LAPIN AMK

Lapland University of Applied Sciences

Trust in wholesaler-retailer relationship

Case: Popsoda Ltd

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Bachelor's thesis of the Degree Programme in Business Management

Bachelor of Business Administration

TORNIO 2014

TIIVISTELMÄ

LAPIN AMMATTIKORKEAKOULU, Kauppa ja Kulttuuri

Tämän opinnäytetyön aiheena on luottamus tukkumyyjän ja vähittäismyyjän välisessä liikesuhteessa. Työn yhtenä tavoitteena on ymmärtää mitä on luottamus liikesuhteessa ja mitkä tekijät vaikuttavat luottamukseen. Tutkimalla vähittäismyyjän näkemyksiä heidän luottamuksesta tukkumyyjään, työn toisena tavoitteena on selvittää miten aloittaa ja ylläpitää vahvaa ja luotettavaa liikesuhdetta ja näin tarjota tarvittavia ehdotuksia Popsoda Ltd:lle.

Tässä työssä käytettiin tutkimusmenetelmänä tapaustutkimusta. Tapaustutkimusyritys Popsoda Ltd on tukkuliike joka suunnittelee ja valmistuttaa kolmea omaa tuotemerkkiään vaihtoehtoiselle vaatetusalalle. Popsoda Ltd:n omistajaa haastateltiin käyttäen puolistrukturoitua haastattelua ja satunnaisesti valittuja vähittäismyyjiä pyydettiin vastaamaan kyselyyn verkossa. Näin pystyttiin keräämään tietoja joita käytetään tässä opinnäytetyössä yhdessä alan kirjallisuuden kanssa.

Opinnäytetyössä esitetään yleisin luottamustyyppi ja yleisin liikesuhteen taso. Työssä esitetään myös tekijät jotka vaikuttavat luottamukseen. Lisäksi työssä tarjotaan ehdotuksia vahvan ja luotettavan liikesuhteen ylläpitoon.

Asiasanat: Tukkumyyjä, vähittäismyyjä, luottamus, liikesuhde

ABSTRACT

LAPLAND UNIVERSITY OF APPLIED SCIENCES; Business and Culture

Degree programme:	Business Management
Writer:	Mari Johansson
Thesis title:	Trust in wholesaler-retailer relationship, Case: Popsoda Ltd
Pages (of which appendices):	56 (8)
Date:	30.11.2014
Thesis instructor:	Jauhola, Esa, PhD

The topic of this thesis research is trust in a wholesaler retailer relationship. One of the main objectives is to determine what trust is in a wholesaler-retailer relationship and what factors influence it. The second objective is to identify how to maintain a trustful and strong business relationship from retailers' point of views about trust in their relationship with wholesaler.

The research method used in this thesis is case study. The case study company, Popsoda Ltd, is a wholesaler designing and manufacturing its own 3 brands a field of alternative clothing. Interview was conducted with the company's owner by using a semi-structured interview method. Additionally, a randomly selected sample of Popsoda Ltd's retail customers were received an online questionnaire to gather data that was used with relevant literature on trust and business relationships.

This research determines the most common types of trust and relationship stages. The factors influencing trust are revealed and proposals are given to Popsoda Ltd to maintain a strong and trustful relationship between the wholesaler and the retailers.

Keywords: wholesale, retail, business relationships, trust

CONTENTS

1 INTRODUCTION

1.1 Background and motivation

The original idea for this thesis research sparked during my internship. I conducted my internship in Popsoda Ltd in autumn 2007. Popsoda Ltd, a wholesale company in an alternative clothing industry, was founded in London 1993 by Balraj Kudhail. Popsoda Ltd was first designing and manufacturing alternative clothing for men and woman on the field of club wear. In 2002 Popsoda Ltd made a decision to concentrate designing alternative wear mainly for women on field of international alternative scene via two clothing brands, i.e. Mercy and Hell Bunny. Hell Bunny is now one of the largest and most popular alternative brands, famed for its kitsch prints on retro and Lolita inspired shapes. Mercy as a brand is a separate brand with gothic, rock and bondage influences. In 2010 Popsoda Ltd made addition to the brand selection by launching a steam punk inspired Spin Doctor brand. (Popsoda Ltd, 2014.)

Popsoda Ltd's customer base is covering most of Europe, Northern America and Australia. The main European companies are located in the UK, Germany and the Scandinavian countries. In the US, Popsoda Ltd has an agent managing the contacts with the customers, mainly because it is most convenient due to time difference and distance. In the US, the agent can also take particular account of the key customers. As the Popsoda Ltd's brands are getting increasingly popular in Australia and the sales volumes are growing, the company has started to identify opportunities for use of an agent as well.

During my internship I had an opportunity to see the company and its multiple functions close and from all the functions to me the most interesting was the customer contacts. As being part of the customer service team, I had a possibility to see the customer relationships close. Popsoda Ltd seemed to have many customers where the relationship was formed to be really friendly, almost comparable to friendship. I started getting interested of the customer relationships and the first idea was to look into the 'friendship' of the relationships. It would have been interested to

see at what point the business relationship starts to develop into a friendship relationship. This topic would have been too wide and too demanding for a Bachelor level research, and, hence I narrowed down the original idea and revised it. There evolved the idea for the trust in the business relationships.

1.2 Research objectives and questions

The main objective of this thesis research is to concentrate to the concept of business relationship and trust to find out what trust in wholesaler retailer relationship is and which factors influences it. Looking into retailer's views of trust in their relationship with Popsoda Ltd, the objective of this research is to find out how to maintain a trustful and strong business relationship and therefore help Popsoda Ltd by giving proposals for the future. I am using Mari Sako's theory about three trust types in supplier-buyer relationships as the theoretical framework and her definition of trust is used as a core definition in this thesis. My research questions can therefore be lined to the following questions:

1. What is trust in a wholesaler-retailer relationship?
2. What factors influence trust in a business relationship?
3. How can trustful and strong wholesaler- retailer business relationship be maintained?

1.3 Structure of thesis

My thesis is divided into five chapters. Chapter 1 gives the background information of this thesis research and presents the research objectives and questions. The second chapter presents the research methodology of this thesis, the methods and the techniques used and the motives behind these selections as well as the scientific credibility. The theoretical framework of the thesis research is given in Chapter 3. The chapter begins with the theoretical framework of business relationships: the definition, the nature and the development of relationships to wholesaler retailer relationship. The theoretical frameworks chapter continues with theory of trust by

first explaining the definition, then the theory of trust in different business levels and finally revealing the trust types used in this thesis research. The outcomes of this thesis research are presented in the Chapter 4. Finally, Chapter 5 presents the discussions and conclusions for the outcomes of my thesis work, as well as presents the possible limitations of the research and suggests for further research direction.

2 METHODOLOGY

2.1 Research methods

After the thesis topic was decided, for this research the method of case study was selected. Here, Popsoda Ltd acts as subject of the research with the objective to study trust in wholesaler – retailer relationship and this created the research strategy to be single case study. The research method allowed different combinations of the data collection, and provided the possibility to describe existing theories of trust and business relationships and test these theories in practice. (Eisenhardt 1989, 534–535.)

2.2 Data collection

Case study method gives researcher possibilities to use both qualitative and quantitative techniques without eliminating each other. To provide a multi-method picture of the selected topic both methods were needed and therefore applied. Qualitative technique, interview and quantitative technique, questionnaires provided the primary data of this research that was combined with the secondary data, selected theory. This provided a triangulation approach to the topic of trust in wholesaler retailer relationship. (Bell, 1993, 63 – 64; Saunders, Lewis & Thornhill, 2009, 151.)

Above mentioned data collection methods were used due to the limitation of time and research funds. Considering the geographical factor that this research was made from Finland, the data collecting methods that could be used efficiently from distance were needed. Next three subchapters of 2.2.1, 2.2.2 and 2.2.3 explain the three different data collection methods used more in detail.

2.2.1 Theoretical data collection

Theoretical data of this thesis research is based on previous studies related to trust and business relationships. Theoretical data was collected from several sources using

books, articles and journals. Library of Kemi-Tornio University of Applied Science, currently known as Lapland University of Applied Science, was enormous help to collect the theory by providing the access to books, articles and journals from different universities and polytechnics through combined library database Nelli. Internet was used as a tool when searching for theoretical data. To provide quality secondary data, a sceptical attitude towards the found information was kept and material was used only from well-known and trustful sources.

