goods (e.g., “Rose” rice & “Three Crab” fish sauce brands)  
SMAGR1< S11  
→ **Compliance**  |

**Figure 4.1.2: SMAGR1’ SRM Portfolio**
4.2. CASE 2 – SMAGR2

4.2.1. Background and Characteristics

Like SMAGR1, SMAGR2 was also a family-owned (husband and wife) business. Located in the commercial centre of a predominantly Asian suburb at the main entrance of a wet market, SMAGR2 was one of the busiest Asian grocers among those in the vicinity of the wet market. It had a good size storage area, including a cold room to keep fresh vegetables and fruit, and a large store room to keep an extensive range of dried food. Due to its wet market entrance location and shop size, SMAGR2 was able to secure the exclusive right to sell several popular brands of fast-moving items, such as “Monkey” and “Coconut Tree” durians, two of the most popular brands of durian sold in Melbourne, among all the Asian groceries in the vicinity of the wet market. As the husband said:

“We have been the exclusive agent for the “Monkey” and “Coconut Tree” durian brands since I took over this business. The suppliers were happy to give us a try as their exclusive agent as a result of their good relationship with my sister in-law. One of primary conditions for being the exclusive retailer for these two popular durian brands is accomplishing sale targets set by the suppliers. We actually do not need any target. We can sell the entire stock of durians the suppliers have in their warehouse. Last year, we sold 7 tons of durians. The suppliers would rather sell all their durians to one retailer which can sell their durians quickly than spreading their supplies to many small shops with a small amount each. In my view, we need to have the exclusive right to sell some popular brands of goods to succeed in the grocery business”.
Availability of many popular brands of fast-moving items was a key attraction of SMAGR2, which made it one of the “must-stop” places for shoppers to the wet market. Added to the friendly customer service offered by the owners, such as providing free samples of a wide variety of fresh fruit, SMAGR2 had developed a substantial customer base in the neighbourhood. It had become a popular outlet for an extensive range of fresh produce - vegetables, fruit, and flowers as well as fresh, home-cooked foods. Fast product turnover combined with large storage spaces enabled SMAGR2 to frequently order a large volume of goods from suppliers. This placed SMAGR2 in a robust bargaining position when negotiating terms with suppliers.

Because of the extensive range of dried goods and the huge assortment of fresh produce SMAGR2 could offer, the shop had acquired the reputation of a “one-stop” Asian grocery centre in the wet market. Being an exclusive agent for several brands of high price fruit (e.g., “Monkey” and “Coconut Tree” durian brands) further enhanced its popularity. Taking advantage of its popularity, SMAGR2 began selling a large variety of fresh, home-cooked foods, providing small fresh home-cooked food vendors “self-service” space in the shop to offer free food trials for shoppers at the end of 2009. With the changes, the shop stood out as a distinctive Asian grocery shop among all the SMAGRs surrounding the wet market. Within the neighbourhood of the wet market, SMAGR2’s prices for dried goods and fresh produce were the most competitive. As the wife put it:
“We have a large number of loyal customers. We know customers are very price sensitive and will always compare prices between stores. Thus, we want to offer all the daily essentials that an Asian household needs to prepare their meals at very competitive prices”.

This made SMAGR2 a “must-have” target for suppliers, regardless of size.

4.2.2. Suppliers Classification

The present owners of SMAGR2 bought over the business from one of their relatives in 2002. As part of the ownership transfer, the current owners inherited the entire operations process from the previous owner(s), including supply sources. Being new to the business, the current owners relied on the supplier relationships already established by their relatives to support their business. As a result of the relationship already in place, SMAGR2 could obtain very favourable deals from suppliers with respect to payment terms, extended payment deadlines and negotiable pricing. The present owners considered closeness of supplier relationship was essential to SMAGR2’s operations. As the husband recalled:

“Since buying over this shop in 2002, I only paid cash for certain supplies in the initial one to two months. Then I got credit payment acceptance from almost all suppliers. Partly, this is due to my straight-forward, open and honest approach of doing business. Partly, this is also because the relationship between the supplier and my sister in-law was already very good, so suppliers were willing to give me certain special business favours, like credit payment, payment extension, discount price for special goods and returning unsold goods sometimes.”
Because of the value SMAGR2 placed on the established supplier relationship, SMAGR2 distinguished its suppliers based on the strength or closeness of the relationship it had with them: long-established close relationship; recently-formed business relationship; and transactional relationship. The first category comprised three groups of suppliers (S21, S22 and S23); the second, three groups (S24, S25 and S26); and the third, also three groups (S27, S28 and S29). The three groups of Category 1 suppliers (S21, S22 and S23) were all large suppliers with a long history of business association with SMAGR2, dating back to the early days of the previous owner. S21 suppliers specialised in dried goods and all were agents of several named brands of fast-moving items. S22 suppliers also specialised in dried goods, but were not agents of any named brands. S23 were big fresh vegetable suppliers.

The three supplier groups in the second category were small family run businesses. S24 suppliers majored in dried goods, S25, fresh vegetables, while S26, fresh, home-cooked foods. Suppliers in the third category comprised the large fruit wholesalers (S27) and fresh flower wholesalers (S28), which SMAGR2 regularly sourced its fruit and flowers from, and small non-foods suppliers (S29). Figure 4.2.1 summarizes the characteristics of the various supplier groups of SMAGR2.
4.2.3. Power Relations with Suppliers

The power relations between SMAGR2 and its suppliers were dictated essentially by three factors: closeness of the relationship SMAGR2 had with each, SMAGR2’s business focuses, and market conditions. Among the three supplier groups in category 1, SMAGR2 was in a subservient position against S21 suppliers, primarily because the latter were the exclusive suppliers for several name brands of fast-moving groceries. Due to its market power
(derived from its considerable customer base), SMAGR2 was in a bargaining position when dealing with S22 and S23 suppliers, despite the extensive range of dried goods (supplied by S22) and fresh produce (supplied by S23) the latter two were able to offer. To a significant extent, SMAGR2 and these two groups of suppliers did rely on each other to achieve their respective business objectives. From this perspective, SMAGR2 and S22 and S23 suppliers were locked into an interdependent relationship. However, SMAGR2 was also in a dominating position in its relationship with these two groups of suppliers in two specific instances: 1) when S22 suppliers wanted an outlet to quickly sell “nearly expired” dried goods, and 2) when S23 suppliers wanted to make a quick sale of “over-produced” fresh vegetables. As the husband indicated:

“One thing I have observed and recognized from grocery business operation is when suppliers come to the grocery shop and offer goods to sell, I can sense that they are desperate to sell their goods. I always ask them that, with the goods they offer, what the terms and conditions of sales are. I will refuse to purchase those offered goods if they ask for cash payment, regardless whether they are big or small suppliers. Then I will ask for an initial trial period of two weeks on conditions that all unsold items could be returned. I know they all need me as their business partners since my shop is one of the biggest shops in the wet market.”

The three category 2 suppliers (i.e., S24, S25 and S26) were small and had a shorter history of association with SMAGR2 compared with those in category 1. These three groups of category 2 suppliers depended on popular grocers, like SMAGR2, to be outlets for their goods. SMAGR2 was fully aware of the dependent positions S24, S25 and S26 suppliers were in, which suggests that
SMAGR2 was in a dominant position against these three groups of category 2 suppliers.

In the case of S27 and S28 suppliers, the power relationship that they had with SMAGR2 was an independent one. This is because all S27 and S28 suppliers were located at the wholesale market. Though SMAGR2 normally obtained its supplies of fresh fruit and flowers from a few regular wholesalers, the business dealings were largely cash-on-delivery. S27 and S28 suppliers did not give special favours to any particular buyers. Neither did SMAGR2 have any preference for any particular wholesalers. In an open market where the transactions were cash terms, neither the buyers nor the sellers could exert any power on the other party.

Though small family-owned non-food suppliers (S29) would rely on big, popular grocers to promote their goods, this had not been the case with SMAGR2, the business focus of which was dried goods and fresh produce (i.e., fresh vegetables, fruit and flowers and fresh home-cooked foods). Because SMAGR2 put little emphasis on retailing non-food, S29 suppliers did not rely on SMAGR2 to be their primary outlet. The relationship between the two was purely transactional or an independent relationship, as per Cox’s (2001b) power regime. Table 4.2.1 summarizes the implied power relations between SMAGR2 and its suppliers.
Table 4.2.1: Summary of Implicit Analysis of Power Relations between SMAGR2 and its Suppliers

<table>
<thead>
<tr>
<th>Supplier Groups</th>
<th>Good Supplied and Its Value to SMAGR2</th>
<th>Power Relations (2)</th>
<th>Explanation from Implicit Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-established</td>
<td>- Fast-moving, high-profit, popular dried goods (including exclusive brands) at market price – main</td>
<td>SMAGR2 &lt; S21</td>
<td>SMAGR2 dependent on exclusive popular brands dried goods and high frozen goods suppliers (S21) for the fast turn-over items.</td>
</tr>
<tr>
<td>Close Relationship</td>
<td>revenue source for SMAGR2.</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- High-profit, high-value exclusive popular brands of durian (e.g., “Monkey” and “Coconut Tree”) at</td>
<td></td>
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<tr>
<td></td>
<td>market prices – main revenue source for SMAGR2.</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>- Fast-moving, high-profit, popular dried goods (including nonexclusive brands) at competitive prices</td>
<td>SMAGR2 = S22</td>
<td>- S22 suppliers and SMAGR2 dependent on each other to access others’ resources for popular brands fast moving and slow-moving items.</td>
</tr>
<tr>
<td></td>
<td>– main revenue source for SMAGR2.</td>
<td></td>
<td>- S22 dependent on SMAGR2 in case S22 provided “nearly expired” and “new brand” items.</td>
</tr>
<tr>
<td></td>
<td>- High-profit, “new brands” and “nearly expired” dried goods at special prices – great revenue source</td>
<td>SMAGR2 &gt; S22</td>
<td>- S23 suppliers and SMAGR2 dependent on each other to access others’ resources, in relation to fresh vegetables.</td>
</tr>
<tr>
<td></td>
<td>for SMAGR2.</td>
<td></td>
<td>- S23 dependent on SMAGR2 in case S23 supplied “over-produced” fresh vegetables.</td>
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<td></td>
<td>- High-profit slow-moving dried goods – regular revenue source for SMAGR2.</td>
<td></td>
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<tr>
<td>Recent-established</td>
<td>- Fast-moving, high-profit, large variety of fresh produce at competitive prices – main revenue</td>
<td>SMAGR2 = S23</td>
<td></td>
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<tr>
<td>Relationship</td>
<td>source for SMAGR2.</td>
<td></td>
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<tr>
<td></td>
<td>- Fast-moving, high-profit, popular dried goods (nonexclusive brands) at competitive prices – main</td>
<td>SMAGR2 &gt; S24</td>
<td>Small suppliers S24 dependent on SMAGR2 to access its considerable market for dried goods (including nonexclusive popular brands and new brands)</td>
</tr>
<tr>
<td></td>
<td>revenue source for SMAGR2.</td>
<td></td>
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<tr>
<td></td>
<td>- Medium-moving, average-profit, less popular dried goods (new brands) at competitive prices –</td>
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<td></td>
<td>potential revenue source for SMAGR2.</td>
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<tr>
<td></td>
<td>- Fast-moving, high-profit, popular items (daily demand &amp; special demand fresh vegetables) at</td>
<td>SMAGR2 &gt; S25</td>
<td>Small farms S25 relied on SMAGR2 to sell their fresh vegetables.</td>
</tr>
<tr>
<td></td>
<td>competitive prices – main revenue source for SMAGR2.</td>
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<tr>
<td></td>
<td>- Fast-moving, high-profit, popular items (fresh, home-cooked foods) at competitive prices – main</td>
<td>SMAGR2 &gt; S26</td>
<td>Small suppliers of fresh, home-cooked foods (S16) were dependent on SMAGR2 to access its huge market.</td>
</tr>
<tr>
<td></td>
<td>revenue source for SMAGR2.</td>
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</tr>
<tr>
<td>Transactional</td>
<td>- Fast-moving, high-profit, popular items (fruit) at competitive prices – main revenue source for</td>
<td>SMAGR2 Ø S27</td>
<td>SMAGR2 was in independent relationship with the fruit suppliers in the wholesale market.</td>
</tr>
<tr>
<td>Relationship</td>
<td>SMAGR2.</td>
<td></td>
<td></td>
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<tr>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>- Fast-moving, high-profit, popular items (flowers) at competitive prices – main revenue source for</td>
<td>SMAGR2 Ø S28</td>
<td>S27 flower wholesalers and SMAGR2 were in an independent relationship.</td>
</tr>
<tr>
<td></td>
<td>SMAGR2.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Standard-moving, ordinary-profit, less popular non-foods items at market prices (e.g., miscellaneous,</td>
<td>SMAGR2 Ø S29</td>
<td>S29 suppliers – SMAGR2 relationship was based on transaction.</td>
</tr>
<tr>
<td></td>
<td>including newspapers and phone cards) – regular moderate revenue source for SMAGR2.</td>
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</tr>
</tbody>
</table>

Note:
(1) – COD – Cash on delivery
(2) Based on Cox (2001b). Cox classified four buyer-supplier relationship types based on power circumstances, including independence (SMAGR Ø S), buyer dominance (SMAGR > S), supplier dominance (SMAGR < S), and interdependence (SMAGR = S)
4.2.4. Supplier Relationship Management Strategies

Among the nine sub-groups of suppliers in the three categories, S21 suppliers were the only group that dominated SMAGR2. Because S21 suppliers held the exclusive rights to a number of name brands of fast-moving items, which SMAGR2 cherished highly, SMAGR2 essentially adopted a compliant attitude toward this group of suppliers. Typically, SMAGR2 would accept S21 suppliers’ terms in total for all their supplies (i.e., non-name brands included): price, payment terms, and sale target. SMAGR2 made it a point to actively promote items, such as “Monkey” and “Coconut Tree” durians, in which it held the exclusive right to retail to ensure it could maintain the sales target and, hence, retain the exclusive right given. Quite often, SMAGR2 would go out of its ways to show its support to this group of suppliers in order to garner their reciprocal support, as a way to maintain an established (or to further develop) a close business relationship. Such gestures included settling invoices before the payment dates, making cash payment for small orders, and placing orders on fast-moving goods at shorter intervals. As the husband rationalized:

“In dealing with suppliers, building trust based on honesty with suppliers is very important. I am always honest with my suppliers about my financial situation. Based on our trusting relationship, I could get more favours from the close suppliers. For instance, our request for payment time extension is always readily accepted by suppliers.”

For the other two groups of suppliers in the first category, i.e., S22 and S23 suppliers, with whom SMAGR2 held an interdependent relationship, the primary posture this Asian grocer adopted was to maintain the close
relationship already in existence. Placing orders on a regular basis without hesitation, assuring payments on-time or making payment before the due date, and providing up-to-date market information were SMAGR2’s typical ways of showing continual support to these two groups of suppliers. Such supportive gestures also played a role in ensuring SMAGR2 could secure its supply source of fast-moving goods. SMAGR2 also obtained large volume of seasonal fast-moving goods (e.g., moon-cakes). As the husband shared his story:

“During Full Moon festival, my shop always gets the biggest volume of Moon Cakes, comparing with other Asian shops in this wet market. We always finished selling all of the Moon Cakes before 4pm on the Full Moon Day. In the last day, I update the selling information to the suppliers every half an hour, and suggest to them to reduce the retailing price by half or one third to push up sales. The suppliers always agree with my suggestion because they do not want to take the unsold goods back, which are worth nothing after the festival. Therefore, we always finish selling Moon Cakes before the festival. The special business deals are successful because we trust each other. They trust the updated market information I give to make strategic decisions. Some grocery shops are dishonest and give wrong market information to get more benefit, when the suppliers find out, they will never trust them and it would be very hard to regain trust from suppliers.”

At times, however, SMAGR2 also took advantage of the interdependent relationship it had with these two groups of suppliers, especially S23 (fresh vegetables suppliers). SMAGR2 would deliberately source the same items from no less than three S22 suppliers sometimes to send a signal to all S22 suppliers that competition existed. The multi-sourcing practice was even more
pronounced for fresh vegetables supplies: SMAGR2 would regularly obtain supplies from different S23 suppliers based on price. On many occasions, SMAGR2 would use early payment as a favour to renegotiate a previously agreed price.

Often, SMAGR2 was also offered “special” items (i.e., nearly expired and new brands of dried goods) from S22 suppliers, new brand dried goods from S24 suppliers and over-produced fresh vegetables from S23 suppliers. In this instance, aware of the dependent positions S22, S23 and S24 suppliers were in, SMAGR2 would capitalize on the opportunity to gain more profit from selling those items. It accepted S22, S23 and S24 suppliers’ special offers at very special price but with the condition that all unsold items could be returned. Considering the potential benefits of new-brand goods, including demand potential (i.e., the potential to become popular fast moving items); business potential (i.e., contribution to a greater variety of goods available in the shop); and supply potential (i.e., the possibility to enlarge its supplier portfolio), SMAGR2 would insist that S22 and S24 suppliers agreed to at least a “one-month market testing period”. As the husband explained:

“Some big close suppliers would periodically come to my shop and ask me to introduce new brands of goods and sometimes to sell “nearly-expired dried goods”. I always ask for discount or cheaper price in order to draw customer attention to these goods. Suppliers typically agree with my requests. Occasionally they would even sell the goods at cost; it means they do not get any benefit from that. They do it because they want to be among the first to introduce new products to market as well as to dispose of all their old stocks. I always cooperate with them because I
want to offer new brands of goods in my shop to excite customers and to support my close suppliers by selling their “nearly-expired” goods at discount prices.”

SMAGR2, however, would not hesitate to flex its buying muscles on the small S24, S25 and S26 suppliers. Knowing S24, S25 and S26 suppliers were in a dependent position, SMAGR2 capitalized on the opportunity to maintain a large number of S24 dried food suppliers, dictating prices and payment terms whenever it placed an order with any S24 supplier. The same tactics was also applied to small S25 fresh vegetables suppliers. This tactic was used not merely to create competition among S24 and S25 suppliers, but also to hedge against the “high” price set by big S22 and S23 suppliers. However, SMAGR2 did not always behave opportunistically toward all S25 suppliers. This was because some S25 suppliers frequently had some special types of fresh vegetables, such as Chinese flowering cabbage and Chinese spinach, to offer. In these instances, SMAGR2 would offer to pay a higher price to secure these special types of fresh produce. This helped SMAGR2 to maintain the support of these S25 suppliers. In the case of S26 suppliers, SMAGR2 would pressure them to provide a larger (than at other shops) range of fresh, home-cooked foods and a greater amount of sample foods to be offered as a free trial service to its customers. While most home-cooked food suppliers would limit the amount of items consigned to most Asian grocery shops, these suppliers typically accepted all of SMAGR2’s requirements in order to access its huge customer base.
Though its relationship with S27 and S28 suppliers operating out of the fruit and flower wholesales market was largely transactional in nature, SMAGR2’s approach was different in dealing with these fruit and flower suppliers. Despite having many S27 fruit suppliers to choose from at the wholesale market, SMAGR2 would regularly purchase from the same few suppliers. Its intention was to slowly nurture, or maintain, a supportive relationship with these regular suppliers to enable SMAGR2 to ask for a credit payment favour instead of COD at times. In this regard, SMAGR2 would ensure that its order volume remained at a consistent level with each of the regular suppliers and would voluntarily provide up-to-date information on market demand for fruit. However, the relationship between SMAGR2 and its flower suppliers S28 was just based on transaction, as SMAGR2 could not get any favours in payment terms, except COD, from the flower suppliers S28. As the husband clarified:

“In the wholesale market, fruit suppliers only accept COD and 20 days credit payment. It depends on whether the suppliers trust you as their good business partner or not. I have obtained credit payment from almost all fruit suppliers since I have proved to them I am a reliable business partner”.

Because non-food (i.e., miscellaneous) was not one of SMAGR2’s sales objects, SMAGR2 regarded S29 non-food suppliers as an add-on. SMAGR2 considered whatever it could profit from the sale of such merchandize would be a bonus. Knowing this attitude of SMAGR2, S29 suppliers also treated SMAGR2 as a “convenient” outlet, purely because of the shopper traffic around the vicinity
of SMAGR2. Both parties were essentially indifferent to each other’s approach in their business dealings.

Table 4.2.2 summarizes the range of SRM strategies SMAGR2 adopted.
<table>
<thead>
<tr>
<th>Supplier Sub-groups</th>
<th>SMAGR2’s Strategic Intent</th>
<th>Evidence</th>
<th>SRM Posture (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>S21 Suppliers</strong></td>
<td>1. To maintain good close relationship with S21 suppliers</td>
<td>1. Accepted supplier’ demand on selling price and payment term. Provided financial support to S21 suppliers’ demand, by: - settling invoices earlier than the payment dates - making regular order of constant high volume of goods - making cash payment for small orders 2. Accepted suppliers’ demand on selling price, payment term and sale target.</td>
<td>Compliance &amp; Mutually Supportive</td>
</tr>
<tr>
<td></td>
<td>2. To retain exclusive agent for popular brand goods.</td>
<td></td>
<td></td>
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<tr>
<td><strong>S22 Suppliers</strong></td>
<td>1. To minimize prices of purchases</td>
<td>1. Deliberately sourced from at least two other suppliers. 2. Agree to sell special items (“new-brand” goods and “nearly expired” items) but set conditions of “special price”, “one-month market testing time” and “returned unsold goods”. 3. Made orders based on stock level and “one-off” payment.</td>
<td>Hedging (Objective 1) Opportunistic (Objective 2) Transactional (Objective 3)</td>
</tr>
<tr>
<td></td>
<td>2. To exploit purchasing power to obtain additional benefits</td>
<td></td>
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<tr>
<td></td>
<td>3. To regular source of high value slow-moving items from S22 suppliers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>S23 Suppliers</strong></td>
<td>1. To take advantage of the S23 suppliers’ dependency to gain extra benefits</td>
<td>1. Agreed to sell “over-produced” vegetables from S23 suppliers but set conditions of “special price” and “returned unsold goods”. 2. Offered same generous cash-flow supports as one given to S21 suppliers 3. Set agreed price for a one-year period Made orders from S23 suppliers based on prices and quality Scheduled delivery and payment time Renegotiated to get even cheaper price at payment day Made regular orders from different suppliers in sub-group S23.</td>
<td>Opportunistic (Objective 1) Mutually Supportive (Objective 2) Relationship Maintenance &amp; Opportunistic (Objective 3)</td>
</tr>
<tr>
<td></td>
<td>2. To continue good long-term relationship with S23 suppliers.</td>
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<td></td>
<td>3. To establish effective purchasing regime to: - ensure high quality goods at competitive price - reduce supply risk.</td>
<td></td>
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<tr>
<td><strong>S24 Suppliers</strong></td>
<td>1. To minimize price of purchased goods</td>
<td>1. Maintained large number of suppliers S24 Set price and allocated volume of goods ordered from S24 suppliers 2. Periodically ordered popular goods from S22 suppliers and irregularly ordered from S24 suppliers 3. Applied 3 criteria to choose suppliers for “new brands” of goods: 30 days credit payment term, return of unsold goods and one-month of market testing time.</td>
<td>Opportunistic</td>
</tr>
<tr>
<td></td>
<td>2. To secure source of supply</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. To extend range of goods sold.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>S25 Suppliers</strong></td>
<td>1. To attain goods at competitive price.</td>
<td>1. Set price for S25 suppliers</td>
<td>Opportunistic</td>
</tr>
<tr>
<td><strong>S27 Suppliers</strong></td>
<td>1. Attempt to maintain a good friendly business relationship with some S27 suppliers to get credit payment terms, instead of COD.</td>
<td>1. Was consistent in exchange business payment performance Maintained regular volume of goods orders based on prices.</td>
<td>Transactional &amp; Relationship Maintenance</td>
</tr>
<tr>
<td><strong>S28 Suppliers</strong></td>
<td>1. To source goods according to offered prices in business dealing.</td>
<td>1. Periodically made order of flowers and performed COD payment for each transaction.</td>
<td>Transactional</td>
</tr>
<tr>
<td><strong>S29 Suppliers</strong></td>
<td>1. To spend little or no effort in sourcing.</td>
<td>1. Periodically made order of non-food items (e.g., miscellaneous, including newspapers and phone cards)</td>
<td>Indifferent</td>
</tr>
</tbody>
</table>

Note: (*) – Refer to SRM strategy posture in Table 5.1
4.2.5. Supplier Relationship Management Postures: A Synthesis

The previous discussion suggests that SMAGR2 placed high importance on dried goods (including exclusive and nonexclusive fast-moving name brands as well as new brands) and fresh produce (i.e., vegetables, home-cooked foods and fruit). Among them, only S21 was considered of high supply risk because there were no alternative suppliers for the same brands of goods. SMAGR2 considered the other groups of suppliers (i.e., S22, S23, S24, S25, S26 and S27) of low supply risk since there were a number of substitute grocery suppliers.

SMAGR2 regarded slow-moving items, such as flowers (supplied by S28), specific items of dried goods, like dried abalones (supplied by S22) and non-foods goods (supplied by S29) of low importance. SMAGR2 treated these slow moving items as “add-ons” to its business. Also, these items were seen to be of low supply risk due to the presence of many alternative suppliers in the grocery market. SMAGR2’s SRM strategies towards different groups of suppliers, in relations to the power circumstances between it and its suppliers, are shown in the Figure 4.2.2.
4.3. CASE 3 – SMAGR3

4.3.1. Background and Characteristics

SMAGR3 was a family-owned (husband and wife) business. Located in the commercial centre of a predominantly Asian suburb at the main entrance to a wet market, SMAGR3 was one of the busiest and largest Asian grocers among those in the neighbourhood of the wet market. It had one large cold room to

<table>
<thead>
<tr>
<th>High Supply Risk</th>
<th>High Strategic Importance</th>
</tr>
</thead>
</table>
| • Fast-moving dried goods (e.g., rice, noodles & sauces)  
  SMAGR2 = S22  
  → Hedging  
  → Opportunistic (in case of “nearly expired” dried goods)  
  SMAGR2 > S24  
  → Opportunistic  
| • New-brand dried goods  
  SMAGR2 > S22 & SMAGR2 > S24  
  → Opportunistic  
| • Fresh vegetables  
  SMAGR2 = S23  
  → Mutually Supportive, Relationship Maintenance & Opportunistic  
  SMAGR2 > S25 & SMAGR2 > S23 (in case of over-produced vegetables)  
  → Opportunistic  
| • Fresh, home-cooked foods on consignment  
  SMAGR2 > S26  
  → Opportunistic  
| • Fresh fruits  
  SMAGR2 Ø S27  
  → Transactional & Relationship Maintenance  
| • Flowers  
  SMAGR2 Ø S28  
  → Transactional  
| • Slow-moving dried goods (e.g., dried abalones)  
  SMAGR2 = S22  
  → Transactional  
| • Non-foods (e.g., miscellaneous)  
  SMAGR2 Ø S29  
  → Indifferent  
| • Fast-moving name brand dried goods (e.g., “Deer” rice & “Three Crab” fish sauce brands)  
  SMAGR2 < S21  
  → Compliance  
| • Exclusive right offered to sell fast-moving name brand dried goods (e.g., “Monkey” durian brand)  
  SMAGR2 < S21  
  → Mutually Supportive  


<table>
<thead>
<tr>
<th>Low Supply Risk</th>
<th>Low Strategic Importance</th>
</tr>
</thead>
</table>
| • Slow-moving dried goods (e.g., dried abalones)  
  SMAGR2 = S22  
  → Transactional  
| • Non-foods (e.g., miscellaneous)  
  SMAGR2 Ø S29  
  → Indifferent  


Figure 4.2.2: SMAGR2’ SRM Portfolio
keep fresh vegetables and fruit, which were its speciality. It was an exclusive agent for several popular brands of high demand fruit (e.g., “Chicken” and “Money God” durian). Within the vicinity of the wet market, SMAGR3 was noted for offering very competitive prices for fresh produce and thereby attracting a large assortment of customers. SMAGR3 also provided a limited range of popular dried goods at reasonable prices. With a sizeable customer base, SMAGR3 had a very high turn-over rate for most of its merchandize. Consequentially, SMAGR3 was one of the major Asian grocery purchasers among the Asian grocers in its neighbourhood. As a result, SMAGR3 commanded substantial bargaining power when negotiating terms with suppliers, as the husband reasoned:

“Up till now, my shop has been the biggest and fastest fresh produce selling shop in this area. I have imitated and copied design from some of the best shops in Melbourne to make the displaying shelves in my shop more attractive. I always want to keep my shop among the top in business and always observe the activities of competitors. My business objective is to offer a huge range of fresh vegetables and fruit to customers, in addition to providing a practical range of popular dried groceries. I want my customers to consider my shop their first choice when they shop in the wet market. Therefore, my shop appeals to many Asian grocery suppliers who want to access my extensive customer base”.

4.3.2. Supplier Classification

The present owners of SMAGR3 bought over the business from their brother in 1995. As part of the ownership transfer, SMAGR3 inherited the whole operations process from the former owner, including the supply sources. Being new to the business, the present SMAGR3 owners depended on the supplier
relationships established by their brother to support their operations. Because of the goodwill established by the previous owners, SMAGR3 continued to enjoy the many privileges, such as flexible payment terms, extended payment deadlines and negotiable pricing, which the brother used to obtain from suppliers, despite the ownership change. The present owners considered closeness of supplier relationship was vital to SMAGR3’s operations.

As a consequence of the value SMAGR3 placed on the established supplier relationship, SMAGR3 differentiated its suppliers based on the strength of the relationship it had with them: long-established close relationship; recently-formed business relationship; and transactional relationship. The first category included three groups of suppliers (S31, S32 and S33); the second, two groups (S34 and S35); and so was the third, three groups (S36, S37 and S38). The three groups of Category 1 suppliers (S31, S32 and S33) were all large suppliers with a long business relationship with SMAGR3, dating back to the early days of the previous owner. S31 suppliers majored in dried goods and all were agents of numerous named brands of fast-moving goods. S32 suppliers also specialised in dried goods, but were not agents of any name brands. S33 were large fresh vegetable suppliers.

The two supplier groups in the second category were small family run businesses. S34 suppliers specialised in dried goods, while S35, fresh vegetables. Suppliers in the third category comprised the small family-based home cooked foods suppliers (S36), the large fruit wholesalers (S37) and fresh
flower wholesalers (S38) which SMAGR3 regularly sourced its fruit and flowers from. Figure 4.3.1 displays the characteristics of the various supplier groups of SMAGR3.

4.3.3. Power Relations with Suppliers

The power relations between SMAGR3 and its suppliers were influenced fundamentally by three factors: the closeness of the relationship between SMAGR3 and its suppliers, SMAGR3’s business focuses, and market conditions.

Figure 4.3.1: SMAGR3’S Suppliers
Among the three supplier groups in category 1, SMAGR3 was in a reactive position against S31 suppliers, primarily because the latter were the exclusive suppliers for several name brands of fast-moving groceries (e.g., “Money God” rice brand and “Three Crabs” fish sauce brand). Since dried goods is not SMAGR3’s sale focus and based on its market power (derived from its sizeable customer base of fresh produce), SMAGR3 was in a bargaining position when dealing with S32 and S33 suppliers, despite the broad range of dried goods (supplied by S32) and fresh produce (supplied by S33) the latter two could offer. To a substantial extent, SMAGR3 and these two groups of suppliers did depend on each other to achieve their business objectives. From this perspective, SMAGR3 and S32 and S33 suppliers were locked into an interdependent relationship.

The two category 2 suppliers were small and had a shorter history of association with SMAGR3 compared with those in category 1. The two groups of suppliers depended on popular grocers like SMAGR3 to be outlets for their goods. SMAGR3 was fully aware of the dependent positions S34 and S35 suppliers were in, which suggests that SMAGR3 was in a dominant position against these two groups of suppliers.

Though small family-owned home cooked food suppliers (S36) would rely on big, popular grocers to promote their goods, this had not been the case with SMAGR3, the business focus of which was fresh vegetables, fruit and flowers. Because SMAGR3 put little emphasis on retailing fresh home-cooked food, S36
suppliers did not rely on SMAGR3 to be their primary outlet. The relationship between the two was purely transactional, or an independent relationship, as per Cox’s (2001b) power regime.

In the case of S37 and S38 suppliers, the power relationship that they had with SMAGR3 was also an independent one since these two groups of suppliers were located at the wholesale market. Though SMAGR3 normally obtained its supplies of fresh fruit and flowers from a few regular wholesalers, the business dealings were principally COD. S37 and S38 suppliers did not give special favours to any particular buyers. Neither did SMAGR3 have any favourite suppliers at the wholesale market. Being any open market and the transactions were cash terms, neither the buyers nor the sellers could exercise any power on the other party. Table 4.3.1 summarizes the implied power relations between SMAGR3 and its suppliers.
### Table 4.3.1: Summary of Implicit Analysis of Power Relations between SMAGR3 and its Suppliers

<table>
<thead>
<tr>
<th>Supplier Groups</th>
<th>Good Supplied and Its Value to SMAGR3</th>
<th>Power Relations (2)</th>
<th>Explanation from Implicit Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long-established Close Relationship</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| S31 | - Fast-moving, high-profit, popular dried goods (including exclusive brands) at market prices – main revenue source for SMAGR3.  
- High-profit, high-value exclusive popular brand of durian (e.g., “Chicken” and “Money God”) at market prices – main revenue source for SMAGR3 | SMAGR3 < S31 | SMAGR3 dependent on exclusive popular brands dried goods and frozen goods suppliers (S31) for the fast turn-over items. |
| **Recent-established Relationship** | | | |
| S32 | - Fast-moving, high-profit, popular dried goods (including nonexclusive brands) at competitive prices – main revenue source for SMAGR3. | SMAGR3 = S32 | S32 suppliers and SMAGR3 dependent on each other to access others’ resources, in relation to selling the popular brands of fast moving, high-profit dried goods. |
| S33 | - Fast-moving, high-profit, large variety of fresh produce at competitive prices – main revenue source for SMAGR3. | SMAGR3 = S33 | S33 suppliers and SMAGR3 dependent on each other to access others’ resources, in relation to selling fresh vegetables. |
| **Transactional Relationship** | | | |
| S34 | - Fast-moving, high-profit, popular dried goods (nonexclusive brands) at competitive prices – main revenue source for SMAGR3. | SMAGR3 > S34 | Small suppliers S34 dependent on SMAGR3 to access its sizeable market for dried goods (including nonexclusive popular brands). |
| S35 | - Fast-moving, high-profit, popular fresh produce at competitive prices – main revenue source for SMAGR3. | SMAGR3 > S35 | Small farms S35 relied on SMAGR3 to sell their fresh vegetables. |
| S36 | - Standard-moving, ordinary-profit, less popular fresh, home-cooked foods at market prices – regular revenue source for SMAGR3. | SMAGR3 Ø S36 | S36 suppliers – SMAGR3 relationship was based on transaction. |
| S37 | - Fast-moving, high-profit, popular items (fruit) at competitive prices – main revenue source for SMAGR3. | SMAGR3 Ø S37 | S37 fruit wholesalers and SMAGR3 were independent relationship. |
| S38 | - Standard-moving, average-profit, popular items (flowers) at market prices – regular revenue source for SMAGR3. | SMAGR3 Ø S38 | S38 flower suppliers and SMAGR3 were in independent relationship. |

Note:  
(1) COD = Cash on delivery  
(2) Based on Cox (2001b). Cox classified four buyer-supplier relationship types based on power circumstances, including independence (SMAGR Ø S), buyer dominance (SMAGR > S), supplier dominance (SMAGR < S), and interdependence (SMAGR = S).  

### 4.3.4. Supplier Relationship Management Strategies

Among the eight sub-groups of suppliers in the three categories, S31 suppliers were the only group that dominated SMAGR3. Because S31 suppliers held the exclusive rights to a number of name brands of fast-moving items, which SMAGR3 valued greatly, SMAGR3 basically held a compliant attitude toward this group of suppliers. Characteristically, SMAGR3 would accept S31 suppliers’...
terms in total for all their supplies (i.e., non-name brands included): price, payment terms, and sale target. Apart from putting on extra efforts to promote S31 suppliers’ goods to meet the agreed sales targets, especially of name brand items, SMAGR3 would go out of its ways to show its support to this group of suppliers in the hope of garnering their reciprocal support, as a way to maintain an established (or to further develop) a close business relationship. Such actions included settling invoices before the payment dates, making cash payment for small orders, and placing orders on fast-moving goods at frequent intervals. SMAGR3’s gesture was accordingly acknowledged: SMAGR3 had been repeatedly granted the exclusive right to retail the “Chicken” durian brand.

With its interdependent relationship with the other two groups of suppliers in the first category, i.e., S32 and S33 suppliers, the primary posture SMAGR3 executed was to continue building the close relationship already in existence. Placing a consistent volume of orders on a regular basis, assuring on-time payments, and offering up-to-date market information were SMAGR3’s distinctive ways of showing continual support to these two groups of suppliers. Additionally, SMAGR3 also frequently made cash-payment before the payment date to S33 fresh vegetable suppliers to secure its supply source of fast-moving fresh produce (e.g., fresh vegetables). At times, however, SMAGR3 also took advantage of the interdependent relationship it had with these two groups of suppliers. SMAGR3 would deliberately source the same items from no less than three S32 suppliers mainly to send a signal to all S32 suppliers that competition
existed. SMAGR3 also applied the multi-sourcing practice on S33 fresh vegetable suppliers: SMAGR3 would regularly obtain supplies from different S33 suppliers based on price.

SMAGR3 often made use of its buying power to take advantage of the small S34 and S35 suppliers. SMAGR3 typically maintained a large number of S34 dried food suppliers, demanding prices and payment terms in its favour whenever it placed an order with any S34 supplier. Similar tactics were also applied to small S35 fresh vegetables suppliers. This tactic was used not simply to create competition among S34 and S35 suppliers, but also to hedge against the “high” price set by big S32 and S33 suppliers. Further, despite having agreed to the prices of supplies and a COD payment term, SMAGR3 would capitalize on its bargaining power to regularly postpone payment and renegotiate the price of supplies at time of payment. As the husband stated:

“Normally, I have two suppliers for the same types of goods to avoid facing an exclusive supplier situation. I order some types of goods from these two suppliers at the same time. Sometimes I order more from one, and other times I order more from the other. I want to keep those two suppliers together so they can compete with each other to get my orders. Consequently, I can obtain goods at very competitive prices.”

Because of its positional advantage, SMAGR3 was an extremely popular outlet for small private farmers, who would like to consign their farm produce to SMAGR3. SMAGR3 used that retailing power to advantage to obtain very attractive payment terms from small farmers, which further allowed it to offer
very competitive prices for vegetables to customers year round. The same was also true of private home-cooked food suppliers who placed their home-made foods at SMAGR3. Since home cooked food was not one of SMAGR3’s sales objects, SMAGR3 regarded small home cooked food suppliers (S36) as add-on suppliers. Whatever SMAGR3 could profit from the sale of such merchandize was considered an extra. SMAGR3 was basically indifferent to gestures offered by fresh, home-cooked food suppliers.

The relationship between SMAGR3 and the S37 and S38 suppliers based at the fruit and flower wholesales market was naturally transactional. Regardless of having many S37 suppliers to select at the wholesale market, SMAGR3 would frequently source from the same few suppliers. Its intention was to slowly cultivate a good relationship with these regular suppliers to enable SMAGR3 to ask for a favour occasionally, such as credit payment instead of COD. In this regard, SMAGR3 would assure that its order volume could be remained at a consistent level with each of the regular S37 fruit suppliers. SMAGR3 would also willingly provide up-to-date market information on demand for different types of fruit to these suppliers. However, SMAGR3’s relationship with S38 flower suppliers was purely transactional, as SMAGR3 could get no concession in payment terms, except COD, from the flower suppliers S38.

The SRM strategies used by SMAGR3 are summarized in Table 4.3.2.
### Table 4.3.2: SMAGR3’s Supplier Relationship Management Strategies

<table>
<thead>
<tr>
<th>Supplier Sub-groups</th>
<th>SMAGR3’s Strategic Intent</th>
<th>Evidence</th>
<th>SRM Posture</th>
</tr>
</thead>
<tbody>
<tr>
<td>S31 Suppliers</td>
<td>1. To maintain good relationship with S31 suppliers&lt;br&gt;2. To retain exclusive agent for popular brand goods.</td>
<td>1. Accepted supplier’s demand on selling price and payment term.&lt;br&gt;Provided financial support to S31 suppliers’ demand, by:&lt;br&gt;- settling invoices earlier than payment dates&lt;br&gt;- making regular order of constant high volume of goods&lt;br&gt;- making cash payment for small orders&lt;br&gt;2. Accepted suppliers’ demand on selling price, payment term and sale target.</td>
<td>Compliance &amp; Mutually Supportive</td>
</tr>
<tr>
<td>S32 Suppliers</td>
<td>1. To reduce supply risk.</td>
<td>1. Deliberately sourced from at least two other suppliers. Periodically ordered popular goods from S32 suppliers and occasionally ordered from S34.</td>
<td>Hedging</td>
</tr>
<tr>
<td>S33 Suppliers</td>
<td>1. To maintain good relationship with S33 suppliers&lt;br&gt;2. To establish effective purchasing regime to:&lt;br&gt;- ensure high quality goods at cheap price&lt;br&gt;- reduce supply risk.</td>
<td>1. Offered same generous cash-flow supports as one given to S31 suppliers&lt;br&gt;2. Set agreed price for a one-year period&lt;br&gt;Made orders from S33 based on prices and quality&lt;br&gt;Scheduled delivery and payment time&lt;br&gt;Renegotiated to get even cheaper price on payment day&lt;br&gt;Made regular orders from S33 suppliers.</td>
<td>Mutually Supportive (Objective 1)&lt;br&gt;Relationship Maintenance (Objective 2)</td>
</tr>
<tr>
<td>S34 Suppliers</td>
<td>1. To minimize price of purchased goods</td>
<td>1. Maintained large number of suppliers in S34&lt;br&gt;Set price and allocated volume of goods ordered from S34 suppliers.</td>
<td>Opportunistic</td>
</tr>
<tr>
<td>S35 Suppliers</td>
<td>1. To obtain goods at competitive price</td>
<td>1. Set price for S35 suppliers</td>
<td>Opportunistic</td>
</tr>
<tr>
<td>S36 Suppliers</td>
<td>1. To present little or no attempt in sourcing.</td>
<td>1. Periodically made order of fresh, home-cooked foods</td>
<td>Indifferent</td>
</tr>
<tr>
<td>S37 Suppliers</td>
<td>1. To source fruit based on prices and availability of seasonal fruit.</td>
<td>1. Was trustworthy in business exchange&lt;br&gt;Maintained constant volume of goods orders based on prices</td>
<td>Transactional</td>
</tr>
<tr>
<td>S38 Suppliers</td>
<td>1. To source flower based on offered prices.</td>
<td>1. Periodically made order of flowers and applied COD payment for each transaction.</td>
<td>Transactional</td>
</tr>
</tbody>
</table>

Note:
(*) – Refer to SRM strategy posture in Table 5.1

### 4.3.5. Supplier Relationship Management Postures: A Synthesis

The preceding case description shows that SMAGR3 put high importance on dried goods (including exclusive and nonexclusive fast-moving name brands) and fresh produce (i.e., vegetables and fruit) while regarding other types of fresh produce (i.e., flower and home-cooked foods) as of low importance. Since S31 was exclusive suppliers for fast-moving name brand goods, S31 belonged to the high supply risk group. The other seven remaining groups of
SMAGR3’s suppliers (i.e., S32, S33, S34, S35, S36, S37 and S38) were considered having low supply risk because of the availability of alternative suppliers in the grocery market. Figure 4.3.2 maps SMAGR3’s SRM strategies onto the Krakjic matrix (1983).

**Figure 4.3.2: SMAGR3’s SRM Portfolio**

<table>
<thead>
<tr>
<th>Strategic Importance</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Fast-moving dried goods (e.g., rice, noodles & sauces)**
  - SMAGR3 = S32
  - **Hedging**
  - SMAGR3 > S34
  - **Opportunistic**

- **Fresh vegetables**
  - SMAGR3 = S33
  - **Mutually Supportive & Relationship Maintenance**
  - SMAGR3 > S35
  - **Opportunistic**

- **Fresh fruits**
  - SMAGR3 Ø S37
  - **Transactional & Relationship Maintenance**

- **Flowers**
  - SMAGR3 Ø S38
  - **Transactional**

- **Fresh, home-cooked foods on consignment**
  - SMAGR3 Ø S36
  - **Indifferent**

- **Fast-moving name brand dried goods (e.g., “Money God” rice & “Three Crab” fish sauce brands)**
  - SMAGR3 < S31
  - **Compliance**

- **Exclusive right offered to sell fast-moving name brand dried goods (e.g., “Chicken” durian brand)**
  - SMAGR3 < S31
  - **Mutually Supportive**

4.4. CASE 4 – SMAGR4

4.4.1. Background and Characteristics

SMAGR4 was established by the present owners in 1999, five years after they closed a previous Asian grocery retail shop (1990 – 1995). SMAGR4’s previous
grocery retailing experience in dealing with various suppliers contributed to its current supplier relationship management practices. As the husband proclaimed:

“I have been doing this business for a long time, so I can say I have great experience and good relationship with suppliers in this business. Therefore, I can see that my business has a better chance in getting better deals from suppliers than new entrant retailers do.”

Located on the main Asian shopping strip near to a wet market in an Asian predominant busy neighbourhood, SMAGR4 was the only Asian shop on the strip. In addition to offering an extensive variety of Asian groceries, in particular dried foods, SMAGR4 specialized in fresh fish and seafood retailing. SMAGR4 had one medium storage room for dried goods and several large water tanks for live-seafood. The husband indicated:

“My shop is the only Asian shop in this area specialising in selling live-seafood which is very different from other Asian shops in the wet market and other Asian shopping strips. As this shop is the only one in the strip but very near to the wet market, live-seafood sale plays an important role in attracting customers to the shop. We also provide a good range of dried goods to satisfy customers’ daily grocery needs”.

SMAGR4’s sales strategy was to offer a wide variety of Asian groceries, including fruit and vegetables at very competitive prices. Though its profit margin was very slim for many of the items, SMAGR4 was strategic in selectively limiting most of its merchandise to only the more popular brands. SMAGR4’s sales tactics was on achieving high inventory turn by selling popular
brands at very competitive prices. With a different sale focus and offering an extensive range of popular brand goods, SMAGR4 stood out as a distinctive Asian grocery shop among SMAGRs surrounding the wet market. The shop attracted a considerable number of loyal customers. A good-sized shop, advantageous location, and good customer base, an extensive range of popular brand goods, and live seafood put SMAGR4 in a strong bargaining position when dealing with suppliers.

4.4.2. Suppliers Classification

As a medium-sized Asian grocery in the vicinity of a wet market, SMAGR4 was quick to capitalize on its grocery retailing experiences to grow its pool of loyal customers with its “cheapest price” strategy. As the wife put in:

“I would stop buying from even the very close suppliers if they sell goods at a higher price than what other suppliers could offer. I would not hesitate to order these goods from whichever suppliers who could offer a cheaper price. I need to sell my goods at very competitive prices to attract more customers and compete with other Asian grocery shops in this area”.

SMAGR4’s business goal was to focus on retailing an extensive range of dried goods, including popular and new brands as well as live-seafood with free live-seafood cleaning service. SMAGR4 was also particularly interested in promoting new brands of fast-moving items, such as rice, noodles and sauces. It saw the potential of these brands as a revenue generator. As a consequence, SMAGR4 was particularly popular among suppliers, especially small new
suppliers, with new brands to offer. Indirectly, the attention SMAGR4 gave to promoting new brands also brought it further negotiating power when dealing with suppliers. Furthermore, because of its limited capital and because it retailed live seafood, which was expensive, SMAGR4 relied on “flexible payment terms” to obtain cash-advantage. As the husband clarified:

“When I just started my business, I had to pay cash to purchase from some suppliers. After a few months, when my business started developing, I was upgraded to the “pay by credit” list of these suppliers. I can pay for my purchase between 30 days and 60 days later, sometimes I can ask for a credit period of up to 120 days. Since live-seafood are expensive goods, I do need a longer credit term to help me when my cash-flow was tight”.

The mode in which SMAGR4 segmented its suppliers was largely based on the above three criteria: brands (exclusive versus nonexclusive versus new brand), prices (competitive versus market price), and payment terms (flexible versus inflexible). This resulted in five categories of suppliers, as shown in Figure 4.4.1. Within these five categories, SMAGR4’s suppliers fell into nine major groups, referred to as S41, S42, S43, S44, S45, S46, S47, S48 and S49. S41, S42 and S43 were dried goods suppliers, where S41 suppliers specialised in dried goods and all were agents of several name brands of fast-moving goods. S42 suppliers also specialised in dried goods, but were not agents of any named brands. Small S43 suppliers provided popular brand and “new-brand” items at more competitive prices than both S41 and S42 suppliers.
Big S44 and small S45 were live-seafood suppliers. S46 were fruit wholesalers. S47 and S48 supplied fresh produce (i.e., fresh vegetables and home-cooked foods), and S49 was non-food suppliers, from which SMAGR4 regularly ordered miscellaneous goods, such as newspapers and phone cards. The characteristics of SMAGR4 supplier groups are outlined in Figure 4.4.1.
Figure 4.4.1: SMAGR4’s Suppliers

- **SMAGR4’s Suppliers**

- **Exclusive Popular Brands**
  - Flexible in Payment
  - Market Price

- **Popular / New Brands**
  - Flexible in Payment
  - Market Price

- **Non-exclusive brands**
  - Flexible/Inflexible in Payment
  - Competitive Price

- **Popular / New /Exclusive New Brands**
  - Flexible in Payment
  - Market Price

- **Non-exclusive brands**
  - Inflexible in Payment
  - Market Price

- **Big family-based business**
  - Established from 25 to over 35 years
  - Supplied an extensive range of dried goods.

- **Small family-based suppliers**
  - Established for over 25 years
  - Supplied a wide range of live-seafood.

- **Small family-based business**
  - Established for less than 15 years
  - Supplied a narrow range of dried goods.

- **Big family-based suppliers**
  - Established business for less than 15 years
  - Supplied a narrow range of live-seafood.

- **Small family-based business**
  - Established from 25 to over 35 years
  - Supplied fresh seasonal fruits.

- **Small family-based suppliers**
  - Established business for less than 15 years
  - Supplied a narrow range of fresh home-cooked foods.

- **Small family-based suppliers**
  - Established business for less than 15 years
  - Supplied non-foods (e.g., miscellaneous).
4.4.3. Power Relations with Suppliers

The power relations between SMAGR4 and its suppliers were dictated essentially by two factors: SMAGR4’s business focuses, and market conditions. Among the nine supplier groups, SMAGR4 was in a subservient position against S41 suppliers, primarily because the latter were exclusive suppliers for several name brands of fast-moving groceries: “Deer” rice brand and “Lee Kum Kee” sauces. The husband explained:

“Though the grocery supply industry is very competitive, big suppliers holding exclusive right to sell popular grocery items remain in high demand. I need these suppliers to provide me with popular brands of several types of dried goods to draw customers.”

Due to its market power (derived from its sizable customer base), SMAGR4 was in a bargaining position when dealing with S42 and S44 suppliers, despite the extensive range of dried goods (supplied by S42) and fresh produce (live-seafood supplied by S44) the latter two were able to offer. To a significant extent, SMAGR4 and these two groups of suppliers relied on each other to achieve their business objectives. From this perspective, SMAGR4 and S42 and S44 suppliers were locked into an interdependent relationship.

The other two groups of small suppliers were SMAGR4’s alternate sources of dried goods and live-seafood supplies. The two groups of suppliers, S43 and S45, depended on popular grocers, like SMAGR4, as their outlets for their goods. This is because SMAGR4 was the only Asian shop selling live-seafood in
the area which attracted a constant flow of customers. SMAGR4 was well-aware of the dependent positions S43 and S45 suppliers were in, which put SMAGR4 in a strong bargaining position when dealing with these two groups of suppliers.

The power relationship of S46 suppliers with SMAGR4 was an independent one because all S46 suppliers were located at the wholesale market. Though SMAGR4 normally obtained its supplies of fresh fruit from a few regular wholesalers, its business dealings with S46 suppliers were largely COD. S46 suppliers did not give special favours to any particular buyers. Neither did SMAGR4 have any favourites. In the open wholesale market, most transactions operated primarily on cash terms.

Fresh produce (i.e., fresh vegetables and fresh and home-cooked foods) and small miscellaneous non-food items were not SMAGR4’s main sale focus. SMAGR4’s relationships with S47, S48 and S49 suppliers were thus independent, purely of a transactional nature. Table 4.4.1 summarizes the implied power relations between SMAGR4 and its suppliers.
Table 4.4.1: Summary of Implicit Analysis of Power Relations between SMAGR4 and its Suppliers

<table>
<thead>
<tr>
<th>Supplier Groups &amp; Value of Good Supplied to SMAGR4</th>
<th>Power Relations (2)</th>
<th>Explanation from Implicit Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>S41 Fast-moving, high-profit, popular dried goods (including exclusive brands) at market price – main revenue source for SMAGR4</td>
<td>SMAGR4 &lt; S41</td>
<td>SMAGR4 dependent on exclusive popular brands dried goods (S41) for the fast turn-over items.</td>
</tr>
<tr>
<td>S42 Fast-moving, high-profit, popular dried goods (including nonexclusive brands) at competitive prices – main revenue source for SMAGR4</td>
<td>SMAGR4 = S42</td>
<td>S42 suppliers and SMAGR4 dependent on each other to access others’ resources, in relation to selling the popular brands of fast moving, high-profit dried goods and “new-brand” items.</td>
</tr>
<tr>
<td>S43 Fast-moving, high-profit, popular dried goods (nonexclusive brands) at competitive prices – main revenue source for SMAGR4</td>
<td>SMAGR4 &gt; S43</td>
<td>Small suppliers S43 dependent on SMAGR4 to access its considerable market for dried goods (including nonexclusive popular brands and new brands)</td>
</tr>
<tr>
<td>S44 Fast-moving, high-profit, large variety of fresh produce (live-seafood) at competitive prices – main revenue source for SMAGR4</td>
<td>SMAGR4 = S44</td>
<td>S44 suppliers and SMAGR4 dependent on each other to access others’ resources, in relation to selling fast moving and high-profit fresh live-seafood.</td>
</tr>
<tr>
<td>S45 Fast-moving, high-profit, large variety of fresh produce (live-seafood) at competitive prices – main revenue source for SMAGR4</td>
<td>SMAGR4 &gt; S45</td>
<td>S45 suppliers were dependent on SMAGR4 to access its large market of fresh live-seafood.</td>
</tr>
<tr>
<td>S46 Slow-moving, low-profit, fresh produce (e.g., fruit) at competitive price – contributed to SMAGR4’s “convenient” Asian shop.</td>
<td>SMAGR4 Ø S46</td>
<td>S46 fruit wholesalers and SMAGR4 were in an independent relationship.</td>
</tr>
<tr>
<td>S47 Slow-moving, low-profit, fresh produce (e.g., fresh vegetables) at market price – contributed to SMAGR4’s business objective as “convenient” Asian shop.</td>
<td>SMAGR4 Ø S47</td>
<td>Business relationship between SMAGR4 and suppliers in the three groups (S47, S48 and S49) was based on transactions.</td>
</tr>
<tr>
<td>S48 Standard-moving, ordinary-profit, less popular fresh produce (e.g., fresh, home-cooked foods) at market prices – regular moderate revenue source for SMAGR4.</td>
<td>SMAGR4 Ø S48</td>
<td></td>
</tr>
<tr>
<td>S49 Standard-moving, ordinary-profit, less popular non-foods items at market prices (e.g., miscellaneous, including newspapers and phone cards) – regular moderate revenue source for SMAGR4.</td>
<td>SMAGR4 Ø S49</td>
<td></td>
</tr>
</tbody>
</table>

Note:
(1) COD = Cash on delivery
(2) Based on Cox (2001b). Cox classified four buyer-supplier relationship types based on power circumstances, including independence (SMAGR Ø S), buyer dominance (SMAGR > S), supplier dominance (SMAGR < S), and interdependence (SMAGR = S)

4.4.4. Supplier Relationship Management Strategies

Among the nine sub-groups of suppliers, S41 suppliers were the only group that dominated SMAGR4. Because S41 suppliers held the exclusive rights to a number of name brands of fast-moving items, such as “Deer” rice brand, “Lee
Kum Kee” brand of sauces, which SMAGR4 valued greatly, SMAGR4 took a compliant attitude toward this group of suppliers. Typically, SMAGR4 would accept S41 suppliers’ terms in total for all their supplies (i.e., non-name brands included). It also regularly placed a large order of the exclusive popular brands of goods (e.g., “Deer” rice brand) from S41 suppliers. As a result, SMAGR4 managed to obtain concession on payment time extension from S41 suppliers occasionally.

For the other two groups of suppliers, i.e., S42 and S44 suppliers, with whom SMAGR4 held an interdependent relationship, the primary posture this Asian grocer adopted was to maintain the close relationship already in existence. Placing orders on a regular basis without fail and offering up-to-date market information were SMAGR4’s typical way of showing its continual support to these two groups of suppliers. Due to the close relationship with S42 suppliers, SMAGR4 could obtain credit payment extension up to 60 days from these dried goods suppliers. At times, however, SMAGR4 also took advantage of the interdependent relationship it had with these two groups of suppliers. Sometimes, SMAGR4 would deliberately source the same items from no less than three S42 suppliers to send a signal to all S42 suppliers that competition existed. As the husband explained:

“Normally I would buy goods from suppliers with whom I have had close, long-time relationship. However, when a new supplier offers me the same type of goods at a cheaper price, I would not refuse. When I buy the same goods at the cheaper price from a new supplier, I am sending a message to all my close suppliers that I can also obtain comparable brands of goods at a cheaper price. That way, when I ask for
more favourable trading terms, such as cheaper prices or more flexible payment
terms from my close suppliers, they would less likely refuse me."

This multi-sourcing practice was also applied to S44 live-seafood supplies: SMAGR4 would frequently obtain supplies from different S44 suppliers based on price. Since SMAGR4 was the only Asian grocery selling live seafood in the selected area, the seafood suppliers compete with each other in price and delivery service. Occasionally, SMAGR4 would request S42 suppliers to sell a particular range of dried goods at special prices, to enable SMAGR4 to use those “discounted-price” goods to attract customers. S42 suppliers normally cooperated with SMAGR4 as a way to maintain their close relationship. However, even though the relationship between SMAGR4 and S42 suppliers had been good, SMAGR4 would reduce the amount of goods ordered from S42 suppliers, if the goods supplied were of inferior quality or the price was not competitive.

Also, SMAGR4 was selective in its choice of suppliers, focusing on cultivating those offering popular brands. To strengthen its relationship with all the major suppliers, SMAGR4 generously offered trade information, such as saleability of different types of goods, to its choice suppliers. Further, though the company was able to secure very flexible payment terms and competitive pricing from its choice suppliers, due primarily to its generosity in sharing business information with them, SMAGR4 also voluntarily offered to make payment in advance at strategic times, such as when it wanted a big order during festive
season, to retain the trust and continued support of its choice suppliers. As a result, SMAGR4 was able to remain strategic in dealing only with preferred suppliers, while not becoming dependent on any one particular supplier.

SMAGR4 would not hesitate to use its bargaining power in dealing with the many small S43 and S45 suppliers. Capitalizing on the dependent positions of S43 and S45 suppliers, SMAGR4 would laid down price levels and payment terms whenever it placed an order with any S43 suppliers. The same practice was also applied to small S45 fresh live-seafood suppliers. SMAGR4 used this tactic both to create competition among S43 and S45 suppliers, and to protect itself from the opportunistic “high” prices set by big S42 and S44 suppliers. As the wife put in:

“With new suppliers, I always insist that they give me 30 days credit. If they do not agree, I won’t do business with them. I do not want to trade on cash terms with new, small suppliers. If new suppliers want to do business with me, they have to give me 30 day credit term.”

Because of its position and size, SMAGR4 was a prime target outlet of S42 and S43 suppliers when it came to introducing new brands of dried goods to the market. Aware of the dependent positions of S42 and S43 suppliers, SMAGR4 would act opportunistically to press for a large discount by agreeing to retail those untested items. SMAGR4 would typically impose a condition of unconditional return of unsold items in addition to low price. SMAGR4 would
also insist on a “one-month market testing time” for unsold items to be returned.

Though SMAGR4 appeared reluctant to accept new brand items from S42 and S43 suppliers, the Asian grocer knew the potentials that new-brand goods could bring. New brand goods typically have three major potentials: demand potential (i.e., potential to become popular fast moving items); business potential (i.e., potential to generate additional revenue); and supply potential (i.e., potential for SMAGR4 to enlarge its supply base). As such, SMAGR4 would insist that it be given the exclusive right to retail the new-brand goods from small S42 and S43 suppliers, should those items turn out to be saleable. SMAGR4’s approach to managing its relationship with these two groups of suppliers was to maintain a close, supportive working relationship. As the husband explained:

“Sometimes even new suppliers sold the same kind of goods at the same price as the big suppliers do, I still buy some from the new suppliers, because I want to build relationships with them, especially when I can see potential of being an exclusive grocery shop for their goods during the “product introduction stage”. I can earn more money from that because I can set a high price being the exclusive agent. Normally they give me the exclusive right for two months. After that, they will supply to other shops, and the price would definitely become very competitive, I would not earn much money after that.”

Though its relationship with S46 fruit wholesalers was transactional in nature, SMAGR4’s approach in dealing with them was to retain a good relationship to
obtain favour in payment terms, such as having credit payment instead of COD.

Despite having many S46 suppliers to choose from at the wholesale market, SMAGR4 would regularly source its fruit from the same few suppliers. The husband explained:

“Generally, when we purchase fruit from the wholesale market, we have to pay cash. However, a few suppliers whom I have been obtaining my fruit for a long time would allow me to buy on credit terms. They consider me as a trusted business partner because I have been purchasing a constant volume of fruit from them since I started my current business. Actually fruit are slow moving items in my shop. Because we have to compete with some bigger shops in the wet market area, we still want to have fruit in the shop to serve customers who want to buy all their grocery needs from one shop. This is very important to us since we don't want to lose our regular customers.”

Because fresh produce (i.e., fresh vegetables and home cooked food) and non-food were not SMAGR4’s sales objects, SMAGR4 regarded S47, S48 and S49 suppliers as peripheral suppliers. Whatever SMAGR4 could benefit from the sale of such merchandize was considered an additional gain. Therefore, all business deals between SMAGR4 and the S47, S48 and S49 were based on transaction. All parties were essentially indifferent to each other’s gesture in this business relationship.

Table 4.4.2 summarizes the implicit analysis of SMAGR4’s relationship management strategies with its suppliers.
### Table 4.4.2: SMAGR4’s Supplier Relationship Management Strategies

<table>
<thead>
<tr>
<th>Supplier Sub-groups</th>
<th>SMAGR4’s Strategic Intent</th>
<th>Distinctive Operational Characteristics</th>
<th>SRM Strategy Posture (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S41 Suppliers</td>
<td>1. To maintain good relationship with S41 suppliers</td>
<td>1. Accepted the suppliers’ demand on selling price and payment term.</td>
<td>Compliance</td>
</tr>
<tr>
<td></td>
<td>2. To maintain good close relationship with S42 suppliers</td>
<td>1. Made regular orders from S42 suppliers consistent in up-to-date market information provision on S42 suppliers’ demand</td>
<td>Relationship Maintenance (Objective 1)</td>
</tr>
<tr>
<td></td>
<td>3. To reduce supply risk.</td>
<td>2. Deliberately sourced from at least two other suppliers (e.g., from S42 and S43 suppliers).</td>
<td>Hedging (Objective 2)</td>
</tr>
<tr>
<td></td>
<td>4. To regular source of high-value slow-moving items from S42 suppliers.</td>
<td>3. Regular orders based on stock level.</td>
<td>Transactional (Objective 3)</td>
</tr>
<tr>
<td>S42 Suppliers</td>
<td>1. To maintain good relationship with S42 suppliers</td>
<td>1. Maintained large number of suppliers S43 set the price and allocated volume of goods ordered to S43 suppliers</td>
<td>Opportunistic (Objectives 1 &amp; 2)</td>
</tr>
<tr>
<td></td>
<td>2. To extend range of goods sold</td>
<td>2. Applied three criteria to choose suppliers for new brands of goods: 30 days credit payment term, return of unsold goods, and two-month market testing time</td>
<td>Relationship Building (Objective 3)</td>
</tr>
<tr>
<td></td>
<td>3. To build a good relationship with S43 suppliers.</td>
<td>3. Accepted offered from S43 suppliers to intensively promote “new-brand” goods with requirement of being an exclusive agent for new-brand goods during introduction stage.</td>
<td></td>
</tr>
<tr>
<td>S43 Suppliers</td>
<td>1. To secure source of supply at competitive prices</td>
<td>1. Made regular orders from S44 suppliers according to prices and quality.</td>
<td>Relationship Maintenance</td>
</tr>
<tr>
<td></td>
<td>2. To extend range of goods sold</td>
<td>2. Scheduled delivery and payment time</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. To build a good relationship with S43 suppliers.</td>
<td>3. Accepted offered from S43 suppliers to intensively promote “new-brand” goods with requirement of being an exclusive agent for new-brand goods during introduction stage.</td>
<td></td>
</tr>
<tr>
<td>S44 Suppliers</td>
<td>1. To maintain good relationship with S44 suppliers</td>
<td>1. Was reliable in business exchange payment performance</td>
<td>Transactional &amp; Relationship Maintenance</td>
</tr>
<tr>
<td>S45 Suppliers</td>
<td>1. To source supply of goods at competitive prices</td>
<td>1. Set the price of for S45 suppliers</td>
<td>Opportunistic</td>
</tr>
<tr>
<td>S46 Suppliers</td>
<td>1. Effort to maintain a good relationship with some S46 suppliers to get credit payment term and transaction is based on prices.</td>
<td>1. Periodically made order of fresh produce (e.g., vegetables and home-cooked foods) and non-food items (miscellaneous, e.g. newspapers)</td>
<td>Indifferent</td>
</tr>
<tr>
<td>S47, S48 &amp; S49 Suppliers</td>
<td>1. To put little or no effort in procuring.</td>
<td>1. Periodically made order of fresh produce (e.g., vegetables and home-cooked foods) and non-food items (miscellaneous, e.g. newspapers)</td>
<td></td>
</tr>
</tbody>
</table>

Note: (*) – Refer to SRM strategy posture in Table 5.1

### 4.4.5. Supplier Relationship Management Postures: A Synthesis

SMAGR4 put high importance on dried goods (including exclusive and nonexclusive fast-moving name brands) and fresh live-seafood. This Asian grocer considered fresh produce (i.e., fruit, vegetables and home-cooked foods), slow-moving dried goods and non-foods as of low importance. Among the nine groups of suppliers, only S41 was regarded as high supply risk because these suppliers held the exclusive right to supply fast-moving brands. The remaining eight groups of suppliers were considered low supply risk since
there were numerous suppliers in the grocery market where SMAGR4 could easily find alternative suppliers. Figure 4.4.2 summarises SMAGR4’s SRM strategies along the two dimensions of “strategic importance” and “supply risks”, based on Kraljic matrix (1983).

<table>
<thead>
<tr>
<th>Low Supply Risk</th>
<th>High Supply Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Importance</strong></td>
<td><strong>Strategic Importance</strong></td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td><strong>Low</strong></td>
<td><strong>High</strong></td>
</tr>
</tbody>
</table>
| - Fast-moving dried goods (e.g., rice, noodles & sauces)  
SMAGR4 = S42  
→ Relationship Maintenance & Hedging | - Fast-moving name brand dried goods (e.g., “Deer” rice & “Lee Kum Kee” sauce brands)  
SMAGR4 < S41  
→ Compliance |
| - New-brand dried goods  
SMAGR4 > S43  
→ Opportunistic | |
| - Exclusive new-brand dried goods  
SMAGR4 > S43  
→ Relationship Building | |
| - Fresh live-seafood  
SMAGR4 = S44  
→ Relationship Maintenance  
SMAGR4 > S45  
→ Opportunistic | |
| - Slow-moving dried goods (e.g., Salangine’s nest)  
SMAGR4 = S42  
→ Transactional | |
| - Fresh fruits  
SMAGR4 Ø S46  
→ Transactional & Relationship Maintenance | |
| - Fresh vegetables  
SMAGR4 Ø S47  
→ Indifferent | |
| - Fresh, home-cooked foods on consignment  
SMAGR4 Ø S48  
→ Indifferent | |
| - Non-foods (e.g., miscellaneous)  
SMAGR4 Ø S49  
→ Indifferent | |

Figure 4.4.2: SMAGR4’s SRM Portfolio
4.5. CASE 5 – SMAGR5

4.5.1. Background and Characteristics

The present owners of SMAGR5 (husband and wife) bought the shop over from a close friend in 1999, two years after closing a previous grocery shop (1993 – 1997). The experience the owners achieved from running a previous grocery business gave them substantial advantages when it comes to dealing with suppliers. As the husband proudly recalled:

“I had good relationships with several suppliers while I operated my previous shop in the wet market a few years ago. The suppliers and I had good relationships due to my practice of COD payment and on-time payment commitment. When I first opened this shop, all my old suppliers came to my shop to offer their supplies. At that time, my cash-flow was very tight. Soon after starting this current business, my old suppliers were willing to give me four-week credit for their supplies. Normally, suppliers seldom give credit payment to new shops. For me, that was an exception. After the first four weeks, I had money to pay off the first payment. I finished paying off all creditors in six months. After that, I have been practicing COD for all my supplies.”

Located in the main shopping mall of a predominantly Asian suburb, SMAGR5 was situated close to a bus stop, a train station, a large public car park, and within a five minute walk to a wet market. It was the only Asian grocery shop in the shopping mall. The shop had one medium-sized storage room for dried goods. SMAGR5 offered a large variety of dried goods and cold beverages at very competitive prices, which was its customer draw card. Because of its
strategic location and competitive prices, SMAGR5 was a favourite detour of customers visiting the wet market.

4.5.2. Suppliers Classification

SMAGR5 strategically adopted COD payment to obtain low prices from all its suppliers. As a result, SMAGR5 attracted a large number of suppliers because most suppliers welcomed COD payment. Many suppliers competed to be the preferred suppliers of SMAGR5. This significantly bolstered SMAGR5’s bargaining power, enabling it to implement its “low-price” strategy to advantage. The female owner proudly explained that they were able to pick suppliers according to price competitiveness:

“We go for suppliers who offer the cheapest price followed by those who have a wide range of fast-moving items, like rice, noodles, and sauces. Though these goods have very small profit margins, they were quickly sold in a huge quantity.”

SMAGR5 basically classified their suppliers into two major categories: price competitiveness and goods saleability. Within these two categories, SMAGR5’s suppliers fell into five groups, referred to as S51, S52, S53, S54, and S55. S51 suppliers specialised in dried goods and all were agents of several name brands of fast-moving goods. S52 suppliers also specialised in dried goods, but were not agents of any popular or name brands.

S53 and S54 were all small suppliers but S55 were wholesalers. S53 were suppliers of popular brand and new-brand items. Because they were low
capital enterprises, these suppliers valued SMAGR5’s COD mode of payment highly. As such, they typically supplied their merchandize to SMAGR5 almost at cost to gain the preferred supplier status of SMAGR5. S54 suppliers majored in fresh vegetable while S55 were fruit wholesalers. The characteristics of SMAGR5 supplier groups are displayed in Figure 4.5.1.

**Figure 4.5.1: SMAGR5 Suppliers**

**4.5.3. Power Relations with Suppliers**

Among the five supplier groups, SMAGR5 was in a subservient position only to the big S51 suppliers. Primarily, this was because S51 suppliers were the exclusive suppliers for several popular brands of fast-moving groceries, like “Rose” rice brands and “Chin-Su” fish sauce brand. S51 suppliers were not
dependent on COD payment from small retailers, like SMAGR5, to ease their cash flows.

SMAGR5 was in a very strong bargaining position when dealing with S52 and S53 suppliers, despite the extensive range of dried goods the former provided and the competitive prices the latter were able to offer. The two groups of dried goods suppliers depended on SMAGR5 to achieve their business objectives: access to customers visiting the attractive shopping mall and gaining cash-flow advantage from COD payment. SMAGR5 was fully aware of the dependent positions S52 and S53 suppliers were in and used its COD payment terms to advantage. The shop owner proudly revealed their approach to manage suppliers:

“Other Asian grocery shops prefer credit payment. They have different reasons to want to have credit payment from the suppliers, like cash flow problem or simply leveraging on suppliers’ capital to expand their business, etc. Suppliers like doing business with me because they benefit much more from my COD payment commitment which gives them cash-flow advantages, while other Asian groceries cannot. They all know about my reputation as an on-time payment business partner. Consequently, I am able to ask suppliers for prices lower than what they offer to other Asian groceries.”

Because SMAGR5 put little emphasis on retailing fresh vegetables, S54 suppliers did not count SMAGR5 as a major outlet. The relationship between the two was purely transactional, i.e., an independent relationship as per Cox’s (2001b) power regime.
In the case of S55 suppliers, the power relationship that they had with SMAGR5 was also an independent one. This was because all S55 suppliers were located at the wholesale market. SMAGR5 normally obtained its supplies of fresh fruit from whichever wholesalers that offered the cheapest prices. Table 4.5.1 summarizes the implied power relations between SMAGR5 and its suppliers.

Table 4.5.1: Summary of Implicit Analysis of Power Relations between SMAGR5 and its Suppliers

<table>
<thead>
<tr>
<th>Supplier Groups</th>
<th>Value of Goods Supplied to SMAGR5</th>
<th>Power Relations (^{(2)})</th>
<th>Explanation from Implicit Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>S51</td>
<td>Fast-moving, high-profit, popular dried goods (including exclusive brands) at market price – main revenue source for SMAGR5.</td>
<td>SMAGR5 &lt; S51</td>
<td>SMAGR5 dependent on big dried goods suppliers (S51) for the fast turn-over items.</td>
</tr>
<tr>
<td>S52</td>
<td>Fast-moving, high-profit, popular dried goods (including nonexclusive brands) at competitive prices – main revenue source for SMAGR5.</td>
<td>SMAGR5 &gt; S52</td>
<td>Big dried goods suppliers (S52) dependent on SMAGR5 to access its huge market for dried goods (nonexclusive brands)</td>
</tr>
<tr>
<td>S53</td>
<td>Fast-moving, high-profit, popular dried goods (nonexclusive brands) at competitive prices – main revenue source for SMAGR5.</td>
<td>SMAGR5 &gt; S53</td>
<td>Small suppliers S53 dependent on SMAGR5 to access its large market for dried goods (nonexclusive brands)</td>
</tr>
<tr>
<td>S54</td>
<td>Slow-moving, low-profit, fresh produce (e.g., fresh vegetables) at market price – contributed to SMAGR5’s business objective as “convenient” Asian shop.</td>
<td>SMAGR5 Ø S54</td>
<td>S54 suppliers and SMAGR5 were in independent relationship.</td>
</tr>
<tr>
<td>S55</td>
<td>Slow-moving, low-profit, fresh produce (e.g., fruit) at competitive price – contributed to SMAGR5’s business objective as “convenient” Asian shop.</td>
<td>SMAGR5 Ø S55</td>
<td>S55 suppliers and SMAGR5 were in independent relationship.</td>
</tr>
</tbody>
</table>

Note:
(1) COD = Cash on delivery
(2) Based on Cox (2001b). Cox classified four buyer-supplier relationship types based on power circumstances, including independence (SMAGR Ø S), buyer dominance (SMAGR > S), supplier dominance (SMAGR < S), and interdependence (SMAGR = S)

4.5.4. Supplier Relationship Management Strategies

SMAGR5 wanted the popular brands of products to which S51 suppliers held the exclusive rights. This Asian grocer essentially adopted a compliant attitude toward this group of suppliers. Typically, SMAGR5 would accept S51 suppliers’
price for all their supplies (i.e., non-name brands included). To ensure that it could obtain the brand name goods from S51 suppliers, SMAGR5 regularly placed a large order of these goods to show its continued interest in retailing these items. SMAGR5 also obtained a great favour from S51 suppliers based on their COD payment advantage. As the male shop owner said:

“When the big suppliers do not have enough popular brand name goods to supply to Asian groceries, they would give me priority on condition of COD payment. We all benefit. The suppliers have cash-advantage to ease their cash flow, while I have goods to sell. Other Asian grocery shops that trade in credit terms do not get such special deals.”

Moreover, based on its COD payment practice, SMAGR5 often looked for alternative brands of goods to weaken power of suppliers holding exclusive rights to distribute popular brand goods. To the big S52 and small S53 suppliers, SMAGR5 held an open and warm relationship to all of them with its COD payment policy. Its message to S52 and S53 suppliers was a very simple one: “give us a hard-to-reject deal and we will buy from you”. Because of the dependent position of S52 and S53 suppliers, SMAGR5 typically was able to obtain very competitive terms for its supplies from these two groups. Further, SMAGR5 was also among the first to be offered exclusive retailing right to new brand items from S52 and S53 suppliers. While other Asian grocers would normally be given a one-month test period for retailing new brand items, SMAGR5 was typically given an extended test-period together with unconditional return of all unsold merchandize by S52 and S53 suppliers. The male shop owner explained:
“I know that suppliers prefer to deal with Asian grocers that pay COD for their purchases; so they need me. They offer me favourable trading terms, like longer market testing time for new brands of goods, in order to get my order. Furthermore, most suppliers sell similar range of goods, but with different prices. Therefore, for me, whichever suppliers offer me a cheaper price, I would go for that supplier”.

Because fresh produce (i.e., fresh vegetables and fruit) were not one of SMAGR5’s sales objects, SMAGR5 regarded S54 and S55 suppliers as “extra” suppliers. The relationship between SMAGR5 and these two groups of suppliers were purely transactional. SMAGR5 had no intention to strengthen its relationship with both S54 fresh vegetables suppliers and S55 fresh fruit wholesalers.

Table 4.5.2 presents the SRM strategies used by SMAGR5.

**Table 4.5.2: SMAGR5’s Supplier Relationship Management Strategies**

<table>
<thead>
<tr>
<th>Supplier Sub-groups</th>
<th>SMAGR5’s Strategic Intent</th>
<th>Evidence</th>
<th>SRM Strategy Posture (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S51 Supplier</td>
<td>1. To maintain good relationship with S1 supplier.</td>
<td>1. Accepted the supplier’ demand on selling price and payment term.</td>
<td>Compliance</td>
</tr>
<tr>
<td>S52 &amp; S53 Suppliers</td>
<td>1. To minimize the price of purchased goods 2. To reduce supply risk 3. To achieve more favourable terms in trading fast-moving items.</td>
<td>1. Periodically sourced from at least two S52 and S53 suppliers based on cheapest price 2. Maintained a large number of suppliers in 2 groups S52 and S53 to gain price concessions and ensure continuity of supply 3. Offered COD payment to suppliers under conditions of lower prices and higher priority in goods supply, especially in case of goods shortage in the grocery market.</td>
<td>Hedging (Objective 1 &amp; 2) Benefit Creation (Objective 3)</td>
</tr>
<tr>
<td>S54 Suppliers</td>
<td>1. To devote little or no attempt in sourcing.</td>
<td>1. Periodically made order of fresh produce (e.g., fresh vegetables) based on routine level.</td>
<td>Indifferent</td>
</tr>
<tr>
<td>S55 Suppliers</td>
<td>1. To purchase fruit based on prices.</td>
<td>1. Regular order of fresh seasonal fruit.</td>
<td>Transactional</td>
</tr>
</tbody>
</table>

Note:  
(*) – Refer to SRM strategy posture in Table 5.1
4.5.5. Supplier Relationship Management Postures: A Synthesis

SMAGR5 put high importance on dried goods (including fast-moving name brands as well as non-popular brands) but low importance on fresh produce (i.e., fruit and vegetables). There were many suppliers of fast-moving non-name brands of dried goods and fresh produce. This means four groups of SMAGR5’s suppliers (i.e., S52, S53, S54 and S55) were considered of low supply risk, except the exclusive brand name S51 suppliers. Figure 4.5.2 shows SMAGR5’s SRM strategies mapped onto the Kraljic portfolio matrix (1983).

<table>
<thead>
<tr>
<th>High Strategic Importance</th>
<th>Low Supply Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Fast-moving dried goods (e.g., rice, noodles &amp; sauces)</td>
<td>• Fast-moving name brand dried goods (e.g., “Rose” rice and “Chin-Su” fish sauce brands)</td>
</tr>
<tr>
<td>SMAGR5 &gt; S52 and SMAGR5 &gt; S53</td>
<td>SMAGR5 &lt; S51</td>
</tr>
<tr>
<td>→ Hedging</td>
<td>→ Compliance</td>
</tr>
<tr>
<td>• Fresh vegetables</td>
<td>• Fresh fruits</td>
</tr>
<tr>
<td>SMAGR5 Ø S54</td>
<td>SMAGR5 Ø S55</td>
</tr>
<tr>
<td>→ Indifferent</td>
<td>→ Transactional</td>
</tr>
</tbody>
</table>

Figure 4.5.2: SMAGR5’ SRM Portfolio

4.6. CASE 6 – SMAGR6

4.6.1. Background and Characteristics

Founded in 1995, SMAGR6 was situated at the centre of a busy suburb, in front of a bus stop, and close to a big public car park. It had one small storage room for dried goods, its speciality. As one of the two Asian grocery shops in the
main Asian shopping strip, SMAGR6 focused on selling a large range of popular dried goods. In order to satisfy customers for their daily grocery shopping, SMAGR6 also included a narrow range of fresh vegetables, fruit, home-cooked foods and miscellaneous non-food items on shelves. SMAGR6 was noted for offering very competitive prices for dried goods and cold beverages. As the wife proudly said:

“My shop is located closed to public transport which makes us a convenient stop for people to pick up a few items on their way home or buy a drink on their way to work. Because our price is very competitive – most of our goods are cheaper than those sold in the wet market and many customers prefer to buy from us, especially those who take public buses.”

SMAGR6’s sale tactics was to focus on low-capital, high-percent margin, fast-turnover, and long expiry date items, such as instance noodles and fish sauces. Its business strategy was to adopt a low-risk, conservative approach by keeping inventory low. As such, SMAGR6 concentrated on retailing dried foods and cold beverages. SMAGR6’s other strategy was to bulk-break certain fast-moving, low-cost goods, such as ground nuts and other grains, to sell in smaller packets at a slightly higher unit cost to receive a higher margin.

Apart from retailing Asian grocery provisions, SMAGR6 was the only shop on the Asian shopping strip offering African groceries to satisfy an increasing African population in the area. SMAGR6 had a good relationship with many of its long-standing suppliers. The wife recalled how SMAGR6 was able to build a close relationship with some of its suppliers:
“Our business was facing a difficult cash flow situation a couple years ago. Thanks to the financial supports from some of my good friends and some close suppliers, my business has recovered. During that period, many new migrants from different countries, like India, Laos, Thailand, Burma and some African countries moved into this area. Many of these new migrants repeatedly came to us requesting for particular types of groceries which were not available in any of the Asian groceries here. I shared the information with close suppliers who trusted me and my judgement about the market potential of these grocery items. My suppliers started sourcing these items, such as: spices and herbs from India, dried salty fish from Thailand and some special nuts and herbs from Africa. As a result, my business recovered and has been getting better lately.”

4.6.2. Suppliers Classification

SMAGR6 had close relationships with some suppliers who were willing to give flexible long credit payment terms (e.g., up to 60 days instead of the normal 30 days that most suppliers offered). SMAGR6 valued the flexible, extendable payment period because it assisted SMAGR6’s cash flow. SMAGR6 also considered competitive price offers as essential to its business. SMAGR6 had also learnt from its experience with cash flow problem that having popular brands of fast-moving goods carried significant cash-flow benefits.

Combining payment term flexibility, pricing and popularity of goods, SMAGR6’s suppliers could be divided into seven groups, referred to as S61, S62, S63, S64, S65, S66 and S67. S61, S62 and S63 were dried goods suppliers. All S61 suppliers specialised in dried goods and were agents of several name brands of fast-moving goods. S62 suppliers also specialised in dried goods, but were not
agents of any name brands, while the small S63 suppliers provided some popular brand and “new-brand” items at very competitive prices.

The three other supplier groups were small family-run businesses. S64 suppliers majored in fresh, home-cooked foods, S65, fresh vegetables and S66, non-food items. The last group S67 suppliers were large fruit wholesalers, from which SMAGR6 regularly sourced its fruit supplies. The characteristics of SMAGR6 supplier groups are summarized in Figure 4.6.1.
Figure 4.6.1: SMAGR6’s Suppliers

SMAGR6’s Suppliers

- Exclusive Popular Brands
  - Flexible in Payment
  - Market Price

- Popular / New Brands
  - Flexible in Payment
  - Market Price

- Popular/ New Brands
  - Inflexible in Payment
  - Competitive Price

- Less Popular
  - Inflexible in Payment
  - Market Price

- Big family-based business
  - Established from 25 to over 35 years
  - Supplied an extensive range of dried goods.

- Small family-based business
  - Established from 25 to over 35 years
  - Supplied an extensive range of dried goods.

- Small family-based suppliers
  - Established business for less than 15 years
  - Supplied a narrow range of dried goods.

- Small family-based suppliers
  - Established business for less than 15 years
  - Supplied a narrow range of fresh home-cooked foods.

- Small family-based suppliers
  - Established business for less than 15 years
  - Supplied non-foods (e.g., miscellaneous).

- Big family-based business
  - Established from 25 to over 35 years
  - Supplied fresh seasonal fruits.

- Less Popular
  - Flexible/ Inflexible in Payment
  - Competitive Price
4.6.3. Power Relations with Suppliers

The power relations between SMAGR6 and its suppliers were determined essentially by two factors: SMAGR6’s business focuses and market conditions.

Among the seven supplier groups, SMAGR6 was in a compromising position against S61 and S62 suppliers, predominantly because S61 and S62 were suppliers for numerous name brands of fast-moving groceries, including exclusive and non-exclusive brands.

Because of its small size, SMAGR6 had little buying power. However, since there was high competition in the grocery supply market, a number of small suppliers of dried goods (S63) depended on SMAGR6 to be an outlet for their goods. The husband explained how SMAGR6 attracted the small suppliers:

“There are many small new grocery suppliers in the market and they need us. They can see the potential benefits by supplying to our shop which has many different types of customers; plus we are always willing to try new kinds of goods. In order to attract the small new suppliers, we have to show them that goods retailed at our shop command good sales potential.”

SMAGR6 also valued the fresh, home-cooked foods suppliers because of the consignment payment arrangements these suppliers offered. Under the consignment arrangement, SMAGR6 did not have to pay for goods supplied. Fresh, home-cooked food suppliers would leave their merchandise at SMAGR6 and would return to collect the money (less SMAGR6’s commission) the next day,
replacing the old stock with new supplies. This gave SMAGR6 considerable cash-flow advantage. As a result, SMAGR6 also made special effort to push the sales of home-cooked food. Likewise, S64 fresh, home-cooked food suppliers also like to place a “larger than usual” amount of their merchandize at SMAGR6, despite the small size of SMAGR6. As a consequence, SMAGR6 and S64 suppliers were locked into an interdependent relationship.

The relationship between SMAGR6 and fresh vegetables suppliers (S65) and non-foods suppliers (S66) was purely transactional, which was also the case that SMAGR6 had with S67 suppliers. This was because all S67 suppliers were located at the open wholesale market where no exceptions to payment terms or selling price were given to retailers.

Table 4.6.1 summarizes the implied power relations between SMAGR6 and its suppliers.
### Table 4.6.1: Summary of Implicit Analysis of Power Relations between SMAGR6 and its Suppliers

<table>
<thead>
<tr>
<th>Supplier Groups</th>
<th>Value of Goods Supplied to SMAGR6</th>
<th>Power Relations (^{(2)})</th>
<th>Explanation from Implicit Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>S61</td>
<td>Fast-moving, high-profit, popular dried goods (including exclusive brands) at market price – main revenue source for SMAGR6.</td>
<td>SMAGR6 &lt; S61</td>
<td>SMAGR6 dependent on big dried goods suppliers (S61) for the fast turn-over items.</td>
</tr>
<tr>
<td>S62</td>
<td>Fast-moving, high-profit, popular dried goods (including nonexclusive brands) at market prices – main revenue source for SMAGR6.</td>
<td>SMAGR6 &lt; S62</td>
<td>SMAGR6 dependent on big dried goods suppliers (S62) for the fast turn-over items.</td>
</tr>
<tr>
<td>S63</td>
<td>Fast-moving, high-profit, popular dried goods (nonexclusive brands) at competitive prices – main revenue source for SMAGR6.</td>
<td>SMAGR6 &gt; S63</td>
<td>Small suppliers S63 dependent on SMAGR6 to access its stable market for dried goods (nonexclusive brands and new brands)</td>
</tr>
<tr>
<td>S64</td>
<td>Fast-moving, moderate-profit, fresh produce (e.g., fresh, home-cooked foods) at market price – good revenue source for SMAGR6.</td>
<td>SMAGR6 = S64</td>
<td>Small suppliers S64 and SMAGR6 were interdependent since they want to access each other resources.</td>
</tr>
<tr>
<td>S65</td>
<td>Slow-moving, low-profit, fresh produce (e.g., fresh vegetables) at market price – contributed to SMAGR6’s business objective as “convenient” Asian shop.</td>
<td>SMAGR6 Ø S65</td>
<td>Business relationship between SMAGR6 and two groups of suppliers (S65 &amp; S66) was based on transactions.</td>
</tr>
<tr>
<td>S66</td>
<td>Standard-moving, ordinary-profit, less popular non-foods items at market prices (e.g., miscellaneous, including newspapers and phone cards) – regular moderate revenue source for SMAGR6.</td>
<td>SMAGR6 Ø S66</td>
<td></td>
</tr>
<tr>
<td>S67</td>
<td>Slow-moving, low-profit, fresh produce (e.g., fruit) at competitive price – contributed to SMAGR6’s business focus on providing customers good variety of goods types.</td>
<td>SMAGR6 Ø S67</td>
<td>S67 fruit wholesalers and SMAGR6 were in an independent relationship.</td>
</tr>
</tbody>
</table>

Note:
(1) COD = Cash on delivery
(2) Based on Cox (2001b). Cox classified four buyer-supplier relationship types based on power circumstances, including independence (SMAGR Ø S), buyer dominance (SMAGR > S), supplier dominance (SMAGR < S), and interdependence (SMAGR = S).

---

### 4.6.4. Supplier Relationship Management Strategies

Among the seven sub-groups of SMAGR6’s suppliers, S61 and S62 suppliers were the only two groups that dominated SMAGR6 because they supplied several popular brands of fast-moving items. S61 suppliers held the exclusive right to a number of name brands of fast-moving items, which SMAGR6 wanted badly. Consequently, SMAGR6 would accept the trading terms of S61 and S62 suppliers in total. SMAGR6 essentially adopted a compliant attitude toward these two groups of suppliers. As the husband explained:
“Working with exclusive suppliers, like Lim Australia Pty. Ltd, the exclusive supplier of the popular “Rose” rice brand, is like working as their employees. The profit they get from this type of goods is very high; they just leave a small margin for retailers. Retailers want to sell “Rose” rice because it is a very fast-moving item. Normally, we could make a profit of $2 to $3 for every 20kg bag of other brands of rice, but with “Rose” brand name, I only have a margin of one dollar for every bag sold. However, we still gain more from selling this brand than other brands because of the speed we can sell “Rose” rice. We have to accept the trading terms of this supplier because we need them, and they know exactly how saleable the goods they supply is in the market.”

Because of its compliance attitudes toward S61 and S62 suppliers, SMAGR6 was able to obtain favours from them, including flexibility in payment extension. In order to continually obtain the supply of popular, fast-moving brands of goods from S61 and S62 suppliers, SMAGR6 had to maintain a constant volume of orders from S61 and S62 suppliers. To gain the support of these two supplier groups, SMAGR6 employed various sales tactics to push the sales of the goods. The wife explained:

“In grocery business, a strong capital is important. You could buy a bigger amount of goods to get some discount. The more you buy, the lower the unit cost. In our case, we don’t have a strong capital, so we have to content with getting less profit on our products. The new grocery shop next door has strong capital. They buy in large quantity and get a cheaper purchase price. Therefore, to compete with them, we have to lower the unit price to keep my customers. We unpack the boxes and sell in individual items at the same unit price as per box to attract the small or low-budget customers.”
Also, to gain the trust and support of some of the suppliers of fast-moving items, SMAGR6 habitually prioritised its payment to different suppliers to ensure early or on-time payment. At times, it also voluntarily accepted to promote slow-moving items of unpopular brands from some supportive suppliers as a way to cultivate favours and develop long-term relationships. Furthermore, SMAGR6 would freely update market demand of different types of goods to suppliers to ensure it had goods on its shelves to draw customers.