The search for usable theoretical data was found both challenging and time consuming. The search was found challenging as not many studies were made previously about trust from business relationship point of view and therefore finding suitable material to use was taking long time and lot of effort. On the other hand the search was found time consuming as finding material about business relationships was opposite from the trust. There was enormous amount of information and studies available and it was taking lot of effort and time find suitable material to be used in this thesis research.

2.2.2 Interview

Interview was used as a data collecting method so that data could be gathered from the owner and CEO of the case study company, Popsoda Ltd. The owner Balraj Kudhail preferred not to use lot of time for the interview therefore he wished to be familiar with the topics used in the interview beforehand. This lead to the decision to use focused and structured interview as data gathering method. (Bell, 1993, 90-94.)

A questionnaire was created to support the interview and it was sent via email on 28.10.2008 to Mr. Kudhail. The questionnaire is listed as Appendix 1. The layout of the questionnaire was divided into two sections. The first section concentrated on Popsoda Ltd attitudes towards their retail customers and how they would describe their relationships with retail customers. The second section focused on Popsoda Ltd views of creating trust and how trustworthy Popsoda Ltd sees itself. The interview was decided to be conducted via Skype software. This software enables the interview to be face-to-face in real time without travelling personally to meet interviewee. As

Mr. Kudhail had the same Skype software and he was familiar to use it daily, the interview was held on 6. November 2008. The interview was recorded and the information gathered from it is presented in Chapter 4.

The structured interview suited well its purpose. Structured interview kept the topic with its standardized structure and it reminded first time interviewer to gather information without possibility to leave any important points out. For the owner of Popsoda Ltd, structured interview gave good overall picture of the topics and also helped him to prepare for the interview the best possible way. (Bell, 1993, 90-94; Saunders et al., 2009, 320.)

2.2.3 Questionnaire

Popsoda Ltd's customer base was consisting approximately 650 retail customers at the time of the research. The customers were located all over the world therefore to gather information from a sample group of this customer base, questionnaire became as the only method to be used without spending too much time or funding. The questionnaire was created on a webpage with intention to have the answering process as easy for the respondents as possible but also to provide anonymity for the respondents. These were hoped to increase the response rate, quality and honesty of the responses. The link to the questionnaire website was decided to be distributed via email to retail customers. As 465 retail customers had informed their valid email address to Popsoda Ltd at the time of the research, the sample group was selected randomly from these retail customers. To manage analysing the gathered data efficiently, the sample size was limited to 110. To ensure the construct functionality of the questionnaire the piloting of the website and the questionnaire was pre- tested by a trial run. Five persons participated to the trial run and no major problems occurred during answering process. (Bell, 1993, 75- 85.)

The layout for the questionnaire was divided into 3 different sections. The first section consisted questions of the retail customers background. Question 1 inquired the duration of the business relationship with Popsoda Ltd and Question 2 the ordering frequency. In Question 3 customers were asked to describe their current

trust and relationship level with Popsoda Ltd. Questions 4 and 5 inquired has the business relationship changed over the time and if so, how. All questions in the first section were multiple choice questions. The second section was concentrating on trust and how retail customers would rate certain business actions and sectors when measuring them from the perspective of creating trust. Questions 6 and 7 listed the same business sectors and actions but in the sixth question these were asked to be rated from the general wholesale level point of view. In the seventh question these were asked to be rated how do the customers think Popsoda Ltd has managed to create trust. Both of these questions were multiple- choice questions. In the third section retail customers were asked to answer 2 questions. Question 8 asked customers to rate listed statements of how these described their relationship or attitudes towards Popsoda Ltd. Question 9 gave retail customer the possibility to explain with their own words the preferred wholesaler relationship and what expectations they have towards wholesalers. The layout of the questionnaire is presented as Appendix 2.

The accompanying email explaining the purpose of the questionnaire with the link to the questionnaire was emailed to customers on 16. November 2008. Successfully was sent 97 emails, 13 of them failed to reach the respondents. The original time given for answering was set to one week. As in this time 9 responses were successfully submitted and as this amount of answers would have kept the response rate too low for reliable research, retail customers were given one week extra time. Reminder email was sent again on 28. November 2008. The possibility to answer ended on 5. December 2008 and finally 22 answers were received. As the response rate grew to the rate acceptable, above 20%, analyzing of the results gathered could be started. These results are presented in the Chapter 4. (Bell, 1993, 85 90.)

2.3 Scientific credibility

The validity and reliability of the data collection techniques and procedures is needed to be evaluated to show the scientific credibility of this thesis research. In this case study research both primary and secondary data were used. Primary data was collected using quantitative data collection method of questionnaire and qualitative

data collection method of structured interview. Secondary data was gathered by using different types of data, e.g. books, articles and journals.

Validity is divided into the following three different categories: construct validity, internal validity and external validity. Construct validity of a case study can be increased by deploying a multiple source of evidence, by establishing a chain of evidence and by reviewing the draft case study report by key informants. The use of multiple sources for both primary and secondary data increases the construct validity of this thesis. The chain of evidence has been provided throughout this thesis research, starting from the objectives and ending to the conclusion. Internal validity is only concerning case studies that are causal or explanatory. As this thesis research is descriptive and exploratory, the internal validity cannot be measured. External validity is measuring whether a study's findings can be generalized beyond the immediate case study. This thesis is a single case study, therefore it cannot guarantee external validity for the clothing industry. This thesis research does not allow generalization for all results for present time 2014 as the empirical research was conducted already in year 2008. (Yin 2003, 36-37.)

Reliability aims to minimize measurement failures as well as research prejudices in the course of a scientific study. This means that if a later investigator follows the same procedures as described by this thesis and conducts the same case study all over again, the later investigator should come to the same findings and conclusion. The reliability of this thesis is obtained by its mainly descriptive and exploratory character. Theoretical findings are quoted as those and empirical data can be researched in co-operation with the respective company. To increase the reliability of this thesis research, the structured interview was used questionnaire used was piloted. The authenticity of responses of both interview and questionnaires are based on the assumption that the respondents were honest and that the answers are recorded in an exact and reliable way. (Yin, 2003, 36-37.)

3 THEORY OF BUSINESS RELATIONSHIP AND TRUST

3.1 Business relationships

3.1.1 Definition of business relationship

Business relationships can be characterised with two statements. The first statement is that every company has had relationships now and all companies will always have them. Companies cannot exist without relationships, but these relationships can greatly vary in content, strength and duration. The second statement is that relationships are for good and for bad to the companies. The relationships with its customers, suppliers and with the other companies can be seen as an asset but also these can be burden to carry. All of the relationships can fail or succeed, it is matter of how these relationships are managed. (Ford, Gadde, Håkansson, Snehota 2003, 37-38.)

In this thesis the concept relationship is used to describe the pattern of interactions and the mutual conditioning of behaviours over time, between a company and a customer, a supplier or another organization. Relationships exist between two parties, but it does not mean that there would or that there should, always occur particular type of interaction. Standardized business relationships never exist. Every relationship is unique in its content and in its dynamics. How relationship evolves, how it impacts on the parties involved and what it requires from parties to success is always individual. (Ford et al. 2003, 38.)

3.1.2 Business relationships

As business relationship between two companies never are the same or even standardized, it is even more complex to try to define the substance of relationship. The substance of the relationships can be explained through three aspects of the substance and how these affect to the relationship over time. The three aspects of the relationships are actor bond, activity links and resource ties. (Ford et al. 2003, 39.)

A relationship between two companies frequently starts with the first contacts between individual actors. At the beginning of a relationship these actors have different distances between them. To get more close with each other, these actors have to create two-way communication. It is essential for both parties to become aware of each other and learn and teach each other about their principles, needs and wants. It is important to learn the counterpart's meanings behind the words and behind the attitudes. This is done to reduce the uncertainties but because all the uncertainties cannot be reduced totally it is a learning process as well to tolerate uncertainties that always will exist. At some point, the actors will start to be more acquainted with each other and start to be increasingly committed to develop business between them. It does not matter if it is a long-term commitment or short-term commitment behind the development, both are depending on trust. Every relationship develops own history about the other. The history is influenced by degree of trust and commitment that has been built up over the time. This could not happen without interaction that is commonly interpersonal. When interaction between individuals is effective, it creates actor bonds that are based on their mutual learning, trust and commitment. The second aspect of relationship substance is activity links. The repeated transactions form the base for interaction and its behaviour. When some transactions between companies are repeatedly done the same way over the time, the transactions develop into the activity links between two companies. These links includes many different aspects of operations of the two companies, such as production, logistics etc. The third aspect is resource ties. Resource ties are adaptations of resources of two different companies, for example in the fashion industry suppliers and retailers together invest to the single software package that gives e.g. real-time sales information to both parties. (Ford et al, 2003, p.39-40.)