SMAGR6 dominated the business relationships it had with the small S63 dried goods suppliers. This Asian grocer maintained a large number of S63 suppliers and regularly purchased popular brand items from all its S63 suppliers to create brand competition among these suppliers, with the objective of forcing their sale price down. Small S63 dried goods suppliers also regularly offered new-brands of dried goods to SMAGR6. Like other Asian grocers when they took on new brands of goods, SMAGR6 would demand that S63 suppliers meet its two basic conditions of returning all unsold goods and one-month market testing time. SMAGR6 also supported the new and small suppliers by sharing business information and helping them to develop promotion campaigns for their goods. The suppliers usually reciprocated by giving SMAGR6 very favourable trading terms.

SMAGR6 was a very strong promoter of home-made cakes and cooked food, which were supplied by several S64 suppliers. In general, suppliers of these consigned items tended to place their supplies with retailers according to their
size. Because of SMAGR6’s promotional effort, consigned food items in SMAGR6 usually achieved strong sales. As a result, SMAGR6 was able to secure a higher margin and to convince consigned goods suppliers to put a larger than usual quantity in its shop.

Because fresh produce (i.e., fresh vegetables) and non-foods were not one of SMAGR6’s sales objects, SMAGR6 regarded suppliers as “add-ons”. Whatever SMAGR6 could profit from the sale of such merchandize was considered a bonus. Consequently, SMAGR6 did not make any effort to build a closer relationship with these two groups of suppliers. SMAGR6 regularly purchased a constant amount of fresh vegetables from (three times per week) and non-foods items from (twice per week), just to have fresh produce in its shop to serve the daily grocery needs of its customers. As the wife explained:

“Although fresh vegetables and fruit are not profitable and slow moving items, we still want to have them on shelves since customers always prefer to get all their daily grocery needs in one shop. Because our shop is close to the bus stops, our customers are always in a rush to shop on the way home and therefore they want to have a quick stop-over to get their daily needs. Our shop has a good number of loyal daily customers. We don’t want our customers to go next-door to buy fruit and vegetables. They would see some items which may be sold at lower prices and shift to our neighbour. We don’t want to take that risk. Therefore, we always make sure that we have fresh produce in the shop even though they don’t give us much profit. This would help us keep our regular customers to our shop.”
Though its relationship with S67 suppliers based at the fruit wholesales market was also transactional, SMAGR6’s approach in dealing with them was different from that applied to S65 and S66 suppliers. SMAGR6 wanted S67 fruit wholesalers to agree to credit payment terms on occasions when its cash flow was tight. As such, SMAGR6 would always purchase a consistent quantity from the same few fruit suppliers with the intent of maintaining a close relationship with these S67 suppliers. Table 4.6.2 summarizes implicit analysis of SMAGR6’s SRM strategies with its suppliers.

<table>
<thead>
<tr>
<th>Supplier Sub-groups</th>
<th>SMAGR6’s Strategic Intent</th>
<th>Evidence</th>
<th>SRM Strategy Posture (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S61 Suppliers</td>
<td>1. To maintain a good relationship with S61 suppliers</td>
<td>1. Accepted the suppliers’ demand on selling prices and payment term.</td>
<td>Compliance</td>
</tr>
</tbody>
</table>
| S62 Suppliers       | 1. To secure source of supply for strategic items from S62 suppliers  
2. To remain good close relationship with S62 suppliers  
To reduce supply risk. | 1. Accepted the suppliers’ demand on selling prices and payment term  
2. Willingly updated practical market information to S62 suppliers  
Made regular orders from S62 | Compliance & Relationship Maintenance |
| S63 Suppliers       | 1. To minimize the price of purchased goods | 1. Maintained a large number of suppliers in sub-group S63  
Set the price and allocated amounts of goods ordered to S63 suppliers  
Applied three criteria to choose suppliers for new brands of goods: 30 days credit payment term, return of unsold goods after one month of market testing time. | Opportunistic |
| S64 Suppliers       | 1. To build a good relationship with S64 suppliers | 1. Actively promoted goods to customers  
Made increasing volume of order of fresh produce from S64 suppliers | Relationship Building |
| S65 & S66 Suppliers | 1. To remain a ordinary relationship with S65 and S66 suppliers without any intention for building closer relationship. | 1. Made order of fresh vegetables from S65 suppliers and non-food items (e.g. newspapers and phone cards) from S66 suppliers, based on ordinary level. | Indifferent |
| S67 Suppliers       | 1. To build a approachable business relationship to attain support in times at need  
2. Effort to maintain a good relationship with some S67 suppliers to acquire credit payment terms. | 1. Was responsible in business exchange payment performance. | Transactional & Relationship Maintenance |

Note:  
(*) – Refer to SRM strategy posture in Table 5.1
4.6.5. Supplier Relationship Management Postures: A Synthesis

Goods that were of strategic importance to SMAGR6 were dried goods, including exclusive and nonexclusive fast-moving brand name items, new brand goods, and fresh home-cooked foods. Among them, only S61 was considered of high supply risk to SMAGR6 because S61 was the supplier of exclusive popular brand name dried goods. The other groups of suppliers (i.e., S62, S63 and S64) were considered of low supply risk since there were many other substitute suppliers in the grocery market. SMAGR6 regarded fresh produce (i.e., vegetables and fruit) and miscellaneous non-foods as of low strategic importance because they were slow-moving items. These three groups of suppliers (i.e., S65, S66 and S67) were also of low supply risk because of the availability of many alternative suppliers. Figure 4.6.2 summarizes SMAGR6’s SRM strategies applied towards different groups of suppliers based on the Kraljic matrix (1983).

<table>
<thead>
<tr>
<th>High Strategic Importance</th>
<th>Low Strategic Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High Supply Risk</strong></td>
<td><strong>Low Supply Risk</strong></td>
</tr>
<tr>
<td>Fast-moving dried goods (e.g., rice &amp; noodles)</td>
<td>Fast-moving name brand dried goods (e.g., “Rose” rice &amp; “Mama” instant noodle brands)</td>
</tr>
<tr>
<td>SMAGR6 &lt; S62</td>
<td>SMAGR6 &lt; S61</td>
</tr>
<tr>
<td>Compliance &amp; Relationship Maintenance</td>
<td>Compliance</td>
</tr>
<tr>
<td>SMAGR6 &gt; S63</td>
<td></td>
</tr>
<tr>
<td>Opportunistic</td>
<td></td>
</tr>
<tr>
<td>Fresh, home-cooked foods on consignment</td>
<td></td>
</tr>
<tr>
<td>SMAGR6 = S64</td>
<td></td>
</tr>
<tr>
<td>Relationship Building</td>
<td></td>
</tr>
<tr>
<td>Fresh vegetables</td>
<td></td>
</tr>
<tr>
<td>SMAGR6 Ø S65</td>
<td></td>
</tr>
<tr>
<td>Indifferent</td>
<td></td>
</tr>
<tr>
<td>Non-foods (e.g., miscellaneous)</td>
<td></td>
</tr>
<tr>
<td>SMAGR6 Ø S66</td>
<td></td>
</tr>
<tr>
<td>Indifferent</td>
<td></td>
</tr>
<tr>
<td>Fresh fruits</td>
<td></td>
</tr>
<tr>
<td>SMAGR6 Ø S67</td>
<td></td>
</tr>
<tr>
<td>Transactional &amp; Relationship Maintenance</td>
<td></td>
</tr>
</tbody>
</table>

Figure 4.6.2: SMAGR6’s SRM Portfolio
4.7. CASE 7 – SMAGR7

4.7.1. Background and Characteristics

SMAGR7 was a family-owned small Asian grocer founded in 2000. SMAGR7 was situated at the centre of a busy suburb, in front of a bus stop, and close to a big public car park in a main Asian shopping strip some 100 metres from a wet market. The shop had one small storage room for dried foods, which was its speciality.

SMAGR7’s sale tactics was to focus on fast-turnover and long expiry date items, such as rice and instance noodles. As the only Asian grocery on the Asian shopping strip, located in an accessible position of the commercial centre, SMAGR7 appealed to a large number of loyal customers with its competitively priced dried goods and cold beverages. With a sizable pool of loyal customers, SMAGR7 had a reasonably quick turn-over rate for most of its merchandize. Consequentially, SMAGR7 was one of the preferred retail outlets for Asian grocery suppliers in Melbourne.

Over the years, SMAGR7 had built up a good relationship with a large number of suppliers as a result of its principled business practices: SMAGR7 always settled its invoices on-time. As a result, it had gained the trust and confidence of suppliers, both large and small. Accordingly, SMAGR7 was in a strong bargaining position when negotiating terms with suppliers, as the following narration from the wife indicate.
“We always pay our suppliers on-time. In fact, most of the times we would pay before the due date. Therefore, whenever I ask for a favour from suppliers, such as special discount on some popular goods, suppliers would usually agree.”

4.7.2. Suppliers Classification

Like most Asian groceries, SMAGR7 used “price” and “popularity of merchandize” as its criteria for selecting suppliers. According to the male owner, the levels of popularity of goods had the greatest impact on SMAGR7’s profit. For example, said the male owner, “some goods, such as rice, snacks, and sauces, have only a small profit margin but they sell quickly in huge quantities and therefore they give us cash-flow benefit”.

With price and popularity of goods as its basis for segregating suppliers, SMAGR7’s suppliers fell into five groups, referred to as S71, S72, S73, S74 and S75. S71, S72 and S73 were all dried goods suppliers. S71 suppliers were agents of several name brands of fast-moving goods; S72 suppliers were not agents of any name brands; and S73 suppliers were small suppliers of some popular brands. Among the three groups of dried food suppliers, S73’s prices were most competitive. S74 and S75 suppliers were small family-run businesses that majored in fresh vegetables (S74) and miscellaneous non-foods items (S75). The characteristics of SMAGR7 supplier groups are summarized in Figure 4.7.1.
4.7.3. Power Relations with Suppliers

The power relations between SMAGR7 and its suppliers were dictated essentially by two factors: SMAGR7’s business focuses and market conditions.

Among the five supplier groups, SMAGR7 was in a submissive position against S71 and S72 suppliers, primarily because the two groups of suppliers provided several name brands of fast-moving groceries, some of which they hold the exclusive right to supply. As the shop owner stated:

“Since we are a small shop, we need popular items to sell to attract customers. Consequently, suppliers holding the exclusive right to supply some of the popular brands of fast-moving foods are very important to our business, like the “Deer” rice brand and “Mama” instant noodle.”
Many small suppliers of dried goods competed with each other to have business deals with small but busy Asian groceries. As a consequence, dried goods suppliers S73 were dependent on SMAGR7 to retail their merchandize. SMAGR7 was fully aware of the dependent positions S73 suppliers were in, which enabled SMAGR7 to dominate the S73 suppliers. SMAGR7 put very little effort in retailing fresh vegetables and non-foods items. Neither did the S74 fresh vegetable suppliers nor S75 miscellaneous non-food suppliers made any attempt to build relationship with SMAGR7. As a result, the relationship between SMAGR7 and the suppliers in these two groups was purely transactional. Table 4.7.1 summarizes the implied power relations between SMAGR7 and its suppliers.

Table 4.7.1: Summary of Implicit Analysis of Power Relations between SMAGR7 and its Suppliers

<table>
<thead>
<tr>
<th>Supplier Groups</th>
<th>Value of Goods Supplied to SMAGR7</th>
<th>Power Relations (2)</th>
<th>Explanation from Implicit Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>S71</td>
<td>Fast-moving, high-profit, popular dried goods (including exclusive brands) at market price – main revenue source for SMAGR7.</td>
<td>SMAGR7 &lt; S71</td>
<td>SMAGR7 dependent on big dried goods suppliers (S71) for the fast turn-over items.</td>
</tr>
<tr>
<td>S72</td>
<td>Fast-moving, high-profit, popular dried goods (including nonexclusive brands) at market prices – main revenue source for SMAGR7.</td>
<td>SMAGR7 &lt; S72</td>
<td>SMAGR7 dependent on big dried goods suppliers (S72) for the fast turn-over items.</td>
</tr>
<tr>
<td>S73</td>
<td>Fast-moving, high-profit, popular dried goods (nonexclusive brands) at competitive prices – main revenue source for SMAGR7.</td>
<td>SMAGR7 &gt; S73</td>
<td>Small suppliers S73 dependent on SMAGR7 to access its stable market for dried goods (nonexclusive brands)</td>
</tr>
<tr>
<td>S74</td>
<td>Slow-moving, low-profit, fresh produce (e.g., fresh vegetables) at market price – contributed to SMAGR7’s business objective as “convenient” Asian shop.</td>
<td>SMAGR7 Ø S74</td>
<td>Business relationship between SMAGR7 and S74 suppliers was based on transactions.</td>
</tr>
<tr>
<td>S75</td>
<td>Slow-moving, low-profit non-foods (e.g., miscellaneous) at market price – contributed to SMAGR7’s business objective as “convenient” Asian shop.</td>
<td>SMAGR7 Ø S75</td>
<td>Business relationship between SMAGR7 and S75 suppliers was based on transactions.</td>
</tr>
</tbody>
</table>

Note:
1. COD = Cash on delivery
2. Based on Cox (2001b). Cox classified four buyer-supplier relationship types based on power circumstances, including independence (SMAGR Ø S), buyer dominance (SMAGR > S), supplier dominance (SMAGR < S), and interdependence (SMAGR = S).
4.7.4. Supplier Relationship Management Strategies

Among the five sub-groups of suppliers, S71 and S72 suppliers were the only two groups that dominated SMAGR7. These two groups of suppliers provided SMAGR7 the popular brands of fast-moving items the latter needed. SMAGR7 essentially maintained a compliant attitude toward these two groups of suppliers, especially S71 suppliers, which held the exclusive right to supply a number of fast-moving, name brands items. Naturally, SMAGR7 would accept S71 and S72 suppliers’ trading terms in total for all their supplies (i.e., non-name brands included). To S72 suppliers, SMAGR7 also attempted to either build or maintain a cordial relationship. Placing orders on a regular basis without hesitation, making payments on-time, and providing updated market information on saleability of different types of goods were SMAGR7’s typical ways of showing its continual support to S72 suppliers.

“Because the big suppliers are our long-time, close suppliers and they hold the rights to supply several name brands of fast-turnover and fast selling goods, we want to keep a good relationship with all of them. They sell the same kind of goods, so I have to divide my orders into a few smaller ones to ensure I buy some from each of them. There are also new suppliers who sell similar types of goods at cheaper prices sometimes. While we would order some of these goods from the new suppliers, we also continue to order some from the regular close suppliers.”

Aware of the dependent positions S73 suppliers were in, SMAGR7 capitalized on the opportunity to maintain a large number of S73 suppliers. It regularly purchased several popular items from a number of S72 suppliers both to maintain its relationship with them and to continuously exert a competitive
pressure on these suppliers. Though SMAGR7 took advantage of the
dependent S73 suppliers, this Asian grocer did not bully these small suppliers
by paying them late. On-time payment commitment to suppliers was a
business ethic that SMAGR7 always honoured. Suppliers usually reciprocated
by giving SMAGR7 very favourable trading terms, including having the rights to
obtain full refunds for the return of any unsold goods. The female shop owner
very proudly revealed:

“Although our shop is small, in comparison with surrounding ones, suppliers like to
do business with us because we are very committed to on-time payment. All our
suppliers trust us. They know we always honour our promise.”

SMAGR7 did not put any emphasis on vegetable sales. Partly, as the female
owner explained, “fresh produce did not bring much profit to us.” SMAGR7
paid cash for every purchase. As the shop owner reiterated:

“We do not want to sell vegetables because we can’t compete with the big grocers
in the wet market, which is not far from here. There are a huge range and variety of
fresh vegetables and fruit selling at very competitive prices in the wet market. We
cannot compete. We place a small amount of fresh vegetables in our shop primarily
to serve our regular customers. We do not want our regular customers feel that we
cannot cater to all their daily grocery needs and start shopping elsewhere.”

SMAGR7 regarded the small non-food S75 miscellaneous items suppliers as an
add-on. “There was little money to make from these items”, the male owner
explained. “We carry these miscellaneous items like phone cards, medical oils
and cigarette simply to please our regular customers”, he added. SMAGR7
would routinely order a small amount from various S75 suppliers. SMAGR7’s relationship with S75 suppliers was “a simple business relationship”, in the words of the male owner. The SRM strategies of SMAGR7 for its five groups of suppliers are summarized in Table 4.7.2.

**Table 4.7.2: SMAGR7’s Supplier Relationship Management Strategies**

<table>
<thead>
<tr>
<th>Supplier Sub-groups</th>
<th>SMAGR7’s Strategic Intent</th>
<th>Evidence</th>
<th>SRM Strategy Posture (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S71 Suppliers</td>
<td>1. To secure source of goods supplied from S71 suppliers</td>
<td>1. Accepted the suppliers’ demand on selling price and payment term.</td>
<td>Compliance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S72 Suppliers</td>
<td>1. To secure source of goods supplied from S72 suppliers</td>
<td>1. Accepted the suppliers’ demand on selling price and payment term.</td>
<td>Compliance &amp; Relationship Maintenance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Supportively updated market information to S72 suppliers</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Made regular orders from S72 suppliers</td>
<td></td>
</tr>
<tr>
<td>S73 Suppliers</td>
<td>1. To source supplies at competitive prices.</td>
<td>1. Maintained a large number of suppliers in sub-group S73</td>
<td>Opportunistic</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Set the price and allocated volume of goods ordered to S73 suppliers</td>
<td></td>
</tr>
<tr>
<td>S74 &amp; S75 Suppliers</td>
<td>1. To not put any effort in purchasing.</td>
<td>1. Periodically made order from the suppliers, based on store level.</td>
<td>Indifference</td>
</tr>
</tbody>
</table>

Note:
(* ) – Refer to SRM strategy posture in Table 5.1

4.7.5. Supplier Relationship Management Postures: A Synthesis

Mapping the within-case findings onto the Kraljic matrix (1983), the fast-moving, name brand dried goods were clearly of high strategic importance to SMAGR7. Because these items were only obtainable from S71 suppliers, they sit in the ‘high strategic importance – high supply risk’ cell. Non-name brands fast-moving dried goods would fall into the high strategic importance but low supply risk cell. These are goods supplied by S72 and S73 suppliers. Fresh vegetables and miscellaneous non-foods items evidently were of low strategic importance and low supply risk. SMAGR7’s attitude toward suppliers of these
products (i.e., S74 and S75) was one of indifferent. Figure 4.7.2 shows SMAGR7’s SRM strategies toward its various suppliers as per the Kraljic matrix (1983).

<table>
<thead>
<tr>
<th>High Strategic Importance</th>
<th>Low</th>
<th>High Supply Risk</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Fast-moving dried goods (e.g., rice, noodles and sauces)</td>
<td>SMAGR7 &lt; S72</td>
<td>Compliance &amp; Relationship Maintenance</td>
<td>SMAGR7 &gt; S73</td>
</tr>
<tr>
<td>• Fast-moving name brand dried goods (e.g., “Deer” rice &amp; “Mama” instant noodle brands)</td>
<td>SMAGR7 &lt; S71</td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>• Fresh vegetables</td>
<td>SMAGR7 Ø S74</td>
<td>Indifferent</td>
<td></td>
</tr>
<tr>
<td>• Miscellaneous non-foods items</td>
<td>SMAGR7 Ø S75</td>
<td>Indifferent</td>
<td></td>
</tr>
</tbody>
</table>

Figure 4.7.2: SMAGR7’s SRM Portfolio

4.8. CASE 8 – SMAGR8

4.8.1. Background and Characteristics

Founded in 1987, SMAGR8 was one of the two Asian grocery shops situated in a principal Asian shopping strip, at the centre of a busy suburb, close to a big public car park and the central wet market in a predominantly Asian neighbourhood. SMAGR8 was the only shop in the selected area selling alternative brands of fast-moving items instead of popular brands. As the wife said:

“We sell certain exclusive goods which are not sold in other grocery shops in this area, like “Lion” and “Crystal Flower” rice brands. Other grocery shops don’t sell
those two brands of rice because they are more expensive than the other popular brands. The other Asian grocery shops are worried that they cannot sell these more expensive brands compared to “Rose”, “Money God” and “Deer”. Also, they are scared that the exclusive suppliers of these popular brands will stop supplying those popular items to them if they also sell other brands of rice. They don’t want to take that risk.”

In addition, SMAGR8 was the only Asian grocery shop in the selected area selling a substantial range of cooking appliances and utensils. SMAGR8 had fewer suppliers for their large range of dried foods and non-food items (i.e., cooking appliances). Because cooking appliances required more financial investment, not many Asian groceries were interested in stocking and retailing these items. Although SMAGR8 was small in term of its shop size, its strategic location, long establishment, and distinctive range of goods offered had given it strong negotiating powers when purchasing its supplies. The wife proudly stated:

“My shop has been retailing cooking appliances since I opened this shop. Very few grocery shops sell cooking appliances because they are high-investment items. They also need more storage and shelf space than normal grocery products. I think most grocery shops in the wet market prefer to sell fruit and vegetables. Actually, we are the only Asian grocery shop selling these items in this area. When customers shop here for cooking appliances, they also find different brands of high quality products, like the “Crystal Flower” and “Lion” brands of rice, which are not sold in other shops. Therefore, we have been attracting a good number of loyal customers who want to buy the more expensive brands.”
4.8.2. Suppliers Classification

SMAGR8 had some very bad experience with three big suppliers of brand name goods in the past. According to the owners of SMAGR8, these three big suppliers did not keep to their delivery promise and showed very poor business ethics. Despite having complied to all the terms stipulated by these suppliers, SMAGR8 did not get the support it expected from them. As a result, SMAGR8 stopped doing business with these suppliers. To SMAGR8, this was a responsibility failure. Because of its nasty experience with the three big suppliers, SMAGR8 considered supplier responsiveness as most essential in selecting suppliers, though it also employed the “cheapest price” and “popularity of goods” criteria when choosing suppliers. As the wife put it:

“Although some suppliers hold the exclusive right to some popular brands of fast-moving goods, there are still other suppliers which can supply similar goods. To our business, price is not the only criterion to select suppliers. We need flexible, reliable and trustworthy business partners. We stopped doing business with three big suppliers of popular goods because they did not keep to their agreement and ignore our business needs. They failed to deliver their supplies on-time, refuse to deliver in emergency situations and do not provide goods of consistent quality. As a result, we changed to other suppliers and we feel happy about that. We made clear to these other suppliers our expectations about agreed delivery terms, conditions for goods return and delivery support.”

Because of its bitter experience in the past, this Asian grocer only deals with suppliers who were responsive to their demand. According to the price (competitive or market price) and popularity (popular or less popular) of the
goods suppliers carried, SMAGR8’s suppliers fell into four groups, referred to as S81, S82, S83 and S84. S81 suppliers specialised in dried goods and all were agents of several name brands of fast-moving goods. S82 suppliers traded one of SMAGR8’s main specialities (i.e., cooking appliances) and also specialised in dried goods, but were not agents of any name brands. Small S83 suppliers provided popular brand and “new-brand” items at very competitive price. The last group of suppliers S84 was small family run businesses that specialised in miscellaneous non-foods items (e.g., newspapers and phone cards). Figure 4.8.1 shows the four groups of SMAGR8 suppliers.

**Figure 4.8.1: SMAGR8’s Suppliers**

- **S81**
  - Big family-based business
  - Established from 25 to over 35 years
  - Supplied an extensive range of dried goods.

- **S82**
  - Big family-based business
  - Established from 25 to over 35 years
  - Supplied an extensive range of dried goods and non-foods (i.e., cooking appliances).

- **S83**
  - Small family-based suppliers
  - Established business for less than 15 years
  - Supplied a narrow range of dried goods.

- **S84**
  - Small family-based suppliers
  - Established business for less than 15 years
  - Supplied a narrow range of non-food (i.e., miscellaneous).
4.8.3. Power Relations with Suppliers

The power relations between SMAGR8 and its suppliers were dictated essentially by two factors: SMAGR8’s business focuses and market conditions. Among the four supplier groups, SMAGR8 was in a subservient position against S81 and S82 suppliers, primarily because these two groups of suppliers held several alternatives, including some popular name brands, fast-moving groceries. S82 suppliers also supplied a range of non-foods items (e.g., cooking appliances) which was SMAGR8’s main sale focus. The husband explained they expanded their range of cooking appliances retailed after they stopped trading with the three big suppliers, partly because S82 suppliers carried many different brands and types of such items. “We also noted that not many Asian groceries, including the bigger stores in the wet market, carry rice cookers, which is the most used cooking appliance in Asian families. We thus began to further differentiate our store from other Asian groceries by offering an extensive range of cooking appliances”, added the husband.

SMAGR8 also traded with another group of dried goods suppliers, S83, which were small family-run suppliers. S83 suppliers depended on SMAGR8 to be outlets for their goods. SMAGR8 was fully aware of the dependent positions S83 suppliers were in, which put SMAGR8 in a dominant position against S83 suppliers. Because SMAGR8 put little stress on retailing miscellaneous non-food items, its relationship with S84 suppliers was purely transactional.
Table 4.8.1 summarizes the implied power relations between SMAGR8 and its suppliers.

**Table 4.8.1: Summary of Implicit Analysis of Power Relations between SMAGR8 and its Suppliers**

<table>
<thead>
<tr>
<th>Supplier Groups</th>
<th>Value of Goods Supplied to SMAGR8</th>
<th>Power Relations (1)</th>
<th>Explanation from Implicit Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>S81</td>
<td>Fast-moving, high-profit, popular dried goods (including exclusive brands) at market price – main revenue source for SMAGR8.</td>
<td>SMAGR8 &lt; S81</td>
<td>SMAGR8 dependent on two groups of big suppliers (S81 &amp; S82) for the fast turn-over items.</td>
</tr>
<tr>
<td>S82</td>
<td>Fast-moving, high-profit, popular dried goods (including nonexclusive brands) at market prices – main revenue source for SMAGR8. Fast-moving, high-profit, popular non-food (i.e., cooking appliances) at competitive prices – main revenue source for SMAGR8.</td>
<td>SMAGR8 &lt; S82</td>
<td></td>
</tr>
<tr>
<td>S83</td>
<td>Fast-moving, high-profit, popular dried goods (nonexclusive brands) at competitive prices – main revenue source for SMAGR8. Medium-moving, average-profit, less popular dried goods (new brands) at competitive prices – potential source of revenue for SMAGR8.</td>
<td>SMAGR8 &gt; S83</td>
<td>Small suppliers S83 dependent on SMAGR8 to access its small stable market for dried goods (nonexclusive brands and new brands)</td>
</tr>
<tr>
<td>S84</td>
<td>Slow-moving, low-profit non-foods (i.e., miscellaneous) at market price – contributed to SMAGR8’s business objective as “convenient” Asian shop.</td>
<td>SMAGR8 Ø S84</td>
<td>Business relationship between SMAGR8 and S84 suppliers was based on transactions.</td>
</tr>
</tbody>
</table>

Note:
(1) COD = Cash on delivery
(2) Based on Cox (2001b). Cox classified four buyer-supplier relationship types based on power circumstances, including independence (SMAGR Ø S), buyer dominance (SMAGR > S), supplier dominance (SMAGR < S), and interdependence (SMAGR = S).

### 4.8.4. Supplier Relationship Management Strategies

Among the four sub-groups of suppliers, SMAGR8 was dependent on S81 and S82 that supplied several popular brands of fast-moving items. S81 suppliers also held the exclusive right to alternative brands of several fast-moving items. SMAGR8 actively promoted all the alternative brands to their customers as a means to build good relationships with S81 suppliers. The wife explained that:

“After stopping to get our supplies from the big exclusive agent of popular “Rose” rice brand, we focused on building relationship with other suppliers that hold the
exclusive right to sell two other brands of rice: “Lion” and “Crystal Flower”. No Asian

grocery shops in the vicinity sell these two brands. The suppliers gave us the
exclusive right to sell them because we have been able to sell these alternative
brands in great quantity and we also kept our promise in settling payment on time.
These alternative rice brands are of a higher quality, though a little bit more
expensive, than the “Rose” brand. However, we have been actively promoting the
alternative brands. Consequently, we manage to build a descent number of loyal
customers for these brands which bring good profits to our businesses.”

SMAGR8 adopted a very supportive attitude toward both S81 and S82
suppliers, accepting their terms of supplies in total. Maintaining good
relationship with S81 and S82 suppliers was also SMAGR8’s strategy to secure a
reliable supply source of fast-moving popular items (i.e., rice and cooking
appliances). Placing orders on a regular basis, guaranteeing payments on-time,
and providing up-to-date market information were SMAGR8’s response to
reciprocate the support given by these two groups of suppliers. In return, S82
suppliers had no qualms in continually supporting SMAGR8’s request for just-
in-time (JIT) delivery which significantly saved SMAGR8’ storage cost. As the
husband remarked:

“We benefit substantially from having a good relationship with some close suppliers.
Not only is our ordering process simplified, these suppliers also reserve goods for us
in advance, and they will try to deliver the items needed as soon as we notify them.
Due to our reputation of on-time payment, these suppliers also give us priorities. JIT
deliveries are very important to us as we don’t have storage space for cooking
appliances, which are very bulky. We have a small shop and need all the space to
display our goods.”
SMAGR8 held a dominating position against the small dried goods suppliers S83. SMAGR8 exploited the situation by maintaining a large number of S83 suppliers. This Asian grocer would purchase popular items from any suppliers in the S82 and S83 groups based on price to create a competitive pressure among these suppliers. SMAGR8 was also an active promoter of new brand items supplied by small S83 suppliers because of the attractive terms they offered. In selecting new brands of goods to retail, SMAGR8 used three main criteria: demand potential, goods quality, and price. It also insisted that S83 suppliers meet its two basic conditions of returning of unsold goods and one-month market testing time. The wife argued that they had to impose those conditions because:

“There are many new suppliers who visit our shop. We always welcome these suppliers so long as the price and the goods they offer are reasonable. If the terms are reasonable, we would buy some from these new suppliers in order to get to know them. For some goods, especially those we can’t source from other suppliers, we’d like to buy from them. However, we also need to protect our interest and reputation. We promise to refund our customers if they did not like the new brands. Otherwise, we lose our regular customers.”

Though miscellaneous non-food items were not one of SMAGR8’s sales targets, SMAGR8 still wanted to have them on shelves to serve the needs of its customers. SMAGR8 placed regular orders of certain items, such as phone cards and medicated oils, from S84 suppliers. The term of trade was COD, without exception. SMAGR8 made little effort to further its relationship with
S84 suppliers. Table 4.8.2 summarizes SMAGR8’s SRM strategies with its four groups of suppliers.

**Table 4.8.2: SMAGR8’s Supplier Relationship Management Strategies**

<table>
<thead>
<tr>
<th>Supplier Sub-groups</th>
<th>SMAGR8’s Strategic Intent</th>
<th>Evidence</th>
<th>SRM Strategy Posture (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S81 Suppliers</td>
<td>1. To build closer relationship with S81 suppliers</td>
<td>1. Accepted the suppliers’ demand on selling price and payment term. Voluntarily updated market and supply information to S81 suppliers Gradually increased volume of order from S81 suppliers</td>
<td>Compliance &amp; Relationship Building</td>
</tr>
<tr>
<td>S82 Suppliers</td>
<td>1. To maintain good relationship with S82 suppliers 2. To reduce supply risk. 3. To purchase goods based on prices and availability.</td>
<td>1. Accepted the suppliers’ demand on selling price and payment term. 2. Made regular orders from S82 suppliers 3. Implemented “one-off” business transaction for high-value slow-moving items</td>
<td>Compliance &amp; Relationship Maintenance (Objective 1 &amp; 2) Transactional (Objective 3)</td>
</tr>
<tr>
<td>S83 Suppliers</td>
<td>1. To minimize the price of purchased goods</td>
<td>1. Maintained a large number of suppliers in sub-group S83 Set the price and allocated amounts of goods ordered to S83 suppliers Applied three criteria to choose suppliers for new brands of goods: 30 days credit payment term, return of unsold goods and one month of market testing time.</td>
<td>Opportunistic</td>
</tr>
<tr>
<td>S84 Suppliers</td>
<td>1. To spend little or no effort in purchasing.</td>
<td>1. Regular order of non-foods items (i.e., miscellaneous)</td>
<td>Indifference</td>
</tr>
</tbody>
</table>

*Note: (*) – Refer to SRM strategy posture in Table 5.1*

**4.8.5. Supplier Relationship Management Postures: A Synthesis**

SMAGR8 placed high importance on fast-moving dried goods (including alternative brands of exclusive and nonexclusive, popular items, and new brands) and non-food items (i.e., cooking appliances) to differentiate itself from other Asian groceries. However, SMAGR8 had deliberately removed some of the name brands of fast-moving popular items, like the “Rose” brand of rice from their shelves, due to poor support it received from the three big suppliers in Melbourne. Despite the popularity of these name brands, SMAGR8 downgraded them to low strategic importance. This Asian grocer had turned to
rely on the alternative name brands, though the cost was higher. The exclusion of the big three suppliers in Melbourne and the dependence on alternative name brand suppliers (i.e., S81) created a “high” supply risk situation for SMAGR8 as far as these alternative name brands of dried food are concerned. However, fast-moving items supplied by S82 and S83 suppliers were not considered of “high” supply risk because these items were either the non-popular brands or new brands.

Slow-moving dried goods and miscellaneous non-food items were not on SMAGR8’s priority list. Because the slow-moving dried goods and miscellaneous non-food items were readily available in the market, SMAGR8 regarded them as of low supply risk. Figure 4.8.2 shows SMAGR8’s SRM strategies for the four cells in the Kraljic Matrix (1983).

<table>
<thead>
<tr>
<th>High Strategic Importance</th>
<th>Low Supply Risk</th>
<th>High Strategic Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Fast-moving dried goods (e.g., rice &amp; sauces) &amp; non-food (e.g., cooking appliances)</td>
<td>SMAGR8 &lt; S82</td>
<td>Compliance &amp; Relationship Maintenance</td>
</tr>
<tr>
<td>• Fast-moving dried goods (e.g., noodles &amp; sauces) &amp; new brands dried goods</td>
<td>SMAGR8 &gt; S83</td>
<td>Opportunistic</td>
</tr>
<tr>
<td>• Slow-moving dried goods (e.g., dried abalones and shark fins)</td>
<td>SMAGR8 = S82</td>
<td>Transactional</td>
</tr>
<tr>
<td>• Non-foods (e.g., miscellaneous)</td>
<td>SMAGR8 Ø S84</td>
<td>Indifferent</td>
</tr>
<tr>
<td>• Alternative name brands of dried goods (e.g., “Crystal Flower” and “Lion” rice brands)</td>
<td>SMAGR8 &lt; S81</td>
<td>Compliance &amp; Relationship Building</td>
</tr>
<tr>
<td>• Popular name brand dried goods (e.g., “Rose” rice brand)</td>
<td>SMAGR8 &lt; Suppliers</td>
<td>Avoidance</td>
</tr>
</tbody>
</table>

Figure 4.8.2: SMAGR8’s SRM Portfolio
5.1. SMAGRs’ SUPPLIER RELATIONSHIP MANAGEMENT STRATEGIES

The within-case analysis reveals that the eight SMAGRs used a mix of ten strategies to manage their suppliers. These 10 SRM strategies are the behavioural manifestation of the strategic intent of the eight case SMAGRs to leverage their relationships with suppliers to gain competitive advantage. To capture the characteristics of these ten SRM strategies, the following labels have been used in the within case analysis: avoidance, benefit creation, compliance, hedging, indifference, mutually supportive, opportunistic, relationship building, relationship maintenance, and transactional. Broadly, these ten SRM strategies can be categorised into five major postures, which depict a continuum anchored by a “rejection” position at one end and an “acceptance” attitude at the other. Table 5.1 summarizes the distinctive characteristics and strategic intent of the five SRM postures and their corresponding strategies.
<table>
<thead>
<tr>
<th>SRM Category</th>
<th>SRM Strategy Posture</th>
<th>Distinguished Characteristics</th>
<th>Strategic Intent</th>
<th>Illustrative Examples</th>
<th>Circumstances Driving Adoption of SRM Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rejection</td>
<td>1. Avoidance</td>
<td>- Deliberately not purchasing from a supplier regardless of its potential value to business.</td>
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<tr>
<td></td>
<td></td>
<td>- To avoid adjusting business practices to meet “unreasonable” supplier terms and conditions</td>
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<td></td>
<td></td>
<td>- To deliberately keep away from dealing with opportunistic or unreliable suppliers.</td>
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<td></td>
<td></td>
<td>- Actions taken by SMAGR8 to stop ordering goods from big suppliers of popular dried goods brands when the latter became non-responsive to its needs for scheduled delivery and supplying goods of consistent quality.</td>
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<td></td>
<td></td>
<td>- The “avoidance” strategy was applied to “bottleneck” items where the supplier dominated the relationship (i.e., SMAGRs &lt; Ss).</td>
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<td></td>
<td></td>
<td>- Suppliers’ attitude towards SMAGRs which is not supportive and discourages SMAGRs in maintaining the relationship was seen as the main reason for the adoption of avoidance strategy.</td>
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<tr>
<td>Arms-length</td>
<td>2. Transactional</td>
<td>- Confining business relationship with suppliers strictly to a needed transaction without any attempt to developing a continuing relationship.</td>
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<td></td>
<td></td>
<td>- Treating each business exchange as a “one-off” episode.</td>
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<td></td>
<td></td>
<td>- To source strategic and non-strategic items according to offered price in business dealings.</td>
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<td></td>
<td></td>
<td>- Purchase practice of all SMAGRs, except SMAGR5 and SMAGR8, at wholesale fruit market based on price and quality of fruit.</td>
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<td></td>
<td></td>
<td>- Purchase practice of SMAGR2 and SMAGR3 at wholesale flower market to buy from price-competitive fresh flower suppliers or those with wide variety of seasonal flowers.</td>
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<td></td>
<td></td>
<td>- Purchase practice of SMAGR1, SMAGR2 and SMAGR4 to buy high-value, slow-moving items (e.g., shark-fins and dried abalones) from suppliers offering the most competitive prices.</td>
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<tr>
<td></td>
<td></td>
<td>- The “transactional strategy” was applied to “non-critical” items in three situations: (1) SMAGRs = Ss, (2) SMAGRs &gt; Ss and (3) SMAGRs Ø Ss.</td>
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<tr>
<td></td>
<td></td>
<td>- SMAGRs also applied this strategy with supplies of “leverage items” in the last situation (i.e., SMAGRs Ø Ss).</td>
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<td></td>
<td></td>
<td>- SMAGRs’ business focus and market situation were considered the main reasons for choosing the transactional strategy.</td>
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<td>3. Indifference</td>
<td>- Displaying little or no interest in favour gestures offered by suppliers to strengthen business relationship.</td>
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<td></td>
<td>- To limit business relationship to status quo with no inclination to developing it further.</td>
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<td></td>
<td>- All SMAGRs’ (except SMAGR1) treatment of miscellaneous (e.g., newspapers and phone cards) suppliers by showing little or no interest on the latter’s preferential treatment offers (i.e., higher commission for taking a larger quantity)</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>- SMAGR1’s, SMAGR3’s and SMAGR4’s treatments of fresh, home-cooked food suppliers by not accepting the latter’s preferential treatment offer (i.e., accepting more fresh, home-cooked foods to sell)</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>- The “indifferent strategy” was applied to “non-critical” items where SMAGRs dominated the supplier (i.e., SMAGRs &gt; Ss) and where SMAGRs were in the independent relationship with suppliers (i.e., SMAGRs Ø Ss).</td>
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<tr>
<td></td>
<td></td>
<td>- The market condition is considered as one of main reasons for SMAGRs in choosing the transactional strategy.</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SRM Category</td>
<td>SRM Strategy Postures</td>
<td>Distinguished Characteristics</td>
<td>Strategic Intent</td>
<td>Illustrative Examples</td>
<td>Circumstances Driving Adoption of SRM Strategy</td>
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<tr>
<td><strong>Collaborative</strong></td>
<td>4. Relationship Maintenance</td>
<td>- Keeping a routine repertoire of interactive activities with suppliers</td>
<td>- To keep a good trading relationship with supportive suppliers to: (1) secure several reliable supply sources for leverage items, and (2) ensure high supplier responsiveness.</td>
<td>- Efforts made by all SMAGRs to: (1) keep a relatively constant volume of goods ordered from dried goods suppliers, (2) provide up-to-date market information to suppliers, (3) pay big suppliers on-time, and (4) commit to honour negotiated trading terms from dried goods suppliers. - Actions taken by SMAGR1, SMAGR2 and SMAGR3 to spread orders of fresh vegetables from different suppliers offering comparable price and quality.</td>
<td>- The &quot;relationship maintenance&quot; strategy was applied to &quot;leverage&quot; items in three situations: (1) SMAGRs &lt; Ss, (2) SMAGRs = Ss and (3) SMAGRs Ø Ss - SMAGRs also applied this strategy with supplies of “non-critical” items in the last situation (i.e., SMAGRs Ø Ss) - SMAGRs’ business focus is seen as one of primary reasons for the strategy adoption.</td>
</tr>
<tr>
<td><strong>Benefit Creation</strong></td>
<td>5. Strategic</td>
<td>- Strategically offering favourable purchase terms and conditions to entice suppliers to perceive offers as operationally beneficial.</td>
<td>- To increase bargaining power in business dealings with suppliers - To reduce chances for suppliers to act opportunistically.</td>
<td>- Deliberate attempt by SMAGR5 to offer cash payment to suppliers for all its purchases to entice suppliers to agreeing to supply goods at lower prices and favourable trading terms.</td>
<td>- The “benefit creation strategy” was applied to “strategic” items when SMAGRs dominated the supplier relationship (i.e., SMAGRs &gt; Ss). - The SMAGRs’ operational characteristic (i.e., COD payment) is considered as one of main reason for choosing the strategy.</td>
</tr>
<tr>
<td>SRM Category</td>
<td>SRM Strategy Postures</td>
<td>Distinguished Characteristics</td>
<td>Strategic Intent</td>
<td>Illustrative Examples</td>
<td>Circumstances Driving Adoption of SRM Strategy</td>
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</tr>
<tr>
<td>Collaborative</td>
<td>6. Relationship Building</td>
<td>- Offering “new” favour gestures to suppliers to further enhance business relationships without necessarily asking for reciprocal gestures from suppliers.</td>
<td>To build new relationship with suppliers of strategic items, to: (1) expand variety of strategic items sourced, (2) secure alternative supply sources, (3) obtain high responsive service, (4) obtain flexible payment terms, and (5) obtain more opportunities to retail strategic items.</td>
<td>- SMAGR4’s deliberate attempt to: (1) progressively increase its orders of new brand dried goods from small suppliers, (2) promote new types of dried goods to customers to increase sales (and popularity) of selected goods from small dried-goods suppliers; and (3) voluntarily provide up-to-date market information on different range of goods to small suppliers. - SMAGR6’s efforts to: (1) gradually increase volume of orders from fresh, home-cooked foods suppliers, and (2) actively promote fresh, home-cooked food to customers. - SMAGR8’s effort to: (1) increase orders from big suppliers of alternative brands of popular dried goods, (2) promote substitute brands of dried goods to customers to boost sales (and hence volume) of goods ordered from these suppliers, and (3) actively offer updated market demand information and supply prices of various types of goods to supportive suppliers.</td>
<td>- The “relationship building strategy” was applied to “leverage” items when SMAGRs = Ss and SMAGRs &gt; Ss. - SMAGRs also employed this strategy for dealing with “strategic” item suppliers when SMAGRs &lt; Ss. - The relevant power base is considered as one of main reasons for SMAGRs choosing this strategy.</td>
</tr>
</tbody>
</table>

<p>| 7. Mutually Supportive | - Reciprocating to favour gestures offered by suppliers by showing strong commitment to improving collaborative relationships or by returning comparable or greater benefits to suppliers. | To strengthen long-term business relationship with value suppliers to retain: (1) exclusive agent status to retail strategic items, and (2) a stable supply source for strategic items. | SMAGR2’s and SMAGR3’s attempt to reciprocate favours from suppliers holding exclusive supply rights for “Monkey” and “Chicken” durian brands by: (1) settling invoices earlier than scheduled date, (2) making cash payment for small orders, and (3) placing orders on fast-moving goods at frequent intervals. | - The “mutually supportive strategy” was applied to “strategic” items when suppliers dominated the relationship (i.e., SMAGRs &lt; Ss) and “leverage” items when SMAGRs were in an interdependent relationship (i.e., SMAGRs = Ss). - The SMAGRs’ operational characteristic and business focus are considered as one of main reason for choosing the strategy. |</p>
<table>
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<tr>
<th>SRM Category</th>
<th>SRM Strategy Postures</th>
<th>Distinguished Characteristics</th>
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<th>Circumstances Driving Adoption of SRM Strategy</th>
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<tr>
<td>Advantage-seeking</td>
<td>8. Opportunistic</td>
<td>- Taking advantages of dependency position of suppliers to increase benefits from business exchange.</td>
<td>- To obtain additional benefits by capitalizing on dominant power position over suppliers.</td>
<td>- Pressures exerted by all SMAGRs on small suppliers of dried goods to accept offered prices and trading terms.&lt;br&gt;- Pressure exerted by SMAGR1, SMAGR2, SMAGR4, SMAGR6 and SMAGR8 to coerce small suppliers to agree with stipulated terms (i.e., payment term, market testing time and return condition) for retailing new products.&lt;br&gt;- Threats to suspend payment made by SMAGR1, SMAGR2 and SMAGR3 to force small fresh vegetables suppliers to reduce fresh produce prices.&lt;br&gt;- Actions taken by SMAGR2 to:&lt;br&gt;- pressure dried goods suppliers to sell &quot;nearly expired&quot; items at special prices and accept condition of returning unsold goods,&lt;br&gt;- coerce fresh vegetables suppliers to sell &quot;over-produced&quot; fresh vegetables at very low prices, and&lt;br&gt;- force fresh, home-cooked suppliers to consign a larger range of fresh produce and a greater quantity of food sample for customers to try out.</td>
<td>- The “opportunistic strategy” was applied to “leverage” items where SMAGRs = Ss and SMAGRs &gt; Ss&lt;br&gt;- SMAGRs’ operational characteristic is seen as one of primary reasons for the strategy adoption.</td>
</tr>
<tr>
<td>SRM Category</td>
<td>SRM Strategy Postures</td>
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<td>Strategic Intent</td>
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<tr>
<td>Advantage-seeking</td>
<td>9. Hedging</td>
<td>- Actively promoting competition among suppliers of same or comparable items to gain trading advantage.</td>
<td>- To create competition among suppliers to: (1) minimize purchase price, (2) reduce supply risk, (3) reduce dependence on big suppliers, (4) increase variety of goods sold, and (5) ensure responsive services (e.g., on-time deliveries).</td>
<td>- Deliberate moves employed by SMAGR1, SMAGR2, SMAGR3, SMAGR4 and SMAGR5 to: (1) periodically source goods from at least two dried goods suppliers based on lowest price, (2) regularly promote at least one other less known brand of dried goods to weaken power of exclusive suppliers, and (3) maintain a large number of dried goods suppliers to gain price concessions and ensure continuity of supply and responsive service.</td>
<td>- The “hedging strategy” was applied to “leverage” items when SMAGRs = Ss and SMAGRs &gt; Ss. - The SMAGRs’ operational characteristic and business focus are considered as the main reasons for choosing the strategy.</td>
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</tbody>
</table>

| Acceptance | 10. Compliance | - Accepting suppliers’ terms in total with little or no attempts to negotiate for variations to suppliers’ terms and conditions - Passive acceptance | - To maintain business relationship with suppliers to: (1) ensure uninterrupted supply of strategic items, and/or (2) retain position as exclusive agent for selling strategic items. | - Willingness of all SMAGRs to accept terms and conditions stipulated by big exclusive suppliers of popular brands of fast-moving dried goods. - Steps taken by SMAGR2 and SMAGR3 to achieve sale targets set by big suppliers with exclusive rights to supply high demand “Monkey” and “Chicken” durians. | - The “compliance strategy” was applied to “strategic” items where suppliers dominated the relationship (i.e., SMAGRs < Ss). - SMAGRs’ business focus as well as relevant power base between SMAGRs and its suppliers are the main reasons for SMAGRs choosing the strategy. |
**Rejection Posture**

From a buyer’s perspective, a rejection posture takes the position of refusing the terms and conditions of the supplier. The SRM strategy under this posture is avoidance. A buyer not prepared to be the object of the supplier’s sharp practices might opt for an avoidance strategy, especially if the costs of meeting the supplier’s terms and conditions far outweigh the expected benefits. Equally, buyers would avoid suppliers who failed to deliver as promised, though the buyer was prepared to meet the terms of the supplier, no matter how steep they were. This was the case with SMAGR8. SMAGR8 opted to stop purchasing from one of the big suppliers that held the exclusive right to supply “Rose” rice in Victoria, forgoing the opportunity to retail one of the most popular rice brands. According to the owner of SMAGR8, the concerned supplier repeatedly failed to deliver the product as per their agreed schedule.

**Arms-length Posture**

SRM literature characterises an arms-length posture as a relationship based principally on individual party’s interests and needs (Cox 2004a), which mainly focus on price benchmarking resulted from tough negotiations, short-term contracts and multiple sourcing (Tang, JE, Shee & Tang 2001), a low level of operational linkages (e.g., information sharing and specific investment), face-to-face communication, short-term view and little adaptation to changing market (Ali, Smith & Saker 1997; Cox et al. 2004; Gadde, LE & Snehota 2000). Concentration is placed on price, which is shown through tough negotiations, short-term contracts and multiple sourcing. The within-case analysis identified
two SRM strategies used by SMAGRs belonging to such a posture: transactional and indifferent. In a buyer-supplier relationship, a transactional strategy denotes a situation when both parties show no interest in building a closer relationship out of their trading exchange. Both parties are treating each exchange relation as a one-off episode, i.e., strictly transactional. The primary concern of a transactional strategy is minimization of transaction cost, which is the central premise of transaction cost economics (Rindfleisch & Heide 1997; Williamson 1979, 1981a, 2008). The purchasing practices of most SMAGRs (except SMAGR5 and SMAGR8) at the wholesale fruit market and the buying behaviour of SMAGR1, SMAGR4, SMAGR5, SMAGR6, SMAGR7 and SMAGR8 at the wholesale fresh flower market are examples. These SMAGRs would typically procure from vendors that offered the most competitive price on the day of the visit, though preference would be given to those they already had prior purchase experience. SMAGR1, SMAGR2 and SMAGR4 also adopted the transactional strategy in their business dealing with big suppliers of high-value, slow-moving items (e.g., shark-fins and dried abalones).

The second SRM strategy falling under the arms-length posture is the indifferent strategy. Similar to the case of the transactional strategy, buyers embracing an indifferent strategy in a buyer-supplier relationship do not have the intention of further developing the relationship with the supplier. The main difference between the transactional and indifferent strategies is that in the case of the latter, the supplier had the intention of building a closer relationship with the buyer and initiated the move to offer the buyer some
appreciable benefits. The buyer, however, remained disinterested. An example would be when a supplier offered a higher commission or price discount to a retailer to encourage the latter to purchase a larger quantity of a particular item, but the retailer was not a bit excited about the “attractive” offer. This was the case with the phone card vendors who offered the case SMAGRs a higher commission rate, if they agreed to take a higher quantity of phone cards each month. None of the case SMAGRs was moved by the offer. The same indifferent attitude was displayed by SMAGR1, SMAGR3 and SMAGR4 toward fresh, home-cooked food suppliers. These three SMAGRs rejected the offer of a higher commission to allow the fresh, home-cooked food consignors to place a higher quantity of their products at their shops, though taking additional items of the latter’s products literally cost the former nothing. A buyer showing an indifferent attitude toward an offer by the supplier thus suggests that the buyer see no value in the supplier’s offer and are not interested in further developing its relationship with the supplier.

_Collaborative Posture_

In contrast to the arms-length posture, a collaborative attitude in a dyadic exchange relationship implies that both parties in the exchange have the intention to work together to create value out of the relationship. From the within-case analysis, four SRM strategies were observed to fall within the collaborative posture: relationship maintenance, benefit creation, relationship building and mutually supportive.
Relationship maintenance may be regarded as the most basic form of collaboration between buyers and suppliers. In relationship maintenance, both parties in a dyadic exchange appreciate the need to preserve the business relationship for a number of reasons, though either party may not be expending extra efforts to grow the relationship to a higher level. In other words, both buyers and suppliers recognize the value of trading with the same party in future. In a sense, relationship maintenance may be regarded as the maturing of a transactional relationship. Keeping a routine repertoire of interactive activities with suppliers to maintain the trading relationship is the hallmark of relationship maintenance. Keeping a relatively constant volume of goods ordered from dried goods suppliers, providing up-to-date market information to suppliers, paying big suppliers on-time and committing to honour negotiated trading terms from dried goods suppliers are examples of the routine repertoire of interactive activities carried out by all eight SMAGRs to maintain a business relationship with suppliers of leverage items. Another example of relationship maintenance is actions taken by SMAGR1, SMAGR2 and SMAGR3 to spread their orders of fresh vegetables across different suppliers offering the same price and quality. In most instances, relationship maintenance was used by SMAGRs to preserve a good trading relationship with supportive suppliers to secure several reliable supply sources for leverage items and to ensure supplier responsiveness.

From the buyer’s perspective, benefit creation is a SRM strategy employed to entice suppliers to agreeing to supply goods at terms favourable to the buyer.
In a sense, this strategy is the exact opposite to the indifferent strategy. In the case of the indifferent strategy, the supplier takes the initiative to build a closer relationship with the buyer. With the benefit creation strategy, it is the buyer who proposes to offer suppliers “extra” benefits. In a sense, the benefit creation strategy may be regarded as the first step toward cultivating a close working relationship. Actions initiated by SMAGR5 to offer cash payment for all its purchases to entice suppliers to agreeing to supply goods at lower prices and terms favourable to SMAGR5 are illustrative of a benefit creation strategy. Other than enticing suppliers to agreeing to supply goods at lower prices and favourable terms, SMAGR5 also used this strategy to increase its bargaining power in business dealings with suppliers and to reduce the chances for suppliers to act opportunistically.

Closely linked to benefit creation is the relationship building strategy. Similar to benefit creation, relationship building also requires buyers to initiate actions to draw suppliers to a closer business relationship. The main difference between the two strategies is that relationship building only applies where a collaborative arrangement already exists between the buyer and the supplier. Buyers initiating actions to build relationships with suppliers do not necessarily expect suppliers to reciprocate. The gestures of offering “new” favours (i.e., in addition to what already existed) are primarily for purposes of strengthening existing ties. An example of relationship building strategy being practised is SMAGR4’s deliberate attempt to progressively increase its orders of new brand dried goods from small suppliers and to voluntarily offer up-to-date market
information on different range of goods to small suppliers. SMAGR6’s efforts to gradually increase its order volume of fresh, home-cooked foods and to promote these items actively to customers are also evidence of relationship building strategy in action. The strategic intents in relationship building on the part of SMAGRs are typically to secure alternative supply sources (i.e., reduce supply risk); to obtain favourable deals from buyers (e.g., flexible payment terms); and to increase opportunities to retail a greater variety of strategic items.

The last SRM strategy within the collaborative posture is mutually supportive. This strategy may be regarded as the “pinnacle” of a collaborative relationship between SMAGRs and their suppliers. As the name implies, a mutually supportive strategy signifies that both buyers and suppliers acknowledge the gestures, and motives, of each other beyond maintaining a healthy business relationship to create mutually beneficial outcomes for each other through their exchange relationships. From the perspective of small buyers, the strategic intent of a mutually supportive strategy are twofold: to build a closer long-term business relationship with value suppliers to obtain preferential treatment, such as gaining or retaining the exclusive agent status to retail strategic items, and to be assured of a stable supply source for strategic items. Steps taken by SMAGR2 and SMAGR3 to reciprocate big suppliers for granting them exclusive agency rights to sell “Monkey” and “Chicken” durians are examples of a mutually supportive strategy. Other “self-initiated” actions of SMAGR2 and SMAGR3 included settling invoices earlier than the agreed
payment date, making cash payment for small orders, and placing orders on fast-moving goods at frequent intervals. Similar gestures offered by SMAGR2 and SMAGR3 to reciprocate the preferential treatment accorded by big fresh vegetable suppliers are another example of a mutually supportive strategy.

**Advantage-seeking**

Two of the SRM strategies used by the case SMAGRs can be classified under the advantage-seeking posture: opportunistic and hedging. As has been widely documented in the literature (e.g., Chung 2012), in a dyadic exchange relationship, the opportunistic strategy is commonly employed by the more powerful party to coerce the less powerful one into accepting trading terms that favour the former by capitalising on the dependence position of the latter. The case SMAGRs also behaved in a similar manner, using a number of tactics to compel suppliers in a dependent position to comply with their purchasing terms. Examples of opportunistic tactics used by SMAGRs included steps taken by all SMAGRs to pressure small suppliers of dried goods to accept prices and trading terms. Efforts made by SMAGR1, SMAGR2 and SMAGR3 to force small fresh vegetables suppliers to reduce prices of fresh produce by suspending payments. SMAGR1, SMAGR2, SMAGR4, SMAGR6, SMAGR7 and SMAGR8 also used this strategy to dictate purchase terms, such as easy payment terms, conditions for return of unsold goods and an initial trial period, on suppliers wanting them to promote new brands of goods.
Hedging is another advantage-seeking strategy SMAGRs commonly used to obtain favourable trading terms by profiting from the competition between suppliers. In most instances, SMAGRs would create competition among suppliers of same or comparable items by openly purchasing from several suppliers (i.e., with the knowledge of all concerned suppliers). For instance, taking advantage of the competition among suppliers, SMAGR1, SMAGR2, SMAGR3, SMAGR4 and SMAGR5 periodically sourced goods from at least two dried goods suppliers based on the lowest price. These five Asian grocers would maintain a business relationship with a large number of dried goods suppliers to gain price concessions, ensure continuity of supply and responsive service, reduce transaction and inventory carrying costs and enlarge the variety of goods sold. For instance, all the eight SMAGRs employed this strategy to gain price concessions from small suppliers by purchasing the same items from several of them. They would also regularly promote at least one other less known brand of dried goods to weaken the power of exclusive suppliers and reduce supply risk as well as to enhance their attractiveness by expanding the variety of goods sold. Indirectly, the hedging strategy was employed by SMAGRs to bolster their buying power, giving them an “unexpected” (to the supplier) bargaining edge when dealing with the more powerful suppliers.

Acceptance Posture

In a dyadic exchange relation, an acceptance posture indicates a willingness to meet what the other party requires. The acceptance posture thus evokes a
compliance strategy. Compliance in the context of SRM would imply total acceptance of all purchase terms stipulated by the supplier, including the sales target set. SMAGRs embraced this strategy to obtain an assured supply of popular brands of fast-moving goods from suppliers, especially those holding exclusive rights to some of the popular name brands, e.g., “Rose” rice, “Three Crabs” fish sauce and “Monkey” durian. With the exception of SMAGR8, all the other seven SMAGRs typically adopted this strategy when dealing with suppliers holding the exclusive right to supply the “Rose” rice brand.

5.2 HOW SMAGRs MANAGED THEIR SUPPLIERS UNDER DIFFERENT CIRCUMSTANCES

Section 5.1 has explained the 10 SRM strategies SMAGRs used to manage their suppliers. This section will discuss how SMAGRs employed the 10 SRM strategies, either singly or in combination, to manage their suppliers in accordance with the strategic importance of the items sourced, the supply risk surrounding the sourcing of the items, and the relative power situations SMAGRs were in when dealing with suppliers of those items. To facilitate the analysis, the background characteristics of the eight case SMAGRs are first recapped, as summarised in Table 5.2.

5.2.1 Background Characteristics of the Case SMAGRs
Of the eight case SMAGRs, three (SMAGR1, SMAGR2 and SMAGR3) were located in the wet market, which gave them substantial exposure to a very
large shopping population. These three SMAGRs were also among the largest in terms of shop size and storage facilities. All three focused on fresh fruit and vegetables as their primary sales items, while SMAGR2 and SMAGR3 also traded in fresh flowers. SMAGR2, however, also placed strong emphasis on retailing fresh, home cooked foods. In terms of establishment history, SMAGR1 was established by its present owner, while SMAGR2 and SMAGR3 were both bought over from their relatives. As such, while SMAGR1 focused on supplies of brand name items and price competitiveness in selecting suppliers, SMAGR2 and SMAGR3 picked their suppliers based on the relationships already established by the relatives.

SMAGR4 was the only case SMAGR that retailed live sea-food. Located in a busy Asian shopping strip, SMAGR4 selected its suppliers based on their willingness to offer flexible payment terms, in addition to low price and availability of brand name goods. SMAGR5 had the worst location among the eight cases, located in a commercial shopping mall, with a relatively small presence of Asian shoppers. However, it offered cash payments for all its purchase as a way to obtain low price for its supplies.

Like SMAGR4, SMAGR6, SMAGR7 and SMAGR8 were all located in Asian shopping strips. These three SMAGRs were the smallest among the eight in shop size and depended substantially on suppliers who could offer low price for fast-moving goods. Among the three, SMAGR6 placed strong emphasis on selling fresh, home-cooked foods and was a strong supporter of fresh, home-
cooked food suppliers. SMAGR8 was the only one which did not retail the popular Rose brand rice due to its very disappointing experience with its suppliers. As a result, SMAGR8 opted to retail alternative brands of rice and also focused on retailing cooking appliances as one of its main sales items.
Table 5.2: Cross-case Comparison on SMAGRs’ Business Characteristics

<table>
<thead>
<tr>
<th>SMAGRs</th>
<th>SMAGR1</th>
<th>SMAGR2</th>
<th>SMAGR3</th>
<th>SMAGR4</th>
<th>SMAGR5</th>
<th>SMAGR6</th>
<th>SMAGR7</th>
<th>SMAGR8</th>
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<tbody>
<tr>
<td><strong>Business Background</strong></td>
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<tr>
<td>Business establishment</td>
<td>Started existing business</td>
<td>Bought over an established business from relatives</td>
<td>Bought over an established business from relatives</td>
<td>Bought over an established business</td>
<td>Bought over an established business</td>
<td>Bought over an established business from relatives</td>
<td>Started existing business</td>
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<td><strong>Operational Characteristics</strong></td>
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<tr>
<td>- Size (SSL&lt;sup&gt;2)&lt;/sup&gt;)</td>
<td>7 – 8 SSLs&lt;sup&gt;17&lt;/sup&gt;</td>
<td>6 – 7 SSLs&lt;sup&gt;17&lt;/sup&gt;</td>
<td>5 – 6 SSLs&lt;sup&gt;17&lt;/sup&gt;</td>
<td>4 – 5 SSLs&lt;sup&gt;17&lt;/sup&gt;</td>
<td>3 – 4 SSLs&lt;sup&gt;17&lt;/sup&gt;</td>
<td>= SSLs&lt;sup&gt;17&lt;/sup&gt;</td>
<td>= SSLs&lt;sup&gt;17&lt;/sup&gt;</td>
<td>= 1.5 SSLs&lt;sup&gt;17&lt;/sup&gt;</td>
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<tr>
<td>- Location</td>
<td>Wet market</td>
<td>Wet market</td>
<td>Wet market</td>
<td>Asian shopping strip</td>
<td>Commercial shopping mall</td>
<td>Asian shopping strip</td>
<td>Asian shopping strip</td>
<td>Asian shopping strip</td>
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<tr>
<td>- Goods storages</td>
<td>One large cold storage room for vegetables and one large storage room for dried goods.</td>
<td>One large cold storage room for vegetables and one large storage room for dried goods.</td>
<td>One large cold storage room for vegetables.</td>
<td>One medium storage room for dried goods.</td>
<td>One medium storage room for dried goods.</td>
<td>One small storage room for dried goods.</td>
<td>One small storage room for dried goods.</td>
<td>Used negotiated suppliers’ storage facilities for dried goods &amp; cooking appliances.</td>
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<tr>
<td>- Payment capability</td>
<td>Credit</td>
<td>Credit</td>
<td>Credit</td>
<td>Credit</td>
<td>COD&lt;sup&gt;16&lt;/sup&gt;</td>
<td>Credit</td>
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<td><strong>Business Focus or Strategies</strong></td>
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<td>- Low price / competitive pricing</td>
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<td>- Fast turn-over</td>
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<td>- Exclusive right to sell popular &amp; new branded items</td>
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<td>- “One-stop” shop for extensive range of Asian groceries</td>
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<td><strong>Basis for Selecting Suppliers</strong></td>
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<tr>
<td>- Price competitiveness</td>
<td>Strength of established relationship</td>
<td>Strength of established relationship</td>
<td>Strength of established relationship</td>
<td>- Brands (popular and new brands)</td>
<td>- Price competitiveness</td>
<td>- Price competitiveness</td>
<td>- Price competitiveness</td>
<td>- Price competitiveness</td>
</tr>
<tr>
<td>- Brands (exclusive/ nonexclusive)</td>
<td>- Saleability of goods supplied</td>
<td>- Flexibility in payment terms</td>
<td>- Saleability of goods supplied</td>
<td>- Saleability of goods supplied</td>
<td>- Saleability of goods supplied</td>
<td>- Saleability of goods supplied</td>
<td>- Saleability of goods supplied</td>
<td>- Supplier responsiveness</td>
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<tr>
<td>- Saleability of goods supplied</td>
<td>- Price competitiveness</td>
<td>- Price competitiveness</td>
<td>- Price competitiveness</td>
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Note: (1) The size of the retail shops of the 8 SMAGRs were rated relative to each other using the standard shop lot as a common denominator. (2): SSL – Standard shop lot which typically measures around 60 sq. m, based on self-measurement of the investigator in several shops in 3 Asian dominated suburbs in Melbourne. (3): COD – Cash on delivery
5.2.2 Supplier Relationship Management in a Supplier Dominant Situation

Without exception, all eight case SMAGRs valued a strong cash flow. Fast-moving popular brand goods, such as “Rose” rice and “Three Crab” fish sauce that could generate a strong cash-flow were of strategic importance to them. Because the exclusive supply rights of most of the fast-moving popular brand goods were separately held by the few big Asian grocery suppliers in Melbourne, the supply risks of these strategic items were high. Needless to elaborate, big suppliers holding the exclusive rights to supply different brand name items, which were in high demand, tended to dominate in their business dealings with SMAGRs. As Figure 5.1 shows, compliance, either by itself or applied in conjunction with another strategy, was the predominant SRM strategy adopted by all SMAGRs, giving rise to the first working proposition:

**Proposition 1:** In a supplier dominant situation, SMAGRs are most likely to adopt a compliance strategy to procure items of high strategic importance.

Figure 5.1 also shows that the compliance strategy was also used in combination with either the mutually supportive strategy or the relationship building strategy for strategic items. Two of the SMAGRs (SMAGR2 and SMAGR3) combined compliance with the mutually supportive strategy to manage suppliers of strategic items, while only SMAGR8 blended compliance with relationship building to manage these big suppliers of strategic items. SMAGR2 and SMAGR3 shared a similar ownership background. Both were
established businesses the present owners bought over from their relatives. The two businesses, as such, were lucky to naturally continue the long-standing relationships their relatives already established with the big suppliers of popular brand name items and fresh vegetable suppliers. These two SMAGRs clearly saw the importance to continue strengthening the business relationships with these suppliers. Thus, both SMAGR2 and SMAGR3 reciprocated the preferential treatment these big suppliers had given them by voluntarily settling invoices earlier than the due payment date, making cash payment for small orders, and actively promoting these items to their customers as a way to support these suppliers.

**Proposition 1a:** In a supplier dominant situation, SMAGRs already have an established business relationship with suppliers of strategic items are likely to embrace a mutually supportive strategy, in addition to being compliant, to further strengthen their relationship with the supplier.
Among the eight case SMAGRs, SMAGR8 was the only one embracing a compliant cum relationship building strategy to manage suppliers of strategic items. SMAGR8 was also the only SMAGRs that did not retail the popular “Rose” rice, as this Asian grocer felt betrayed by its supplier who failed to honour its promise to deliver SMAGR8’s orders according to schedule. As a result, SMAGR8 turned to suppliers of alternative brands of rice. Recognising the precarious position it was in and satisfied with the support service given by suppliers of alternative rice brands, SMAGR8 made an effort to cultivate a close working relationship with them by progressively increasing its orders.

Figure 5.1: SMAGRs’ SRM Strategies under a Supplier Dominant Situation
actively promoting these substitute brands to customers, and providing market intelligence on competing products to support the suppliers. While SMAGR8’s case may be unique among the eight cases, it is sufficient to show that:

**Proposition 1b:** *In a supplier dominant situation, SMAGRs that have chosen to avoid suppliers of popular brands of strategic items are likely to commence building close relationships, in addition to being compliant, with suppliers of substitute brands of the same strategic items.*

The experience of SMAGR8 also shows that though suppliers of strategic items were important to support the cash flow of SMAGRs, these suppliers were not indispensable. SMAGRs dissatisfied with the services of these unresponsive suppliers would opt to adopt an avoidance strategy and sought for substitute brands, moving the supposedly strategic items to the position of bottleneck items, as what SMAGR8 did.

**Proposition 2:** *In a supplier dominant situation, SMAGRs dissatisfied with the services of suppliers of popular brands of strategic items are likely to adopt an avoidance strategy toward these suppliers by ignoring the high strategic importance of those items.*

Figure 5.1 also indicates that three of the SMAGRs, SMAGR6, SMAGR7 and SMAGR8, adopted a compliant plus relationship maintenance strategy to manage suppliers of leverage items. Given that these three suppliers were the
smallest of the eight case SMAGRs, i.e., with the least bargaining power, it is understandable that these three SMAGRs would not want to be in a position where they would need to look for new suppliers each time they procured such items, though the supply risk might not be high, i.e., alternatives were readily available. The shifting and searching costs could be high and the outcome might not be satisfactory. Besides, suppliers of leverage items to these three SMAGRs were also supplying them strategic items. Thus, SMAGR6, SMAGR7 and SMAGR8 opted for adopting a compliant plus relationship maintenance strategy to preserve a well-tested trading relationship for leverage items and ensuring a stable relationship for their strategic items.

**Proposition 3:** In a supplier dominant situation, SMAGRs that have little bargaining power are likely to employ a dual strategy of relationship maintenance and compliance to procure leverage items.

### 5.2.3 Supplier Relationship Management in an Interdependent Buyer-Supplier Relationship

Under an Interdependent Buyer-Supplier Relationship, the case findings only contain information pertaining to leverage and non-critical items (Figure 5.2). While leverage items were also of high strategic importance, their supply risk was not high, and because SMAGRs were no longer in a position subservient to their suppliers, none of the SMAGRs adopted the compliance strategy in this case. Instead four of the five SMAGRs involved, SMAGR1, SMAGR2, SMAGR3
and SMAGR4, used a mix of strategies - hedging, opportunistic, relationship maintenance, and mutually supportive – either singly or in various combination to deal with their suppliers. For instance, SMAGR2 employed the hedging strategy to manage its non-popular brand of fast-moving dried goods suppliers, but an opportunistic approach to deal with the same suppliers when they requested SMAGR2 for help to sell nearly-expired dried foods, and a combination of mutually supportive, relationship maintenance and opportunistic strategy to trade with fresh vegetable suppliers.

**Proposition 4:** In an interdependent buyer-supplier relationship, SMAGRs are most likely to use either one or a combination of the following strategies when sourcing leverage items: hedging, opportunistic, relationship maintenance, and mutually supportive.

Unlike the other four SMAGRs, SMAGR6 adopted a strategy of relationship building, rather than a combination of opportunistic, hedging, relationship maintenance and mutually supportive strategies, to deal with suppliers of leverage items. The main business feature that distinguished SMAGR6 from the other four SMAGRs was that it specialised in retailing home-made fresh food supplied on consignment. SMAGR6 was a strong supporter of home-made fresh food suppliers. In turn, home-made fresh food suppliers also placed their trust on SMAGR6 to promote their items. The two had a strong interdependent relationship.
**Proposition 4a:** In an interdependent buyer-supplier relationship, SMAGRs that have limited bargaining power and rely on supplies based on consignment are likely to employ a relationship building strategy to procure leverage items.

![Figure 5.2: SMAGRs’ SRM Strategies an Interdependent Buyer-Supplier Relationship](image)

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<tr>
<th>Strategic Importance</th>
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<td>Non-critical Items</td>
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<td>Transactional</td>
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<td>(SMAGR2, SMAGR4 &amp; SMAGR8)</td>
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<td>Bottleneck Items</td>
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<th>SMAGRs = Ss</th>
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<td>Leverage Items</td>
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<td>Relationship Maintenance</td>
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<td>Mutually Supportive, Relationship Maintenance &amp; Opportunistic</td>
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<td>Supply Risk</td>
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For non-critical items, even in a situation of interdependence, SMAGRs typically treated all their purchasing relationship with suppliers as a one-off episode, adopting a transactional strategy. In short, no efforts were expended to engage in any form of collaborative activities. This was the way SMAGR2, SMAGR4 and SMAGR8 dealt with the slow-moving dried food suppliers, through these SMAGRs held an interdependent relationship with them.

**Proposition 5:** In an interdependent buyer-supplier relationship, SMAGRs are most likely to adopt a transactional strategy for sourcing non-critical items.

5.2.4 Supplier Relationship Management in a Buyer Dominant Situation

Similar to the case of the interdependent relationship between buyer and supplier, the within-case findings concerning the buyer dominant situation do not have instances involving strategic and bottleneck items (Figure 5.3). For leverage items, i.e., goods of high strategic importance but low supply risks, SMAGRs would not hesitate to flex their muscle to exploit their suppliers using either the opportunistic or the hedging strategy. With the exception of SMAGR5, all SMAGRs took advantage of small popular dried foods suppliers, coercing them to accept trading terms favouring SMAGRs.

**Proposition 6:** In a buyer dominant situation, SMAGRs are most likely to adopt an opportunistic strategy for sourcing leverage items.
SMAGR1, the biggest among the eight case SMAGRs with a strong market power, and SMAGR5, the only SMAGR that offered cash payment to negotiate for favourable trading terms, both leveraged on their buying power to create intense competition between small suppliers of fast-moving dried goods. These two SMAGRs would routinely coerced some of these small suppliers to give them low prices and then used that offer to hedge against other small suppliers.

**Proposition 6a:** In a buyer dominant situation, SMAGRs that have relatively high bargaining power are likely to use a hedging strategy to procure leverage items.

SMAGR4, the only SMAGR that selected suppliers based on the latter’s ability to offer flexible payment terms, employed relationship building strategy to manage suppliers of new brands of dried foods. This was primarily because these suppliers of new brand dried foods were agreeable to allow SMAGR4 to make payments for their purchases flexibly, since these new brand suppliers needed SMAGR4 to retail their goods. This might be the only observed situation among the cases, but it does suggest that:

**Proposition 6b:** In a buyer dominant situation, SMAGRs that rely on flexible payment terms are likely to adopt a relationship building strategy for sourcing leverage items.
While SMAGR4 used relationship building to manage suppliers of new brand dried foods, SMAGR5 adopted benefit creation as a gimmick to exploit small dried goods suppliers. The tactics SMAGR5 employed was offering cash payment for all its purchases to bargain for low price. Because SMAGR5 did not have the locational advantages that SMAGR4 had, its creative ability to use cash payment to augment its bargaining power leads to the following proposition:

**Proposition 6c:** In a buyer dominant situation, SMAGRs with low market power wanting to obtain competitive pricing and supply priority are likely to employ a benefit creation strategy to procure leverage items.

Under a buyer dominant situation, SMAGRs were not devoting efforts to source non-critical items. The purchase of such items typically followed a transactional strategy. Even when suppliers attempted to offer attractive terms to entice SMAGRs into some collaborative arrangements, the attitude of SMAGRs was usually one of indifference, as was how SMAGR1 reacted to the consignment offer of small fresh home-cooked food suppliers.

**Proposition 7:** In a buyer dominant situation, SMAGRs are likely to employ either an indifferent or a transactional strategy for sourcing non-critical items.
Figure 5.3: SMAGRs’ SRM Strategies in a Buyer Dominant Situation

<table>
<thead>
<tr>
<th>SMAGRs &gt; Ss</th>
<th>Leverage Items</th>
<th>Strategic Items</th>
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<tbody>
<tr>
<td>High Strategic Importance</td>
<td>• Hedging (SMAGR1 &amp; SMAGR5)</td>
<td>• Opportunistic (SMAGR1, SMAGR2, SMAGR3, SMAGR4, SMAGR6, SMAGR7 &amp; SMAGR8)</td>
</tr>
<tr>
<td></td>
<td>• Relationship Building (SMAGR4)</td>
<td>• Benefit Creation (SMAGR5)</td>
</tr>
<tr>
<td>Low Strategic Importance</td>
<td>Non-critical Items</td>
<td>Bottleneck Items</td>
</tr>
<tr>
<td></td>
<td>• Indifferent (SMAGR1)</td>
<td></td>
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<td></td>
<td>• Transactional (SMAGR1)</td>
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Figure 5.3: SMAGRs’ SRM Strategies in a Buyer Dominant Situation
5.2.5 Supplier Relationship Management in an Independent Buyer-Supplier Relationship

Again, in a situation in which the relationship between buyers and suppliers is one of independent, the within-case findings do not show any instances involving strategic and bottleneck items. For leverage items, SMAGRs essentially adopted a transactional cum relationship maintenance strategy to manage their suppliers. This was the case with SMAGR1, SMAGR2 and SMAGR3, which all obtained their fresh fruit supplies from the wholesale market. These three SMAGRs normally would try to purchase from the same suppliers to maintain a supportive trading relationship. However, price would still be the ultimate determining transaction factor for each purchase visit.

**Proposition 8:** In an independent buyer-supplier relationship, SMAGRs are most likely to adopt a combination of transactional and relationship maintenance strategy to source leverage items.

For non-critical items, the most common strategy SMAGRs used was transactional, viewing each purchase as a one-off exchange. Even when suppliers were to offer generous benefits to entice SMAGRs into some collaborative ventures, the reaction was typically indifferent. For instance, SMAGR2 showed no interest in the higher commission rate offered by small phone-card suppliers and SMAGR3 was also not responsive to the above-market commission rate offered by fresh home-cooked food suppliers.
*Proposition 9:* In an independent buyer-supplier relationship, SMAGRs are likely to adopt either an indifferent or a transactional strategy for sourcing non-critical items.

However, when SMAGRs were keen to obtain preferential treatment from suppliers, they were seen to adopt a combination of transaction and relationship maintenance strategy. For instance, because purchasing fruit from the wholesale market generally required cash payment, SMAGR4 strategically elected to buy from the same few suppliers with the intention of cultivating a friendly relationship with those suppliers. On occasions when SMAGR4’s cash flow was tight, it would leverage on its loyalty to buy from the same suppliers to request for credit payment. SMAGR6 adopted the same tactics to manage its fresh fruit suppliers located at the wholesale market.

*Proposition 9a:* In an independent buyer-supplier relationship, SMAGRs that desire to obtain preferential payment terms occasionally from suppliers of non-critical items are likely to adopt a combination of transactional and relationship maintenance strategy.
Figure 5.4: SMAGRs’ SRM Strategies under Situations of Independent Buyer-Supplier Relationship
CHAPTER 6: DISCUSSIONS & CONCLUSION

This study examines how SMAGRs managed their relationships with suppliers within the context of the Asian grocery sector in Melbourne. Through the results of a multiple case study of eight SMAGRs, nine working propositions and seven sub-propositions were developed. These working propositions have both theoretical and practical implications.

6.1. Theoretical Implications of Working Propositions

From a theoretical perspective, the working propositions have unveiled three major insights that contribute directly to the literature on SRM: simultaneous use of a mix of SRM strategies; influence of power on choice of SRM approaches; and power base modification capability of SMAGRs.

6.1.1 Simultaneous use of a mix of SRM strategies

Mainstream literature on supplier management using the portfolio approach, as indicated in the literature review, typically suggests one appropriate SRM strategy per quadrant. For those that adopted the Kraljic (1983) matrix, like this study, this means one SRM strategy for each of the four types of purchase items – strategic item, leverage item, bottleneck item and non-critical item - based on the level (i.e., high and low) of strategic importance and supply risk of the purchased item. This study has found that more than one strategy could be applicable to each of the quadrants, depending on the power relation
between the SMAGR and its suppliers, among other factors, e.g., background and business characteristics of the SMAGR. This, in fact, was also the findings of Gelderman and Van Weele (2003), Caniëls and Gelderman (2005a) and Gelderman and Semeijn (2006). This study, however, also found that, in several instances, some SMAGRs employed a combination of strategies, rather than applying individual strategies independently, to procure the same item or to deal with the same type of suppliers (refer to Figures 5.1 to 5.4).

These two findings are significant in two aspects. First, they point to the oversimplified prescription of assuming each quadrant of the portfolio model could accommodate, or would require, only one “appropriate” SRM strategy. The findings address the criticism that the portfolio model results in independent strategies for each quadrant (Coate 1983; Gelderman & Van Weele 2005; Nellore & Soderquist 2000; Olsen & Ellram 1997; Ritter 2000), and offers limited help on how varied situations in each quadrant could be managed (Derkinderen & Crum 1994; Nellore & Soderquist 2000). Indirectly, they also confirm the usefulness of the Kraljic (1983) model, like many other studies had.

Second, they offer fresh insights on the contradictory findings regarding the SRM practices of small retailers (refer Section 2.4). These findings suggest that small retailers are neither predisposed to collaborate with suppliers nor bent on adopting an adversarial approach toward suppliers. SMAGRs, as observed in this study, are highly flexible in applying a combination of strategies
simultaneously to deal with the same type of suppliers under different circumstances or for different types of purchase items. Adopting a compliance strategy toward the supplier offering strategic items but employing a compliant cum relationship maintenance strategy on the same supplier for leverage items is an example. The findings in this study signal the need for more detailed investigations on SRM practices of small retailers.

6.1.2 Influence of Power on Choice of SRM Approaches

One of the main criticisms against the Kaljic (1983) portfolio is its lack of consideration of the power relationship between buyers and suppliers (see e.g., Caniëls & Gelderman 2007; Pawlak 2009). While those in support of the Kraljic (1983) matrix (e.g., Caniëls & Gelderman 2005b, 2007) have argued that the two dimensions of strategic importance and supply risk are already an indirect indication of power (e.g., a supplier that holds the exclusive supply right to a fast-moving merchandize, or a strategic item, expectedly, would command strong bargaining power), this study has shown that this argument is only true to a limited extent in reality.

In the context of the Asian grocery industry in Melbourne, many suppliers were supplying a range of items to SMAGRs. While some of the items were of strategic importance to an SMAGR, other items might not. For instance, a supplier holding the exclusive right to a particular brand of fast-moving item could also be supplying a number of other items of little known brands. Thus while this supplier was in a dominant position when an SMAGR wanted to have
the retail right for the popular brand of fast-moving item, this same supplier could be in a subservient position to the SMAGR when it came to supplying the slow-moving items of less popular brands to the latter. In other words, the same supplier-SMAGR dyad may find themselves in different sets of power relations for different products, depending on the strategic importance of the product to the SMAGR. In short, while the two framing dimensions of the portfolio model and the item embedded within each of the quadrants may provide an indirect indication of the power relation between the supplier of those items and the SMAGR, the implied power relation cannot be generalized for all suppliers, depending on whether the supplier is also supplying items in the other three quadrants. The cases of SMARG2 and its S22 supplier and SMAGR8 with its S82 supplier are but two of such examples.

Further, the power relations between a SMAGR and its suppliers are not determined only by the item supplied or procured. The power relation between a buyer and its supplier is a function of many factors, including suppliers’ resources, competences and capabilities (Cox 1999; Cox, Sanderson & Watson 2001; Kähkönen & Tenkanen 2010) as well as power-related market condition, i.e., monopoly (one supplier) or oligopoly (a few suppliers) (Chen 2008; Noll 2005; Sandford 2007).

With four power relationships found for leverage items and three for non-critical items, this study has demonstrated the influential role of power in determining the choice of SRM strategies on both leverage and non-critical
items (see Figure 6.1). More importantly, it has brought out the importance of incorporating power relation as a third dimension in the Kraljic (1983) matrix, highlighting the inadequacy of the two-dimensional portfolio models currently in use. This study thus lends support to Zolkiewski and Turnbull’s (2000) call for the development of multi-dimensional portfolio models to provide appropriate strategies for buyers to manage suppliers under different circumstances.

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<td></td>
<td>• Compliance &amp; Relationship Maintenance</td>
<td>• Relationship Maintenance</td>
<td>• Hedging</td>
<td>• Opportunistic &amp; Relationship Building &amp; Benefit Creation</td>
<td>• Transactional &amp; Relationship Maintenance</td>
<td>• Compliance &amp; Mutually Supportive</td>
<td>• Compliance &amp; Relationship Building</td>
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<td>Strategic Importance</td>
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<td>Low</td>
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Figure 6.1: SMAGRs’ SRM Strategies in different power relations with suppliers, mapping Kraljic portfolio model (1983)
6.1.3. Power Base Generation Capability

The literature on retailing indicates that a firm’s power base is grounded primarily on its physical assets, e.g., shop size, storage space and location, its market reach, e.g., volume of sales, size and range of regular customers, and other intangible resources, e.g., market knowledge or market intelligence, and innovative sales promotion capability (see e.g., Caniëls & Gelderman 2005b; Caniëls & Gelderman 2007; Cox 2001b; Kähkönen & Virolainen 2011; Ramsay 1996; Svahn & Westerlund 2007), which are largely derived from the experience of larger buyers. Small buyers with limited resources are not expected to possess high bargaining power against bigger suppliers. However, findings from this study have revealed that having limited size-based bargaining power did not prevent SMAGRs from exploring ways to bolster their bargaining power against big suppliers. SMAGR5’s offer of cash payment for all its purchases to increase its bargaining edge is an example of how power could be innovatively created through transaction. Voluntarily offering shorter credit period is another form of transactional power. If through their transactional power, SMAGRs were able to achieve cost advantage, resulting in greater sales, it would imply that the transactional power created has led to an increase in market power.

Another means of power creation is the tactics used by some SMAGRs (e.g., SMAGR2 and SMAGR3) to entice small suppliers of fast-moving dried goods to give them low prices and then used the latter’s offers as benchmark to play against big suppliers’ prices. This is an example of how relational power was
created by the use of hedging strategy. Equally, relational power could also be generated by the use of relationship building and mutually supportive strategies. SMAGRs with established relationship with strategic suppliers, for instance, could be given preferential treatment by these suppliers (e.g., obtaining the exclusive agency right to retail some popular fast-moving items). If as a result of such preferential treatment, these SMAGRs were able to attract more customers due to the availability of these fast-moving items, their market power would have been substantially bolstered.

In short, this study has revealed that SMAGRs’ power is not confined to market power. The findings suggest that the power bases of small retailers comprise three distinct, but complementary, dimensions: market power, relational power and transactional power. Market power is derived from SMAGRs’ business characteristics (e.g., location and resource strength). Location determined, to a considerable extent, the size of the customer base of the SMAGR, shaping its market power. Resource strength, reflected by shop size, storage facilities and range of merchandize retailed, was another source of SMAGRs’ market power. In sum, market power is indirectly generated by existing resources (see e.g., Kähkönen & Virolainen 2011; Svahn & Westerlund 2007).

The other two types of power (i.e., transactional and relational powers) are created as part of the SRM process SMAGRs adopted to manage their suppliers. Transactional power, as the name suggests, was derived from
transactional exchanges. Relational power, reflected in the use of the hedging, relationship building and mutually supportive strategy, is sourced from relationship management. Both transactional and relational powers have the potential to further enhance a retailer’s market power.

6.2. Practical Implications of Working Propositions

The present findings have demonstrated the versatility of Asian grocery retailers in managing suppliers. The working propositions offer retail managers or small business owners a number of directions to cope with opportunistic suppliers according to the circumstances surrounding their purchase.

First, the use of a combination of SRM strategies, rather than individual strategy independently, as practised by some of the SMAGRs, should be exploited to advantage. For instance, Proposition 1a suggests that, even under a situation of supplier dominance, compliance may be necessary but should not be used to the exclusion of other strategies. Combining compliance with either a relationship building or mutually supportive strategy, depending on the circumstances, have the effect of creating market advantage, which, in turn, could lead to enhanced market power for the retailer in the long run. Likewise, Proposition 3 also indicates that small retailers without much bargaining power should employ a dual strategy of relationship maintenance and compliance to procure leverage items from suppliers of strategic items as a means to ensure a secured supply for their strategic items.
Second, the experience of SMAGR2, as reflected in Proposition 2, shows that if a supplier does not offer the support it agrees to provide, there is little point in continuing the relationship, even if the items supplied by the concerned supplier is a strategic item. A possible solution would be to relegate the strategic importance of the said item to another category, such as bottleneck item, and adopt an avoidance strategy to deal with the said supplier, as what SMAGR8 did. The benefits forgone by giving up retailing the strategic item may prove to be a blessing in disguise in the long term.

Other than giving directions for managing suppliers’ opportunistic behaviour, the theoretical implications of the working propositions also carry beneficial practical implications. The power generation effects of some SRM strategies discussed in Section 6.1.3 is a case in point. SRM strategies like hedging, relationship building, relationship maintenance, and mutually supportive all have the effects of generating relational power in the medium term, while benefit creation could produce transactive power in the short term. Because both transactive and relational powers could lead to greater market power in the long run, small retailers should consider using these strategies as a means to bolster their power bases over time, wherever appropriate.
6.3. Limitations and Directions for Further Research

As with all case study research, findings of this study have a number of limitations. As the primary limitation of a case study is a lack of external validity (Eisenhardt 1989), the working propositions developed in this study need to be further tested in future research, though the theoretical sampling approach had targeted cases of different sizes with dissimilar power bases. The generalizability of the findings therefore remains to be confirmed with further studies using a larger sample. Being confined only to small retailers in the Asian grocery sector in Melbourne, the applicability of the findings to other retail sectors in different socio-economic settings should be explored. Further studies on how the weaker parties in different dyadic exchange relationships, e.g., in the automotive or computing industry, respond to the demands of the stronger parties are fruitful research areas that could augment the findings of this investigation.

Despite having explored the range of SRM strategies employed by SMAGRs under different business conditions, i.e., strategic importance of items purchased, market supply risks and power relations with supplier, this study has no information on the effectiveness of each of the strategies. Borgström (2005) contended that an exploration of strategy effectiveness is crucial to understanding how different SRM strategies could be applied accordingly to gain competitive advantage. Without an understanding of its cost-effectiveness, the practical value of a SRM strategies remains undetermined. An important follow-up investigation of this study, therefore, would be to
examine the cost-effectiveness of the SRM strategies used by SMAGRs to gain an understanding on how the different strategies may be discriminantly applied to advantage in practice.

The study was also limited in its scope in exploring relationship asymmetry from the small buyer's perspective. The relationship characteristics found among small retailers and suppliers could not be considered universal or all-encompassing. The focus on small retailers and their perspectives of relationship management does bias and restrict the findings from only one side of a dyadic exchange relationship. Also, the present research design did not permit both sides of the retailer–supplier relationship to be examined. Extending the current study to include the relationship management strategies from both the buyers and suppliers would be a fruitful area for further investigation.

One other option for future research would be to investigate the power asymmetry in the exchange relationships in different contexts, such as in various industries and in international settings, as there has been limited focus on this issue within small retailing research.

The cross-sectional data collected in this study also did not permit an examination of the full dynamics of the relationship interplay between the SMAGRs and their suppliers as their relationship evolved over time. This study has found that some SRM strategies seem to be linked to the stages of supplier
relationship life cycle, as elaborated in Moeller et al.’s (2006). The link between SRM strategies and the relationship life cycle is thus another promising area for continuing the exciting genre of research opened up by the findings of this study.

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INVITATION TO PARTICIPATE IN A RESEARCH PROJECT
PROJECT INFORMATION STATEMENT

Project Title:

MANAGING SUPPLIER RELATIONSHIP: CASE STUDIES OF SMALL AND MEDIUM ASIAN GROCERY RETAILERS IN MELBOURNE

Dear Participants,

You are invited to participate in a research project being conducted by RMIT University. This information sheet describes the project in straightforward language, or ‘plain English’. Please read this sheet carefully and be sure that you understand its contents before deciding whether to participate.

I am a PhD student in the School of Management at RMIT University. My research topic is Relationship Management Strategies of Small and Medium Chinese and Vietnamese Grocery Retailers (SMCVGRs) in Melbourne, Australia. My senior supervisor is Associate Professor Booi Kam and my second supervisor is Dr. Charles Lau. This project has been approved by the RMIT College of Business Human Research Ethics Sub Committee.

This study aims to investigate the relationship management strategies of SMCVGRs in Melbourne, Australia. It will examine how SMCVGRs manage their relationships with their suppliers to sustain and develop their businesses.
Ten SMCVGRs will be selected as case study for this project. You have been chosen to participate in this project. Participation in this project is completely voluntary and will not have any perceived risks outside your normal day-to-day activities. Should you have any concerns about your responses to any of the questions posed, or if you find participation in the project distressing, you should contact Associate Professor Booi Kam as soon as is convenient. Associate Professor Booi Kam will discuss your concerns with you confidentially and suggest appropriate follow-up actions, where necessary.