The business relationships can be challenging to managers. First of all most of the companies have some really important customers, key customers that account for a major share of their sales. These customers are the main concern to companies and to fail with these relationships can be crucial. Therefore the main attention is in these. Secondly, with these few really important relationships, companies tend to have also many relationships that are individually insignificant, but collectively important to the company. These individually insignificant relationships are particular challenge

to the managers as these relationships do not give as much information or a sale to the company individually as key customer does, but when putting all these customers together, they are substantially affecting company's financial and operating performance. Thirdly, all the relationships are challenging because they are all closely connected to time. Different episodes of time are connected to each other, and everything that has happened in the past and all the information given today influence to the future. Relationships also represent the existing structure of the activities and resources at the present time with all its current problems and contradictions. (Ford et al, 2003, 41-42.)

3.1.3 Relationship development

Business relationships are not always the same, neither have they stayed the same all the time. The relationships change over time and some theories show that there can be distinguish different stages, pre-relationship stage, exploratory stage, developing stage and stable stage. The pre-relationship stage answers questions such as the following: What will the customer and supplier get from the relationship? How much should they invest in the relationship? What will they learn from the cooperation? Is the partner trustworthy? In the exploratory stage the partners engage in serious discussions about the possible future function procurement or mutual project launch. During the negotiations the partners start to learn from each other's procedures and practices. Partners are not yet able to demonstrate in concretely their willingness to commit as no actual investments or adaptations are made at this stage, only time of management and experts who participate in negotiations is consumed. During the development stage the business between the partners grows in volume and relationships on several plans are tied. Usually the contracts are signed for actual projects to start and adaptations processes start in practice. This stage is also characterized by mutual learning as a result of diverse know-how exchange. Trust and commitment are built by positive willingness to adapt and companies find the informal adaptations as a main indicator of commitment to the promising relationship. At this stage too extensive preparation of formal contracts can show possible mistrust. This is at the same time a complex and delicate question of how and to which scale and depth it is necessary to create the agreements without

showing or manifesting signs of mistrust. However, only rational business is conducted with formal written contracts. The stable stage is reached when the partners have obtained certain stability in learning, adaptation and commitment to the relationship. Cooperation has become a routine process, companies have established standard routines and communication channels. This is in a general stage where companies start to skim off the benefits of the relationship by building commitment and trust that easies the cooperation at all levels and aspects. The cooperation is institutionalised and less and less time is consumed by the management and procedures of the relationship. Business runs smoothly between the companies. However, all this depends on the individuals operating in the partner companies as well as on the management skills. To ease possible problems caused by relationship dissolutions or decreasing commitment the company should build a relationship portfolio to avoid harmful interdependence. (Ford et al, 2003, 51-58.)

3.1.4 Wholesaler-retailer relationship

Trade companies fulfil the functions between producer and end user. Trade companies are able to carry out many activities more efficiently than manufacturers e.g. their ability to manage larger range of products is better. Trade companies can be divided into two different levels, a wholesale level and a retail level. In wholesale level companies sell their products to other companies. Their customers are retail, industrial and service companies, which deliver these products to the end consumer. Wholesale companies differ from retail companies many ways, e.g. wholesalers put less effort to shop layout, promotion, selection and location. Other differences are wholesalers sell their products in large transactions instead of small purchases. Wholesalers tend to have limited number of retail companies as customers than retailers. (Weele 2000, 292 – 296.)

In this thesis research, the wholesaler retailer relationships are multi relationships. Wholesale companies that have different relationships with retail customers, suppliers and manufacturers, are suggested to create a portfolio of different relationships to manage relationship diversity. All the relationships are different both in content and in context, therefore the portfolio approach may help companies to

identify different relationships and their way of operation in different situations. Managing wholesaler – retailer relationships as portfolio, aims to optimize the company's resources. In the portfolio approach, the number and the type of customers are seen as assets. The customers are influencing directly to the volumes of the current and future sales, cost structure, knowledge input and to margins. These in turn influence profits. The efficient management of customer relationship portfolio ensures the stable and long-term profitability of the firm. (Saunders 1997, 262-264; Möller & Halinen 1999, 418.)

Wholesale companies and retail companies are companies that operate between manufacturer and end user (Weele 2000, p.294). In the modelling below in Figure 1, wholesaler -retailer relationship is presented in its common form in supply chain. This model shows that wholesaler, marked as 1, has multiple relationships with different retailers, marked as A, B, C, D and E. Every relationship with retailers is different but the reason for existence is the same. In addition to relationships with retail customers, wholesaler has relationships with factories A, B and C. Relationships with factories are crucial as these enable wholesalers to provide quality products to their retail customers and later on to the end customers, marked as c1, c2 and c3 in the Figure 1. Wholesaler is in the central role distributing the products from factories to end customers and the multiplicity of the relationships is taking time and effort from wholesaler to efficiently manage them all.
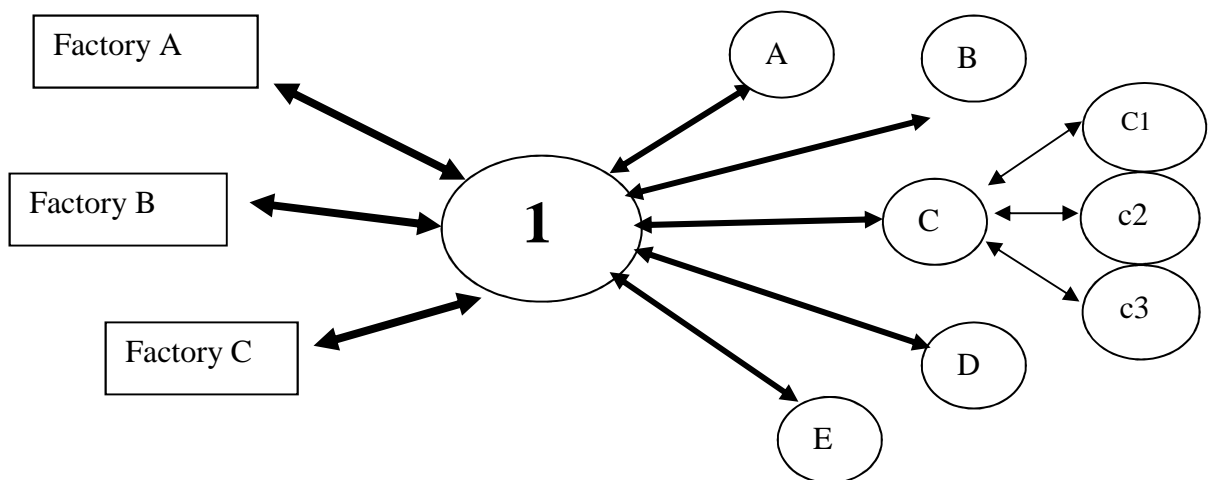

Figure 1. Modelling the central role of wholesaler - retailer relationships in supply chain

In this Figure 1, wholesaler is using time and effort to maintain all the relationships with different companies. Therefore the time and effort used to designing and producing quality products is less. To prevent the consuming the precious time from designing, warehousing and wholesaling, the relationships can be managed another way. A new model of wholesaler – retailer relationship is a presented in a Figure 2. In this model, relationships of the same wholesaler than used earlier, are reconfigured. In this model the central role of the wholesaler, managing all relationships by it, does not exist anymore. In the new model wholesaler, marked as 1, is providing products to retailers, but instead of maintaining and managing all the relationships with retailers alone, an agent, marked as 2, manages the retailer relationships behalf of the wholesaler. The responsibility of the retail customers has transferred from wholesaler to its agent. The agent may manage only the contacts with part of retail customers e.g. inside specific country or all of them e.g. inside Europe. This decreases the time used in relationship managing from wholesalers' side and creates one relationship with an agent instead of having 6 relationships with retail customers. The relationship between wholesaler and its agent therefore decreasing the time used with retail customers and the relationship gives the agent possession where it has better opportunities to compete with the competitors. As wholesaler does not use as much time managing all the retail customers individually, gives wholesaler an opportunity concentrate designing and warehousing resulting better products.