If you agree to participate in this interview, you will need to sign the attached informed consent form and return to the investigator prior to the start of the interview. The interview will consist of open-ended questions. It will last approximately one to two hours and will be digitally recorded, with your permission. Examples of the questions asked would be:

- What were the business operations strategies that you have adopted over the years? Do you adopt different retailing strategies for fast-moving and slow-moving items and for high-value and low-value items?
- How did you select your suppliers? What criteria did you use for selecting suppliers for different types of goods?
- How do you rate your relationships with your suppliers on a scale of 1 to 10, with "1" representing "very poor" and "10" denoting "excellent"?

We intend to audio record the interview, but only with your permission. You have the right to request we cease the recording anytime during the interview. All information gathered during the course of this research, including your responses will be securely stored for a period of five years in the School of Management, RMIT University and can only be accessed by me and my two supervisors. After five years, all data will be destroyed in a secured manner. The data collected will be analyzed and the results published in academic journals and conferences without including information that can potentially identify either you or your firm.

Upon completion of this project, we will provide you with a brief report outlining the findings.

Any information that you provide can be disclosed only if (1) it is to protect you or others from harm, (2) a court order is produced, or (3) you provide the researchers with written permission. Data collected will be analyzed for my thesis, the findings of which may appear in academic and professional publications. Results will be reported in a manner which does not enable you or your company to be identified (unless you indicate otherwise). Thus, reporting will protect your anonymity.
As a participant, you have the right to withdraw your participation at any time, without prejudice; to have any unprocessed data withdrawn and destroyed, provided that data pertaining to your responses can be reliably identified, and provided that in so doing, it does not expose other participants to undue risks.

If you have any queries regarding this project please contact my senior supervisor Associate Professor Booi Kam, phone 03 9925 1326, email booi.kam@rmit.edu.au or my second supervisor Dr. Charles Lau, phone 03 9925 5910, email charles.lau@rmit.edu.au or the Chair of the RMIT Business Human Research Ethics Sub-committee, phone 03 9925 5594, email rdu@rmit.edu.au

Yours Sincerely

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Any complaints about your participation in this project may be directed to the Executive Officer, RMIT Human Research Ethics Committee, Research & Innovation, RMIT, GPO Box 2476V, Melbourne, 3001. The telephone number is (03) 9925 5594 or email address rdu@rmit.edu.au. Details of the complaints procedure are available at: http://www.rmit.edu.au/rd/hrec_complaints
MANAGING SUPPLIER RELATIONSHIP: CASE STUDIES OF SMALL AND MEDIUM ASIAN GROCERY RETAILERS IN MELBOURNE

Date: ___________________________

Name of Company: ___________________________

Street Address: ___________________________

Time Started: ___________________________

Interviewer(s): ___________________________

Respondent: ___________________________

Position in Company: ___________________________

Time Completed: ___________________________
SECTION 1
INFORMATION ABOUT YOUR GROCERY RETAIL BUSINESS

1. Can you please provide a brief history of this grocery retail operation?

2. Can you please categorize the range of goods that your shop retails? How has the range of retail items changed over the last five years? Can you tell us which are the fast-moving and which are the slow-moving items? And which are the high-value and low-value items?

3. What were the business operations strategies that you have adopted over the years? Do you adopt different retailing strategies for fast-moving and slow-moving items and for high-value and low-value items?

4. What are the distinguishing features of your operations that have made your business different from your competitors in the grocery industry?

SECTION 2
INFORMATION ABOUT SUPPLIERS

1. How did you select your suppliers? Did you use different criteria for selecting suppliers for different types of goods? If yes, please describe them.

2. How many suppliers do you have at present for the range of goods retailed in this shop? Do you use different suppliers for the same types of goods? Please explain your reasons for doing (or not doing) it.

3. Do you think there are benefits from using some specific suppliers? If yes, please describe.

4. Has your business been able to enjoy those benefits after using those suppliers? If yes, please describe how you strategize to extract benefits from using those suppliers?

5. Can you provide the names of some of your most important suppliers? Why do you consider them “important” to your business? What goods do these important suppliers supply? What is the nature of the business contracts you have with them?

6. Can you provide the names of some of your least important (unimportant) suppliers? Why do you consider them “unimportant” to your business? What goods do these “unimportant” suppliers supply? What is the nature of the business contracts you have with them?

7. Would you be able to provide me samples of the different goods supply contracts you have with some of your “important” and “unimportant” suppliers?

8. Do your important suppliers have any control or influence over your business? If yes, please explain how they influence your business.

9. Do you have any influence over the way your suppliers, especially the
“unimportant” ones, deliver their supplies to you? If yes, please explain by giving some actual examples.

10. Have you ever changed suppliers for a particular type of goods in the last five years? If so, what were the main reasons for changing your suppliers in those instances?

SECTION 3
INFORMATION ABOUT SUPPLIER RELATIONSHIP MANAGEMENT

1. How do you rate your relationships with your “important” suppliers? (Please rate them on a scale of 1 to 10, with “1” representing “very poor” and “10” denoting “excellent”).

2. How do you rate your relationships with your “unimportant” suppliers? (Please rate them on a scale of 1 to 10, with “1” representing “very poor” and “10” denoting “excellent”).

3. Do you use different strategies to manage your business relationships with different suppliers, especially the “important” suppliers versus the “unimportant” suppliers? If so, can you please describe the different ways you use to manage your business relationships with different types of supplier, especially the “important” suppliers versus the “unimportant” suppliers?

4. Why do you use different approaches to manage different types of suppliers, especially the “important” versus the “unimportant” suppliers? Do you think that the different approaches adopted have been “effective”? If yes, in what sense are the approaches used effective? If not, in what sense are the approaches used ineffective?

5. From your experience, what have been the main factors (such as number of competitors, intensity of market competition, and market’s growth rate) that have affected or would affect your relationship management strategies with your suppliers? Please describe how those factors have affected the way you managed your important and unimportant suppliers. Please provide examples of actual incidents.

6. Do you have different short-term or long-term plans for the “important” and “unimportant” suppliers you currently use? If so, what are they? Please provide details.

7. Have you ever had problem with your suppliers? If yes, can you please list some main reasons which lead to the relationship problems? How did you deal with these problems? Please provide examples with details of strategies or action taken.

8. How would you describe the level of trust between you and your suppliers?

9. Have you had close relationship with your “important” or/and “unimportant” suppliers? If yes, can you please describe how you utilize
close supplier relationship with them?

SECTION 4

CHARACTERISTICS OF THE GROCERY BUSINESS

1. When and how did you start your business? Was it your own business or partnership?

2. How has your structure of ownership changed since its founding? What challenges have you encountered along the way?

3. How many people are currently employed as full time and part time employees at your grocery shop?

4. What has been the annual business turnover for the last five years? Can you please describe the factors affecting your business turnover in the last five years?

Thank you for your time and cooperation.
APPENDIX B

RICH PICTURES DEVELOPED FOR SMAGRs
- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Type of goods supplied – Dried foods which are popular and daily demand in the grocery market

Suppliers (511)

Relationships

SMAGR1

Characteristics

- History – Established for a long time.
- Business type – Family based.
- Business size – Big
- Length of relationship with SMAGR1 – Long time

- Criteria for supplier selection – Price, type of goods supplied and honesty in business.
- I have different type of management. It depends on my institution. There is not right or wrong in business relationship. All has to achieve the best benefits. It depends on how much profit I can get. It doesn’t depend much on suppliers’ characteristics. If one supplier is very friendly and easy going, but he is not honest in business, I do not want to do business with him. So, all depends on the profit I can get from the business relationship with suppliers.
- Supplier base – There are a few closed suppliers in this cluster.
- Duration of contract with SMAGR1 – Long term without contract. SMAGR1 has business relationship with those suppliers for a long time, since he established his shop in 1999. However, they do not sign any business contracts; just fill up forms since they started doing business.
- SMAGR1 also recently has business relationship with some new suppliers but they don’t sign any contracts as well.
- Mode of payment – credit payment, normally from 4 weeks to 8 weeks
- Flexibility in payment – SMAGR1 can ask for payment extension, sometimes up to 12 weeks.
- Delivery frequency – generally once a week, or SMAGR1 order when the shop run out of dried foods. Delivery – the suppliers deliver dried foods from Monday to Friday. Lim deliver popular item like “Rose” rice brand in three times a week, “Deer” rice brand from Xiao is delivered twice a week. Some other dried foods I don’t need to order once a week because I can take advantage from the suppliers’ warehouse. Whenever I run out of dried foods, I order them from my suppliers. They deliver the goods to the shop and put them on the shelves for me. Some fast moving items like instant noodles, vermicelli, etc. can be stored in my store house because of not enough space on shelves.
- Suppliers’ transferability – It is difficult to transfer to other suppliers because:
- Suppliers in this cluster are exclusively selling certain fast moving grocery items which are highly demand and popular in the market. SMAGR1 needs those kinds of popular grocery items which cannot find from other suppliers, like “Rose” rice brand from Lim, or “Deer” rice brand from Xiao, etc.
- It cost much for SMAGR1 if he switches to other suppliers for alternative goods because the customers prefer those goods’ brand. However, SMAGR1 does not want to do that because SMAGR1 still can get more benefit from doing business with those suppliers since they are competing to each other in the grocery suppliers market to serve retailers, as their customers. Totally, SMAGR1, as their customers, get more benefit from the competitive market environment which results in competitive price and good service. Moreover, SMAGR1 can take advantage of credit payment from selling those fast moving popular items.
- Suppliers power base:
- Market power – There are many suppliers to my shop. The importance degree of suppliers towards my shop depends on how much I need the goods from their suppliers. If the goods are popular and high market demand, they become my important suppliers. If the customers do not want their goods, they become less important. It is simple. It is clearly that my shop is the outcome of the suppliers’ demand. They do need to sell their goods. Plus, there are increasing number of suppliers who sell grocery products in the market. They are competing to gain the good customers. Since I opened this business, I have changed suppliers because of the high price and slow market demand products.
- SMAGR1 manage independently the grocery business from out of being controlled by big suppliers.
- There are two different situations in same type of goods supplied:
- The suppliers have their own exclusive brands for the same type of goods. SMAGR1 realizes clearly the shop’s status in the grocery market so SMAGR1 have a efficient approach to the suppliers.
- From suppliers’ side – they are competing to each other’s to find grocery retailers as their customers they need us. From retailers’ side – we are competing to each other’s to sell their goods to the end customers we need customers. I do not care for the suppliers because their jobs are looking for us to sell their goods.
- Inventory Management:
- Goods in store – noodles, instant noodles, rice, vermicelli, fish sauce, other sauces, fruits, vegetables, and others.
- From retailers’ side – we are competing to each other’s to sell their goods to the end customers we need customers. I do not care for the suppliers because their jobs are looking for us to sell their goods.
- Business information – SMAGR1 and the suppliers have been honest and cautious about business information sharing to gain benefits from that.
- Benefits – Low benefits for SMAGR1 in term of margin, because:
- Many grocery shops sell the same popular grocery items, so the selling price is competitive and low margin per unit sold.
- High long term benefits:
- Attract more customers for the popular items as well as for the other main goods sold in the shop, like fresh seasonable fruits and vegetables.
- Get more long term benefit from significant amount of loyal customers who are attracted from “one-stop shopping” service.
- Risks – Individual risks. SMAGR1 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR1 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
- We have had certain conflicts with suppliers during business relationship, like:
- Mistakes
- Doing something wrong on purpose.
- I have analyzed those mistakes and figured our solutions based on the relative reasons, like:
- Compromise the mistakes.
- Asking for money compensation.
- Stop doing business with them.

Almost of the time my approach is right and I win because the reason I gave is convincing, plus the suppliers need to have business with my shop to sell their goods. They would know that my shop is the biggest grocery shop in this wet market and we have a huge range of dried foods which attract considerable amount of customers to my shop.
- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – High
- Type of goods supplied – Dried foods which are new in the grocery market

**Suppliers (S12)**

**Characteristics**
- History – Established for a long time.
- Business type – Family based.
- Business size – Big
- Length of relationship with SMAGR1 – Long time

**Relationships**

**SMAGR1**

**Characteristics**
- Ownership – Family based business.
- Established - 1999
- Shop history – Bought from previous shop owner.
- Employees size:
  - Full time - 45
  - Part time - 20
- Price:
  - Full time - $4.5
  - Part time - $2.5

**Benefits**
- High margins: 10\%
- High consumer demand.
- High margin per unit sold.
- High customer loyalty.
- High volume of sales.
- High profit margins.
- High sales growth.

**Risks**
- Individual risks: SMAGR1 and his suppliers do not have any kind of contracts so they do not share any risks with each other. However, SMAGR1 lessen his risk by insist the unsold goods returnable term before making agreement to sell new types of goods.
- Planning and goals – short term. SMAGR1 and his suppliers do not have any contracts or cooperation; they work and get benefit as much as they can base on semi-equilateral relationship.

**Problems Solving**
- Power driven and compromise, in case of conflict or bad thing happen during business operation. All of business transaction term has been discussed and agreed between the suppliers and SMAGR1, so when problem happen, it is clear and easy to solve based on comprehensive business agreement.
When the new suppliers come to my shop and offer new types of goods, I have to consider those things:
- How good quality do they have? How fast can they be sold?
- Delivery frequency – flexible, as SMAGR1 runs out of goods and feel that the shop needs more goods to sell.

The suppliers are not exclusively in selling those kinds of grocery items. It does not cost much for SMAGR1 if he wants to switch to other suppliers because the suppliers need SMAGR1 to introduce, promote and sell their goods for them. There are a few new suppliers for this shop. They come here to convince me to sell their goods; it means to me they need me as the potential grocery shop to sell their goods. Therefore, I always ask for some good condition to sell the goods, like cheaper price, longer time credit payment, unsold goods returnable term, etc. They always agree with all of my suggestion because they desperate to sell their goods in my shop which is considered the biggest grocery shop in the wet market.

- Suppliers power base:
  - Competitive selling prices – the new suppliers supply popular goods which are competitive price.
  - An exclusive selling agent power – the new supplier would give SMAGR1, a chance to become an exclusive selling agent for the new type of dried foods.
  - "New type of grocery goods supplied" power – the suppliers introduce new types of grocery goods in the market which could be a good chance for the retailer to earn more profit if the new type of goods match customers demand. The retailer can expand his variety range of goods sold.

My shop target is to provide huge range of grocery products to my customers. The goods we sell in the shop are popular as well as potential to be new popular items in the grocery market. Therefore, I am interested in doing business with the new suppliers as long as they supply more benefit to my business by providing new type of goods which I can see the market potential, longer time credit payment and unsold goods returnable business term.

- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR1 be familiar with grocery customers’ demand as well as type and selling prices of goods supplied from other suppliers.

About the new type of goods from new suppliers, I have to make a comparison between the current products and new one in terms of appearance, quality, price, etc. If the popular one in the market cost $5 dollars and the new one costs $4.50 but they have similar quality as the current ones. I would buy the new one and sell them at $5.50 cents cheaper than $6 of the popular. Because it is new in the grocery market, and customers are still using the popular one, I asked the suppliers for the cheaper price to promote those new types of goods into the market. The suppliers would agree with my suggestion because they want to sell their new goods in the market. I have used my experiences and market knowledge to assess the market potential for the new types of grocery goods. Sometimes my guess is right, sometimes is wrong, but almost of the time I did the right ones. The more experiences you have, the more possibility of right decision you make.

- Attitude in the relationships – open, honest, straightforward, and benefit expected. SMAGR1 has kept building business relationship with those new suppliers because he wants to:
  - Create more suppliers options to safe SMAGR1 grocery business, especially SMAGR1 could get a chance to become an exclusive agent to sell one new type of grocery goods.

- Lessen his business risk from depending on a very few big suppliers.
- Gain competitive selling prices from comparing price from different suppliers.
- Ensure the shop has sufficient goods to sell, in case one supplier runs out of popular goods.

- Business information – SMAGR1 has looked for information for his benefit.
- Sharing selling price for certain kind of goods from different suppliers, so SMAGR1 can get the cheapest price from the suppliers.
- Providing information about his business relationship with different suppliers, as required from the new ones. From that, the new suppliers can have a good image about his business prestige, from the view point of other suppliers.
- Getting updated goods situation from the suppliers to organise SMAGR1 business operation in an effective way.
- Benefits – High benefits for SMAGR1 in term of margin, because:
  - There is just a few grocery shops sell those new types of grocery items.
  - The selling price is set at a high level to cover promotion and distinguish service of new type of goods supplied.
  - High margin per unit sold.

The suppliers actually do not set selling price in the shop. I make it by myself. I’d rather to set the reasonable selling price to sell more and get more profit totally than set a high price and sell just a small amount of goods. However, for the new type of goods in the market, I set a high unit selling price to get high profit margin. I can do that because the selling price is not competitive yet which is resulted from not many shop sell the same new type of goods.

- High long term benefits:
- Speeding up capital turnover.
- The goods supplied from the recent established could be similar to the popular ones in the market or they could be alternative ones. As a consequence, SMAGR1 can expand its supplier portfolio to sell popular grocery items in the market.

I like to sell certain types of goods which are new in the market and not sold in other grocery shops. The new good types of goods create certain business advantages for my shop in the grocery retailers market. Although my shop size is not very big, the customers can find almost whatever they want to buy from the grocery shop. Some types of goods are slow moving items but I still keep them in my shop to expand variety of goods.

- Could get higher margin per unit sold from those new suppliers if SMAGR1 could bargain for the cheaper price.
- Attract more customers from selling those new types of grocery items.
- The relationship with new suppliers can give SMAGR1 chances to be an exclusive selling agent for certain new kinds of goods.

- Less depend on exclusive suppliers because SMAGR1 has alternative grocery goods to sell.
- Risks – Individual risks. SMAGR1 and his suppliers do not have any kind of contracts so they do not share any risks to each other.

- Planning and goals – Individual and short term. SMAGR1 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
Criteria for supplier selection – Quality of the fresh vegetables supplied, the stable of the vegetables supplied as well as the reasonable price.

Supplier base – Small suppliers’ base. There are a few big farms those supply good quality of vegetables with a large variety of the vegetables. In this case, SMAGR1 has brought a large amount of fresh vegetables from four big farms.

Duration of contract with SMAGR1 – Short term without contract.

Mode of payment – 2 weeks credit payment.

Payment method for vegetables is making payment after 2 weeks of delivery. After one week, they give me bill of one week. While other small grocery shops pay COD, my shop is two-weeks credit payment. In doing business with big farms, I have checked bill every week, negotiate about the selling price, and make the payment after another one week. It means I make the payment 2 weeks after delivery. The big farms supply huge amount of fresh vegetables to my shop every day. A vegetable is one main sale focus in my shop.

Delivery frequency – 3 times to 4 times per week, every Monday, Thursday, Friday and Saturday.

There are 4 farms those supply vegetables to my shop. Normally the farms deliver vegetables 2 times to 4 times per week. I organize the day for the farm to deliver vegetables to make sure my shop always have fresh vegetables every day because vegetables is main sale focus of my shop.

Suppliers’ transferability – It is not easy to transfer to other suppliers because:
- There are just a few big farms who supply high quality of vegetables in the market.
- Suppliers power base:
  - Market power – supply fresh high quality of fresh vegetables which are highly daily demand from customers and contribute to the SMAGR1 competitive advantages in the grocery market.
  - Retailer power base:
    - Market power – The shop has an extensive amount of customers for those kinds of fresh vegetables foods.
    - Expert power – SMAGR1 focus mainly on selling vegetables and they correspondingly know about customers’ demand.
- Attitude in the relationships – The suppliers are straight forward, flexible and easy to bargain.
- The payment term is 2 weeks credit payment, sometimes the suppliers ask SMAGR1 to pay COD or cash in advance on their delivery, SMAGR1 does not agree with that requirement.
- They set an agreed price of the vegetables before the delivery, but every time SMAGR1 calculate the bill, he has asked for the discount from the set price with certain convincing reason, like bad quality vegetables, larger amount of vegetables, etc.
- Although we set the selling price based on our agreement since the beginning of business transaction, when I made a payment, I still bargain the selling price with the suppliers. The reason I can do that because the quality of vegetables they supply at that time was not good. The suppliers realize that because they are the ones who know clearly how good the vegetables is. At the time when they deliver vegetables, I cannot always control all of them, I also have a big cool store to keep them to sell for the whole day or the following day. Therefore, the price bargaining always happens when I perform bill payment. The suppliers always agree with all of my suggestion because they are right and the suppliers need to put their vegetables on my shelves.
- The suppliers trust SMAGR1 as a beneficial business partner because they have had business relationship for a long time. They have agreed with all of bargaining from SMAGR1 because it is rational and believable.
- The suppliers would take into account all of my approach for the price bargaining, and they always agree with all of that, because they count on me as a trust business partner. We have been doing business together for a long time, and I have been straightforward and truthful in doing business with them by giving all of proper evidences for my statement. If I were not honest for just only one time, I would never achieve faith from my suppliers. The suppliers apprehend clearly all of what I talk about when I want to get a cheaper reasonable selling price.
- Business information – The popular information SMAGR1 and the suppliers share is type of vegetables and their price in the market.
- Benefits – High benefits for SMAGR1 in term of margin, because:
  - Types of fresh vegetables which are supplied in this cluster are greatly daily customer demand.
  - There are just a few grocery shops those sell those kinds of fresh vegetables in the large variety and high quality in the same area.
  - The SMAGR1 set high selling price for their exclusive service and large range of fresh vegetables supplied.
  - High long term benefits:
    - Broaden range of grocery goods on sale and commit to “one-stop shopping” service business objective.
    - Spreading up capital turnover from selling those fast moving items.
  - Attract more customers from selling those popular vegetables which are sold at reasonable and fluctuated selling price within one day.
- Therefore, they can match different types of customers:
  - Getting more benefits for long term investment.

- Risks – Individual risks. SMAGR1 and his suppliers do not have any kind of contracts so they do not share any risks to each other. SMAGR1 has many suppliers for those fresh vegetables so they can reduce their risks by depending only on one supplier.
- Planning and goals – Individual and short term. SMAGR1 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of un-equivalent relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

Sometimes, when the vegetables were bad quality and even not fresh at all, I rang the farms and let them know about the bad situation. I ask them to give me some discount so I can sell them cheaper which is an easy way to sell them out. If they refused, I asked them to come and take the bad quality vegetables back. Actually they always agree with my suggestion because it is reasonable and benefit to both.
**Characteristics**

- Nature of goods supplied: Fresh goods
- Turn-over rate: Fast moving items
- Margin to retailers: High

**Suppliers ($16)**

- History: Established for a long time
- Business type: Family based
- Business size: Small to medium
- Length of relationship with SMAGR1: Long time
- Range of goods supplied: Narrow
- Type of foods supplied: Fruits

**Relationships**

- Criteria for supplier selection: Price. SMAGR1 focuses on the price when deciding which suppliers to choose for certain types of fruits which normally are the popular items.
- Supplier base: Large suppliers' base. There are many wholesalers in the wholesale market to sell fruits.
- Duration of contract with SMAGR1: Short term without contract. SMAGR1 goes to the wholesale market three to four times per week.
- Mode of payment: COD, sometimes a few closed wholesalers from the market give 20 days' credit payments for SMAGR1, but almost are using COD payment. I pay COD to some wholesalers, and I pay credit to some. It depends on how close of the relationship between me and the sellers. Moreover, sometimes if I bought fruits with a small amount, I don't need to pay by credit, so I pay COD to the seller even when we have a close relationship.
- Delivery frequency: Two times per week for fruits

My shop focuses on selling vegetables, fruits, and dried foods. We sell a huge variety of fresh fruits and vegetables. We have a big cool store to keep fruits, so we go to the wholesale market twice a week. Normally we go there on Monday to buy fruits to sell for Monday to Thursday, and buy fruits on Friday to sell for Friday to Sunday.

- Suppliers' transferability: It is easy to transfer to other suppliers because:
  - There are many wholesalers in the wholesale market, so it is easy for SMAGR1 to choose which ones he wants to buy fruits.
- Suppliers' power base:
  - Market power: The suppliers supply fresh fruits which are highly demanded by customers.
  - Expert power: SMAGR1 knows about customers' demand as well as other suppliers' selling prices because he has his own fruit wholesale in the wholesale market.

**SMAGR1**

- Ownership: Family based business.
- Established: 1999
- Shop history: Bought from previous shop owner.
- Employees size:
  - Weekday: Full time - 45, Part time - 20
  - Weekend: Full time - 45, Part time - 27
- Competitive advantages:
  - Huge variety range of dried goods.
  - Large variety of fresh seasonal fruits and vegetables.
  - Fresh fish, seafood, and butcher supplied.
- Suppliers Source: From
  - Previous shop owner transfer
  - The shop owner previous business
  - The suppliers themselves.
- Criteria to choose suppliers:
  - Price
  - Salesman's characteristics
- Inventory Management:
  - Goods in store: noodles, instant noodles, rice, vermicelli, fish sauce, other sauces, fruits, vegetables, and others.

**Risks**

- Individual risks. SMAGR1 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals: Individual and short-term. SMAGR1 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can based on kind of equivalent relationship.
- Problem solving: Power driven and compromise, in case of conflict or bad thing happen during business operation.
Characteristics
- History – Recently established
- Business type – Family based.
- Business size – Small
- Length of relationship with SMAGR1 – Long time

Relationships
- Criteria for supplier selection – Price. SMAGR1 focus on the price when decide to choose which suppliers for certain type of fresh home-cooked food.
- Supplier base – Large suppliers’ base. There are many families who want to sell home-cooked foods for their hobby as well as financial need.
- Duration of contract with SMAGR1 – Short term without contract.
- Mode of payment – SMAGR1 pay bill for the whole week in every Sunday. This is a consignment type of goods supplied, so during the week time, the suppliers will change unsold items to new one, and calculate the bill for the whole week, and get payment on Sunday.
- Delivery frequency – Seven time per week.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - There are many families who want to make fresh foods at home to sell them for living as well as for their interest.
  - Suppliers power base:
    - Market power – supply fresh home-cooked goods which are matched to daily customers demand.
    - Unsold goods refund power – SMAGR1 can change to new fresh home-cooked food for all of unsold items from the last delivery.
  - Retailer power base:
    - Market power – The shop has a considerable amount of customers for those kinds of dried foods who are attracted by fresh home-cooked food when they are shopping in the shop. Therefore, the normal payment term for consignment in the grocery shops which is cash payment on delivery, is not applied to SMAGR1. SMAGR1 pay the bill for the whole week of fresh home-cooked food, although they supply 7 times per week.
    - Expert power – SMAGR1 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
- Attitude in the relationships – clear and honest. All of the payment and unsold goods are set clear and honest. SMAGR1 and his suppliers trust each other for that information.
- Business information – SMAGR1 just let the suppliers know about what customer demand is, and what kind of goods they prefer.
- Benefits – Low benefits for SMAGR1 in term of margin, because:
  - There are many grocery shops who sell the same popular grocery items.
  - The selling price is very competitive.
  - SMAGR1 gets fix low margin per unit sold.
  - High long term benefits:
    - Broader range of grocery goods on sale.
  - SMAGR1 has the largest range of home-cooked fresh foods sell comparing to other grocery shops in the same wet market. Therefore, selling those types of foods position SMAGR1 as one of the most popular grocery shop of selling highly daily fresh food demand in the area.
  - Attract more customers to the shop from buying those kinds of fresh home-cooked food.
  - Attract more customers for the dried grocery foods as well when they want to buy fresh home-cooked food.
  - Offering one stop shopping for the customers which result in business advantages for SMAGR1.
- Risks – Individual risks. SMAGR1 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR1 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of un-equivalent relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

Characteristics
- Ownership – Family based business.
- Established - 1999
- Shop history – Bought from previous shop owner.
- Employees size
  - Weekday
    - Full time - 45
    - Part time - 20
  - Weekend
    - Full time - 45
    - Part time - 27
- Competitive advantages:
  - Huge variety range of dried goods.
  - Large variety of fresh seasonable fruits and vegetables.
  - Fresh fish, seafood and butcher supplied.
- Suppliers Source: From
  - Previous shop owner transfer.
  - The shop owner previous business.
- The suppliers themselves.
- Criteria to choose suppliers:
  - Price
  - Salesman’s characteristics.
- Inventory Management:
  - Goods in store – noodles, instant noodles, rice, vermicelli, fish sauce, other sauces, fruits, vegetables, and others.
- Criteria for supplier selection – Price and type of goods supplied.
- Supplier base – there are a few close suppliers in this cluster.
- Duration of contract with SMAGR2 – long term without contract. SMAGR2 has business relationship with those suppliers for a long time, since he established his shop in 2002. However, they do not sign any business contracts, just fill up forms since they started doing business.

- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Type of goods supplied – Dried foods which are popular and daily demand in the grocery market.

### Suppliers (S21)

- Suppliers
  - Suppliers in this cluster are exclusively selling certain fast moving grocery items which are highly demand in the grocery market. SMAGR2 needs those kinds of popular grocery items which cannot find from other suppliers, like “Rose” rice brand from Lim, or “Deer” rice brand from Xiao, etc.
  - It cost more for SMAGR2 if the switches to other suppliers for alternative goods because the customers prefer those other brands. However, SMAGR2 does not want to do that because the suppliers are competing to serve retailers and they are treating the grocery well.
  - Moreover, SMAGR2 can take advantage of credit payment from selling those fast moving popular items.
  - Suppliers themselves.
  - Market power – supply exclusive goods which are popular to customers.
  - Retailer power base: 
    - Market power – The shop has a considerable amount of customers for those kinds of dried foods
    - Expert power – SMAGR2 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
  - Attitude in the relationships – open, honest, trusting, flexible and controlling.
  - The suppliers trust SMAGR2 as an honest good business partner since he opened the shop.

- SMAGR2
  - Delivery frequency – generally once a week, or SMAGR2 order when the shop run out of dried foods. Delivery – the suppliers deliver dried foods from Monday to Friday. Lim deliver goods like “Rose” three times a week, on every Wednesday, Thursday and Friday. “Deer” is delivered twice a week. I don’t need to order rice once a week. Whenever I run out of rice, I order and they deliver to the shop. Almost of the rice packages I put on the shelves, just put a few, not many in the store.
  - Suppliers’ transferability – it is difficult to transfer to other suppliers.
  - - Suppliers in this cluster are exclusively selling certain fast moving grocery items which are highly demand in the grocery market. SMAGR2 needs those kinds of popular grocery items which cannot find from other suppliers, like “Rose” rice brand from Lim, or “Deer” rice brand from Xiao, etc.
  - - It cost more for SMAGR2 if the switches to other suppliers for alternative goods because the customers prefer those other brands. However, SMAGR2 does not want to do that because the suppliers are competing to serve retailers and they are treating the grocery well.
  - - Moreover, SMAGR2 can take advantage of credit payment from selling those fast moving popular items.
  - - Suppliers themselves.
  - - Market power – supply exclusive goods which are popular to customers.

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| - Market Power | Supply exclusive goods which are popular to customers. 
| - Retailer Power Base | 
| - Market Power | The shop has a considerable amount of customers for those kinds of dried foods. 
| - Expert Power | SMAGR2 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information. 
| - Attitude in the relationships | Open, honest, trusting, flexible and controlling. 
| SMAGR2 Power Base | 
| - Market Power | The shop has a considerable amount of customers for those kinds of dried foods. 
| - Retailer Power Base | 
| - Market Power | The shop has a considerable amount of customers for those kinds of dried foods. 
| - Expert Power | SMAGR2 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information. 
| - Attitude in the relationships | Open, honest, trusting, flexible and controlling. 
| Business Information | 
| - Suppliers | SMAGR2 and the suppliers have been honest and shared as well as get benefit from business information sharing. 
| - Business Information | The suppliers let me know which type of goods they put on sale for period of time, usually for one week. From the information they give to me, I make decision to buy the goods and put them on sale for a while. I always say yes for their entire special offer. All big grocery shops get the special offers, and some small ones can have it as well. Sometimes the suppliers ask me to help them to sell their goods because they are needed to sell the goods before the half of the original price. Normally, we agree to do it and we keep in touch during the sale time to finish the business. I keep updating the selling information to my suppliers and ask them to reduce the selling price to push selling until we finish it. For Instant, in Full Moon Event, my shop sells Moon Cake and always finishes all of Moon Cakes before 4pm of the Full Moon Day. I keep updating the selling information to the suppliers, and suggest them to reduce the selling price to a half or one third to push up selling. The suppliers always agree with my suggestion because they do not want to take the unsold goods back which worth nothing after the event day. Therefore, we always finish selling the Moon Cake before the deadline. The special business deals are success because we trust each other; especially the suppliers do trust me as an honest business partner. They trust us on all of updated market information I give to them and make decision based on that. Some grocery shops are dishonest and give wrong market information to get more benefit, if the suppliers find out, they will never trust them and it would be very hard to gain trust again from the suppliers. 
| - Benefits | Low benefits for SMAGR2 in term of margin, because: 
| - Many grocery shops sell the same popular grocery items, so the selling price is very competitive and low margin per unit sold. 
| - High long term benefits: 
| - Attract more customers for the popular items as well as for the other main goods sold in the shop, like fresh seasonable fruits and vegetables. 
| - Take advantage of credit payment from selling those fast moving popular items.

### Relationships

From selling the fast moving items which are low profit margin, I still can get more profit, because, for instant the suppliers give me credit payment, normally 21 days to 28 days. If I order goods, like rice, from the three suppliers, like 50 packages for each, and I sell them at the cost which I cannot get any benefit, like 45 dollars for one package. I would have 6750 dollars cash in hand from selling 150 packages at the unit price of 45 dollars. I can take advantage from the cash to speed up capital from buying other goods to sell during the payment time. When deadline of payment comes, I have used the money to gain benefits from selling other types of goods. 

- Risks – Individual risks. SMAGR2 and his suppliers do not have any kind of contracts so they do not share any risks to each other. 
- Planning and goals – Individual and short term. SMAGR2 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equivalent relationship. 
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

I have been doing business with Oriental for a long time, but I already stop ordering and doing business with Oriental because its salesman is honest. They deliver goods which is much closed to expire date to my shop without any notices. In every one pallet, there are at least 10 packages which are nearly expired. I have kept asking them to come to take their goods back but they have not come and get them yet. So I made decision to stop working with this supplier.
 Suppliers ($S21)

Common Characteristics
- Nature of goods supplied – Fresh goods
- Turn-over rate – Fast moving items
- Margin to retailers – High

SMAGR2

| Characteristics | Suppliers Source: | SMAGR2 run its business efficiently to prove to the suppliers that SMAGR2 has high capability to sell large amount of fruits in a limited time. It enhances the trust from the suppliers and builds the independence status for SMAGR2 in the relationship with his suppliers. The condition to become the exclusive retailer for those good durian brands is selling durian at a large volume. I actually do not need to achieve any amount requirement because I can sell the entire amount of durian the suppliers have in their warehouse. Last year, I sold 7 tons of durian. The suppliers would rather sell the durian to one exclusive shop which can sell the durian in a huge amount than spread to many small shops at small amount of goods. Business information – SMAGR2 and the suppliers have been honest and shared as well as got benefit from business information sharing. The supplier keeps informing business information which is useful for their business transaction. Benefits – High benefits for SMAGR2 in term of margin, because: SMAGR2 is the exclusive agent to sell those popular durian brands, so they can set the high price to get higher profit margin to cover exclusive service and goods they supply to the customers. - High long term benefits:
- Attract more customers for the popular items as well as for the other main goods sold in the shop, like dried foods, other fresh seasonal fruits and vegetables.
- Getting more popular and becoming one of the most popular grocery shops which exclusively sell popular fruits brands in the wet market. It would benefit more to SMAGR2 grocery business.
- Risks – Individual risks. SMAGR2 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR2 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equivalent relationship.

Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation. | Relationships
- Criteria for supplier selection – Price. SMAGR2 focus on the price when decide to choose which suppliers for certain type of fruits which normally are the popular items.
- Supplier base – Large suppliers’ base. There are many wholesalers in the wholesale market to sell fruits.
- Duration of contract with SMAGR2 – Short term without contract. SMAGR2 go to the wholesale market three to four times per week. Mode of payment – COD, sometimes a few closed wholesalers from the market give 20 days' credit payments for SMAGR2, but almost are using COD payment.
- Delivery frequency – Three times per week for fruits and two times per week for flowers. My shop focuses on selling vegetables, fruits and dried foods. We sell big variety of fresh fruits and vegetables. We go to the wholesale market, choose and buy fruits from suppliers. We like to have our own car to drive fruits from suppliers to SMAGR2 shop. We sell fruits in the wholesale market almost every day, mainly on Monday (buy fruits to sell from Monday to Wednesday, Thursday (buy semi-trailers fruits to sell) Thursday and Friday, there is even a certain amount of fruits which is in store as well) and Friday (buy fruits to sell from Friday to Sunday), the other shoppers during the week are just taken when needed. During the week, if I run out of fruits, I have to go to the wholesale market by myself to buy fruits. My employees report about the fruits situation every day so I know exactly how much of fruits I should buy for the next day.
- Suppliers’ transferability – It is easy to transfer to other suppliers because: - There are many wholesalers in the wholesale fruits market, so it is easy for SMAGR2 to choose which ones he wants to buy fruits.
- Suppliers power base:
- Supplier base – Large. Suppliers have a large range of goods supplied. - Margin to retailers – High
- Range of goods supplied – Wide
- Length of relationship with SMAGR2 – Long time
- Type of goods supplied – Fruits and Flowers
- History – Established for a long time
- Business type – Family based.
- Business size – Small to medium

Suppliers ($S27 & $S28)

- Nature of goods supplied – Fresh fruits
- Turn-over rate – Fast moving items
- Margin to retailers – High

- History – Established for a long time
- Business type – Family based.
- Business size – Small to medium

- Criteria for supplier selection – Price and quality of goods supplied.
- Supplier base – there are a few closed suppliers in this cluster. SMAGR2 bought durian and mangosteen from the big suppliers who supply dried foods as well.
- Duration of contract with SMAGR2 – short term without contract. SMAGR2 has business relationship with a supplier who supplies durian for a long time, since he established his shop in 2002, and recently has business relationship with the one who supplies mangosteen.
- Mode of payment – credit payment, normally from 4 weeks to 8 weeks
- Flexibility in payment – SMAGR2 can ask for payment extension, sometimes up to 12 weeks.
- Delivery frequency – generally once a week, or SMAGR2 order when the shop runs out of fruits.
- Suppliers’ transferability – It is difficult to transfer to other suppliers because:
- Suppliers are exclusively selling certain fast moving items which are highly demand in the grocery market.
- The retailer SMAGR2 needs those kinds of popular grocery items which cannot find from other suppliers.
- Suppliers power base:
- Market power – supply exclusive goods which are popular to customers.
- Exclusive type of fruits supplied – durian and mangosteen are two high selling price and demand from the customers.
- An exclusive selling agent power – the fruits suppliers give the retailer, like SMAGR2, a chance to become an exclusive selling agent for the special popular reasonable type of fruit.
- Retailer power base:
- Market power – The shop has a considerable amount of customers for those kinds of fruits.
- Expert power – SMAGR2 know about customers’ demand as well as other suppliers' goods selling prices.
- Attitude in the relationships – open, honest, trusting, flexible and controlling.
- The suppliers trust SMAGR2 as an honest business partner since he opened the shop. The suppliers believe SMAGR2 as a potential business partner in order to grant SMAGR2 as the exclusive selling agent to sell the “Monkey” and “Money God” durian brands. My shop is an exclusive retailer for selling “Monkey” and “Money God” durian brands. In this wet market, only my shop and the next door shop are exclusively selling three best durian brands, including “Chicken”, “Monkey” and “Money God”. The next door grocery is exclusively selling “Chicken” durian brand, and my shop is exclusive for “Monkey” and “Money God” ones. There is another durian brand, called “Deer”, no one is exclusive agent for that, so the next door shop and my shop can sell durian if they want.
- Business information – SMAGR2 and the suppliers have been honest and shared as well as got benefit from business information sharing. The supplier keeps informing business information which is useful for their business transaction. Benefits – High benefits for SMAGR2 in term of margin, because: SMAGR2 is the exclusive agent to sell those popular durian brands, so they can set the high price to get higher profit margin to cover exclusive service and goods they supply to the customers. - High long term benefits:
- Attract more customers for the popular items as well as for the other main goods sold in the shop, like dried foods, other fresh seasonal fruits and vegetables.
- Getting more popular and becoming one of the most popular grocery shops which exclusively sell popular fruits brands in the wet market. It would benefit more to SMAGR2 grocery business.
- Risks – Individual risks. SMAGR2 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR2 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equivalent relationship.

Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – High
- Type of goods supplied – Dried foods which are new in the grocery market.

**Suppliers** (S22)

### Characteristics
- History – Established for a long time.
- Business type – Family based.
- Business size – Big
- Length of relationship with SMAGR2 – Long time

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- **Range of goods supplied** – Wide
- **Nature of goods supplied** – Dried foods
- **Turn-over rate** – Fast moving items
- **Margin to retailers** – High
- **Type of goods supplied** – Dried foods which are new in the grocery market.

**Suppliers** (S22)

### Characteristics
- History – Established for a long time.
- Business type – Family based.
- Business size – Big
- Length of relationship with SMAGR2 – Long time

---

- Criteria for supplier selection – Price and type of goods supplied.
- Supplier base – there are a few closed suppliers in this cluster.
- Duration of contract with SMAGR2 – Long term without contract. SMAGR2 has business relationship with those suppliers for a long time, since he established his shop in 2002, but for the new type of goods introduction, they would have business after the promotion time is finished and can last as long as the market still accept it.
- Mode of payment – credit payment, normally from 4 weeks to 8 weeks
- Flexibility in payment – SMAGR2 can ask for payment extension, sometimes up to 12 weeks.
- Delivery frequency – SMAGR2 order when the shop run out of new type of dried foods, in case the market accept the new goods.
- Suppliers’ transferability – it is easy to transfer to other suppliers because:
  - The suppliers have supplied exclusively certain type of grocery items, but not for the new type of dried foods.
  - The suppliers need to sell those new types of goods through the retailer SMAGR2.
- It does not cost much for SMAGR2 if he switches to other suppliers for alternative new type of goods because those new goods are in the market testing phrase.
- **Suppliers power base:**
  - “New type of goods supplied” power – supply new type of dried goods which could become popular in the grocery market.
  - Expert power – The suppliers have supplied exclusively certain type of dried foods and could become popular in the grocery market.
- **Criteria for supplier selection:**
  - Price and type of goods supplied.
- **Supplier base:**
  - there are a few closed suppliers in this cluster.

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### Characteristics
- **Owners** – Family based business.
- **Established** – 2002
- **Shop history** – Bought from previous shop owner who is current shop owner’s relatives.
- **Employees size**
  - Employees

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- **Competitive advantages**
  - Big variety range of dried goods.
  - Large variety of fresh seasonable fruits and vegetables.
- **Suppliers Source:** From previous shop owner transfer.
- **Suppliers themselves.**
- **Criteria to choose suppliers:**
  - Price
  - Salesman’s characteristics.
  - **Inventory Management:**
  - **Goods in store –**
  - **Noodles, instant noodles, rice, fish sauce, fruits, vegetables, and others**

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### Characteristics
- **Owners** – Family based business.
- **Established** – 2002
- **Shop history** – Bought from previous shop owner who is current shop owner’s relatives.
- **Employees size**
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  - Salesman’s characteristics.
  - **Inventory Management:**
  - **Goods in store –**
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---

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- **Owners** – Family based business.
- **Established** – 2002
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- **Employees size**
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  - Big variety range of dried goods.
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- **Suppliers Source:** From previous shop owner transfer.
- **Suppliers themselves.**
- **Criteria to choose suppliers:**
  - Price
  - Salesman’s characteristics.
  - **Inventory Management:**
  - **Goods in store –**
  - **Noodles, instant noodles, rice, fish sauce, fruits, vegetables, and others**

---

### Relationships
- **Suppliers**</p>
**Suppliers**

- **(S23)**

**SMAGR2**

- **History** – Recently established
- **Business type** – Family based.
- **Business size** – Small
- **Length of relationship with SMAGR2** – Short to medium time, occasionally and seasonally business relationship.

**Common Characteristics**

- Range of goods supplied – Narrow
- Nature of goods supplied – Fresh goods
- Turn-over rate – Fast moving items
- Margin to retailers – High
- Goods supplied – Vegetables

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**Suppliers**

- **(S25)**

**SMAGR2**

- **History** – Established long time
- **Business type** – Family based.
- **Business size** – Small to medium
- **Length of relationship with SMAGR2** – Long time

**Relationships**

- Criteria for supplier selection – Quality of the fresh vegetables supplied, the stable of the vegetables supplied as well as the reasonable price.
- Supplier base – ‘Small suppliers’ base. There are a few big farms those supply good quality of vegetables with a large variety of the vegetables. In this case, SMAGR2 has bought a large amount of fresh vegetables from five big farms.
- Duration of contract with SMAGR2 – Short term without contract.
- Mode of payment – COD and 2 weeks to 4 weeks credit payment.
- Payment method for making payment after 2 weeks of delivery. After one week, they give me bill of one week. While other small grocery shops pay COD, my shop is 2 weeks credit payment. In doing business with big farms, I have checked bill every week, negotiate about the selling price, and make the payment after another one week. I means I make the payment 2 weeks after delivery. The big farms supply huge amount of fresh vegetables to my shop everyday. A vegetables is one main sale focus in my shop.
- Delivery frequency – 4 times to 6 times per week, every Monday, Thursday, Friday, Saturday and Sunday.
- There are 5 farms those supply vegetables to my shop. One delivers vegetables 2 days per week, one does 3 times per week, and one does it 4 times per week. I don’t let them deliver vegetables at the same time for one week, because I do not have enough space for all of that, plus, I want to have fresh vegetables everyday. Generally, there are about two farms deliver vegetables to my shop every day.
- Suppliers’ transferability – It is not easy to transfer to other suppliers because:
  - There are just a few big farms who supply high quality of vegetables in the market.
  - Suppliers power base:
    - Market power – ‘Supply fresh high quality of fresh vegetables which are highly daily demand from customers and contribute to the SMAGR2 competitive advantages in the grocery market.
  - Retailer power base:
    - Market power – ‘The shop has a considerable amount of customers for those kinds of fresh vegetables foods.