Businesses are facing an increasing complexity of business activities and therefore the intention is to coordinate their work more efficiently in terms of cost reduction and minimising the work duplication. The businesses in one supply chain are trying to establish relationships with their supply chain partners to have extended level of relationships. (Forker& Stannack 2000, 37.)
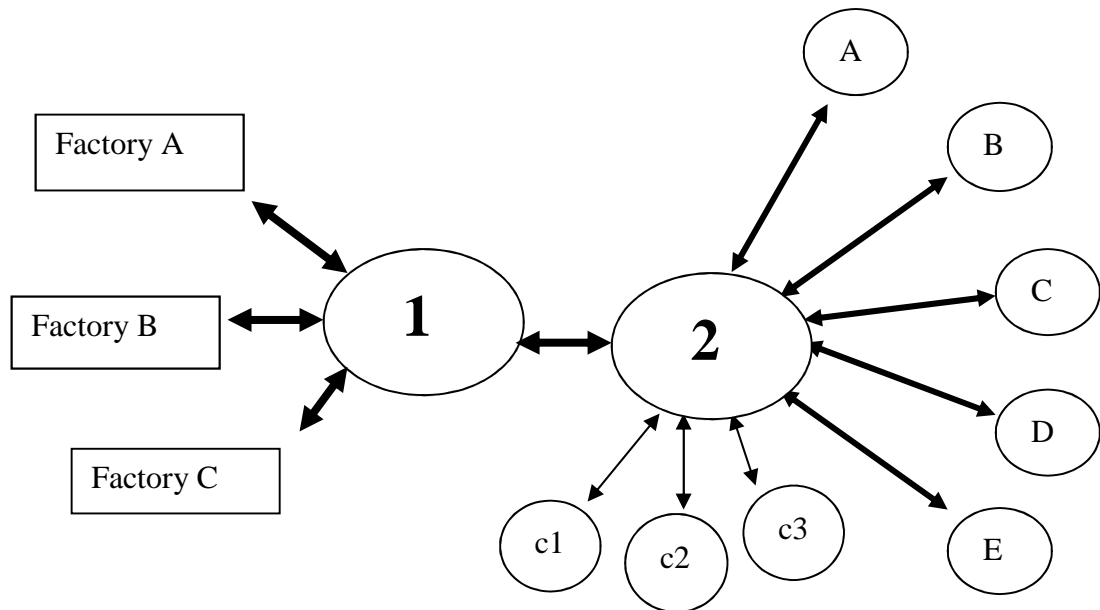
Figure 2. New wholesaler – retailer relationship model

In the new wholesaler-retailer relationship model, the relationship between wholesaler and the agent is dyadic. Dyadic relationship is between two parties which both have the power to influence the other. Dyadic relationships between buyer and supplier are increasingly creating long-term cooperative relationships. More companies are willing to collaborate with other companies as then the company remains its competitive and economic advantages. (Prahinski & Benton 2004, 39; Bititci & Martinez & Albores & Parung 2004, 255.)

In dyadic relationship supplier and buyer are in key positions, to offer benefits of this relationship to the end customer. This goal can be gained when this relationship is based on common strategy and goal. For example the wholesaler in this particular case has to offer quality products to the retail agent and retail agent offers then quality products to the end- customers as well as to the other retailers. The reason why buyer and supplier create dyadic relationship can have various reasons, but the starting point is commonly to gain economic advantages. (Benton & Maloni 2005, 2 ; Bititci, et al., 2004, 255.)

3.2 Trust

3.2.1 Definition of trust

Defining concept of trust is complex and it has been investigated in many various studies such as social sciences, economics, philosophy and management. The concept of trust is studied in this thesis research in business relationships. Trust as a concept is hard to define, because definitions can be found in any literature that studies trust. This thesis research is mostly concentrating to trust in wholesaler - retailer relationships, hence I am using Mari Sako's definition of trust in supplier - buyer relationships. Trust is a state of mind, an expectation held by one trading partner about another that the other behaves or responds in a predictable and mutually acceptable manner (Sako, 1992, 37).

Tompkins's definition of trust, a adoption of a belief by one party in a relationship that the other party will not act against his or her interests, where this belief is held without undue doubt or suspicion and in the absence of detailed information about the actions of that other party (2001, 165), is suitable to this thesis as well, because it shows that in working relationship one must set boundaries of trust within that relationship. Tompkins definition doesn't exclude all uncertainty about future. It shows that trust can not exist in relationships unless there is the freedom to break the trust, even if the other party does not expect such an act. Tompkins definition also shows that parties can trust to each other, without full information and this finding has important role when studying trust in business relations.

3.2.2 Trust between organisations

It is vital to start by identifying the difference between interpersonal trust and organizational trust when starting to explore the role of trust between organizations. Interpersonal trust is trust between individuals, when organizational trust is trust between different organizations. Trust has been in many cases defined to be as an interpersonal phenomenon. Therefore primary challenge of forming a concept about the role of trust between organizations is to extend individual level phenomenon to the organizational level of analysis. (Zaheer, McEvily & Perrone 1998, 141.)

It is argued that only individuals or teams of individuals can trust (Blois, 1998). The claims can be found that the main difference between interpersonal trust and inter-organizational trust lies in the object of trust. When the trustee in interpersonal level is another person, such as member of organization, in inter-organizational level the trustee is another firm or organization. Trust has its origins in individuals, while individuals in organizations share orientation towards another organization. Inter - organizational trust describes the level which organizational members have mutually held trust orientation toward the partner organization. When a member of another organization leaves or disappears, the trust from another organization and its member's stays, trust does not go away with the leaving member. (Sako & Helper 1998, 389; Zaheer et al. 1998, 143-144.)

3.2.3 Trust in the business relationships

When evaluating the level of trust between businesses, it is important to concentrate to the nature of trust. Some definitions of trust were introduced in chapter 2.1 and explaining these definitions continue here. Tompkins's definition of trust (2001, 165) indicates that in inter - firm relationship trust does not exclude all uncertainty about future. It shows that trust can not exist in inter-firm relationships unless there is also the freedom to break the trust, even if the other party does not expect such a violation. Tompkins definition also shows that parties can trust to each other without full information. In business relationships, parties do not have full information about each other and still business is done. Economists do not think that trust have any function to fulfil in economic contacts. Sako's definition of trust defines trust to be a state of mind, an expectation held by one trading partner about another, that the other behaves or responds in a predictable and mutually acceptable manner. This definition shows that the predictability in behaviour exists, but for different reasons, and this allows to make a distinction between three types of trust. (Sako 1992, 37.)

The three types of trust to introduce are contractual trust, competence trust and goodwill trust. Contractual trust is a trust form where both parties have made oral or written agreement, which both party have promised to hold on. Basis therefore lies that both parties keep their promises. This trust type can be called as enforced trust as

some can think that they are been forced to trust to another company when doing business with them. This type of trust is the most common type among business relationships as both parties expect universalistic ethical standards to be implemented when doing business with each other. Competence trust on the other hand, concerns trading partner's ability to perform according what has been promised competently. In competence trust the point of issue is in the technical and managerial competence. For instance in buyer- supplier relations, as in any other relationship, a buyer can entrust suppliers to carry out tasks which the buyer itself has the inability to carry out. Last type of trust, goodwill trust, refers to the mutual expectations of open commitment to each other. This commitment can be seen as a willingness to do more than is formally expected. In this type of trust there are no explicit promises to keep, as in the contractual trust or professional standards to be reached as in competence trust. Someone who is worth of goodwill trust is reliable and can be trusted with high discretion. (Sako 1992, 37-38.)

To separate these three types of trust from each other is significant in buyer - supplier relationships. In a case where supplier does not deliver the products to buyer in time, buyer can see this action as a lack of competence trust, but as well as an act against contractual trust. If the supplier explains that the problem has occurred as a result of a factory failure, buyer considers this failure to be as lack of competence trust. Therefore supplier is given another chance. If the supplier has known beforehand that it is not possible to deliver in time without informing the buyer about it, this is act against contractual trust. The buyer stops ordering as this unacceptable from supplier. The difference between contractual trust and goodwill trust lays in the similarities. In both trust forms the similarity is that they share opportunistic behavior, behavior where the trading partner can cheat or take advantage from the other. The differentiation comes how these types of trust see the mistrust. If, for example, the other party doesn't tell to another, that there is a vital information about technical details, which can effect to the success or failure of their mutual project. According to goodwill trust this would be an act against goodwill trust, but from contractual trust side it wouldn't be that, if the other parties are not contracted to give this kind of information to another. (Sako 1992. 37-39.)