**Characteristics**

- Ownership – Family based business.
- Established – 2002
- Shop history – Bought from previous shop owner who is current shop owner’s relatives.
- Employees size:
  - Weekday
    - Full time - 32
    - Part time - 15
  - Weekend
    - Full time - 32
    - Part time - 18
- Competitive advantages
  - Big variety range of dried goods.
  - Big variety of fresh seasonal vegetables and fruits.
- Suppliers Source:
  - From SMAGR2 because it is reasonable and convincing.
- Inventory Management:
  - There are not many grocery shops which sell those kinds of fresh vegetables in the large variety and high quality in the area.
  - The SMAGR2 set high selling price for their exclusive service and fresh goods.
- High long term benefits:
  - Attract more customers for the dried grocery foods as well when they want to buy fresh vegetables.
  - Long term benefits:
    - Range of goods supplied – Narrow
    - Nature of goods supplied – Fresh goods
    - Turn-over rate – Fast moving items
    - Margin to retailers – High
    - Goods supplied – Vegetables

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**SMAGR2**

- **History** – Recently established
- **Business type** – Family based.
- **Business size** – Small
- **Length of relationship with SMAGR2** – Short to medium time, occasionally and seasonally business relationship.

**Relationships**

- Criteria for supplier selection – Quality of the fresh vegetables supplied, the stable of the vegetables supplied as well as the cheap price.
- Supplier base – ‘Large suppliers’ base. Large suppliers’ base. There are many families who have their own small farms to want to sell vegetables for their hobby as well as financial need.
- Duration of contract with SMAGR2 – Short term without contract.
- Mode of payment – COD payment.
  - In doing business with small farms, we are using COD payment. They deliver vegetables which are grown from their house with a small mount to my shop almost every day. I have checking the vegetables they sell to my shop and pay them every time they deliver those vegetables to my shop. I do that because it is just a very small amount of vegetables, comparing with one from the other small farms.
  - Sometimes they sell the very special type of vegetables which are not sold from other shop. In that case, I am paying to pay them 1 dollar for one bunch. I cannot pay 50 cents for one bunch of seasonal vegetables because it is not reasonable.
- Suppliers power base:
  - ‘Fresh seasonal special fresh vegetables supplied’ power – ‘Supply fresh seasonal vegetables which are special and highly demand from customers.

**Characteristics**

- **Benefits** – High benefits for SMAGR2 in term of margin, because:
  - Types of fresh vegetables which are supplied in this cluster are highly daily customer demand.
  - There are not many grocery shops which sell those kind of fresh vegetables in the large variety and high quality in the same area.
  - The SMAGR2 set high selling price for their exclusive service and fresh goods.
- **Benefits** – High benefits for SMAGR2 in term of margin, because:
  - Types of fresh vegetables which are supplied in this cluster are highly daily customer demand.
  - There are not many grocery shops which sell those kind of fresh vegetables in the large variety and high quality in the same area.
  - The SMAGR2 set high selling price for their exclusive service and fresh goods.
- **Benefits** – High benefits for SMAGR2 in term of margin, because:
  - Types of fresh vegetables which are supplied in this cluster are highly daily customer demand.
  - There are not many grocery shops which sell those kind of fresh vegetables in the large variety and high quality in the same area.
  - The SMAGR2 set high selling price for their exclusive service and fresh goods.

---

**SMAGR2**

- **History** – Established long time
- **Business type** – Family based.
- **Business size** – Small to medium
- **Length of relationship with SMAGR2** – Long time

**Relationships**

- Criteria for supplier selection – Quality of the fresh vegetables supplied, the stable of the vegetables supplied as well as the reasonable price.
- Supplier base – ‘Small suppliers’ base. There are a few big farms those supply good quality of vegetables with a large variety of the vegetables. In this case, SMAGR2 has bought a large amount of fresh vegetables from five big farms.
- Duration of contract with SMAGR2 – Short term without contract.
- Mode of payment – COD and 2 weeks to 4 weeks credit payment.
- Payment method for making payment after 2 weeks of delivery. After one week, they give me bill of one week. While other small grocery shops pay COD, my shop is 2 weeks credit payment. In doing business with big farms, I have checked bill every week, negotiate about the selling price, and make the payment after another one week. I means I make the payment 2 weeks after delivery. The big farms supply huge amount of fresh vegetables to my shop everyday. A vegetables is one main sale focus in my shop.
- Delivery frequency – 4 times to 6 times per week, every Monday, Thursday, Friday, Saturday and Sunday.
- There are 5 farms those supply vegetables to my shop. One delivers vegetables 2 days per week, one does 3 times per week, and one does it 4 times per week. I don’t let them deliver vegetables at the same time for one week, because I do not have enough space for all of that, plus, I want to have fresh vegetables everyday. Generally, there are about two farms deliver vegetables to my shop every day.
- Suppliers’ transferability – It is not easy to transfer to other suppliers because:
  - There are just a few big farms who supply high quality of vegetables in the market.
  - Suppliers power base:
    - Market power – ‘Supply fresh high quality of fresh vegetables which are highly daily demand from customers and contribute to the SMAGR2 competitive advantages in the grocery market.
  - Retailer power base:
    - Market power – ‘The shop has a considerable amount of customers for those kinds of fresh vegetables foods.

**Characteristics**

- **Benefits** – High benefits for SMAGR2 in term of margin, because:
  - Types of fresh vegetables which are supplied in this cluster are highly daily customer demand.
  - There are not many grocery shops which sell those kind of fresh vegetables in the large variety and high quality in the same area.
  - The SMAGR2 set high selling price for their exclusive service and fresh goods.
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  - There are not many grocery shops which sell those kind of fresh vegetables in the large variety and high quality in the same area.
  - The SMAGR2 set high selling price for their exclusive service and fresh goods.
Nature of goods supplied – Dried foods

History – Recently established.

Turn-over rate – Fast moving items

Margin to retailers – High

Business type – Family based.

Suppliers

Type of goods supplied – Dried foods which can be alternative dried goods which are supplied and sold by closed big suppliers, or the goods are new and potential to be popular items in the grocery market.

Length of relationship with SMAGR2 – Short time

Suppliers’ transferability – It is easy to transfer to other suppliers because:

- The suppliers are not exclusively in selling those kinds of grocery items.
- It does not cost much for SMAGR2 if he wants to switch to other suppliers because the suppliers need SMAGR2 to introduce, promote and sell their goods for them.

One of the shop business objectives is provided large range of grocery products which includes popular as well as potential new types of goods. Therefore, I am willing to have business with the new suppliers as long as they offer new type of goods which I can see the market potential, credit payment and unsold goods returnable business term.

Retailer power base:

- Market power – The shop has a considerable amount of customers for those kinds of dried foods.
- Expert power – SMAGR2 know about customers’ demand as well as other suppliers’ goods selling prices.
- Attitude in the relationships – open, honest and benefit expected. SMAGR2 still has business relationship with those new suppliers because he wants to:
  - Create more suppliers options to sell the product, even if SMAGR2 could get a chance to become an exclusive selling agent for the new type of dried foods.
  - Lassen his business risk from depending on a few big suppliers.
  - Get competitive selling prices from different suppliers.
  - Make sure the shop has enough goods to sell, in case one supplier runs out of popular goods.

Business information – SMAGR2 has looked for information for his benefit.

- Sharing selling price for certain kind of goods from different suppliers, so SMAGR2 can get the cheapest price from the suppliers.
- Providing information about his business relationship with different suppliers, as required from the new ones. From that, the new suppliers can have a good image about his business prestige, from the viewpoint of other suppliers.
- Getting updated goods situation from the suppliers to organize SMAGR2 business operation in an effective way.

Benefits – High benefits for SMAGR2 in term of margin, because:

- There is just a few grocery shops sell those new types of grocery items.
- The selling price is set at a high level to cover promotion and distinguish service of new type of goods supplied.

High margin per unit sold.

The suppliers actually do not set the selling price in the shop, I make it by myself. I’d rather to set the reasonable selling price to sell more and get more profit totally than set a high price and sell just a small amount of goods. However, for the new type of goods in the market, I set a high unit selling price to get high profit margin. I can do that because the selling price is not competitive yet which is resulted from not many shop sell the same new type of goods.

High long term benefits:

- Speeding up capital turnover.
- The goods supplied from the recent established could be similar to the popular ones in the market or they could be alternative ones. As a consequence, SMAGR2 can expand its supplier portfolio to sell popular grocery items in the market.

I like to sell certain types of goods which are new in the market and not sold in other grocery shops. The new good types of products create certain business advantages for my shop in the grocery retailers market. Although my shop size is not very big, the customers can find almost whatever they want to buy from the grocery shop. Some types of goods are slow moving items but I still keep them in my shop to expand variety of goods.

- Could get higher margin per unit sold from those new suppliers if SMAGR2 could bargain for the cheaper price.
- Attract more customers from selling those new types of grocery items.
- The relationship with the new suppliers gives SMAGR2 chance to be an exclusive selling agent for certain new kinds of goods.
- Less depend on exclusive suppliers because SMAGR2 has alternative grocery goods to sell.
- Risks – Individual risks. SMAGR2 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR2 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happening during business operation.

I don’t have any conflict with the new suppliers so far because I make all of business term clear at the beginning of the business. I want to try the new type of goods first, if it has market demand potential, I will buy it under condition – credit payment and unsold goods returnable term. If they don’t agree with that, I would not buy anything from them. Therefore, they all agree with what I want because it is good for both – for me, I can have a try new type of goods in my shop, for the new suppliers, they can put their goods on shelves to sell.
- Range of goods supplied – Narrow
- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Nature of goods supplied – Fresh goods
- Type of goods supplied – Fresh home-cooked foods

Suppliers (S26)

Suppliers' Criteria:
- History – Recently established
- Business type – Family based.
- Business size – Small
- Length of relationship with SMAGR2 – Long time

Common Characteristics
- History – Recently established
- Type of goods supplied – Fresh home-cooked foods
- Length of relationship with SMAGR2 – Long time

SMAGR2

- Range of goods supplied – Non-foods
- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Nature of goods supplied – Non-foods
- Type of goods supplied – Newspapers, Cigarettes, and Phone Cards.

Characteristics
- Ownership – Family based business.
- Established – 2002
- Shop history – Bought from previous shop owner who is current shop owner’s relatives.
- Employees size – Weekday
  - Full time – 32
  - Part time – 15
- Weekend
  - Full time – 32
  - Part time – 18
- Competitive advantages
  - Big variety range of dried goods.
  - Large variety of fresh seasonable fruits and vegetables.
- Suppliers Source: From
  - Previous shop owner transfer.
  - The suppliers themselves.
- Criteria to choose suppliers:
  - Price
  - Salesman’s characteristics.
- Inventory Management:
  - Goods in store – noodles, instant noodles, rice, fish sauce, fruits, vegetables, and others.

Relationships
- Criteria for supplier selection – Price. SMAGR2 focus on the price when decide to choose which suppliers for certain type of fresh home-cooked foods.
- Supplier base – Large suppliers’ base. There are many families who want to sell home-cooked foods for their hobby as well as financial need.
- Duration of contract with SMAGR2 – Short term without contract.
- Mode of payment – SMAGR2 pay bill for the whole week in every Sunday. This is a consignment type of goods supplied, so during the week time, the suppliers will change unsold items to new one, and calculate the bill for the whole week, and get payment on Sunday.
- Delivery frequency – Seven time per week.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - There are many families who want to make fresh foods at home to sell them for living as well as for their interest.
- Suppliers power base:
  - Market power – supply fresh home-cooked goods which are matched to daily customers demand.
  - Unsold goods refund power – SMAGR2 change to new fresh home-cooked foods for all of unsold items from the last delivery.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods who are attracted by fresh home-cooked foods when they are shopping in the shop. Therefore, the normal payment term for consignment in the grocery shops which is cash payment on delivery, is not applied to SMAGR2. SMAGR2 pay the bill for the whole week of fresh home-cooked foods, although they supply 7 times per week.
  - Expert power – SMAGR2 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
  - Attitude in the relationships – clear and honest. SMAGR2 and his suppliers trust each other for that information.
- Business information – SMAGR2 just let the suppliers know about what customer demand is, and what kind of goods they prefer.

- Benefits – Local benefits for SMAGR2 in term of margin, because:
  - There are many grocery shops who sell the same popular grocery items.
  - The selling price is very competitive.
  - SMAGR2 gets fix low margin per unit sold.
  - Long term benefits:
    - Broaden range of grocery goods on sale.
    - SMAGR2 has the largest range of home-cooked fresh foods sell comparing to other grocery shops in the same wet market. Therefore, selling those types of foods position SMAGR2 as one of the most popular grocery shop of selling highly daily fresh food demand in the area.
    - Attract more customers to the shop by buying those kind of fresh home-cooked foods.
    - Attract more customers for the dried grocery foods as well when they want to buy fresh home-cooked foods.
    - Offering one stop shopping for the customers which result in business advantages for SMAGR2.
    - Risks – Individual risks. SMAGR2 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
    - Planning and goals – Individual and short term. SMAGR2 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of un-equivalent relationship.
    - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

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- Criteria to choose suppliers:
  - Price
  - Salesman’s characteristics.
- Inventory Management:
  - Goods in store – noodles, instant noodles, rice, fish sauce, fruits, vegetables, and others.

Relationships
- Criteria for supplier selection – the popularity of non-foods Items in the market because SMAGR2 does get fix commission from every item sold.
- Supplier base – Large suppliers’ base. There are many suppliers who want to sell their goods in the grocery shops without opening their own shops.
- Duration of contract with SMAGR2 – Short term without contract.
- Mode of payment – SMAGR2 get the fix benefit from every item sold “It is not much benefit for selling those type of newspaper, but I’d like to have them in my shop to offer "one stop shopping” service to my customers. I’ve got 20 cents for every newspaper I sold.”
- Delivery frequency – Three or six times per week, depends on what type of newspaper.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - There are many suppliers who sell non-food items in the market.
- Suppliers power base:
  - Market power – supply non-foods items which are matched to daily customers demand.
  - “Fixed commission without any capital investment” power – SMAGR2 does not have to put money to buy the non-foods items to put on the shelves. He has got fix commission for sold item.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods who are attracted by non-foods items when they are shopping in the shop.
  - Expert power – SMAGR2 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
  - Attitude in the relationships – open, honest and trusting.
  - Business information – SMAGR2 has shared and get benefit from that.

- Sometime, especially in seasonable events like Chinese New Year or Full Moon Event, I need more newspaper to sell, I suggest to the supplier to give my shop more newspaper. They cannot say yes right away because they have to check and decide whether they give me more or not, if yes, how many. Normally, the selling speed is not constant in every shop, so it is hard for the suppliers to make decision how many they should give more to which shop.

- Therefore, the suppliers need to check carefully whether they deliver more to this shop or not. It is understandable. If they deliver newspapers to this shop more, but it is not sure that I can sell out all of the newspaper for this time, while the other shop would get less from the suppliers but they would need more to sell this time. Moreover, the newspapers delivery men are just the company employees. They does not like paper work to ask for some changing. Therefore they seldom report and ask for changing. However, if they can see that there run out of newspaper in my shop for some weeks in a row, while other shops have stock for that, they would think and decide how many they would sell me more. Actually they would know clearly which shops can have more newspapers to sell.”
- Benefits – Low benefits for SMAGR2 in term of margin, because:
  - There are many grocery shops which sell those daily customer demands for non-food items.
  - The suppliers fix the commission for one unit sold which are not high
  - Long term benefits:
    - Broaden range of goods on sale in the grocery shop.
    - Attract more customers for the dried grocery foods when they want to buy non-food items.
    - The retailer SMAGR2 does not have to invest capital in buying non-food items.
  - Risks – Individual risks. SMAGR2 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
  - Planning and goals – Individual and short term. SMAGR2 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of un-equivalent relationship.
  - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

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- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Type of goods supplied – Dried foods which are popular and daily demand in the grocery market.

Characteristics
- History – Established for a long time.
- Business type – Family based.
- Business size – Big
- Length of relationship with SMAGR3 – Long time

Suppliers
(S31)

- Supplier base – there are a few closed suppliers in this cluster.
- Margin to retailers – Low (S31)
- Business size – Big
- Length of relationship with SMAGR3 – Long time

Relationships
- Criteria for supplier selection – Price and type of goods supplied.
- Supplier base – there are a few closed suppliers in this cluster.
- Duration of contract with SMAGR3 – Long term without contract. SMAGR3 has business relationship with those suppliers for a long time, some since he established his shop. However, they do not sign any business contracts; just fill up forms since they started doing business.
- Mode of payment – credit payment, normally from 4 weeks to 8 weeks
- Flexibility in payment – SMAGR3 asks for payment extension, sometimes up to 12 weeks.
- Delivery frequency – different supplier deliver fried foods once a week, in different day in the week.

“The suppliers come to the shop every Saturday, they know which shelves their goods are on, and they check how many are left and how many of goods need to be supplied. They supply on every Monday, Tuesday, and Wednesday, and sometimes on Thursday. They don’t deliver on Friday and Saturday. I have my own warehouse to store fast moving items, like instant noodles, rice, and fruits. If I run out of goods on Friday and Saturday, I have to wait until the week after to have goods supplied. The suppliers don’t have delivery employees who work in the weekend”

- Suppliers’ transferability – It is difficult to transfer to other suppliers because:
  - Suppliers in this cluster are exclusively selling certain fast moving grocery items which are highly demand in the grocery market.
  - The retailer SMAGR3 needs those kinds of popular grocery items which cannot find from other suppliers.
  - It cost more for SMAGR3 if he switches to other suppliers for alternative goods because the customers prefer those brand goods. However, SMAGR3 has his own strategy way to lessen those big suppliers’ powers.

“in order to weaken their power, I have been doing the following actions:

- Keep ordering the special goods from them in the price squeeze, it’s no problem with me when their goods are still on my shelves for a long time if they increase the price.
- Order the other brands which are not popular like the exclusive product. Moreover, the quality of the other brand product is lower but the price is cheaper than the exclusive ones. Firstly, I put these goods next to the exclusive high price ones and make the prestige of the replacing goods for getting interest from customers. Secondly, I make the promotion for the new goods to decrease the exclusive influence of wholesalers in order to serve the customers well.
- For instance, Bong Hong (Rose) rice is the popular item but is sold with fair high price 50 Aud/25kgs; I will input the Con Nai (Deer) rice with the price 40 Aud/25kgs. I myself promote the Deer Rice brand name, without the request of the Deer Brand name suppliers, by guaranteeing the good quality and refund to customers if they don’t feel happy about the product quality. I ask my staffs, like cashiers, introduce this item to customers, guarantee we can refund the money they pay as well as petrol’s cost compensation, etc. (if the customers have a poor appetite. All of my self-promotion action which responds to supplier’s power advantage taken is different with ones of Coles and Safeway. They have a better finance resource, so they can cook rice for customer to try, or give customers some rice sample. I don’t do that, I just introduce the Deer brand name product to customer with certain guarantee. The main objective of my reaction is I just want to weaken the power advantage of the important suppliers to sell the goods to my customers with the reasonable price. I don’t want to kill my suppliers. How to attract more customers to go to my shop is my target.”

- Suppliers power base:
  - Market power – supply exclusive goods which are popular and daily demand to customers.
  - They are suppliers for some special high demand goods. They have selected the essential, high demand items and then they take over all. For example, Bong Hong (Rose) rice is the most popular rice product among Asian people, especially Vietnamese people. The suppliers, after observing the market, they go to Thailand to buy all of Bong Hong rice and ask to distribute Victoria exclusively, and they become a sole agent of this brand name. They are some of my most important suppliers”
  - Retailer power base:
    - Market power – The shop has an extensive amount of customers for those kinds of dried foods, especially customers who are attracted by fresh fruits and vegetables, they will take “one stop” shopping advantages from SMAGR3.
    - Expert power – SMAGR3 knows about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
    - Attitude in the relationships – open, honest and trusting. The suppliers trust SMAGR3 as a good business partner. Although the payment term is credit one, SMAGR3 pay COD for the dried food $200 bill. Sometimes SMAGR3 cannot make payment in time; he asks for extension and gets the acceptances from his suppliers all the time, like from 4 weeks, the suppliers would give him the extension of 8 weeks.
    - Business information – SMAGR3 has shared and get benefit from that, like selling price from other suppliers when some suppliers need that information.
  - Benefits – Low benefits for SMAGR3 in term of margin, because:
    - Many grocery shops sell the same popular grocery items.
    - The selling price is very competitive.
    - Low margin per unit sold accordingly.
    - High long term benefits:
    - Attract more customers for the popular items as well as for the other main goods sold in the shop, like fruits and vegetables.
    - Satisfy loyal customers for supplying one stop shop service when they go there for mainly fruits and vegetables shopping.
    - Risks – Individual risks. SMAGR3 and his suppliers do not have any kind of contracts so they do not share any risks to each other.

“In order to do business with some big exclusive good suppliers, my business should depend on them but it’s just temporary. We have to know when to depend on them and when we do not depend on. We should try not depending too much on certain suppliers which is risky to our business”

- Planning and goals – Individual and short term. SMAGR3 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.

“I do use certain action to weaken the suppliers, but not often apply:
- Sometimes I apply it when I can predict the exclusive suppliers will change their mind in the negotiation with me, especially about the price. In the other word, I apply it when I can predict it will be successful.
- Sometimes I don’t want to waste my time for it, especially when I can see the profit I gain is not much like the effort I will put in.”

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Suppliers

(S$31)

- Nature of goods supplied – Fresh goods
- Turn-over rate – Fast moving items
- Margin to retailers – High

Relationships

Criteria for supplier selection – Price and quality of goods supplied.
Supplier base – There are a few closed suppliers in this cluster. SMAGR3 bought durian and mangosteen from the big suppliers who supply dried foods as well.
Duration of contract with SMAGR3 – Short term without contract. SMAGR3 has good business relationship with a supplier who supplies durian for a long time, since he established his shop in 1999, and recently has business relationship with the one who supplies mangosteen.
Mode of payment – credit payment, normally from 4 weeks to 8 weeks.
Flexibility in payment – SMAGR3 can ask for payment extension, sometimes up to 12 weeks.
Delivery frequency – Generally once a week, or SMAGR3 orders when the shop runs out of fruits.
Suppliers’ transferability – It is difficult to transfer to other suppliers because –
- Suppliers in this cluster are exclusively selling certain fast moving grocery items which are highly demand in the grocery market.
- The retailer SMAGR3 needs those kinds of popular grocery items which cannot find from other suppliers.
- Suppliers power base:
  - Market power – supply exclusive goods which are popular to customers.
  - Exclusive type of fruits supplied – durian and mangosteen are two high selling price and demand from the customers.
  - An exclusive selling agent power – the fruits suppliers give the retailer, SMAGR3, a chance to become an exclusive selling agent for the special popular reasonable type of fruit.
Retailer power base:
- Market power – The shop has a considerable amount of customers for those kinds of fruits.
- Expert power – SMAGR3 knows about customers’ demand as well as other suppliers’ goods selling prices.
- Attitude in the relationships – open, honest, trusting, flexible and controlling.
- The suppliers trust SMAGR3 as an honest business partner since he opened the shop. The suppliers believe SMAGR3 as a potential business partner in order to grant SMAGR3 as the exclusive selling agent to sell the “Monkey” and “Money God” durian brands.
- My shop is an exclusive retail for selling “Chicken” durian brand while the next door shop is exclusively selling “Monkey” and “Money God” durian brands. In this wet market, only my shop and the next door shop are exclusively selling three best durian brands, including “Chicken”, “Monkey” and “Money God”. There is another durian brand, called “Deer”; no one is exclusive agent for that, so SMAGR3 and my shop can sell it if we want it.
- SMAGR3 seize benefit from the long time closed business relationship with his suppliers. In my opinion, being exclusive agent to sell “Chicken” good durian brand is a good chance for my shop to draw more customers and turn out to be well liked in this wet market.
- SMAGR3 get a chance to become an exclusive agent to sell “Chicken” durian brand from the closed long time relationship with his supplier as well as from his good business operation. The supplier actually does not ask for how much they should sell to become the exclusive agent because they would know the SMAGR3 market power. “About durian with “Chicken” brand; we ask the suppliers to be an exclusive shop to sell this good, in this area. We negotiate about the price and condition to be the exclusive selling shop for this “Chicken” durian. Normally they ask how many bars we can sell per week if we want to be the exclusive durian selling shop. They deliver 30 to 40 boxes of durian, but it depends on the market demand, we cannot fix how many bars we have to sell. However, it depends”.
- Business information – SMAGR3 and the suppliers have been honest and shared as well as got benefit from business information sharing. The supplier keeps informing business information which is useful for their business transaction. April is the durian picking season in Thailand. The supplier update information about how long it would takes to pick all of the durian, and how long then they put all of them to the freezer and when they can export durian to overseas. The supplier keeps updating me about the fruit import situation so I can organize what type of fruits and how much I should sell in the shop when durian comes. Actually SMAGR3 keep looking for market information about fruit demand for his business, and he uses it in negociating with his suppliers. Simply, we have to find, listen to the information about the suppliers and survey the market, and then we will make own decisions how to deal with the suppliers appropriately. There are many ways to deal with the different suppliers. For instance, there are mangosteen offering. I have to collect information of the fruit market at the time I want to deal with suppliers, the way I deal with them differently. If I know that there is only one supplier who have mangosteen, the way I negotiate with him/her will be different with there are some mangosteen suppliers”.
- Benefits – High benefits for SMAGR3 in term of margin, because:
  - SMAGR3 is the exclusive agent to sell those popular durian brands, so they can set the high price to get higher profit margin to cover exclusive service and goods they supply to the customers.
  - Long term benefits:
    - Attract more customers for the popular items as well as for the other main goods sold in the shop, like dried foods, other fresh and seasonal fruits and vegetables.
    - Getting more popular and becoming one of the most popular grocery shops which exclusively sell popular fruits brands in the wet market. It would benefit more than SMAGR3 grocery business.
  - Risks – Individual risks. SMAGR3 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
  - Planning and goals – Individual and short term. SMAGR3 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equial relationship.
  - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

Business information – SMAGR3 has looked for information for his benefit. Benefits – High benefits for SMAGR3 in term of margin, because:
- There are just a few grocery shops those focus on selling fruits and have a large range of fruits supplied.
- The selling price is very highly and changing within one day, depends on the customer demand and weather, but SMAGR3 gets highest benefits from selling large range of fresh quality fruits.
- SMAGR3 gets fix very high margin per unit sold in the morning and low profit margin late evening. Averages, SMAGR3 get high margin per unit sold.
- High long term benefits:
  - Broaden range of grocery goods on sale.
  - Attract more customers from buying vegetables while they are shopping fruits.
  - Attract more customers for the dried grocery foods as well when they want to buy fruits from the shop.
- Risks – Individual risks. SMAGR3 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR3 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of equivalent relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

Characteristics
- Ownership – Family based business.
- Shop history – Change handle.
- Employees size:
- Competitive advantages:
  - Big variety range of goods of grocier.
  - Big variety range of fresh fruits and vegetables
  - Good location
  - Competitive fruits and vegetables selling price.
- Suppliers Source: From
  - Previous shop owner transfer.
  - The suppliers themselves.
- Criteria to choose suppliers:
  - Price
  - Inventory Management:
    - Goods in store – vegetables, fruits, noodles, instant noodles, fish sauce, and others.

Suppliers

(S$37 & S$38)

- History – Established for a long time
- Business type – Family based.
- Business size – Small to medium
- Length of relationship with SMAGR3 – Long time
- Range of goods supplied – Narrow
- Type of foods supplied – Fruits and Flowers

Relationships

- Criteria for supplier selection – Price. SMAGR3 focus on the price when decide to choose which suppliers for certain type of fruits which normally are the popular items.
- Supplier base – Large suppliers’ base. There are many wholesalers in the wholesale market to sell fruits.
- Duration of contract with SMAGR3 – Short term without contract. SMAGR3 go to the wholesale market three times per week to buy fruits.
  - “Fruits – we go to the wholesale market and buy them by ourselves. We go there at least three times per week, and normally 6 days per week. Actually it depends on how much of fruits and vegetables are remained after one selling day. My husband and I go to the wholesale market to buy those goods. We go Prone to buy fruits, and hire someone to drive them here”.
- Mode of payment – COD, sometimes a few closed wholesales from the market give 2 weeks credit payments for SMAGR3, but almost are using COD payment.
- Delivery frequency – Three times per week for fruits and two times per week for flowers.

The wholesale market open 5 days per week, from Monday to Friday, they close on Saturday and Sunday. Therefore, when there is high demand for fruits, we go there every day. However, sometimes we cannot sell them all; we have to sell them at the price which is under the buying price. We have to do that because fruits are perishable products.

Fruits – Monday, Wednesday and Friday
Established for a long time.
- Range of goods supplied – Wide
- Margin to retailers – High
- Type of goods supplied – Dried foods which are popular and new in the grocery market.
- Length of relationship with SMAGR3 – Long time
- Business size - Big

Criteria for supplier selection – Price and type of goods supplied.
- Supplier base – there are a few closed suppliers in this cluster.
- Duration of contract with SMAGR3 – Long term without contract.
- Mode of payment – credit payment, normally from 4 weeks to 8 weeks
- Flexibility in payment – SMAGR3 can ask for payment extension, sometimes up to 12 weeks.
- Delivery frequency – SMAGR3 order when the shop run out of new type of dried foods, in case the market accept the new goods.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - The suppliers need to sell those new types of goods through the retailer SMAGR3.
  - It does not cost much for SMAGR3 if he switches to other suppliers for alternative new type of goods because those new goods are in the market testing phase.
- Suppliers power base:
  - ‘New type of goods supplied’ power – supply new type of dried goods which could become popular in the grocery market.
  - Expert power – The suppliers have been doing in grocery industry for a long time, so they would have good experience and knowledge about market demand, so the new type of goods they have would match the grocery market, and the SMAGR3 retailer would gain more benefit from their knowledge.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR3 know about customers’ demand as well as other suppliers’ goods selling prices. In addition, the customers take the shop owner’s advice as a good reference which helps the suppliers when SMAGR3 promotes their new types of grocery goods.
- Attitude in the relationships – open, honest, trusting, commitment and control.
  - The suppliers trust SMAGR3 as an honest good business partner since he opened the shop, so they take SMAGR3 as a good choice to introduce the new types of goods they have.
- SMAGR3 trusts in the suppliers’ business offer and considers those offers from the suppliers to sell new type of goods as a good chance to earn more benefit.
  - I support the suppliers in promoting new type of goods because I want to try new types of goods in my shop as well, plus, I would get more benefit from selling those new types of goods.
  - SMAGR3 always commits to agreement with the suppliers.
  - SMAGR3 is straightforward and clear with the suppliers about unsold goods returnable term and make sure that he gets the agreement from the suppliers.
  - SMAGR3 organize his business and manage his employees towards his business target.
- Business information – SMAGR3 has been honest and shared as well as got benefit from business information
  - Benefits – High benefits for SMAGR3 in term of margin, because:
    - There are not many grocery shops sell those new types of grocery items, so the selling price is set high to cover the promotion fee and exclusive type of goods offer. SMAGR3 gets high margin per unit sold accordingly.
  - I agree to sell new types of goods to the suppliers because I want to buy from the grocery shop.
    - High long term benefits:
      - Attract more customers for the new type of goods which could become popular items. From selling those types of goods, SMAGR3 attract more customers to other main goods sold in the shop, like fresh seasonable fruits and vegetables.
      - Good create image from the customers about large variety of dried grocery goods sold in the shop.
    - New good types of goods create certain business advantages for my shop in the grocery retailers market. Although my shop size is not very big, the customers can find almost whatever they want to buy from the grocery shop.
    - Risks – Individual risks. SMAGR3 and his suppliers do not have any kind of contracts so they do not share any risks to each other. However, SMAGR3 loses his risk by insist the unsold goods returnable term before making agreement to sell new types of goods.

- History – Established for a short time.
- Range of goods supplied – Wide
- Margin to retailers – Medium
- Type of goods supplied – Dried foods to match daily demand.
- Length of relationship with SMAGR3 – Short time
- Business size - Small

Criteria for supplier selection – Price and type of goods supplied.
- Supplier base – there are a few closed suppliers in this cluster.
- Duration of contract with SMAGR3 – Long term without contract. SMAGR3 has business relationship with its suppliers for a long time, some since he established his shop in 2002. However, they do not sign any business contracts; just fill-up forms since they started doing business.
- Mode of payment – credit payment, normally from 4 weeks to 8 weeks
- Flexibility in payment – SMAGR3 can ask for payment extension, but just up to 8 or 10 weeks.
- Delivery frequency – flexible, as when the goods nearly run out.
- Suppliers transferability – It is easy to transfer to other suppliers because:
  - The suppliers are not exclusively in selling those special kinds of grocery items.
  - The goods supplied are special grocery items which serve special demand only, not daily demand.
- It does not cost much for SMAGR3 if he wants to switch to other suppliers for the same type of goods because there are many suppliers sell those kinds of goods.
- Suppliers power base:
  - Long-time established prestige power – they established for a long time and have their own good prestige in grocery suppliers.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for general dried foods.
  - Expert power – SMAGR3 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
- Attitude in the relationships – open, honest and trusting.
  - The suppliers trust SMAGR3 as an honest good business partner.
  - SMAGR3 sometimes SMAGR3 cannot make payment in time; the shop owner asks for extension and gets the acceptances from the suppliers, from 4 to 6 weeks, the suppliers would give him the extension up to 8 weeks.
- Business information – SMAGR3 has shared and got benefit from that when needed.
- Benefits – High benefits for SMAGR3 in terms of margin, because:
  - Not many grocery shops sell those kinds of special grocery items because of high capital investment for the high value items.
  - The selling price is relatively high.
  - High margin per unit sold.
- High long term benefits:
  - Satisfying his customers whenever they need those goods, although once a while.
  - Broaden range of grocery goods on sale.
  - Keeping his loyal customers for offering a wide range of goods.
  - Individual risks. SMAGR3 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR3 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during his business operation.
- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – High
- Type of goods supplied – Dried foods which are new in the grocery market.

Suppliers (S32)

- Business type – Family based
- Range of goods supplied – Narrow
- Nature of goods supplied – Fresh goods
- Length of relationship with SMAGR3 – Long time

Suppliers (S36)

- History – Recently established
- Business size – Small
- Foods supplied – Fresh, home-cooked foods
- Margin to retailer – Low
- Turn-over rate – Slow moving items

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SMAGR3

- Characteristics
  - Ownership – Family based
  - Established – 1995
  - Shop history – Change handle
  - Employees size
    - Weekday
      - Full time – 30
      - Part time – 15
    - Weekend
      - Full time – 30
      - Part time – 20
  - Competitive advantages
    - Big variety range of goods of groceries
    - Big variety ranges of fresh fruits and vegetables
    - Good location
    - Competitive fruits and vegetables selling price
  - Suppliers Source: From
    - Previous shop owner transfer.
    - The suppliers themselves.
  - Criteria to choose suppliers:
    - Price
    - Inventory Management:
      - Goods in store – vegetables, fruits, noodles, instant noodles, fish sauce, and others.

- Relationships
  - Criteria for supplier selection – Price. SMAGR3 focuses on the price when decide to choose which suppliers for certain type of fresh, home-cooked foods.
  - Supplier base – Large suppliers’ base. There are many families who want to sell fresh, home-cooked foods for their hobby as well as financial need.
  - Duration of contract with SMAGR3 – Short term without contract.
  - Mode of payment – SMAGR3 pay bimonthly for the whole week in every Sunday. This is a consignment type of goods supplied, so during the week time, the supplier will change unsold items to new one, and calculate the bill for the whole week, and get payment on Sunday.
  - Delivery frequency – Seven time per week.
  - Suppliers’ transferability – It is easy to transfer to other suppliers because:
    - There are many families who want to make fresh foods at home to sell them for living as well as for their interest.
  - Suppliers power base:
    - Market power – The shop has a considerable amount of customers for those popular grocery items.
    - Expert power – SMAGR3 know about customers’ demand as well as other suppliers’ goods selling prices. In addition, the customers take the shop owner’s advice as a good reference which benefit to the suppliers when SMAGR3 promotes their new types of grocery goods.
    - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Relationship – clear and honest. All of the payment and unsold goods are set clear and honest. SMAGR3 and his suppliers trust each other for that information.

- Common Characteristics
  - Criteria for supplier selection – Price.
  - Business type – Family based
  - Range of goods supplied – Narrow
  - Nature of goods supplied – Fresh goods
  - Margin to retailer – Low
  - Turn-over rate – Slow moving items

- Suppliers’ power base:
  - Popular fast moving item source
    - New type of goods supplied power – supply new type of dried goods which could become popular in the grocery market.
  - Expert power – The suppliers have been doing in grocery industry for a long time, so they would have good experience and knowledge about market demand, so the new type of goods they have would match the grocery market, and the SMAGR3 retailer would gain more benefit from their knowledge.

- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR3 know about customers’ demand as well as other suppliers’ goods selling prices. In addition, the customers take the shop owner’s advice as a good reference which benefit to the suppliers when SMAGR3 promotes their new types of grocery goods.

- Attitude in the relationships – open, honest, trusting, commitment and control.
  - The suppliers trust SMAGR3 as an honest good business partner since he opened the shop, so they take SMAGR3 as a good choice to introduce the new types of goods they have.
  - SMAGR3 trusts in the suppliers’ business offer and considers those offers from the suppliers to sell new types of goods as a good chance to earn more benefit.

- Flexibility in payment – SMAGR3 can ask for payment extension, sometimes up to 12 weeks.

- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - There are many families who want to make fresh foods at home to sell them for living as well as for their interest.

- Suppliers power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR3 know about customers’ demand as well as other suppliers’ goods selling prices. In addition, the customers take the shop owner’s advice as a good reference which benefit to the suppliers when SMAGR3 promotes their new types of grocery goods.

- Relationship – clear and honest. All of the payment and unsold goods are set clear and honest. SMAGR3 and his suppliers trust each other for that information.

- Business information – SMAGR3 just let the suppliers know about what customer demand is, and what kind of goods they prefer.
  - Benefits – Low benefits for SMAGR3 in term of margin, because:
    - There are many grocery shops who sell the same popular grocery items.
    - The selling price is very competitive.
    - SMAGR3 gets fix low margin per unit sold.
  - High long term benefits:
    - Broaden range of grocery goods on sale.
    - Attract more customers to the shop by buying those kinds of fresh, home-cooked foods.
    - Attract more customers for the dried grocery foods as well when they want to buy fresh, home-cooked foods.
  - Risks – Individual risks. SMAGR3 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
  - Planning and goals – Individual and short term. SMAGR3 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
  - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

- Suppliers’ power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR3 know about customers’ demand as well as other suppliers’ goods selling prices. In addition, the customers take the shop owner’s advice as a good reference which benefit to the suppliers when SMAGR3 promotes their new types of grocery goods.

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    - There are many grocery shops who sell the same popular grocery items.
    - The selling price is very competitive.
    - SMAGR3 gets fix low margin per unit sold.
  - High long term benefits:
    - Broaden range of grocery goods on sale.
    - Attract more customers to the shop by buying those kinds of fresh, home-cooked foods.
    - Attract more customers for the dried grocery foods as well when they want to buy fresh, home-cooked foods.
  - Risks – Individual risks. SMAGR3 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
  - Planning and goals – Individual and short term. SMAGR3 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
  - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

- Suppliers’ power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR3 know about customers’ demand as well as other suppliers’ goods selling prices. In addition, the customers take the shop owner’s advice as a good reference which benefit to the suppliers when SMAGR3 promotes their new types of grocery goods.

- Relationship – clear and honest. All of the payment and unsold goods are set clear and honest. SMAGR3 and his suppliers trust each other for that information.

- Business information – SMAGR3 just let the suppliers know about what customer demand is, and what kind of goods they prefer.
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    - There are many grocery shops who sell the same popular grocery items.
    - The selling price is very competitive.
    - SMAGR3 gets fix low margin per unit sold.
  - High long term benefits:
    - Broaden range of grocery goods on sale.
    - Attract more customers to the shop by buying those kinds of fresh, home-cooked foods.
    - Attract more customers for the dried grocery foods as well when they want to buy fresh, home-cooked foods.
  - Risks – Individual risks. SMAGR3 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
  - Planning and goals – Individual and short term. SMAGR3 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
  - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

- Suppliers’ power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR3 know about customers’ demand as well as other suppliers’ goods selling prices. In addition, the customers take the shop owner’s advice as a good reference which benefit to the suppliers when SMAGR3 promotes their new types of grocery goods.

- Relationship – clear and honest. All of the payment and unsold goods are set clear and honest. SMAGR3 and his suppliers trust each other for that information.

- Business information – SMAGR3 just let the suppliers know about what customer demand is, and what kind of goods they prefer.
  - Benefits – Low benefits for SMAGR3 in term of margin, because:
    - There are many grocery shops who sell the same popular grocery items.
    - The selling price is very competitive.
    - SMAGR3 gets fix low margin per unit sold.
  - High long term benefits:
    - Broaden range of grocery goods on sale.
    - Attract more customers to the shop by buying those kinds of fresh, home-cooked foods.
    - Attract more customers for the dried grocery foods as well when they want to buy fresh, home-cooked foods.
  - Risks – Individual risks. SMAGR3 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
  - Planning and goals – Individual and short term. SMAGR3 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
  - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
Common Characteristics
- Range of goods supplied – Fresh goods
- Turn-over rate – Fast moving items
- Margin to retailers – High
- Goods supplied – Vegetables

Suppliers
- Business type – Family based.
- Business size – Small to medium
- Length of relationship with SMAGR3 – Short to medium

Suppliers’ transferability
- It is easy to transfer to other suppliers because:
  - There are many families who have their own farms at home to grow vegetables to sell for living as well as for their interest.
- Suppliers power base:
  - “Fresh seasonal fresh vegetables supplied” power – supply fresh seasonal vegetables which are highly demand from customers.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of fresh vegetables foods.
  - Expert power – SMAGR3 focus on mainly selling vegetables and they correspondingly know about customers’ demand.
  - Attitude in the relationships – Open, flexible and power advantages taking.
  - The suppliers trust SMAGR3 as a beneficial business partner. They keep supplying high quality of vegetables with a large amount to the shop.
  - Although the payment term is 2 – 4 weeks credit payment, sometimes the suppliers ask SMAGR3 to pay COD or cash in advance or their delivery, SMAGR3 agree with that requirement.
  - They set an agreed price of the vegetables before the delivery, but every time SMAGR3 calculate the bill, she keeps asking for the discount from the set price with the reason of bad quality goods, but the suppliers do not agree, and SMAGR3 has to pay the bill according to the set unit price.

Business information – The popular information SMAGR3 and the suppliers share is type of vegetables and their price in the market.

Characteristics
- Shop history – Change handle.
- Full time - 30 Weekday
  - - 30 Weekend
  - - 30 Part time - 20
- Types of fresh vegetables which are supplied in this cluster are highly daily customer demand.
- Having good benefits for long term investment.
- Attract more customers from selling those popular fresh items.
- Having good benefits for long term investment.

Planning and goals – Individual and short term. SMAGR3 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of un-equivalent relationship.

Problem solving – Power driven and compromise, in case of conflict or non-good thing happen during business operation.

From the interview of sale assistant of the shop:

- About fresh vegetables price, normally the price is agreed at the beginning of the agreement. However, when the shop owner pays the bill after one or two month of delivery, they always ask for discount from the agreed fix prices, with the following reasons:
  - Not high demand

Interviewer’s observation and interviewing the small farmers:

- About vegetables price – normally the price is agreed at the beginning of the agreement. However, when the shop owner pays the bill after one or two month of delivery, they always ask for discount from the agreed fix prices, with the following reasons:
  - Bad quality vegetables

However, the result from their argument is different with different vegetables suppliers:
- Mr. Truong and Mrs. Phuong farms (big ones) – they seldom agree with the price discount asking from the shop owner which is sometimes too much, like the shop owners ask for 5 cents discount for one bunch of vegetables. Mr. Truong and Mrs. Phuong have given the following arguments:
  - The price the shop owners ask for is too small from that they cannot afford to pay for other farms.
  - If the shop owners keep paying with the small price, they would stop supplying vegetables to the shop.
  - The shop owner has to agree with them because they need the good quality vegetables from the big farms.”
- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Type of goods supplied – Dried foods which are popular and daily demand in the grocery market.

 Suppliers
(S41 & S42)

- Criteria for supplier selection – Price and type of goods supplied.
- Supplier base – there are a few closed suppliers in this cluster.
- Duration of contract with SMAGR4 – long term without contract. SMAGR4 has business relationship with those suppliers for a long time, some since he established his shop. However, they do not sign any business contracts; just fill up forms since they started doing business.
- Mode of payment – credit payment, normally from 4 weeks to 8 weeks
- Flexibility in payment – SMAGR4 asks for payment extension, sometimes up to 16 weeks.
- Delivery frequency – once a week
- Suppliers’ transferability – It is difficult to transfer to other suppliers because: - Suppliers in this cluster are exclusively selling certain fast moving grocery items which are highly demanded in the grocery market.
- The retailer SMAGR4 needs those kinds of popular grocery items which cannot find from other suppliers.
- It costs more for SMAGR4 if he switches to other suppliers for alternative goods because the customers prefer those brand goods. However, SMAGR4 does not have to do that because the suppliers are competing themselves to serve retailers and they are treating the grocery well.
- Suppliers power base – Market power – supply exclusive goods which are popular to customers.
- Retailer power base – Full time - 10
- Part time - 12
- Employee size
- Full time - 10
- Part time - 17
- Competitive advantages – I can get a good price from the competitive market so I can sell the goods with the competitive price to have more customers.
- Problems in relationships – Individual risks. SMAGR4 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR4 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
- Problem solving – Power driven and compromise, in case of conflict or non-good thing happen during business operation.

**With Oriental Case:**
Recently, I have reduced amount of goods from Oriental. It is because this supplier has changed new salesman. I do not like him as his personalities and characteristics. He seems not honest to me in business. I have reduced ordering nearly to 50% amount of all kind of goods from Oriental, even 50% for Lee Kum Kee brand.

**With Nan Fong Case:**
The supply company’s owner is its salesman. I do not like his characteristics because he is so strict and not flexible in payment time or goods return issues. I have cut down lots of goods from this company, just bought some special exclusive and fast moving items from this company. I used to talk to the Nan Fong owner that because you are so strict and do not give me any favour or flexibility in returning goods, so I just buy a few popular ones, I do not buy many.”