These three types of trusts exist more or less in all business relationships and they are closely related to each other. In all of these three trust types the confirmation that is the trading partner reliable or "worth" of trust comes from the trading partner's reputation. Reputation is relied more in the contractual and competence trust types than in goodwill trust, and this is because in contractual and competence trust case the information is easier to get from general market and carrying out factory audits. In goodwill trust the information on reputation is hard to get without firsthand experience. (Sako 1992. 37-40.)

4 OUTCOMES

4.1 Interview

The interview with Balraj Kudhail, the owner and CEO of Pop Soda Ltd, was held 6 November 2008 through Skype on Internet. The interview form with questions was send to Mr. Kudhail 28 October2008, as he wished to be prepared to the interview. Questions were also instrument that helped me to keep the interview structured. Popsoda Ltd has customers all over Europe and in the U.S. The main customers are located in Germany, Sweden and in the U.K. In the U.S Popsoda Ltd has an agent that manages the contacts with customer, mainly because of the distances and time differences between two countries but also because it is convenient to Popsoda Ltd. It would take too much time and effort to deal with directly. The agent have been dealing with the customers there already for 3 years and Mr. Kudhail has found that it had worked well and that is why he had been planning to expand this same system in Europe as well. (Kudhail, 6.11.2008, interview.)

Mr. Kudhail described Popsoda Ltd's relationships with retail customers to be common business relationship, after retailer has ordered items, Popsoda Ltd sends sales order confirmation and when it is paid Popsoda Ltd sends the goods. By this, Mr. Kudhail refers to the certain group of retail companies that Popsoda Ltd has and which have the routine to order and receive goods without any other actions needed. Mr. Kudhail also described the relationships with retail customers to be based on mutual trust between each other that both parties can perform their roles competently. He was indicating the fact that their retail customers are expecting them to create a new collection that sells at a reasonable price. On the other hand Popsoda Ltd expects retail customers to do their own role well to get the products to the end customers. (Kudhail, 6.11.2008, interview.)

Regarding the preferred wholesaler - retailer relationship to Popsoda Ltd, Mr. Kudhail had different aspects. First, he would wish that the retail customers would stay loyal to the Popsoda Ltd's three brands to keep the continuity of the business. When customers are loyal to brands, they can help Popsoda Ltd to develop them. He

wished that the retailers would give good space allocated for Popsoda Ltd's products as time goes on. That would give Popsoda Ltd's three brands more visibility and from there hopefully creates better sales to the retailers as well as Popsoda Ltd. From the economic perspective he wished retail customers to make the payments quick and that they would increase their sales from one year to the next. The quick payments give advantages for both parties. New collections come to Popsoda Ltd in one or two big bulks. If Popsoda Ltd's sales order confirmations are already paid or are paid quickly, this accelerates the shipments of the products and therefore creates win- win situation to both parties. Space reserved to the items in the stock is saved and retail customers can have their items sooner. Quick payments create another advantage, customers can make a reorder quicker and therefore they receive new items on time. If the payments are delayed, it obviously creates unbalanced situation to both parties. (Kudhail, 6.11.2008, interview.)

Popsoda Ltd's attitudes towards retail customers changes with the years. The level of interaction, cooperation and trust changes over the years. Doing business with the same retail customer normally influences that the business relationships tend to become a routine process over the years. Therefore, the business relationship is easy to manage. In some cases this has led to the situation where there is less need for example for interaction between these companies. Because of the routine process of doing business there is less need to communicate about the same procedures when one knows others behaviors. The level of trust tends to increase with the retail customers that have been customers for many years. Thereby, both parties know already what they are expected to do. With new customers, the process of getting acquainted with each other starts from the scratch and the relationship building takes time and needs more interaction. (Kudhail, 6.11.2008, interview.)

Interviewing Mr. Kudhail about the length of the relationships and its effects to handling of the orders, it came clear that the duration of the business relationship does not give any priority over the others. Popsoda Ltd tends to treat all the customers the same way, no matter how long the business relationship. Situation changes when key customers are in matter. They tend to get priority over the others. They are important so it is common to serve well ordering customer more and better, Popsoda Ltd wants key customers to know that they are valued. Mr. Kudhail

characterized relationship with the retail customers to be highly built on mutual support. Popsoda Ltd gets important information from retail customers about their products and the retail customers get value for their money as an exchange. Mr. Kudhail said that Popsoda Ltd's one idea is to provide different, good quality clothing in a reasonable price and that was why he was certain that customers get value for their money. During the interview it came obvious that Popsoda Ltd has clear rules in their transactions with the customers. The employees know the company procedures, they are familiar with different customer and how these customers are managed. Customers are seen as an asset therefore advises and opinions from customers are listened and highly respected and complaints are always dealt with great importance. Mr. Kudhail saw the product price as Popsoda Ltd's major strength. He did not agree to the statement that if Popsoda Ltd would increase product price, customers would still order the same way. He saw same way towards increasing the quality of the customer service, in his opinion customers wouldn't be willing to pay more for better service. Mr. Kudhail described interaction and communication with retail customers to be fluent, occasionally having misunderstandings and according to this interaction might sometimes to be less successful. This did not worry him to increase the quality of the service, particularly if the customers would have to pay for that. (Kudhail, 6.11.2008, interview.)

Questionnaire sent to Mr. Kudhail included two multiple- choice questions, where Mr. Kudhail was asked to rate different business sectors, when measuring them on basis of importance to create of trust. Objective was to gather information, firstly how Mr. Kudhail would scale different business sectors when measuring them from importance to create trust with retail customers in general wholesaler level and secondly how Mr. Kudhail would rate Popsoda Ltd's success to create trust among retail customers. The sectors of business were punctuality, flexibility, quality and design of the product, customer service, keeping customers updated, taking orders, interaction with customer, delivering the products, cooperation and price of the product. The sectors were asked to be rated using scale 1 – 5. In the first question scale was from very significant to irrelevant and in the second question the scale used was from really well to not well at all. The findings are seen in Table 1. To create trust among retail customers in general level of wholesaler - retailer relationship, Mr. Kudhail rated all the business sectors to be either very significant

(1) or significant (2). Keeping customers updated was rated to be very significant with taking orders, delivering the products to the customers as well as price of the product and cooperation. Rest of the sectors was rated to be significant when creating trust. Mr. Kudhail thought e.g. in general level interaction with the customers is not as significant to create trust as it is to keep the customers updated. When comparing the results of the general level to the rates how Popsoda Ltd has succeeded to create trust among retail customers, the rates have decreased.

Table 1. Business sectors on basis of creation of trust comparison

Business sector	General level	Pop Soda Ltd.
Punctuality	2	2
Flexibility	2	2
Product quality and design	2	1
Customer service	2	2
Keeping customers updated	1	3
Taking orders	1	2
Interaction with customer	2	2
Delivering the products	1	2
Co-operation	1	2
Price of the product	1	1

Very well (1) ratings can be seen only in two sectors, in quality and design of the product and in the price of the product. Mr. Kudhail saw keeping the customers updated as average level and he admitted Popsoda Ltd needs to improve this sector. Keeping customers updated is in general level very significant when thinking to create trust. (Kudhail, 6.11.2008, interview)

4.2 Questionnaires

The questionnaire that was sent to retail customers was divided into three different parts. The first part was concentrating to the duration and nature of retail customer's relationship with Pop Soda Ltd. All questions on this section were multiple choice questions. The second section was concentrating on scaling different business sectors on the basis of how these sectors create trust inside the business relationships. Retail customers were asked to scale these sectors first on the general level and then

describe the scale to which Pop Soda Ltd has succeeded to create trust on these sectors. The questions were ranking questions. The last part of the questionnaire focused on retails customers feeling towards Pop Soda Ltd in the common level, how they would describe their relationship and what would be the preferred wholesale-retail relationship for them. The first part was ranking question and the last question gave retail customers possibility to explain with their own words what the preferred relationship status with Pop Soda Ltd would be as the question type was for purpose left open ended.

The first question asked retail customers about the duration of the business relationship with Pop Soda Ltd. The given options to select from were as follows less than one year, 1-3 years, 3-5 years, 5-10 years, and more than 10 years. Some of the questions to follow are analysed by using these selection groups. The results are illustrated in Figure 3.
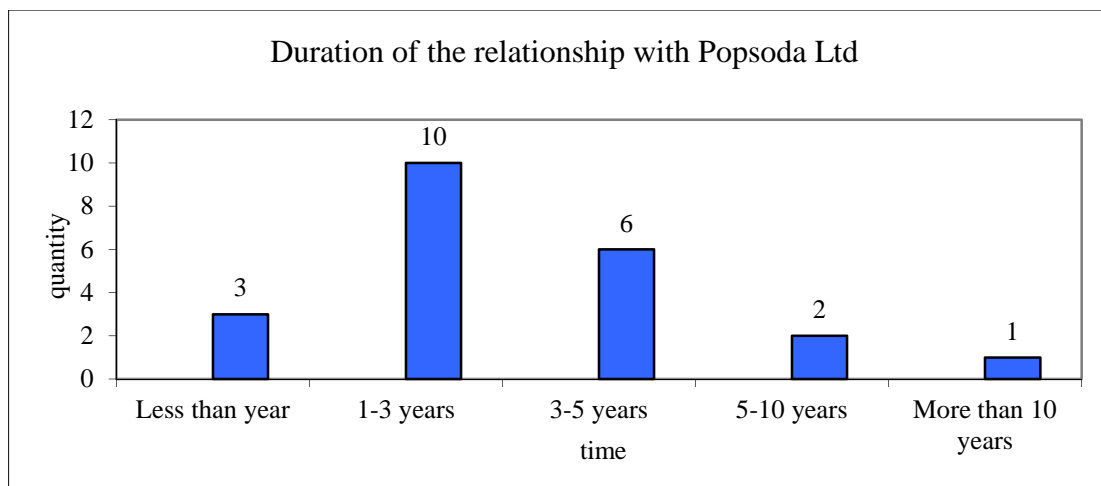
Figure 3. Duration of the relationship with Popsoda Ltd

As seen in Figure 1, 13. 6% of the retail customers had been in business relationship with Pop Soda Ltd for less than a one year's time. Almost half of the retail customers, i.e. 45. 5% had been customers with Popsoda Ltd from one year up to 3 years, while 27.3% of the retail customers had been in the business relationship for 3 - 5 years. Total of 9.1% had been customers 5 - 10 years and only 4.5% from all the retails customers had had relationship with Popsoda Ltd more than 10 years.

The second question inquired about the ordering frequency, i.e. how often the retail customers place an order with Popsoda Ltd in one year's time. Options for answering were given as follows: 1 - 2 times, 3 - 5 times or more than 5 times in one year's time. A total of 40. 9% of the retail customers were ordering 1 - 2 times in one year's time, 36.4% ordered 3 - 5 times in same time period and 22.7% of the retail customers were placing orders more than 5 times in a one year. The results are seen in Figure 4.
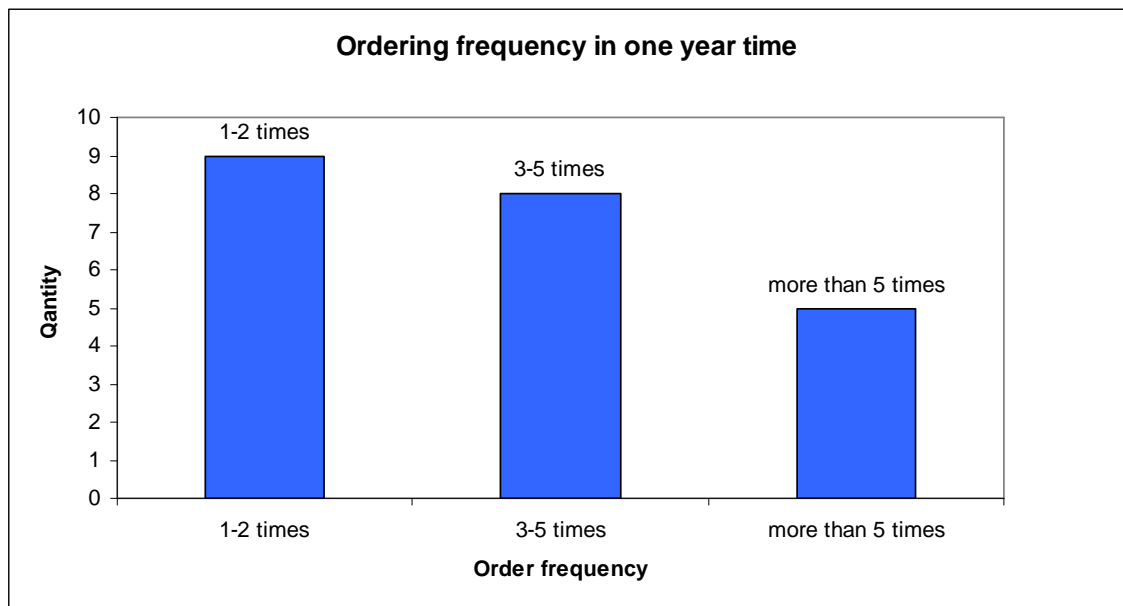
Figure 4. Ordering Frequency

When analysing the result of retail customers order frequency using the duration groups from first question, the following results can be seen; of the customers that have had business relationship with Popsoda Ltd less than a year, all of them had ordered only once or twice in one year time. The customer with 1-3 years relationship duration with the Popsoda Ltd, 30% had ordered once or twice in a year's time, when 50% ordered more frequently, 3 - 5 times a year. Only 20% of these retail customers informed to order more than 5 times a year. Among the customer that had had business relationship with Popsoda Ltd 3-5 years, the ordering frequency was dividing between 2 options, 60% ordered once or twice a year and 40% of them informed to order 3-5 times a year. Of the customers with the business relationship length of 5-10 years or more all informed to order more than 3 times a year. The retail customer that had had the business relationship with Popsoda Ltd for more than 10 years, informed that they order more than 5 times a year. These two

first questions were created to see the business relationship stage according Ford et al (2003, 51-58) and the three aspects of the substance and how these affect the relationship. (Ford et al. 2003, 39).

In question three, the retail customers were asked to describe their current relationship with Popsoda Ltd. They were asked to choose one or more options from the statements listed that would best describe their current relationship with Popsoda Ltd. The statements were created to base on the theories of the business relationship stages according to Ford et al (2003, 51-58) and to three different trust types of Sako (1992, 37-38). All these statements were created to get knowledge of the present situation of the business relationship and to evaluate the present level of trust. The statements given by the respondents are as follows in their original forms: 1. Everything agreed is put in written form or this is done orally, 2. We have mutual expectations of open commitment towards each other, 3. We have mutual trust to each other that both parties can perform their role completely, 4. Both parties are expected to keep their promises, 5. Normal business relationship, after ordering comes invoice and then shipment, 6. Relationship is fair to both parties, 7 In our relationship we don't have explicit promises to fulfil nor professional standards to be reach, 8 Other, what?. Statement one was interpreted from the theory of trust to match contractual trust category and from relationship stages to match developing stage. Statement 2 was meant to be compared to goodwill trust category and in exploratory stage. Statement 3 was mirrored to be competence trust category and in stable stage. Statement 4 was created to mean contractual trust category in exploratory stage. Statement 5 is mirrored to contractual trust in developing stage. Statement 6 was meant to point out the competence trust category in stable stage. The statement 7 was created to match with goodwill trust category in stable stage. Most of the retail customer took the advantage to select more than one statement when asked to describe the business relationship with Popsoda Ltd. More than a half of the retail companies had selected statement 4 "both parties are expected to keep their promises" and statement 5 "normal business relationships, after ordering, comes an invoice and shipment", to describe their current relationship. Statements 1, 3 and 6 got equal amount of the selections, 7 each. Statement 2 got selected 5 times where statement 7 and open statement of 8 got no selections at all.