- Suppliers
(S42)

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SMAGR4

Common Characteristics
- History – Established for a long time.
- Business type – Family based.
- Business size – Big
- Length of relationship with SMAGR4 – Long time

Relationships
- Criteria for supplier selection – Price and type of goods supplied.
- Supplier base – there are a few closed suppliers in this cluster.
- Duration of contract with SMAGR4 – long term without contract. D & S has business relationship with those suppliers for a long time, some since he established his shop. However, they do not sign any business contracts; just fill up forms since they started doing business.
- Mode of payment – credit payment, normally from 4 weeks to 8 weeks
- Flexibility in payment – SMAGR4 can ask for payment extension, but just up to 8 or 10 weeks.
- Delivery frequency – flexible, as when the goods nearly run out.
- Suppliers’ transferability – It is easy to transfer to other suppliers because: - The suppliers are not exclusively in selling those special kinds of grocery items.
- The goods supplied are special grocery items which serve special demand only, not daily demand.
- It does not cost much for SMAGR4 if he wants to switch to other suppliers for the same type of goods because there are many suppliers sell those kinds of goods.
- Suppliers power base – Long-time established prestige power – they established for a long time and have their own good prestige in grocery suppliers.
- Retailer power base – Market power – The shop has a considerable amount of customers for general dried foods, among of them, some of his loyal customers would like to try the special items once a while.
- Expert power – SMAGR4 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
- Market power – D & S has business relationship with those suppliers for a long time, some since he established his shop. However, they do not sign any business contracts; just fill up forms since they started doing business.
- Retailer power base – Market power – The shop has a considerable amount of customers for general dried foods, among of them, some of his loyal customers would like to try the special items once a while.
- Expert power – SMAGR4 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
- Market power – D & S has business relationship with those suppliers for a long time, some since he established his shop. However, they do not sign any business contracts; just fill up forms since they started doing business.
- Retailer power base – Market power – The shop has a considerable amount of customers for general dried foods, among of them, some of his loyal customers would like to try the special items once a while.
- Expert power – SMAGR4 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
- Market power – D & S has business relationship with those suppliers for a long time, some since he established his shop. However, they do not sign any business contracts; just fill up forms since they started doing business.
- Retailer power base – Market power – The shop has a considerable amount of customers for general dried foods, among of them, some of his loyal customers would like to try the special items once a while.
- Expert power – SMAGR4 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
- Market power – D & S has business relationship with those suppliers for a long time, some since he established his shop. However, they do not sign any business contracts; just fill up forms since they started doing business.
- Retailer power base – Market power – The shop has a considerable amount of customers for general dried foods, among of them, some of his loyal customers would like to try the special items once a while.
- Expert power – SMAGR4 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
- Market power – D & S has business relationship with those suppliers for a long time, some since he established his shop. However, they do not sign any business contracts; just fill up forms since they started doing business.
- Range of goods supplied – Narrow
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Type of goods supplied – Dried foods which is kind of popular in the market.

**Suppliers (543)**

- History – Recently established.
- Business type – Family based.
- Business size – Small to medium
- Length of relationship with SMAGR4 – Short time

**Characteristics**

- Ownership – Family based business.
- Shop history – Change handle.
- Employees size
  - Weekday – Full time - 10, Part time - 12, Weekend – Full time - 10, Part time - 17.
- Competitive advantages
  - Big variety range of goods of groceries.
  - Fresh live seafood.
- Suppliers Source: From previous grocery shops of the shop owner's.
- The suppliers themselves.
- Criteria to choose suppliers:
  - Price
  - Salesman's characteristics.
- Inventory Management:
  - Goods in store – noodles, instant noodles, fish sauce, fresh and cream coconut, and others.

**Suppliers Source**

- From previous grocery shops of the shop owner's.
- The suppliers themselves.

**Criteria for supplier selection**

- Price of popular goods supplied, comparing with ones of the current suppliers, and potential for being an exclusive agent for new types of goods supplied.
- Supplier base – there are many new suppliers in this cluster who are competing to sell their products.
- Duration of contract with SMAGR4 – short term without contract. SMAGR4 has recently relationship with those new suppliers to try new types of grocery goods in his shop. He just fills up the form, but not signs any contracts.
- Mode of payment – credit payment, normally 4 weeks to 8 weeks.
- Flexibility in payment – SMAGR4 can ask for payment extension, sometimes up to 8 weeks, but not after 8 weeks' time because the new suppliers cannot afford the longer time payment.
- Delivery frequency – Flexible, as when SMAGR4 needs the goods.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - The suppliers are popular grocery items which are supplied by many different grocery suppliers, and some from the big suppliers who have closed long-time relationship with SMAGR4.
  - The suppliers are not exclusively in selling those kinds of grocery items.
  - It does not cost any for SMAGR4 if he wants to switch to other suppliers.
- Suppliers power base:
  - Competitive selling goods price power – the new suppliers supply popular goods which are competitive price.
  - An exclusive selling agent power – the new supplier would give the retailer, like SMAGR4, a chance to become an exclusive selling agent for the new type of dried foods.
- Retailers power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR4 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
  - Attitude in the relationships – open, honest and benefit expected. SMAGR4 still has business relationship with those new suppliers because he wants to:
    - Make some business options open; especially he could get a chance to become an exclusive agent to sell one new type of grocery goods.
    - Lessen his business risk from depending on a very few big suppliers.
    - Get competitive selling prices from different suppliers.
    - Make sure the shop has enough goods to sell, in case one supplier runs out of popular goods.
- Business information – SMAGR4 has looked for information for his benefit.
  - Sharing selling price for certain kind of goods from different suppliers, so SMAGR4 can get the cheapest price from the suppliers.
  - Providing information about his business relationship with different suppliers, as required from the new ones. From that, the new suppliers can have a good image about his business prestige, from the view point of other suppliers.
  - Benefits – Low benefits for SMAGR4 in term of margin, because:
    - Many grocery shops sell the same popular grocery items.
    - The selling price is very competitive.
    - Low margin per unit sold.
    - High long term benefits:
      - Speeding up capital turnover.
      - The goods supplied from the recent established could be similar to the popular ones in the market or they could be alternative ones. As a consequence, SMAGR4 can expand its supplier portfolio to sell popular grocery items in the market.
      - Could get higher margin per unit sold from those new suppliers if SMAGR4 could bargain for the cheaper price.
      - Attract more customers from selling those popular grocery items.
  - The relationship with new suppliers can give SMAGR4 chance to be an exclusive selling agent for certain new kinds of goods.
  - Less depend on exclusive suppliers because SMAGR4 has alternative grocery goods to sell.
- Risks – Individual risks. SMAGR4 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR4 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equil relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

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### Suppliers (S44)
- **Common Characteristics**
  - Range of goods supplied – Narrow
  - Nature of goods supplied – Fresh goods
  - Turn-over rate – Fast moving items
  - Margin to retailers – Low
  - Goods supplied – Fresh seafood and fish

### Suppliers (S45)
- **Common Characteristics**
  - Range of goods supplied – Narrow
  - Nature of goods supplied – Fresh goods
  - Turn-over rate – Fast moving items
  - Margin to retailers – Low
  - Goods supplied – Fresh seafood and fish

### History
- Established long time
- Business type – Family based.
- Business size – Small to medium
- Length of relationship with SMAGR4 – Long time

### Business Information
- **Ownership** – Family based business.
- **Shop history** – Change handle.
- **Part time** - 12
- **Planning and goals** – Individual and short term.

### Characteristics
- **Owners**
  - SMAGR4
  - Suppliers

### Market Power
- **The shop has a considerable amount of customers for those kinds of fresh foods which are sold in a professional facility.**
- **Types of fresh seafood and fish which are supplied in this cluster are highly customer demand and high value.**
- **Attract more customers from selling those popular fresh items.**
- **Having good benefits for long term investment.**

### Suppliers Source
- **Previously**
  - SMAGR4
  - Suppliers

### Benefits
- **High benefits for SMAGR4 in term of margin, because:**
  - Types of fresh seafood and fish which are supplied in this cluster are highly customer demand and high value.
  - Attract more customers from selling those popular fresh items.

### Risks
- **Individual risks.**
  - SMAGR4 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
  - Planning and goals – Individual and short term. SMAGR4 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of equivalent relationship.

### Problem solving
- Power driven and compromise, in case of conflict or non-good thing happen during business operation.

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### Suppliers' Transferability
- It is easy to transfer to other suppliers because:
  - There are many suppliers who sell fresh seafood and fish which are popular and highly demand.
  - Suppliers power base:
    - Market power – Supply fresh high quality of seafood and fish which are highly daily demand from customers.
    - Retailer power base:
      - Market power – The shop has a considerable amount of customers for those kinds of fresh foods which are sold in a professional facility.
      - Suppliers power base:
        - Types of fresh seafood and fish which are supplied in this cluster are highly customer demand and high value.
        - Attract more customers from selling those popular fresh items.
        - Having good benefits for long term investment.
        - SMAGR4 and his suppliers do not have any kind of contracts so they do not share any risks to each other.

### Supplier base
- Large suppliers’ base. There are many big live fish’s farms and many professional people who deliver goods as planned.
- Mode of payment – COD
- Delivery frequency – Flexible.

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### Lobsters
- There is no fixed schedule time for delivery. The suppliers will let me know how much they have caught and how much they plan to catch in the next day. From that information, they give me the price and ask for my order.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - There are many suppliers who sell fresh seafood and fish which are popular and highly demand.
  - Suppliers power base:
    - Market power – Supply fresh high quality of seafood and fish which are highly daily demand from customers.
    - Retailer power base:
      - Market power – The shop has a considerable amount of customers for those kinds of fresh foods which are sold in a professional facility.
      - Suppliers power base:
        - Types of fresh seafood and fish which are supplied in this cluster are highly customer demand and high value.
        - Attract more customers from selling those popular fresh items.
        - Having good benefits for long term investment.
        - SMAGR4 and his suppliers do not have any kind of contracts so they do not share any risks to each other.

### Duration of contract with SMAGR4
- Short term without contract. Every time the suppliers plan seafood catch, they let SMAGR4 know about the quantity and the price; they make agreement about that, and the supplier deliver goods as planned.
- Mode of payment – COD
- Delivery frequency – Flexible.

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### Competitive selling price for the seasonable type of fresh seafood and fish
- Power – Supply fresh high quality of seafood and fish which are exclusively seasonally demand from customers.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of fresh foods which are sold in a professional facility.
  - Suppliers power base:
    - Types of fresh seafood and fish which are supplied in this cluster are highly customer demand and high value.
    - Attract more customers from selling those popular fresh items.
    - Having good benefits for long term investment.
    - SMAGR4 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- History – Recently established
- Business type – Family based.
- Business size – Small
- Length of relationship with SMAGR4 – Long time
- Foods supplied – Vegetables

Suppliers

(S$47)

- Suppliers Base – Large suppliers’ base. There are many families who have their own small farms to want to sell vegetables for their hobby as well as financial need.
- Nature of goods supplied – Fresh goods
- Length of relationship with SMAGR4 – Long time
- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Supplies’ transferability – It is easy to transfer to other suppliers because:
  - There are many families who have their own farms at home to grow vegetables to sell for living as well as for their hobby.
- Suppliers power base:
  - Popular fresh vegetables supplied power – supply fresh seasonal vegetables which are highly daily demand from customers.
  - Retailer power base:
    - Market power – The shop has a considerable amount of customers for dried foods who would go shopping for vegetables at SMAGR4 shop as well.
    - Suppliers power: SMAGR4 gets fix low margin per unit sold.
      - High long term benefits:
        - Broaden range of grocery goods on sale.
        - Attract more customers from buying vegetables.
        - Attract more customers for the dried grocery foods as well when they want to buy vegetables from the shop.
- Risks – Individual risks. SMAGR4 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR4 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of equivalent relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

Common Characteristics

- Range of goods supplied – Narrow
- Nature of goods supplied – Fresh goods
- Turn-over rate – Fast moving items
- Margin to retailers – Low

Suppliers

(S$46)

- Suppliers Base – Large suppliers’ base. There are many wholesalers in the wholesale market to sell fruits.
- Nature of goods supplied – Fresh goods
- Length of relationship with SMAGR4 – Long time
- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Supplies’ transferability – It is easy to transfer to other suppliers because:
  - There are many wholesalers in the wholesale fruits market, so it is easy for SMAGR4 to choose which ones he wants to buy fruits.
- Suppliers power base:
  - Market power – supply fresh fruits which are popular and seasonable items. The suppliers have large amount of customers who are grocery shop owners for the fruits.
  - Retailer power base:
    - Market power – The shop has a considerable amount of customers for dried foods who would go shopping for fruits at SMAGR4 shop as well.
    - Suppliers power: SMAGR4 gets fix low margin per unit sold.
      - High long term benefits:
        - Broaden range of grocery goods on sale.
        - Attract more customers from buying vegetables.
        - Attract more customers for the dried grocery foods as well when they want to buy vegetables from the shop.
- Risks – Individual risks. SMAGR4 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR4 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of equivalent relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
- Range of goods supplied – Narrow
- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Nature of goods supplied – Fresh goods
- Type of goods supplied – Fresh, home-cooked foods

**Common Characteristics**
- History – Recently established
- Business type – Family based.
- Business size – Small
- Length of relationship with SMAGR4 – Long time

**Suppliers (S48)**
- Criteria for supplier selection – Price. SMAGR4 focus on the price when decide to choose which suppliers for certain type of fresh home-made foods.
- Supplier base – Large suppliers’ base. There are many families who want to sell home-made foods for their hobby as well as financial need.
- Duration of contract with SMAGR4 – Short term without contract.
- Mode of payment – SMAGR4 pay cash when the families deliver fresh, home-cooked foods. On the next delivery, the suppliers will take back the unsold items and refund them by the new one, without refund money.
- Delivery frequency – Three time per week.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - There are many families who want to make fresh foods at home to sell them for living as well as for their hobby.
  - Suppliers power base: Market power – supply fresh home made goods which are matched to daily customers demand.
  - Unsold goods refund power – SMAGR4 can change to new fresh homemade foods for all of unsold items from the last delivery.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods who are attracted by fresh home-made foods when they are shopping in the shop.
  - Expert power – SMAGR4 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
- Atitude in the relationships – clear and honest. All of the payment and unsold goods are set clear and honest. SMAGR4 and his suppliers trust each other for that information.
- Business information – SMAGR4 has looked for information for his benefit. For instance, in some special event, like Full Moon or Chinese New Year, SMAGR4 would ask the suppliers make fresh, home-cooked foods to sell. The suppliers will make more or not based on their capabilities.
- Benefits – Low benefits for SMAGR4 in term of margin, because:
  - There are many grocery shops who sell the same popular grocery items.
  - The selling price is very competitive.
  - SMAGR4 gets fix low margin per unit sold.
- Competitive advantages
  - Broad range of grocery goods on sale.
  - Attrat more customers from buying those kinds of fresh, home-cooked foods.
  - Attrat more customers for the dried grocery foods as well when they want to buy fresh home-made foods.
- Risks – Individual risks. SMAGR4 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR4 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of equivalent relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

**Suppliers (S49)**
- Criteria for supplier selection – the popularity of non-foods items in the market because SMAGR4 does get fix commission from every item sold.
- Supplier base – Large suppliers’ base. There are many suppliers who want to sell their goods in the grocery shops without opening their own shops.
- Duration of contract with SMAGR4 – Short term without contract.
- Mode of payment – D & K get the fix benefit from every item sold “I’ve got 20 cents for every newspaper I sold”.
- Delivery frequency – Three or six times per week, depends on what type of newspaper.
- “Chieu Duong – deliver every day, from Monday to Friday.
Nhuan Quyen, Thi Tuan San, Thi Victoria – deliver every Tuesday.
Viet Luan – Tuesday and Friday.
Saigon Times, Van Nghe – Thursday.
Dan Viet – Friday, etc.”
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - There are many suppliers who sell non-food items in the market.
  - Suppliers power base:
    - Market power – supply non-foods items which are matched to daily customers demand.
    - "Fixed commission without any capital investment” power – SMAGR4 does not have to put money to buy the non-foods items to put on the shelves. He has got fix commission for sold item.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods who are attracted by non-foods items when they are shopping in the shop.
  - Expert power – SMAGR4 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
- Business information – SMAGR4 has shared and get benefit from that.
- Sometimes I need more newspaper to sell, I suggest to them, they have to check and decide whether they give me more or not. If yes, how many. Normally, sometimes this shop sells more newspapers than other shops do, but sometimes it is vice versa. Therefore, the suppliers need to check carefully whether they deliver more to this shop or not. It is understandable. If they deliver newspapers to this shop more, but it is not sure that I can sell out all of the newspaper for this time, while the other shop would get less from the suppliers but they would need more to sell this time. Moreover, the newspaper deliveries men are just wage based working, they have to write report or some paper work to submit to their bosses about my requirement, it seems more complicated to them. Therefore, they rather keep it as it is, they do not want to change. However, if in case there run out of newspaper in my shop for many weeks in a row, while other shops have stock for that, they would think and decide how many they would sell me more. It is their job, only they know how many they can sell to different shops”
  - Benefits – Low benefits for SMAGR4 in term of margin, because:
    - There are many grocery shops which sell those daily customer demands for non-food items.
  - The suppliers fix the commission for one unit sold which are not high
  - "High long term benefits:"
    - Broaden range of goods on sale in the grocery shop.
    - Attrat more customers for the dried grocery foods when they want to buy non-food items.
    - The retailer SMAGR4 does not have to invest capital in buying non-food items.
- Risks – Individual risks. SMAGR4 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
  - Planning and goals – Individual and short term. SMAGR4 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of equivalent relationship.
  - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
- **Range of goods supplied – Wide**
- **Nature of goods supplied – Dried foods**
- **Turn-over rate – Fast moving items**
- **Margins to retailers – Low**
- **Type of goods supplied – Dried foods which are popular and daily demand in the grocery market.**

**SMAGR5**

- **Characteristics**
  - **Ownership – Family based business.**
  - **Established – 1999**
  - **Shop history – Bought from previous shop owner who is shop owner’s friend.**
  - **Employees size**
    - Full time - 5
    - Part time - 4
  - **Competitive advantages**
    - **Convenient big range of dried goods sold.**
    - **Large range of vegetables and fruits sold.**
    - **Friendly service.**
  - **Criteria to choose suppliers:**
    - **Price**
    - **Salermons characteristics.**
  - **Inventory Management:**
    - **Goods in store – noodles, instant noodles, rice, fish sauce, fruits, vegetables and others.**

**Suppliers (551)**

- **Suppliers power base:**
  - **Market power – supply exclusive goods which are popular to customers.**
  - **Retailer power base:**
  - **Negotiation power base:**

- **Advantages:**
  - **Large range of vegetables and fruits sold.**
  - **Friendly service.**
  - **Criteria to choose suppliers:**
    - **Price**
    - **Salermons characteristics.**
  - **Inventory Management:**
    - **Goods in store – noodles, instant noodles, rice, fish sauce, fruits, vegetables and others.**

**Risks – Individual risks.** SMAGR5 and his suppliers do not have any kind of contracts so they do not share any risks to each other.

**Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.**

I have been doing business with Oriental for a long time, but I already stop ordering and doing business with Oriental because its salermon is honest. They deliver goods which is much closed to expire date to my shop without any notices. In every one pallet, there are at least 10 packages which have nearly expired. I have kept asking them to come to take their goods back but they have not come and get them yet. So I made decision to stop working with this supplier.
- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – High
- Type of goods supplied – Dried foods which are new in the grocery market.

### Suppliers (552)
- Common Characteristics
  - History – Established for a long time.
  - Business type – Family based.
  - Business size – Big
  - Length of relationship with SMAGR5 – Long Time

### Relationships
- Criteria for supplier selection – Price and type of goods supplied.
  - Supplier base – there are a few closed suppliers in this cluster.
- Duration of contract with SMAGR5 – Long term without contract. SMAGR5 has business relationship with those suppliers for a long time, some since he established his shop in 1999. However, they do not sign any business contracts; just fill up forms since they started doing business.
  - Mode of payment – COD
  - Flexibility in payment – SMAGR5 prefers COD payment so the suppliers really like it.
- Delivery frequency – SMAGR5 orders when the shop run out of new type of dried foods, in case the market accept the new goods.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - The suppliers have supplied exclusively certain type of products.
  - The suppliers need to sell those new types of goods through the retailer SMAGR5.
- It does not cost much for SMAGR5 if he switches to other suppliers for alternative new type of goods because those new goods are in the market testing phrase.
- Suppliers power base:
  - The suppliers’ pricing power = supply new type of dried goods which could become popular in the grocery market.
  - Expert power – The suppliers have been doing in grocery industry for a long time, so they would have good experience and knowledge about market demand, so the new type of goods they have would match the grocery market, and the SMAGR5 retailer would gain more benefit from their knowledge.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR5 know about customers’ demand as well as other suppliers’ goods selling prices. In addition, the customers take the shop owner’s advice as a good reference which benefit to the suppliers when SMAGR5 promotes their new types of grocery goods.
- Attitude in the relationships – open, honest, trusting, commitment and control.

The suppliers trust SMAGR5 as an honest good business partner since he opened the shop, so they take SMAGR5 as a good choice to introduce the new types of goods they have. Some big closed suppliers come to my shop and ask me to introduce the new type of goods in my shop. I always ask for the discount or cheap price to draw attention towards new types of goods from the customers. The suppliers always agree with that, sometimes they sell the goods at their cost; it means they do not get any benefit from that. They do it because they want to approach the market with new types of goods.

- SMAGR5 trusts in the suppliers’ business offer and considers those offers from the suppliers to sell new type of goods as a good chance to earn more benefit.

I cooperate with the suppliers in promoting new type of goods because I want to try new types of goods in my shop as well. I would get more benefit from selling those new goods.

Supplier SMAGR5 always commits to agreement with the suppliers. After we have an agreement, I ask my employees to introduce new type of goods to customers when they need shopping advice. My employees and I are cooperating to promote new types of goods to the customers as much as we can. Luckily that SMAGR5 and myself got trust from my customers so the promotion is effective almost of the time.

SMAGR5 is straightforward and clear with the suppliers about unsold goods returnable term and margin, because:
- I accept to sell new types of goods from the suppliers under one condition – I have to return unsold goods to the suppliers for one month. They have to accept it, (if they don’t, I would not make a business deal with them. After one month of new goods trial, if the market does not accept it, I have to return them to the suppliers. If customers like them, the suppliers would feel happy and give them more to my shop.
- SMAGR5 organizes his business and manage his employees towards his business target.

Essentially the profit margin for new type of goods is always high in my shop. The new type of goods can be sold fast or slow depends on how I promote and communicate with my customers. In the market trial phase, I have to speak more to convince my customers try new type of goods in the shop. I can push the new goods selling from intensively promoting them to the customers.

- Business information – SMAGR5 has been honest and shared as well as get benefit from business information
- Benefits – High benefits for SMAGR5 in term of margin, because:
  - There are not many grocery shops sell those new types of grocery items, so the selling price is set high to cover the promotion fee and exclusive type of goods offer.
- SMAGR5 gets high margin per unit sold accordingly. Actually selling the new types of goods can get more profit because the suppliers sell them to my shop with a cheap price and I sell them out at a high price. In addition, the suppliers always give some more goods offer, like buy one get another one free because they want the grocery shop promote and introduce new type of goods to the market.
- High long term benefits:
  - Attract more customers for the new type of goods which could become popular items. From selling those types of goods, SMAGR5 attract more customers to other main goods they sell in the shop, like fresh seasonable fruits and vegetables.
  - Create good image from the customers about large variety of dried grocery goods sold in the shop.

The new good types of goods create certain business advantages for my shop in the grocery retailers market. Although my shop size is not very big, the customers can find almost whatever they want to buy from the grocery shop.

- Risks – Individual risks. SMAGR5 and his suppliers do not have any kind of contracts so they do not share any risks to each other. However, SMAGR5 lessen his risk by insist the unsold goods returnable term before making agreement to sell new types of goods.
- I accept to sell new types of goods from the suppliers under one condition – I have to return unsold goods to the suppliers for one month. They have to accept it, (if they don’t, I would not make a business deal with them. After one month of new goods trial, if the market does not accept it, I have to return them to the suppliers. If customers like them, the suppliers would feel happy and give them more to my shop.
- Planning and goals – Individual and short term. SMAGR5 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
Narrow Characteristics
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – High
- Type of goods supplied – Dried foods which can be alternative dried goods which are supplied and sold by closed big suppliers, or the goods are new and potential to be popular items in the grocery market.

Characteristics
- History – Recently established.
- Business type – Family based.
- Business size – Small to medium
- Length of relationship with SMAGR5 – Short time

Nature of goods supplied – Dried foods
- Duration of contract with SMAGR5 – short term without contract. SMAGR5 has recently relationship with those new suppliers to try new types of grocery foods in his shop. He just fills up the form, but not signs any contracts.

Turn-over rate – Fast moving items
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - The goods supplied are popular grocery items which are supplied by many different grocery suppliers, and some from the big suppliers who have closed long-time relationship with SMAGR5.
  - The suppliers are not exclusively in selling those kinds of grocery items.
  - It does not cost much for SMAGR5 if he wants to switch to other suppliers because the suppliers need SMAGR5 to introduce, promote and sell their goods for them.

There are about four new suppliers for this shop. Although they have a pretty large range of range of goods supplied, but almost of them are not suitable for my shop. They are Indian and African foods oriented while my shop is for Vietnamese and Chinese customers. So to me, the range of goods supplied from those new suppliers is considered narrow one. Based on my shop’s demand, I have just taken a few types of goods which are highly potential market demand.

- Suppliers power base:
  - Competitive selling goods price power – the new suppliers supply popular goods which are competitive price.
  - An exclusive selling agent power – the new supplier would give the retailer, like SMAGR5, a chance to become an exclusive selling agent for the new type of dried foods.
  - "New type of grocery foods supplied" power – the suppliers introduce new types of grocery foods in the market which could be a good chance for the retailer to earn more profit if the new type of the new goods match customers demand. Plus the retailer can expand his variety range of goods sold.

One of the shop business objectives is provided large range of grocery products which includes popular as well as potential new types of goods. Therefore, I am willing to have business with the new suppliers as long as they offer new type of goods which I can use the market potential, credit payment and unsold goods returnable business term.

Retailer power base:
- Market power – The shop has a considerable amount of customers for those kinds of dried foods.
- Expert power – SMAGR5 knows about customers’ demand as well as other suppliers’ goods selling prices.
- Attitude in the relationships – open, honest and benefit expected. SMAGR5 still has business relationship with those new suppliers because he wants to:
  - Create more suppliers options to safe the business; especially SMAGR5 could get a chance to become an exclusive agent to sell one new type of grocery foods.
  - Lessen his business risk from depending on a very few big suppliers.
  - Get competitive selling prices from different suppliers.
  - Make sure the shop has enough goods to sell, in case one supplier runs out of popular goods.
- Business information – SMAGR5 has looked for information for his benefit.
  - Sharing selling price for certain kind of goods from different suppliers, so SMAGR5 can get the cheapest price from the suppliers.
  - Providing information about his business relationship with different suppliers, as required from the new ones. From that, the new suppliers can have a good image about his business prestige, from the view point of other suppliers.
- Getting updated goods situation from the suppliers to organize SMAGR5 business operation in an effective way.

Every Saturday, about 6pm, almost of my suppliers comes to my shop and checks how my shop may of goods should order more. They have to ask for my confirmation for all of the goods ordering information. All depends on my decision on how many of goods I want to buy. Sometimes there is lack of goods from suppliers while they are waiting for goods import from overseas. The suppliers let me know about the situation and ask me to wait until the goods come. If they have certain amount of goods, they would share and apporition them to different grocery shops. I have to accept that because it is suppliers’ decision in business fairness. They seldom increase the selling price in case of lacking of goods because they look for long term relationship with grocery retailers.

- Benefits – High benefits for SMAGR5 in term of margin, because:
  - There is just a few grocery shops sell those new types of grocery items.
  - The selling price is set at a high level to cover promotion and distinguish service of new type of goods supplied.
  - High margin per unit sold.

The suppliers actually do not set the selling price in the shop. I make it by myself. I'd rather to set the reasonable selling price to sell more and get more profit totally than set a high price and sell just a small amount of goods. However, for the new type of goods in the market, I set a high unit selling price to get high profit margin. I can do that because the selling price is not competitive yet which is resulted from not many shop sell the same new type of goods.

- High long term benefits:
  - Speeding up capital turnover.
  - The goods supplied from the recent established could be similar to the popular ones in the market or they could be alternative ones. As a consequence, SMAGR5 can expand its supplier portfolio to sell popular grocery items in the market.

I like to sell certain types of goods which are new in the market and not sold in other grocery shops. The new good types of goods create certain business advantages for my shop in the grocery retailers market. Although my shop size is not very big, the customers can find almost whatever they want to buy from the grocery shop. Some types of goods are slow moving items but I still keep in them in my shop to expand variety of goods.

- Could get higher margin per unit sold from those new suppliers if SMAGR5 could bargain for the cheaper price.
- Attract more customers from selling those new types of grocery items.
- The relationship with new suppliers can give SMAGR5 chances to be an exclusive selling agent for certain new kinds of goods.
- Less depend on exclusive suppliers because SMAGR5 has alternative grocery goods to sell.
- Risks – Individual risks. SMAGR5 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR5 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

I don’t have any conflict with the new suppliers so far because I make all of business term clear at the beginning of the business. I want to try the new type of goods first, if it has market demand potential, I will buy it under condition – credit payment and unsold good returnable term. If they don’t agree with that, I would not buy anything from them. Therefore, they all agree with what I want because it is good for both – for me, I can have a try new type of goods in my shop, for the new suppliers, they can put their goods on shelves to sell.
**Suppliers (SS4)**

- **Common Characteristics**
  - Nature of goods supplied: Fresh goods
  - Turn-over rate: Slow moving items
  - Margin to retailers: Low
  - Length of relationship with SMAGR5: Long time

- **Characteristics**
  - Ownership: Family-based business.
  - Established: 1999
  - Shop history: Bought from previous shop owner who is shop owner's friend.
  - Employees size: Part time - 8
  - Working hours: Full time - 8
  - Part time - 4
  - Weekend: Full time - 4
  - Competitive advantages: Convenient big range of dried goods sold.
  - Large range of vegetables and fruits sold.
  - Friendly service.
  - Suppliers source: From suppliers themselves.
  - Salesman's characteristics.
  - Inventory Management: Goods in store - noodles, instant noodles, rice, fish sauce, fruits, vegetables and others.
  - Criteria to choose suppliers: Price, Salesman's characteristics.

- **Suppliers’ transferability**: It is easy to transfer to other suppliers because:
  - There are many suppliers who sell non-food items in the market.
  - Suppliers power base:
    - Market power – supply non-food items which are matched to daily customers demand.
    - “Fixed commission without any capital investment” power – SMAGR5 does not have to put money to buy the non-food items to put on the shelves. He has got fix commission for sold item.
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods who are attracted by non-food items when they are shopping in the shop.
  - Expert power – SMAGR5 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
  - Business information – SMAGR5 just let the suppliers know about what customer demand is, and what kind of goods they prefer.
  - Benefits – Low benefits for SMAGR5 in term of margin, because:
    - There are many grocery shops who sell the same popular grocery items.
    - The selling price is very competitive.
    - SMAGR5 gets fix low margin per unit sold.
    - High long term benefits:
      - Broaden range of grocery goods on sale.
      - SMAGR5 has the largest range of home made fresh foods sell comparing to other grocery shops in the same wet market. Therefore, selling those types of foods position SMAGR5 as one of the most popular grocery shop of selling highly fresh food demand in the area.
      - Attract more customers to the shop from buying those kinds of fresh, home-cooked foods.
      - Attract more customers for the dried grocery foods as well when they want to buy fresh home-made foods.
      - Offering one stop shopping for the customers which result in business advantages for SMAGR5.
    - Risks – Individual risks. SMAGR5 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
    - Planning and goals – Individual and short term. SMAGR5 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of un-equivalent relationship.
    - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

- **Relationships**
  - Criteria for supplier selection – the popularity of non-foods items in the market because SMAGR5 does get fix commission from every item sold.
  - Supplier base – Large supplier base. There are many suppliers who sell their goods in the grocery shops without opening their own shops.
  - Duration of contract with SMAGR5 – Short term without contract.
  - Mode of payment – SMAGR5 get the fix benefit from every item sold “it is not much benefit for selling those type of non-food items, but I’d like to have them in my shop to offer “one stop shopping” service to my customers. I’ve got 20 cents for every newspaper I sold.”
  - Delivery frequency – Three or six times per week, depends on what type of newspaper.
  - “Chieu Duong – deliver every day, from Monday to Friday.
  - Nhan Quyen, Tivi Tuan San, Tivi Victoria – deliver every Tuesday
  - Viet Luan – Tuesday and Friday
  - Saigon Times, Van Nghe – Thursday
  - Dan Viet – Friday, Etc.”
  - Suppliers’ transferability – It is easy to transfer to other suppliers because:
    - There are many suppliers who sell non-food items in the market.
    - Suppliers power base:
      - Market power – supply non-foods items which are matched to daily customers demand.
      - “Fixed commission without any capital investment” power – SMAGR5 does not have to put money to buy the non-food items to put on the shelves. He has got fix commission for sold item.
      - Supplier base – Large supplier base. There are many suppliers who want to sell their goods in the grocery shops without opening their own shops.
      - Duration of contract with SMAGR5 – Short term without contract.
      - Mode of payment – SMAGR5 get the fix benefit from every item sold “it is not much benefit for selling those type of non-food items, but I’d like to have them in my shop to offer “one stop shopping” service to my customers. I’ve got 20 cents for every newspaper I sold.”
      - Delivery frequency – Three or six times per week, depends on what type of newspaper.
  - Expert power – SMAGR5 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
  - Business information – SMAGR5 just let the suppliers know about what customer demand is, and what kind of goods they prefer.
  - Benefits – Low benefits for SMAGR5 in term of margin, because:
    - There are many grocery shops who sell the same popular grocery items.
    - The selling price is very competitive.
    - SMAGR5 gets fix low margin per unit sold.
    - High long term benefits:
      - Broaden range of grocery goods on sale.
      - SMAGR5 has the largest range of home made fresh foods sell comparing to other grocery shops in the same wet market. Therefore, selling those types of foods position SMAGR5 as one of the most popular grocery shop of selling highly fresh food demand in the area.
      - Attract more customers to the shop from buying those kinds of fresh, home-cooked foods.
      - Attract more customers for the dried grocery foods as well when they want to buy fresh home-made foods.
      - Offering one stop shopping for the customers which result in business advantages for SMAGR5.
    - Risks – Individual risks. SMAGR5 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
    - Planning and goals – Individual and short term. SMAGR5 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of un-equivalent relationship.
    - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Type of goods supplied – Dried foods which are popular and daily demand in the grocery market.

Common Characteristics
- History – Established for a long time.
- Business type – Family based.
- Business size – Big
- Length of relationship with SMAGR6 – Long time

Relationships
- Criteria for supplier selection – Price and type of goods supplied.
- Supplier base – There are a few closed big suppliers in this cluster.
- Duration of contract with SMAGR6 – Long term without contract. SMAGR6 has business relationship with those suppliers since he established his shop. However, they do not sign any business contracts; just fill up forms since they started doing business.
- Mode of payment – credit payment, normally from 2 weeks to 8 weeks
- Flexibility in payment – SMAGR6 can ask for payment extension, sometimes up to 2 to 8 weeks.
- Turn-over rate – Fast moving items
- Business size – Big
- Type of goods supplied – Dried foods which are high
- Nature of goods supplied – Dried foods which are popular and daily demand in the grocery market.

Supplier Base
- Suppliers Source: From different suppliers.
- Business size – Big
- Type of goods supplied – Dried foods which are special grocery items which serve special demand only, not daily demand.
- Nature of goods supplied – Dried foods which are high
- Turn-over rate – Slow moving items
- Suppliers’ transferability – It is difficult to transfer to other suppliers because:
  - The suppliers are not exclusively in selling those special kinds of grocery items.
  - The shop has a considerable amount of customers for general dried foods, among of them, some of his loyal customers would like to try the special items once a while.
  - The market power – The shop has a considerable amount of customers for general dried foods, among of them, some of his loyal customers would like to try the special items once a while.
- Supplier selection criteria – Price and type of goods supplied.
- Duration of contract with SMAGR6 – Long term without contract. SMAGR6 has business relationship with those suppliers since he established his shop. However, they do not sign any business contracts; just fill up forms since they started doing business.
- Margin to retailers – High
- Turn-over rate – Fast moving items
- Business size – Big
- Type of goods supplied – Dried foods which are high
- Nature of goods supplied – Dried foods which are popular and daily demand in the grocery market.

Business information
- SMAGR6 established his shop in 1995.
- Goods in store – instant noodles, fish sauce, fresh and cream coconut, and others.

Employees size
- Full time – 4
- Part time – 2

Planning and goals
- Individual and short term. SMAGR6 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can based on the market demand.
- SMAGR6 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR6 and his suppliers do not have any kind of contracts or kind of cooperation; they work and get benefit as much as they can based on the market demand.
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Attract more customers for the popular items as well as for the other main goods sold in the shop, like seafood.
- Risks – Individual risks. SMAGR6 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- “From my experience, I do not order certain kinds of goods which I feel it could be sold for a long time. My judgment about what kinds of goods I should purchase from the suppliers has a lot to do with the market demand (I don’t want to take risk with the new kind of goods, I just wait until the market finish testing and requiring for that kind of goods), price and my capital”
- Planning and goals – Individual and short term. SMAGR6 and his suppliers do not have any kind of contracts or kind of cooperation; they work and get benefit as much as they can based on the market demand.
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Benefits – Low benefits for SMAGR6 in term of margin, because:
- Many grocery shops sell the same popular grocery items.
- The selling price is very competitive.
- Low margin per unit sold.
- “In my opinion, working with exclusive suppliers, for example, Bangkok Gold Pack Rice Brand is exclusively distributed by Lind Australia Pty. Ltd, like you are working as their employee. The profit they get from this kind of goods is very high; they sell it at less price but the profit margin is huge. The suppliers give me payment extension which was good and kept my business a lot.”
- Business information – SMAGR6 has shared and got benefit from that, like selling price from other suppliers when some suppliers need that information.
- “Sometime, there are not many suppliers who is high demands and have us as their only suppliers, they give me extension of payment which was good and kept my business a lot.”
- Market power – The shop has a sizeable amount of customers for those kinds of dried foods.
- The suppliers trust SMAGR6 as an honest good business partner. They occasionally come and ask SMAGR6 for the selling prices from other grocery suppliers as well as customers’ acceptance from his suppliers all the time, like from 4 weeks, the suppliers would give him the extension of 8 weeks.
- “I do think there are certain benefits from using some specific suppliers. I have some closed suppliers whom I have been doing business with for a very long time. After doing business with them, they like me and they want to help me in doing my business. So they always give me special condition in term of price and payment deadline for my purchase:
  - Some give me special terms with the cheaper price; it is an advantage for me to sell the goods to my customers with the cheaper price comparing with other shop, so my business has a chance growing up. The selling price I give out from them is always cheaper than the ones they sell to other shop. I am sure the business is not going to lose because of selling the goods to my shop with the cheaper price; their profit is just a little lower than average one they have.
  - Some suppliers don’t give me the cheaper price but give me some extension in payment. Sometimes I cannot pay my purchase on time, I asked them for favour and they agreed to extend my payment deadline for a month or a half a year. I think the suppliers will give me such a benefit because they trust SMAGR6 as an honest good business partner. They occasionally come and ask SMAGR6 for the selling prices from other grocery suppliers as well as customers’ acceptance from his suppliers all the time, like from 4 weeks, the suppliers would give him the extension of 8 weeks.”

Risks – Individual risks. SMAGR6 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- “I don’t have any problem with my suppliers. Because my shop is small, the suppliers as well as the new entrant suppliers come have often to offer me different kinds of goods with their offering price (I feel it based on price, quality, type, package, payment, etc.). I will choose them as my suppliers for the goods. Therefore, I don’t need to make the long term plan with the suppliers. With certain high margin goods, like fast moving items including rice, fish sauce, and noodle, I keep the good relationship with the important suppliers by accepting their price offering, keep fast selling that kind of goods, and keep payment in time; therefore, our business relationship keep developing.”
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during their business operation.
Suppliers (S63)

- Characteristics
  - History – Recently established.
  - Business type – Family based.
  - Business size – Small to medium
  - Length of relationship with SMAGR6 – Short time

Suppliers (S63)

- Characteristics
  - History – Recently established.
  - Business type – Family based.
  - Business size – Small to medium
  - Length of relationship with SMAGR6 – Short time

Relationships

- Criteria for supplier selection – Price of new type goods supplied which are offered by the new suppliers, comparing with the similar ones of the current suppliers, and potential for the customer demand.
- Supplier base – There are many new suppliers in this cluster who are competing to sell their products.
- Duration of contract with SMAGR6 – Short term without contract. SMAGR6 has recently relationship with those new suppliers to try new types of grocery goods in his shop. He just fills up the form, but not signs any contracts.
- Mode of payment – credit payment, normally 4 weeks to 8 weeks.
- Flexibility in payment – SMAGR6 can ask for payment extension, sometimes up to 8 weeks, but not after 8 weeks’ time because the new suppliers cannot afford the longer time payment.
- Delivery frequency – Flexible, as when SMAGR6 needs the goods.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - The goods supplied are kind of popular grocery items which are supplied by many different grocery suppliers, and some from the big suppliers who have closed long-time relationship with SMAGR6.
  - The suppliers are not exclusively in selling those kinds of grocery items.
  - It does not cost much for SMAGR6 if he wants to switch to other suppliers because there are many suppliers in this cluster.
- Suppliers power base:
  - Competitive selling goods price power – the new suppliers supply popular goods which are competitive price.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR6 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
  - At the relationships – open, honest and benefit expected. SMAGR6 still has business relationship with those new suppliers because he wants to:
    - Make some business options open; especially he could get a chance to become an exclusive agent to sell one new type of grocery goods.
    - Lessen his business risk from depending on a very few big suppliers.
    - Get competitive selling prices from different suppliers.
    - Make sure the shop has enough goods to sell, in case one supplier runs out of popular goods.
    - Business information – SMAGR6 has looked for information for his benefit.
    - Sharing selling price for certain kind of goods from different suppliers, so SMAGR6 can get the cheapest price from the suppliers.
    - Providing information about his business relationship with different suppliers, as required from the new ones. From that, the new suppliers can have a good image about his business prestige, from the view point of other suppliers.
    - Benefits – Low benefits for SMAGR6 in term of margin, because:
      - Many grocery shops sell the same popular grocery items, so the selling price is very competitive.
      - Low margin per unit sold accordingly
      - High long term benefits: Speeding up capital turnover.
    - The goods supplied from the recent established could be similar to the popular ones in the market or they could be alternative ones. As a consequence, SMAGR6 can expand his supplier portfolio to sell popular grocery items in the market.
    - Could get higher margin per unit sold from those new suppliers if SMAGR6 could bargain for the cheaper price.
    - Attract more customers from selling those popular grocery items.
    - Less depend on exclusive suppliers because SMAGR6 has alternative grocery goods to sell.
    - Risks – Individual risks. SMAGR6 & the suppliers don’t have any kind of contracts so they don’t share any risks to each other.
      - “Doing business with the new suppliers, I have made some following obstacles:
        - The variety of goods is not big to choose.
        - They don’t give me a chance to sell the goods if I cannot pay one purchasing. I think the reason is they don’t have enough capital to be flexible in doing business. I cannot pay off the purchasing; they are in difficult situation as well. So they cannot afford to give me another chance like the stronger suppliers do.
        - The payment deadline is not easy to change when you need to extend your payment”.
      - Planning and goals – Individual and short term. SMAGR6 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can on semi-equal relationship.
      - “I don’t have any long plan with my suppliers. Because my shop is small, the suppliers as well as the new entrant suppliers come here often to offer me different kinds of goods with their offering price. If I feel like it based on price, quality, type, package, payment, etc, I will choose them as my suppliers for the goods. Therefore, I do not need to make the long term plan with the suppliers.”
**Common Characteristics**

- **Suppliers**
  - History – Recently established.
  - Nature of goods supplied – Non-food
  - Turn-over rate – Fast moving items
  - Margin to retailers – Low
  - Type of goods supplied – Fresh home-made foods

- **Relationships**
  - Criteria for supplier selection – Price. SMAGR6 focus on the price when decide to choose which suppliers for certain type of fresh home-made foods.
  - Supplier base – Large suppliers’ base. There are many families who want to sell home-made foods for their hobby as well as financial need.
  - Duration of contract with SMAGR6 – Short term without contract.
  - Mode of payment – SMAGR6 pay cash when the families deliver home made goods. On the next delivery, the suppliers will take back the unsold items and refund them by the new one, without refund money.
  - Delivery frequency – Two times to four times per week, it depends on what type of home-made foods supplied.
  - “About consignment foods – on every Tuesday and Thursday, the suppliers delivers them to my shop, and we pay by COD. With Vietnamese Sweet, they deliver every second day because those sweets cannot last long more than two days”.
  - Suppliers’ transferability – It is easy to transfer to other suppliers because: There are many families who want to make fresh foods at home to sell them for living as well as for their hobby.
  - Suppliers power base:
    - Market power – supply fresh home made goods which are matched to daily customers demand.
    - Unsold goods refund power – SMAGR6 can change to new fresh home-made foods for all of unsold items from the last delivery.
    - Retailer power base:
      - Market power – The shop has a considerable amount of customers for those kinds of dried foods who are attracted by fresh home-made foods when they are shopping in the shop.
      - Expert power – SMAGR6 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
  - Attitude in the relationships – clear and honest. All of the payment and unsold goods are set clear and honest.
  - Business information – SMAGR6 and his suppliers trust each other for that information.
  - Business information – SMAGR6 has looked for information for his benefit. For instance, in some special event, like Full Moon or Chinese New Year, SMAGR6 would ask the suppliers make more fresh home made goods to sell. The suppliers will make more or not based on their capabilities.
  - Benefits – Low benefits for SMAGR6 in term of margin, because:
    - There are many grocery shops who sell the same popular grocery items.
    - The selling price is very competitive.
    - SMAGR6 gets kind of fix low margin per unit sold.
    - High long term benefits.
    - Broader range of grocery goods on sale.
  - Attract more customers from buying those kinds of fresh home-made foods.
  - Attrac more customers for the dried grocery foods as well when they want to buy fresh home-made foods.
  - Risks – Individual risks. SMAGR6 and his suppliers do not have any kind of contracts so they do not share any risks to each other. They just set the simple rule for consignment goods which they commit to it, like cash payment when delivery as well as goods refunds for unsold items terms.
  - Planning and goals – Individual and short term. SMAGR6 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of equivalent relationship.
  - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
  - **Suppliers (S64)**
  - **SMAGR6**

**Suppliers (S66)**

- **Characteristics**
  - Ownership – Family based Business.
  - Established - 1995.
  - Shop history – Change handle from previous shop owner.
  - Employees size
    - Weekday - Full time - 4
    - Part time - 2
  - Weekend - Full time - 4
    - Part time - 4
  - Competitive advantages
    - Very competitive selling price
    - Good and friendly service.
    - Great location
  - Suppliers Source: From previous shop owner transfer.
  - The suppliers themselves.
  - Criteria to choose suppliers:
    - Price
    - Salesman’s characteristics.
  - Inventory Management:
    - Goods in store – noodles, instant noodles, fish sauce, fresh and cream coconut, and others.
  - Market power – supply non-foods items which are matched to daily customers demand.
  - “Fixed commission without any capital investment” power – SMAGR6 does not have to put money to buy the non-foods items to put on the shelves. He has fix commission for sold item.
  - Retailer power base:
    - Market power – The shop has a considerable amount of customers for those kinds of dried foods who are attracted by non-foods items when they are shopping in the shop.
    - Expert power – SMAGR6 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
  - Attitude in the relationships – open, honest and trusting.
  - “They supply newspaper once a week. Sometimes I require to have more newspapers to sell, they have checked my selling note, if they see I have sold out the newspapers all the time, they will supply more newspapers for me as I require, for example, from 20 to 50 ones”.
  - Business information – SMAGR6 has shared and get benefit from that.
  - Benefits – Low benefits for SMAGR6 in term of margin, because:
    - There are many grocery shops which sell those daily customers demands for non-food items.
    - The suppliers fix the commission for one unit sold which are not high
    - High long term benefits:
      - Broader range of goods on sale in the grocery shop.
    - Attract more customers for the dried grocery foods when they want to buy non-food items.
    - The retailer SMAGR6 does not have to invest capital in buying non-food items.
    - Risks – Individual risks. SMAGR6 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
    - Planning and goals – Individual and short term. SMAGR6 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of equivalent relationship.
    - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
  - **Range of goods supplied – Narrow**
  - Nature of goods supplied – Non-food
  - Turn-over rate – Fast moving items
  - Margin to retailers – Low
  - Type of goods supplied – Newspapers, Phone Cards and Cigarettes.
- History – Recently established
- Business type – Family based.
- Business size – Small
- Length of relationship with SMAGR6 – Long time
- Foods supplied – Vegetables

Suppliers

(S65)

Common Characteristics
- Range of goods supplied – Narrow
- Nature of goods supplied – Fresh goods
- Turn-over ratio – Fast moving items
- Margin to retailers – Low

Relationships
- Criteria for supplier selection – Price. SMAGR6 focuses on the price when decide to choose which suppliers for certain type of vegetables which are the popular items.
- Supplier base – Large suppliers’ base. There are many wholesalers in the wholesale market to sell fruits, and there are three big groceries those are located in the same area focus on selling fruits.
- Duration of contract with SMAGR6 – Short term without contract. SMAGR6 go to the wholesale market three times per week to buy fruits.
- Mode of payment – COD, sometimes a few closed wholesalers from the market give 2 weeks credit payments for SMAGR6, but almost are using COD payment.
- Delivery frequency – Three times per week.