Analysing the selections of the statements by dividing the data according the length of business relationship, following was found out. The group where the business relationship length was less than a year, most common selection was statement 5 and 4. Statement 3 and 6 got couple of selection each. In group of 1-3 years, the same statements, 5 and 4, were the most commonly selected. The statement 6 and 2 were selected. In the group of 3 - 5 years relationship, all the selections were evenly divided between statements 1, 2, 3, 4, 5 and 6. In the group of 5 - 10 years, the same situation occurred, all the selections were evenly distributed from selection 1 to selection 6. In the group of more than 10 years, selections of statements 3 and 4 were the only ones. Data is illustrated in the Figure 5.
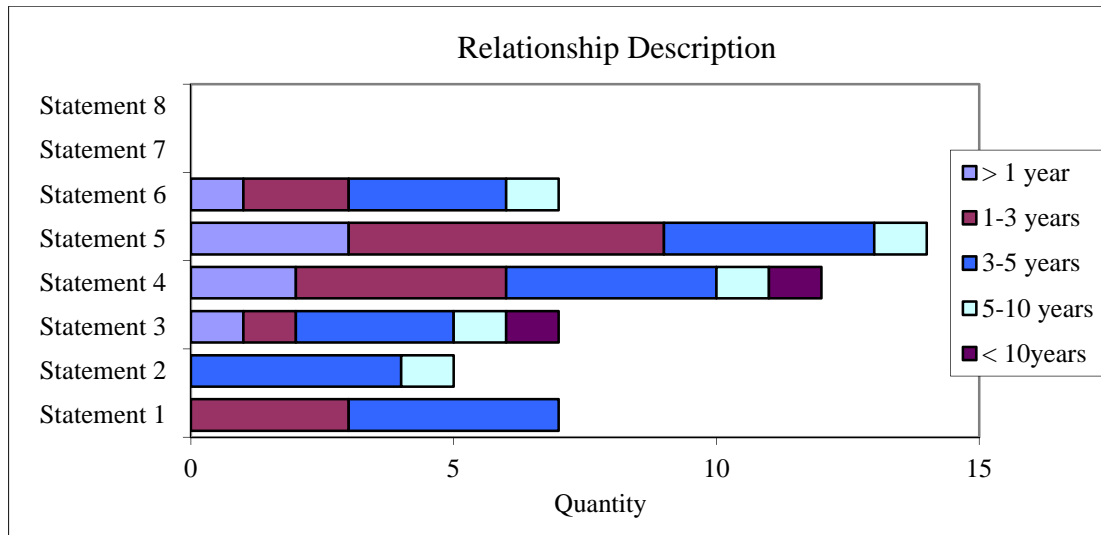
Figure 5. Description of the relationship

In the question 4 customers were asked to answer either yes or no to the question of has your business relationship changed with Popsoda Ltd over the time. If the answer was positive, customers were recommended to answer to an extension question number 5. If the answer was negative the customers could continue answering from question 6 onwards. The majority, 55% of the retail customers informed the relationship with Popsoda Ltd to remain the same. 45 % of the retail customers selected the option yes and were therefore asked to answer an extension question 5. Some of the customers had answered negatively on question 4 but still continued answering to both questions 5 and 6. These answers were ignored when analysing the results.

The extension question 5 had 7 different statements to describe how the business relationship had changed with Popsoda Ltd. Customers needed to select one or more statements that best described their situation at the moment of the research. The statements were as follows in their original forms: Statement 1. Level of interaction has increased, statement 2. We don't have same level of trust towards Popsoda Ltd than earlier, statement 3. Relationship with Popsoda Ltd has worsened over the time, statement 4. There is no need for written or oral agreements anymore, statement 5.we have priority over the situation that we had earlier, statement 6. Ordering from Popsoda Ltd has decreased in our firm and statement 7. Our level of trust has increased from what it has been earlier. The clear majority, 90%, of the retail customers selected the statement 1: "Level of interaction has increased" to describe their relationship change. Total of 9 customers, 40%, answered their level of trust towards Popsoda Ltd has increased from what it has been earlier and 30% informed their relationship to change so that they have priority over the situation that they had earlier. One fifth of the respondents felt there is no need to written forms anymore. The respondents of the extension question, 10% had been customers less than a year and another 10% had been customers more than 10 years. From the respondents 40% had been customers with Popsoda Ltd 1-3 years and 30% had had relationship 3 - 5 years. One fifth of the respondents had been customers more than 5 years.

Questions 6 and 7, listed different business sectors which retail customers were to scale when measuring these sectors influence and impact to create trust between companies. In question 6, these business sectors needed to be scaled when mirroring these towards the whole industry in general level and in question 7 these same sectors needed to be scaled when measuring how Popsoda Ltd has succeeded to create trust with the customers. The business sectors to be scaled were 1.Punctuality, 2.Flexibility, 3.Product quality and design, 4.Customer service, 5.Keeping customers updated, 6.Taking orders, 7.Interaction with customer, 8.Delivering of the products, 9.Co-operation and 10.Price of the product. The scale used was Likert Scale and in question 6 the scale was set 5 to be very significant and 1 to be irrelevant. In question 7 the scale used was set 5 to be very well and 1 to be not well at all. The higher the average points are the more significant or important the sector has been rated. The combined outcomes of these 2 questions are presented in the Table 2.

Table 2. (Rating the business sectors)

Sectors of business	General Average points	Popsoda Ltd Average points
Punctuality	1,73	2,23
Flexibility	2,14	2,73
Product quality and design	1,55	1,86
Customer service	1,5	2,36
Keeping customers updated	1,59	2,91
Taking orders	2,36	2,41
Interaction with customer	1,55	2,68
Delivering of the products	1,5	2,14
Co-operation	1,91	2,45
Price of the product	2,41	1,86

The question 6, measured business sectors influence of create trust between companies on general level. The retail customers gave highest average points, 3.5, to customer service and delivering the products. Product quality & design and interaction with the customer were the sectors that got the second highest average points of 3, 45. Respondents gave the lowest ratings to the business sectors of flexibility 2, 86, taking orders 2, 64 and price of the product 2, 59. In the question 7, respondents were to evaluate Popsoda Ltd.'s success in creating trust on these same business sectors. The average point results decreased than what the results were on the general level almost in every sector. Only one sector was higher in average points of the general business level, and this was in the sector of price of the product. The sector of product quality & design got the same average points of 3, 14, making these two sector the highest. The lowest results were given to sectors of flexibility, 2, 27 and keeping customers updated 2, 09. Compared results are illustrated in Figure 6.
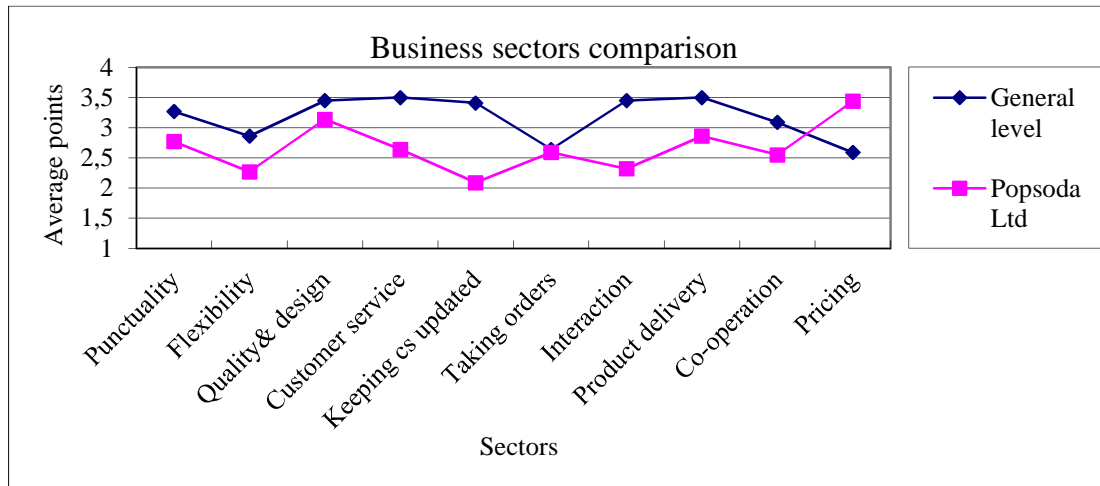
Figure 6. Business sectors comparison

Question 8 consisted ready-made statements to respondents to scale. The statements were asked to be scaled according how well these statements described their relationship and their feelings concerning relationship with Popsoda Ltd. The scale was set from 1 to describes totally to 5 to be doesn't describe at all. The statements given by the respondents are as follows in their original forms: statement 1. Our opinions/advices are heard in Popsoda Ltd, 2. If product price would increase, we would still order from Popsoda Ltd, 3. Interaction with Popsoda Ltd hasn't been really successful, 4. There is lot of misunderstandings in the relationship with Popsoda Ltd, 5. We don't have gaps in our communication with Popsoda Ltd, 6. If quality of the customer service would increase, we would be willing to pay more for that, 7. Popsoda Ltd meets our expectations, 8. We don't get enough value for our money, 9. Relationship is built on mutual support, 10. Complaints from us are always dealt with great importance in Popsoda Ltd., and 11. We have clear rules in our transactions with Popsoda Ltd.