"About vegetables, the suppliers deliver them to my shop and we pay by COD. They call me twice a week, Thursday and Sunday, to take my ordering. They deliver vegetables to my shop on Friday and Monday".

SMAGR6 gets fixed low margin per unit sold to attract customers.
- The selling price is very competitive.
- High long term benefits:
  - Broaden range of grocery goods on sale.
  - Attract more customers from buying vegetables.
  - Attract more customers for the dried grocery foods as well when they want to buy vegetables from the shop.
- Risk – Individual risks. SMAGR6 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR6 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of equivalent relationship. SMAGR6 just keep selling vegetables in the shop although it is not profitable part to broaden range of goods on sale in the shop and match “one-stop shopping” demand of customers.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

(S67)

Suppliers

- History – Recently established
- Business type – Family based.
- Business size – Small
- Length of relationship with SMAGR6 – Long time
- Foods supplied – Fruits

Relationships
- Criteria for supplier selection – Price. SMAGR6 focuses on the price when decide to choose which suppliers for certain type of fruits which normally are the popular items.
- Supplier base – Large suppliers’ base. There are many wholesalers in the wholesale market to sell fruits.
- Duration of contract with SMAGR6 – Short term without contract. SMAGR6 go to the wholesale market three times per week to buy fruits.
- Mode of payment – COD, sometimes a few closed wholesalers from the market give 2 weeks credit payments for SMAGR6, but almost are using COD payment.
- Delivery frequency – Three times per week.

"About fruits - My husband goes to the wholesale market at Footscray two to three times per week to buy fruits, some fruit like bananas, he goes there every day. We have our own car to take it to our shop. Normally we pay to the fruit sellers by cash, but we can pay by credit with a few closed sellers in the market. It depends on how often do you buy and how close of your relationship with the sellers”.

- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - There are many wholesalers in the wholesale fruits market, so it is easy for SMAGR6 to choose which ones he wants to buy fruits.
- Suppliers power base:
  - Market power – supply fresh fruits which are popular and seasonable items. The suppliers have large amount of customers who are grocery shop owners for the fruits.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for dried foods who would go shopping for vegetables at SMAGR6 shop as well.
- Attitude in the relationships – clear and honest. SMAGR6 and his suppliers trust each other for that information. The business operation between SMAGR6 and the suppliers is quite simple: the suppliers call SMAGR6 to get the order, they deliver vegetables on Friday and Monday, and get COD payment. All is clear and honest between them.
- Business information – SMAGR6 has looked for information for his benefit. For instance, in some special event, like Full Moon or Chinese New Year, SMAGR6 would ask the suppliers to make more fresh vegetables to sell in the shop.
- Benefits – Low benefits for SMAGR6 in term of margin, because:
  - There are many grocery shops who sell the same popular vegetables items.
  - The selling price is very competitive.
  - SMAGR6 gets low margin per unit sold.
  - High long term benefits:
    - Broaden range of grocery goods on sale.
    - Attract more customers from buying vegetables.
    - Attract more customers for the dried grocery foods as well when they want to buy vegetables from the shop.
- Planning and goals – Individual and short term. SMAGR6 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

- Owner ship – Family based business.
- Established - 1995.
- Shop history – Change handle from previous shop owner.
- Employees size
  - Week day
    - Full time - 4
    - Part time - 2
  - Weekend
    - Full time - 4
    - Part time - 4
- Competitive advantages
  - Very competitive selling price
  - Good and friendly service.
  - Great location
- Suppliers Source: From
  - Previous shop owner transfer.
  - The suppliers themselves.
- Criteria to choose suppliers:
  - Price
  - Salesman’s characteristics.
- Inventory Management:
  - Goods in store – Noodles, instant noodles, fish sauce, fresh and cream coconut, and others.
- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Type of goods supplied – Dried foods which are popular and daily demand in the grocery market.

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**Suppliers**

- **S71**
  - History – Established for a long time.
  - Business type – Family based.
  - Business size – Big
  - Length of relationship with WCGA – Long time

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**Suppliers**

- **S72**
  - History – Established for a long time.
  - Business type – Family based.
  - Business size – Big
  - Length of relationship with WCGA – Long time

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**Characteristics**

- Ownership – Family based business.
- Shop history – Change handle from previous shop owner who is the shop owner’s sister.
- Employees size –
  - Weekend: Full-time – 2
  - Part-time – 2
- Competitive advantages –
  - Competitive selling price
  - Good and friendly service.
- Great location.
- Suppliers Source: From
  - Previous shop owner transfer.
  - The suppliers themselves.
- Criteria to choose suppliers:
  - Price
  - Inventory management:
    - Goods in store – noodles, instant noodles, fish sauce, sauces, and others.

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**Relationships**

- Criteria for supplier selection – Price and type of goods supplied.
- Supplier base – There are a few closed suppliers in this cluster.
- Duration of contract with SMAGR7 – Long term without contract. SMAGR7 has business relationship with those suppliers for a long time, some since she established SMAGR7 shop in 2000. However, they do not sign any business contracts; just fill up forms since they started doing business.
- Mode of payment – COD payment and credit payment, normally from 2 weeks to 4 weeks.
- Flexibility in payment – SMAGR7 can ask for payment extension, sometimes up to 6 – 8 weeks.
- Delivery frequency – once a week

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**SMAGR7**

- Business information – SMAGR7 has shared and got benefit from that, like selling price from other suppliers when some suppliers need that information.
- Normally the information the suppliers and I communicate is type of goods and the selling price. Cheapest price is one of my criteria to choose which suppliers I want to buy goods from. When I bargain price with my suppliers, cheapest selling price from other suppliers is always used to be good reference for me to get a good price.
- Benefits – Low benefits for SMAGR7 in term of margin, because:
  - Many grocery shops sell the same popular grocery items because they are kind of core grocery products in any grocery shops.
  - The selling price is very competitive.
- Low margin per unit sold.
- Selling those popular fast moving item, like “Rosa” rice brand which is exclusively distributed by Lim Australia Pty. Ltd. So we give high profit margin per unit sold because there are many shops sell the same type of goods. Moreover, the suppliers just share a very low profit with the retailers because they would realize clearly that retailers would like to buy those popular brands to sell in their shop. Accordingly, the profit the suppliers get from this kind of goods is very high. Averagely, profit for one rice unit of other brand name is around 3 dollars to 4 dollars, but with the Rosa and Deer brand names, I have only about 2 dollars profit for every unit I said. Yet, totally, we have gained more profit to sell the “Rosa” rice brand name than other ones because they are fast moving items. Therefore, I am willing to have business with them.
- High long term benefits:
  - Attract more customers for the popular items as well as for the other main goods sold in the shop, like seafood.
  - Risks – Individual risks. SMAGR7 and her suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR7 and her suppliers do not have any kind of contracts or kind of cooperation; they work and get benefit as much as they can base on un-equal relationship.
- I don’t have any long term plan with my suppliers because my shop is small size, we just want to focus on buying cheaper price for the high potential market demand and sell it to the customers. The big suppliers come here often to offer me different kind of goods. I will consider the goods price, quality, type, package, and type of payment, and I will choose them as my suppliers for the goods.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

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**Suppliers**

- **S72**
  - History – Established for a long time.
  - Business type – Family based.
  - Business size – Big
  - Length of relationship with WCGA – Long time
- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – High
- Type of goods supplied – Dried foods which are new in the grocery market.

Suppliers (S72)

**Characteristics**
- History – Established for a long time.
- Business type – Family based.
- Business size – Big
- Length of relationship with SMAGR7 – Long time

**Relationships**
- Criteria for supplier selection – Price and type of goods supplied.
- Supplier base – there are a few closed suppliers in this cluster.
- Duration of contract with SMAGR7 – short term without contract. SMAGR7 has business relationship with those suppliers for a long time, since she established her shop in 2000, but for the new type of good introduction, they would have business after the promotion time is finished and can last as long as the market still accept it.
- Mode of payment – credit payment, normally from 2 weeks to 4 weeks
- Flexibility in payment – SMAGR7 can ask for payment extension, sometimes up to 8 weeks.
- Delivery frequency – SMAGR7 order when the shop run out of new type of dried foods, in case the market accept the new goods.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - The suppliers have supplied exclusively certain type of grocery items, but not for the new type of dried foods.
  - The suppliers need to sell those new types of goods through the retailer SMAGR7.
  - It does not cost much for SMAGR7 if she switches to other suppliers for alternative new type of goods because those new goods are in the market testing phrase.
- Suppliers power base:
  - "New type of goods supplied" power – supply new type of dried goods which could become popular in the grocery market.
  - Expert power – The suppliers have been doing in grocery industry for a long time, so they would have good experience and knowledge about market demand, so the new type of goods they have would match the grocery market, and the SMAGR7 retailer would gain more benefit from their knowledge.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR7 know about customers’ demand as well as other suppliers’ goods selling prices. In addition, the customers take the shop owner’s advice as a good reference which benefit to the suppliers when SMAGR7 promotes their new types of grocery goods.
  - Attitude in the relationships – open, trusting, commitment and control.
  - The suppliers trust SMAGR7 as an honest good business partner since she opened the shop, so they take SMAGR7 as a good choice to introduce the new types of goods they have. They keep giving SMAGR7 many chances to try their new types of goods because this shop even is small but locate at a great spot and has good amount of loyal customers.
  - SMAGR7 take the suppliers’ business offer as a good chance to earn more benefit for the shop.
  - SMAGR7 always commits to agreement with the suppliers.

After we have an agreement, my daughter, my nephew and I started promoting new type of goods to customers when they ask shopping advices from us.
- SMAGR7 is straightforward and clear with the suppliers about unsold goods returnable term and make sure that she gets the agreement from the suppliers.
- Business information – SMAGR7 has been honest and shared as well as get benefit from business information
- Benefits – High benefits for SMAGR7 in term of margin, because:
  - There are not many grocery shops sell those new types of grocery items, so the selling price is set high to cover the promotion fee and exclusive type of goods offer. SMAGR7 gets high margin per unit sold accordingly.
  - High long term benefits:
    - Attract more customers for the new type of goods which could become popular items. From selling those types of goods, SMAGR7 attract more customers to other main goods sold in the shop, like fresh seasonable fruits and vegetables.
    - Create good image from the customers about large variety of dried grocery goods sold in the shop.
We can extend the variety of good sold in this shop which helps to attract more customers. I’d like to offer all of what customers want but I think I cannot because of limited finance. Therefore, based on my market demand instinct, I choose some new type of goods which could be match customers demand. The larger variety of range of goods sold in this shop the more satisfaction customers have.
- Risks – Individual risks. SMAGR7 and her suppliers do not have any kind of contracts so they do not share any risks to each other. However, SMAGR7 lessen her risk by insist the unsold goods returnable term before making agreement to sell new types of goods.
- Planning and goals – Individual and short term. SMAGR7 and her suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

- **Characteristics**
  - Ownership - Family based business.
  - Established - 2000.
  - Shop history – Change handle from previous shop owner who is the shop owner’s sister.
  - Employees size
    - Weekday
      - Full time – 2
      - Part time – 2
    - Weekend
      - Full time – 2
      - Part time – 4
  - Competitive advantages
    - Competitive selling price
    - Good and friendly service.
    - Great location
  - Suppliers Source: From
    - Previous shop owner transfer.
  - The suppliers themselves.
  - Criteria to choose suppliers:
    - Price
    - Inventory Management:
      - Goods in store – noodles, instant noodles, fish sauce, sauces, and others.
Nature of goods supplied – Dried foods
Length of relationship with SMAGR7 – Short time
Type of goods supplied – Dried foods which are kind of popular in the grocery market

Suppliers

- Criteria for supplier selection – Price of popular goods supplied which are offered by the new suppliers, comparing with ones of the current suppliers, and potential for getting good price for new types of goods supplied.
- Supplier base – there are many new suppliers in this cluster who are competing to sell their products to Asian groceries.
- Duration of contract with SMAGR7 – Short term without contract. SMAGR7 has recently relationship with those new suppliers to try new types of grocery goods in her shop. She just fills up the form, but not signs any contracts. Actually SMAGR7 owner had to list some suppliers she has been dealing with. Based on SMAGR7 business history with their suppliers, the new suppliers can see whether they have business potential or not.
- Mode of payment – credit payment, normally 4 weeks to 8 weeks.
- Flexibility in payment – SMAGR7 can ask for payment extension, sometimes up to 8 weeks, but not after 8 weeks’ time because the new suppliers have limited finance, so they cannot afford the longer time payment.
- Delivery frequency – Flexible, as when SMAGR7 needs the goods.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
- The goods supplied are kind of popular grocery items which are supplied by many different grocery suppliers, and some from the big suppliers who have closed long-time relationship with SMAGR7.
- The suppliers are not exclusively in selling those kinds of grocery items.
- It does not cost much for SMAGR7 if she wants to switch to other suppliers because there are many suppliers in this cluster.
- Suppliers power base:
- Competitive selling goods price power – the new suppliers supply popular goods which are competitive price.
- Retailer power base:
- Market power – The shop has a ordinary amount of customers for those kinds of dried foods.
- Expert power – SMAGR7 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with her suppliers when they need that information.
- Atitude in the relationships – open, honest and benefit expected. SMAGR7 still has business relationship with those new suppliers because she wants to:
- Make some business options open; especially she could get a chance to become an exclusive agent to sell one new type of grocery goods.
- Lessen her business risk from depending on a very few big suppliers.
- Get competitive selling prices from different suppliers.
- Make sure the shop has enough goods to sell, in case one supplier runs out of popular goods.
- Business information – SMAGR7 has looked for information for her benefit.
- Sharing selling price for certain kind of goods from different suppliers, so SMAGR7 can get the cheapest price from the suppliers.
- Providing information about her business relationship with different suppliers, as required from the new ones. From that, the new suppliers can have a good image about her business prestige, from the viewpoint of other suppliers.
- Benefits – Low benefits for SMAGR7 in term of margin, because:
- Many grocery shops sell the same popular grocery items, so the selling price is very competitive.
- Low margin per unit sold accordingly
- High long term benefits:
- Speeding up capital turnover.
- The goods supplied from the recent established could be similar to the popular ones in the market or they could be alternative ones. As a consequence, SMAGR7 can expand its supplier portfolio to sell popular grocery items in the market.
- Could get higher margin per unit sold from those new suppliers if SMAGR7 could bargain for the cheaper price.
- Attract more customers from selling those popular grocery items.
- Less depend on exclusive suppliers because SMAGR7 has alternative grocery goods to sell.
- Risks – Individual risks. SMAGR7 & the suppliers don’t have any kind of contracts so they don’t share any risks to each other.
- Planning and goals – Individual and short term. SMAGR7 and her suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

Characteristics

- Ownership – Family based business.
- Shop history – Change handle from previous shop owner who is the shop owner’s sister.
- Employees size:
  - Weekday:
    - Full time – 2
    - Part time – 2
  - Weekend:
    - Full time – 2
    - Part time – 4
- Competitive advantages:
  - Competitive selling price
  - Good and friendly service.
  - Great location
- Suppliers Source: From
  - Previous shop owner transfer.
  - The suppliers themselves.
- Criteria to choose suppliers:
  - Price
  - Inventory Management:
    - Goods in store – noodles, instant noodles, fish sauce, sauces, and others.

Common Characteristics

- History – Recently established.
- Business type – Family based.
- Business size – Small to medium
- Range of goods supplied – Narrow
- Turn-over rate – Fast moving items
- Margin to retailers – Low
- Nature of goods supplied – Non-food
- Length of relationship with SMAGR7 – Long time
- Type of goods supplied – Newspapers, Phone Cards and Cigarettes.

Relationships

- Criteria for supplier selection – the popularity of non-foods items in the market because SMAGR7 does get fix commission from every item sold.
- Supplier base – Large suppliers’ base. There are many suppliers who want to sell their goods in the grocery shops without opening their own shops.
- Duration of contract with SMAGR7 – Short term without contract.
- Mode of payment – SMAGR7 get the fix benefit from every item sold “I’ve got 20 cents for every newspaper I sold.”
- Delivery frequency – Three or six times per week, depends on what type of newspaper. About Vietnamese newspapers, like Viet Luan, Tivi Tuan San, Nhan Quyen, etc., the suppliers deliver 20 to 30 newspapers for one week. They deliver once a week, every Tuesday, and they take money on the day they deliver newspapers. SMAGR7 has got 10 cents for one newspaper sold which has unit price at $1.50. But if the shop lost one, they have to pay money for the supplier”.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - There are many suppliers who sell non-foods item in the market.
  - Suppliers power base:
    - Market power – supply non-foods items which are matched to daily customers demand.
    - “Fixed commission without any capital investment” power – SMAGR7 does not have to put money to buy the non-foods items to put on the shelves. He has got fix commission for sold item.
  - Retailer power base:
    - Market power – The shop has a considerable amount of customers for those kinds of dried foods who are attracted by non-foods items when they are shopping in the shop.
    - Expert power – SMAGR7 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
    - Atitude in the relationships – open, honest and trusting.
  - Business information – SMAGR7 has shared and got benefit from that.
  - Benefits – Low benefits for SMAGR7 in term of margin, because:
    - There are many grocery shops which sell those daily customer demands for non-foods items.
    - The suppliers fix the commission for one unit sold which are not high
    - High long term benefits:
      - Broaden range of goods on sale in the grocery shop.
      - Attract more customers for the dried grocery foods when they want to buy non-foods items.
      - The retailer SMAGR7 does not have to invest capital in buying non-foods items.
    - Risks – Individual risks. SMAGR7 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
    - Planning and goals – Individual and short term. SMAGR7 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of equivalent relationship.
    - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.

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SMAGR7

<table>
<thead>
<tr>
<th>Suppliers</th>
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<tbody>
<tr>
<td>Nature of goods supplied – Non-food</td>
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<tr>
<td>Length of relationship with SMAGR7 – Long time</td>
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<tr>
<td>Type of goods supplied – Newspapers, Phone Cards and Cigarettes.</td>
<td></td>
</tr>
</tbody>
</table>
Characteristics
- Range of goods supplied – Narrow
- Nature of goods supplied – Fresh goods
- Turn-over rate – Fast moving items
- Margin to retailers – Low

History
- Recently established

Business type – Family based.
- Business size – Small
- Length of relationship with SMAGR7 – Short time
- Foods supplied – Vegetables

Characteristics
- Ownership - Family based
- Established - 2000.
- Business
- Shop history – Change handle from previous shop owner who is the shop owner’s sister.
- Employees size
  - Weekday
    - Full time – 2
    - Part time – 2
  - Weekend
    - Full time – 2
    - Part time – 4
- Competitive advantages
  - Competitive selling price
  - Good and friendly service.
  - Great location
- Suppliers Source: From
  - Previous shop owner transfer.
  - The suppliers themselves.
- Criteria to choose suppliers:
  - Price
- Inventory Management:
  - Goods in store – noodles, instant noodles, fish sauce, sauces, and others.

Relationships
- Criteria for supplier selection – Price. SMAGR7 focus on the price when decide to choose which suppliers for certain type of vegetables which are the popular items.
- Supplier base – Large suppliers’ base. There are many families who have their own small farms to want to sell vegetables for their hobby as well as financial need.
- Duration of contract with SMAGR7 – Short term without contract. SMAGR7 call to order the vegetables from suppliers, including the types of vegetables and agreed price. The suppliers just deliver vegetables to SMAGR7 shop two times per week.
- Mode of payment – SMAGR7 pay cash, COD when the families deliver vegetables at the shop.
- Delivery frequency – Two time per week.
  “About vegetables, the suppliers deliver them to my shop and we pay by COD. They call me twice a week, Thursday and Sunday, to take my ordering. They deliver vegetables to my shop on Friday and Monday”.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - There are many families who have their own farms at home to grow vegetables to sell for living as well as for their hobby.
  - Suppliers power base:
    - Popular fresh vegetables supplied power – supply fresh seasonable vegetables which are highly daily demand from customers.
  - Retailer power base:
    - Market power – The shop has a considerable amount of customers for dried foods who would go shopping for vegetables at SMAGR7 shop as well.
  - Attitude in the relationships – clear and honest. All of the payment and unsold goods are set clear and honest. SMAGR7 and her suppliers trust each other for that information. The business operation between SMAGR7 and the suppliers is quite simple: the suppliers call SMAGR7 to get the order, they deliver vegetables on Friday and Monday, and get COD payment. All is clear and honest between them.
  - Business information – SMAGR7 has looked for information for her benefit. For instance, in some special event, like Full Moon or Chinese New Year, SMAGR7 would ask the suppliers make more fresh vegetables to sell in the shop.
- Benefits – Low benefits for SMAGR7 in term of margin, because:
  - There are many grocery shops who sell the same popular vegetables items.
  - The selling price is very competitive.
  - SMAGR7 gets fix low margin per unit sold.
  - High long term benefits:
    - Broaden range of grocery goods on sale.
    - Attract more customers from buying vegetables.
    - Attract more customers for the dried grocery foods as well when they want to buy vegetables from the shop.
- Risks – Individual risks. SMAGR7 and her suppliers do not have any kind of contracts so they do not share any risks to each other.
- Planning and goals – Individual and short term. SMAGR7 and her suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of equivalent relationship. SMAGR7 just keep selling vegetables in the shop although it is not profitable part to broaden range of goods on sale in the shop and match “one-stop shopping” demand of customers.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
Range of goods supplied – Wide
Nature of goods supplied – Dried foods
Turn-over rate – Fast moving items
Margin to retailers – Low
Type of goods supplied – Dried foods which are popular and daily demand in the grocery market

Criteria for supplier selection – Price and type of goods supplied.

Grocery suppliers are getting very competitive. It happens in the same way in the grocery retailers. Therefore, nowadays, we don’t have to depend on any suppliers because there are many grocery suppliers in the market. About certain exclusive grocery goods, although some suppliers are the exclusive one, there are still some suppliers can buy similar goods from different sources and sell them here. To our business, one of the most important criteria to choose suppliers is the price. Plus, in order to keep the business relationship, we need the flexible and trustworthy business partners. Otherwise, we would stop doing business with them if we feel unhappy and uncomfortable in the business relationship.

- Supplier base – there are a few closed suppliers in this cluster.
- Duration of contract with SMAGR8 – long term without contract. SMAGR8 has business relationship with those suppliers for a long time, since he established his shop in 1987. However, they do not sign any business contracts; just fill up forms since they started doing business. SMAGR8 also recently has business relationship with some new suppliers but they don’t sign any contracts as well.
- Mode of payment – credit payment, normally from 4 weeks to 8 weeks
- Flexibility in payment – SMAGR8 can ask for payment extension, sometimes up to 12 weeks.
- Delivery frequency – generally once a week, or SMAGR8 order when the shop run out of dried foods. Delivery – the supplier deliver dried foods from Monday to Friday.
- Suppliers’ transferability – It is difficult to transfer to other suppliers because goods supplied are exclusively provided in a high quality, and we already have loyal customers for the brand.

- Suppliers power base:
  - Market power – supply exclusive goods which are popular to customers.
  - Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - Expert power – SMAGR8 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
  - The relationship between SMAGR8 and his suppliers is closed and good. We have kept promise in payment which is very important to the retailer-supplier relationship.
  - SMAGR8 organize his business in a way of avoiding being controlled by big suppliers.

Our business philosophy is we don’t like anyone control us. We don’t want to depend on any one. If someone wants to control our business, we stop doing business with them. The grocery supply market is very competitive. We are not scared of losing one big supplier. As long as we are fair and good in the business relationship, we stay working with them.

We have two or more suppliers for the same types of goods, because one supplier sell goods at a little bit more expensive, other one sell at a little bit cheaper price. My business philosophy is I have to control my suppliers; I never let suppliers control my business. I never let the suppliers be in the situation in which they could say that “You have to buy from goods, if not, you can’t run your business”. I don’t want to put myself in that situation. That’s the reason why I have more than one supplier for the same type of goods. I always show them other price and goods references from different source, to convince them that how expensive the goods they sell to me. That is also one of business trip to negotiate price with the suppliers.

- Business information – SMAGR8 and the suppliers have been honest and shared as well as got benefit from business information sharing.
- Benefits – Low benefits for SMAGR8 in term of margin, because:
  - Many grocery shops sell the same popular grocery items, so the selling price is very competitive and low margin per unit sold.
  - High long term benefits:
    - Attract more customers for the popular items as well as for the other main goods sold in the shop, like fresh seasonable fruits and vegetables.
    - Build close relationship with big supplier S81 and S82 to secure source of fast-moving of goods.
  - We have some important suppliers who exclusively supply goods. The goods they supply are popular and fast moving items. That’s why they are important to our shop. In this area, we are the fast selling agent for “Lion” rice brand, and gas cooking oven, so the suppliers like us very much. The suppliers sell those kinds of goods to our shop with the cheaper price than other shops.
  - Risks – Individual risks. SMAGR8 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
  - Planning and goals – Individual and short term. SMAGR8 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
  - I have changed suppliers because we did not feel happy about them. I have bought goods from some suppliers. The new suppliers offer a small range of goods, and they come here once a while. Actually they are not important to our business, but we still buy some from them because we want to try the new kinds of goods. The relationship between us and the new suppliers is ok, not long enough to become closed.

I don’t have any long term plan with the suppliers. We have closed relationship with the suppliers who have been doing business for a long time. The supply companies’ salesmen are company’s owner, or employed from outside. The salesmen who are employed prefer to come here to sell goods to us. Because we have friendly environment and we treat them very nice. Some groceries ask them out when they are busy. We respect salesmen when they come here to offer and ask for buying goods.

- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
- We stopped doing business with KFL which are retailer and supplier. We have as retailer as supplier; they supply goods with more expensive selling price than the one they sell at their shop. They sell goods to our shop which are high price while they are running grocery shop as well. It leads to bad reputation for my shop. Our customers complained that groceries selling price here is more expensive than ones of that shop. This was not fair for us. Therefore, we stopped doing business with this supplier for nearly 20 years. They supplied noodles, rice with “Earth” brand. We stopped doing business with KFL after 5 years of business relationship. However, the social and personal relationship is still good until now. From that closed relationship with KFL owner, sometimes we run out of goods, we can ask from KFL for a cheaper price. We don’t do it all the time; it is just in emergency cases.

Another supplier we have had problem with is Lim which is the big local exclusive supplier for rice under “Rose” and “Money God” brands. Lim did not give any favor to my shop; especially they were not easy in our good returnable requirement. Our payment method is credit and we are paid by cheque which was less profitable to them than cash payment. Therefore, it was not easy for us to ask for returning goods after purchasing. They were not flexible about that and made us feel unhappy. Plus, Lim supplied goods with cheaper price to other grocery shops those pay cash. We did ask Lim for the same selling price as those Lim sell to the cash payment grocery shops but they did not want to. So, we stopped doing business with Lim. Therefore, we stopped doing business with Lim after over 10 years of relationship since Lim failed to meet my demand on constant quality of goods supplied and on-time delivery. Lim tried to get us back as their business partner many times but we did not want to. We have money to buy goods from lots of different suppliers, so we don’t need them. Although “Rose” and “Money God” are popular, we still don’t need that. Because the original “Rose” we have is better quality and still high market demand. Plus, the “Lion” rice brand is higher quality as well, we still sell those two rice brands a lot. We don’t have to compete with other grocery shops in this area for selling the “Rose” and “Money God”. Especially, we don’t have to depend on Lim which was not fair in business with us.

We had some problems while doing business with Nan Fong and we stopped doing business with Nan Fong after nearly 15 years business relationship. This is because:

- In emergency case, we want to supply more, they were not happy to do that. For instance, in Chinese New Year event, we were very busy and we could not predict how many of goods we should order. Therefore, sometimes we run out of goods and asked them to deliver more. They did not want it and they felt unhappy about that. They complained and did not supply goods as the way we want. Sometimes they did not supply goods when they wanted.
- About returnable and changeable goods, they did not commit what we agreed. For example, when they supply “Bodhisattva Kwan Yin” status, we wanted the one with the sitting position, they did not have it, and they replaced by the one in the standing position. They negotiated with us that they would change to the one we want when they have it. However, after a long time, they did not do anything. We did ask them and they did not want to change.
Characteristics

- Nature of goods supplied – Dried foods
- Business type – Family based.
- Business size – Big
- Length of relationship with SMAGR8 – Long time

Suppliers

- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – High
- Type of goods supplied – Dried foods which are high value and match to special demand, not daily demand.

Suppliers (S82)

- Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – High
- Type of goods supplied – Dried foods which are new in the grocery market.

We don't treat the suppliers differently. We negotiate about the price and goods before I order goods to buy. We also talk about returnable goods condition when we discuss about goods to buy. The important following thing is keeping promise in payment. If we comply with those things, the retailer-supplier relationship is always goods, I think.

The shop owner’s relatives who are grocery suppliers

- Established - 1987
- Shop history - The current shop owners opened it by themselves
- Employees size
  - Full time - 2
  - Part time - 0
- Salesmen's characteristics
- Inventory Management:
  - Goods in store – noodles, instant noodle, rice, fish sauce, cooking appliances, and others
- Characteristics
- Ownership - Family based business.
- Established - 1987
- Shop history - The current shop owners opened it by themselves
- Employees size
  - Full time - 2
  - Part time - 0
- Salesmen’s characteristics
- Inventory Management:
  - Goods in store – noodles, instant noodle, rice, fish sauce, cooking appliances, and others

SMAGR8

- Range of goods supplied – Wide
- Nature of goods supplied – Dried foods
- Turn-over rate – Slow moving items
- Margin to retailers – High
- Type of goods supplied – Dried foods which are new in the grocery market.

Relationships

- Criteria for supplier selection – Price and type of goods supplied.
- Supplier base – there are a few closed big suppliers.
- Duration of contract with SMAGR8 – short term without contract.
- Mode of payment – credit payment, normally from 4 weeks to 8 weeks
- Flexibility in payment – SMAGR8 can ask for payment extension, sometimes up to 12 weeks.
- Delivery frequency – SMAGR8 order when the shop run out of new type of dried foods, in case the market accept the new goods.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - The suppliers have supplied exclusively certain type of grocery items, but not for the new type of dried foods.
  - The suppliers need to sell those new types of goods through the retailer SMAGR8.
  - It does not cost much for SMAGR8 if he switches to other suppliers for alternative new type of goods because those new goods are in the market testing phrase.
- Suppliers power base:
  - “New type of goods supplied” power – supply new type of dried goods which could become popular in the grocery market.
  - “Expert power” – The suppliers have been doing in grocery industry for a long time, so they would have good experience and knowledge about market demand, so the new type of goods they have would match the grocery market, and the SMAGR8 retailer would gain more benefit from their knowledge.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers for those kinds of dried foods.
  - “Expert power” – SMAGR8 know about customers’ demand as well as other suppliers’ goods selling prices. In addition, the customers take the shop owner’s advice as a good reference which benefit to the suppliers when SMAGR8 promotes their new types of grocery goods.
  - Attitude in the relationships – open, honest, trusting, commitment and control.
  - SMAGR8 and his suppliers always make clear all of business term which relates to type of goods, price, delivery and unsold goods returnable terms before the business transaction.

We don’t treat the suppliers differently. We negotiate about the price and goods before I order goods to buy. We also talk about returnable goods condition when we discuss about goods to buy. The important following thing is keeping promise in payment. If we comply with those things, the retailer-supplier relationship is always goods, I think.

- The suppliers trust SMAGR8 as an honest good business partner since he opened the shop, so they take SMAGR8 as a good choice to introduce the new types of goods they have.
- The big closed suppliers sometimes offer new types of goods to our shop. We always check them carefully to see whether they can match grocery market demand or not. They give us some sample to try and convince us to sell the goods for them. We agree when we can see the potential of new types of goods. They choose our shop as a good place to introduce those new types of goods because SMAGR8 established very long time and has certain good amount of loyal customers. Plus the customers need and highly valued our shopping advices.
- SMAGR8 always commits to agreement with the suppliers.
- SMAGR8 is straightforward and clear with the suppliers about unsold goods returnable term and make sure that he gets the agreement from the suppliers.
- SMAGR8 organize his business and manage his employees towards his business target.

The new type of goods can be sold fast or slow depends on how I promote and communicate with my customers. In the market trial phase, I have to speak more to convince my customers to try new types of goods in the shop. I can push the new goods selling from intensively promoting them to the customers The profit margin for new type of goods is medium to high in my shop.

- Business information – SMAGR8 has been honest and shared as well as get benefit from business information
- Benefits - High benefits for SMAGR8 in term of margin, because:
  - There are not many grocery shops sell those new types of grocery items, so the selling price is set high to cover the promotion fee and exclusive type of goods offer. SMAGR8 gets high margin per unit sold accordingly.
- High term benefits:
  - Attract more customers for the new type of goods which could become popular items. From selling those types of goods, SMAGR8 attract more customers to other main goods sold in the shop, like fresh seasonable fruits and vegetables.
  - Create good image from the customers about large variety of dried grocery goods sold in the shop.

I can broaden range of goods sold in the shop and the suppliers can sell their goods to the market through one of the effective distribution channel which is SMAGR8.We both get benefits from selling those new types of goods in the market.

- Risks – Individual risks. SMAGR8 and his suppliers do not have any kind of contracts so they do not share any risks to each other. However, SMAGR8 loses his risk by insist the unsold goods returnable term before making agreement to sell new types of goods.
- Planning and goals – Individual and short term. SMAGR8 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equial relationship.
- Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
Range of goods supplied – Narrow
- Nature of goods supplied – Dried foods
- Turn-over rate – Fast moving items
- Margin to retailers – High
- Type of goods supplied – Dried foods which can be alternative dried goods which are supplied and sold by closed big suppliers, or the goods are new and potential to be popular items in the grocery market.

Common Characteristics
- History – Recently established.
- Business type – Family based.
- Business size – Small to medium
- Length of relationship with SMAGR8 – Short

Relationships
- Criteria for supplier selection – Price of popular goods supplied, comparing with ones of the current suppliers, and potential of new types of goods supplied to become fast moving grocery items in the market.
- Grocery suppliers are getting very competitive. It happens in the same way in the grocery retailers. Therefore, nowadays, we don’t have to depend on any suppliers because there are many grocery suppliers in the market. About certain exclusive grocery goods, although some suppliers are the exclusive one, there are still some suppliers can buy similar goods from different sources and sell them here. To our business, one of the most important criteria to choose suppliers is the price. Plus, in order to keep the business relationship, we need the flexible and trustworthy business partners. Otherwise, we would stop doing business with them if we feel unhappy and uncomfortable in the business relationship.
- Supplier base – there are many new suppliers in this cluster who are competing to sell the new type of grocery goods. They are competing to get order from sell their goods.
- Duration of contract with SMAGR8 – short term without contract. SMAGR8 has recently relationship with those new suppliers to try new types of grocery goods in his shop. He just fills up the form, but not signs any contracts.
- Mode of payment – credit payment, normally 4 weeks to 8 weeks.
- About new small suppliers, if they ask me COD payment, I deny to have business with them. They have to accept credit payment if they want to do business with my shop. If they want to introduce their new goods to market through my shop, I agree with condition, 21 days of trying new goods, they have to accept unsold returnable goods term if the market does not take those new goods after 21 days.
- Flexibility in payment – SMAGR8 can ask for payment extension, sometimes up to 8 weeks, but not after 8 weeks' time because the new suppliers cannot afford the longer time payment.
- Delivery Frequency – Flexible, as when SMAGR8 needs the goods.
- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - The goods are supplied popular grocery items which are supplied by many different grocery suppliers, and some from the big suppliers who have closed long-time relationship with SMAGR8.
  - The suppliers are not exclusively in selling those kinds of grocery items.
  - It does not cost much for SMAGR8 if he wants to switch to other suppliers because the suppliers need SMAGR8 to introduce, promote and sell their goods for them.

There are about four new suppliers for this shop. Although they have a pretty large range of goods supplied, but almost of them are not suitable for my shop. They are Indian and African foods oriented while my shop is for Vietnamese and Chinese customers. So to me, the range of goods supplied from those new suppliers is considered narrow one. Based on my shop’s demand, I have just taken a few types of goods which are highly potential market demand.
- Suppliers power base:
  - Competitive selling goods price power – the new suppliers supply popular goods which are competitive price.
  - An exclusive selling agent power – the new supplier would give the retailer, like SMAGR8, a chance to become an exclusive selling agent for the new type of dried foods.
  - "New type of grocery goods supplied" power – the suppliers introduce new types of grocery goods in the market which could be a good chance for the retailer to earn more profit if the new type of goods match customers demand. Plus the retailer can expand his variety range of goods sold.

There are some new suppliers who come to our shop, we always consider about the price and the goods they sell.
- For the same type of goods, if the price is competitive, we choose to buy some from the new suppliers to get to know them.
- For the different type of goods, especially some we can’t find from other suppliers, we’d like to buy them (if we can see the market potential and try new type of goods in the market.
- Retailer power base:
  - Market power – The shop has a considerable amount of customers of those kinds of dried foods.
  - Expert power – SMAGR8 know about customers’ demand as well as other suppliers’ goods selling prices.
- Attitude in the relationships – open, honest and benefit expected. SMAGR8 still has business relationship with those new suppliers because he wants to:
  - Create more suppliers options to safe the business; especially SMAGR8 could get a chance to become an exclusive agent to sell one new type of grocery goods.
  - Lessen his business risk from depending on a very few big suppliers.
  - Get competitive selling prices from different suppliers.
  - Make sure the shop has enough goods to sell, in case one supplier runs out of popular goods.
- Business information – SMAGR8 has looked for information for his benefit.
- Sharing selling price for certain kind of goods from different suppliers, so SMAGR8 can get the cheapest price from the suppliers.
- Providing information about his business relationship with different suppliers, as required from the new ones. From that, the new suppliers can have a good image about his business prestige, from the view point of other suppliers.
- Getting updated goods situation from the suppliers to organize SMAGR8 business operation in an effective way.
- Benefits – High benefits for SMAGR8 in term of margin, because:
  - There is just a few grocery shops sell those new types of grocery items.
  - The selling price is set at a high level to cover promotion and distinguish service of new type of goods supplied.
  - High margin per unit sold.
  - The suppliers actually do not set the selling price in the shop. I make it myself. I’d rather to set the reasonable selling price to sell more and get more profit than set a high price and sell just a small amount of goods. However, for the new type of goods in the market, I set a high unit selling price to get high profit margin. I can do that because the selling price is competitive yet is resulted from not many shop sell the same new type of goods.
  - High long term benefits:
    - Speeding up capital turnover
    - The goods supplied from the recent established could be similar to the popular ones in the market or they could be alternative ones. As a consequence, SMAGR8 can expand its supplier portfolio to sell popular grocery items in the market.

I like to sell certain types of goods which are new in the market and not sold in other grocery shops. The new goods types of goods create certain business advantages for my shop in the grocery retailers market. Although my shop size is not very big, the customers can find almost whatever they want to buy from the grocery shop. Some types of goods are slow moving items but I still keep them in my shop to expand variety of goods.
  - Could get higher margin per unit sold from those new suppliers if SMAGR8 could bargain for the cheaper price.
  - Attract more customers from selling those new types of grocery items.
  - The relationship with new suppliers can give SMAGR8 chances to be an exclusive selling agent for certain new kinds of goods.
  - Less depend on exclusive suppliers because SMAGR8 has alternative grocery goods to sell.
  - Risks – Individual risks. SMAGR8 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
  - Planning and goals – Individual and short term. SMAGR8 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on semi-equal relationship.
  - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
- Characteristics
  - Narrow
  - History – Recently established
  - Margin to retailers – Low
  - Nature of goods supplied – Non-foods
  - Type of goods supplied – Newspapers, Cigarettes, Medical Oils and Phone Cards.

Suppliers

(S84)

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SMAGR8

- Characteristics
  - History – Established 1987
  - Business type – Family based.
  - Business size – Small
  - Length of relationship with SMAGR8 – Long time

 Relationships

- Criteria for supplier selection – the popularity of non-foods items in the market because SMAGR8 does get fix commission from every item sold. Moreover, SMAGR8 prefer to have business with suppliers who are Friendship, fun, pleasant, reasonable price, good service
- Supplier base – Large supplier base. There are many suppliers who want to sell their goods in the grocery shops without opening their own shops.
- Duration of contract with SMAGR8 – Short term without contract.
- Rate of payment – SMAGR8 get the fix benefit from every item sold. “I’ve got 20 cents for every newspaper I sold. Actually it is not much benefit for selling those type of non-food items, but I’d like to have them in my shop to offer “one stop shopping” service to my customer.” For other types of miscellaneous, like cigarette and medical oil, we pay COD and we have commission in selling phone cards.
- Delivery frequency – Three or six times per week, depends on what type of newspaper.
  - Mnich Quyen, Tu Tu San, Tuil Victoria – deliver every Tuesday and Wednesday
  - Viet Loan – Tuesday and Friday
  - Chieu Duong – deliver everyday from Monday to Friday
  - Saigon Times, Van Nghe – Thursday
  - Don Viet – Friday

- Suppliers’ transferability – It is easy to transfer to other suppliers because:
  - There are many suppliers who sell non-food items in the market.
  - Suppliers power base:
    - Market power – supply non-foods items which are matched to daily customers demand.
    - “Fixed commission without any capital investment” power – SMAGR8 does not have to put money to buy the non-foods items to put on the shelves. He has got fix commission for sold item.
  - Retailer power base:
    - Market power – The shop has a considerable amount of customers for those kinds of dried foods who are attracted by non-foods items when they are shopping in the shop.
    - Expert power – SWAGR8 know about customers’ demand as well as other suppliers’ goods selling prices which he has shared with his suppliers when they need that information.
    - Attitude in the relationships – open, honest and trusting.
    - Business information – SMAGR8 has shared and got benefit from that.

- For newspapers, the selling speed is not constant in every shop, so it is hard for the suppliers to make decision how many they should give more to which shop. Therefore, the suppliers need to check carefully whether they deliver more to this shop or not. It is understandable. If they deliver newspapers to this shop more, but it is not sure that I can sell out all of the newspaper for this time, while the other shop would get less from the suppliers but they would need more to sell this time. Moreover, the newspapers delivery men are just the company employees. Sometime, in an event like Chinese New Year or Full Moon Event, I think there would more demand for newspapers, so I suggest to the supplier to give my shop more newspapers. It depends on them to decide how many they would give me shop more. They cannot say yes right away because they have to check and decide whether they give me more or not. If yes, how many. They do not like paper work to ask for some changing. Therefore they seldom report and ask for changing. However, if they can see that there run out of newspaper in my shop for some weeks in a row, while other shops have stock for that, they would think and decide how many they would sell me more. Actually they would know clearly which shops can have more newspapers to sell.
- For other types of miscellaneous, like medical oil, cigarette, we just make order any time we run out of goods. The suppliers are flexible and can deliver the orders in the same day or sometimes on the day after. For these type of non-foods, we pay COD since we don’t make frequent routine order, so it is easy to pay off for the bought items.
  - Benefits – Low benefits for SMAGR8 in term of margin, because:
    - There are many grocery shops which sell those daily customer demands for non-food items.
    - The suppliers fix the commission for one unit sold which are not high
    - High long term benefits:
      - Broaden range of goods on sale in the grocery shop.
      - Attract more customers for the dried grocery foods when they want to buy non-food items.
      - The retailer SMAGR8 does not have to invest capital in buying non-food items.
    - Risks – Individual risks, SMAGR8 and his suppliers do not have any kind of contracts so they do not share any risks to each other.
    - Planning and goals – Individual and short term. SMAGR8 and his suppliers do not have any contracts or kind of cooperation; they work and get benefit as much as they can base on kind of equivalent relationship.
    - Problem solving – Power driven and compromise, in case of conflict or bad thing happen during business operation.
  - High long term benefits:
    - Inventory Management:
      - Goods in store – noodles, instant noodles, rice, fish sauce, cooking appliances, and others

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