The clear majority, 72% of the retail customers felt their opinions and advices were heard in Popsoda Ltd totally or well, 23% couldn't give an opinion and 5% of the customers were feeling their opinions and advices were not heard well in Popsoda Ltd. When asking the opinion of respondent's willingness to order if price of the products would be increased, 27% would be willing to do so, 36% couldn't say would this happen and 37% of the customers would not be willing to order if this would be the case. The majority, 81% of the respondents did not think their interaction with Popsoda Ltd to be unsuccessful, 14% couldn't give their opinion.

Only one customer thought their interaction with Popsoda Ltd has not been totally successful. Similar results were found when asking opinions for the statement 4, there is lot of misunderstanding in the relationship with Popsoda Ltd. Clear majority of the respondents, 77% didn't think the statement describes their relationship with Popsoda Ltd totally or at all. One customer couldn't give opinion and 18% thought this describes their relationship well or totally. Statement 5 inquired respondents' opinion of communication and fluency of it with Popsoda Ltd. The half , 54% of the customers described it to be totally or well without any gaps, 23% having no opinion and 23% describing to have gaps in communication more or totally. The statement 6, "If the quality of the service would increase, we would be willing to pay more for it", 27% of the respondents' were prepared to pay more, 37% couldn't say their opinion and 36% was not willing to pay more for the change. The statement 7 "Popsoda Ltd meets our expectations", 81% of the customers were agreeing to the statement well or totally, 14% couldn't say their opinion when only one company thought the statement didn't describe their situation totally. Next statement of "we don't get enough value for our money", 81% of the respondents thought not to describe at all or totally their opinions when from the opposite angle, 9% was thinking this describes their situation well. From all the respondents, 59% of the customers described their relationship with Popsoda Ltd to be built on mutual support and only 5% describing this is not so, when 36% couldn't say their opinion. Statement 10 about Popsoda Ltd and its ability to handle complaints with great importance, 32% the respondents agreed the statement totally or well, 27% describing exactly opposite when majority 41% could not say their side. Majority of the customers, 68%, described to have clear rules in their transactions with Popsoda Ltd, more than quarter could not say their opinion and 5% was thinking the statement is not describing their situation totally.

The last question of the questionnaire gave the respondents possibility to explain their own words what kind of wholesaler retail relationship is preferred from their point of view and what expectations they have. 10 customers used this option to explain their views. Some of the responses were out from the actual topic area but mostly answers gave a good overall picture what these particular customers preferred. Majority of the customers pointed out the importance of good product quality with good sell through ability and good communication, e.g. "products with

good sell through is the most important factor but good communication and up to date information means we can sell more", "That the products stand to our expectations", "We like the product really much but sometimes the information doesn't reach us well as we would like it to be." and "Good communication between each other." Quick deliveries were seen important aspects as well as realistic price of the products, as can be read from follows:" When I order something I like to get exactly the product that I have ordered in minimum time of delivery. If the product is not in stock, I like to be informed about that I have to wait the delivery", "Good communication, prompt delivery, quality goods at the realistic price", "fast delivery times", and "When thinking from the point of view of us we need the wholesaler to be quick to deliver."

The factor of getting more flexibility to the orders and payments was also mentioned: "If one item doesn't really sell I would like to have a possibility to exchange. I expect to have at least one month time for payments", as well as how another customer phrased it:" We need the wholesaler to in sometimes be little more flexible when concerning payments". More than a half of the respondents made known their dissatisfaction with the level of communication with Popsoda Ltd. One customer quoted the problem as follows:" We prefer that kind of the relationship where wholesaler helps us by informing how orders are doing. We prefer relationship where both parties can help each other to do best result". Another customer explained as follows: "We would prefer more communication from Popsoda when we place orders, to get immediate feedback, i.e. are any items on our order discontinued? If the items are unavailable, when will they be in stock? We would prefer Popsoda to communicate this to us; instead we always have to chase information. But in terms of product, no complaints at all, very innovative, excellent presentation- keep up the good work." One of the respondents had opinion of the cooperation: "When you trust and cooperate each other then you save a lot of time and you improve the business". Two responses were off from the topic area concentrating more describing their relationship with Popsoda Ltd and their experiences than the wholesale relationship generally. First response was as follow: "We are happy to pay upfront for everything. That is fine. Certain members of the staff are very good to deal with but there have been several occasions when emailed orders have been ignored totally, even after back up phone calls. Going to the shop also has been very varied. If you get the right

person, it can be an easy and successful experience but the guy who is usually on the counter is difficult to deal with, to the point of me deciding not to use them again for a while. I did return as a customer as their prices are good. But the member of staff on the counter won't look at me, speak in foreign to another member of staff rather than directly to me, and used a racist term to refer to me thinking I did not understand any of his language. Very bad experience compared to most the wholesalers that I use" and the second was as follow: "We have good relationship with Popsoda and would say they are better supplier than others in the same market place. We are not large customer for Popsoda but always stock and support them. I have a good level of trust in the team at Popsoda, the only annoyances are that we have seen Popsoda product being acquired by our retail customer who came to sell the product to us as less than what had been paid to Popsoda. This if continued could be damaging".

5 DISCUSSIONS AND CONCLUSION

The main objectives of this thesis research were to identify the business relationship and common trust type in the wholesaler- retailer relationship and what factors influence the trust and which ways. The second objective was to find out how to maintain a trustful and strong business relationship and therefore help Popsoda Ltd by giving proposals for the future. This chapter deals with discussions and conclusions of this research by providing the answers for the above mentioned objectives, by demonstrating limitations of this research and by given suggestions for further research.

5.1. Discussion

Business relationships studied in this research were relationships between Popsoda Ltd and its retail customers. All of the companies interviewed or who were sent the questionnaire indicated by their own answers that standardized relationship does not exists and that all the relationships are unique in their nature. Similarities in the answers could be found, but none of the answers were exactly the same. As all of the relationships are expected to change over the time according previous research, different relationship stages can be distinguish. The most common relationship stage that Popsoda Ltd had with retail customers was the stable stage. The most common relationship stage among retail customers was equal to the developing stage. This research found out that the time effected to the stage at which the business relationship was; the relationship stage seemed to be more advanced the longer the relationship with Popsoda Ltd had lasted. Time effected to order frequency of the customers the same way, the frequency to order seemed to be higher the longer the relationship had lasted.

Time on the other hand did not have any effect to the trust type of the relationships studied; the trust type was what it was, regardless of the length of the relationship. From Popsoda Ltd's view the main trust type it had with its retail customers was contractual trust. Contractual trust was also found to be the most common trust type from retail customers' side. The competence trust type was regarded as the second largest and the majority of the companies in this trust type had been customers with

Popsoda Ltd more than 3 years. The companies in the goodwill trust type had had less than 5 year's relationship with Popsoda Ltd. The previous studies suggest similar results in that the trust type is affected by the actions and experiences of the past, today and the future rather than by the duration of the relationship itself. The most common trust type of this thesis research, contractual trust was found to be the major trust type among retailers because most of the retail customers, all from different relationship length groups, had described their business relationship with Popsoda Ltd to be the normal business relationship with functions of ordering, delivery and payment with the expectation of both parties to keep their promises.

To identify in which ways and what factors seem to influence the trust in the relationship, the list of business sectors relevant to wholesaler retailer relationship was created to inquire companies' opinions of the importance of these sectors when creating trust between companies. The factors that were found to be the most important when creating trust with retailers at the general level from Popsoda Ltd's opinion were customer service, up to date information, order handling as well as co-operation. From the general level, retail customers were seeing customer service, product delivery and product design and quality to be the most important business sectors when creating trust with any wholesaler. When comparing the results, the only similarity was found in the sector of customer service that was regarded as the most important sector to create trust from both sides. From the wholesaler's point of view, the sectors of good information flow and order handling were therefore more important, mostly because these are important factors for wholesalers to do business. These sectors can be regarded as vital part of their contractual trust, therefore failing on these sectors can affect the reputation of the company. On the retailer's side, having quality and well-designed product in the right time was rated more important than on wholesaler side. The reason for this can be that these factors affect directly retailers' sales if they are functioning properly.

Popsoda Ltd rated their own performance to create trust on the business factors mostly to the same level than their answers were for the general level, slightly being behind on factors as delivering the products, co-operation and taking orders. The biggest difference between the general level and Popsoda Ltd's performance ratings was in keeping customers updated, which was acknowledged from Popsoda Ltd side

to be something to improve. The biggest strengths of Popsoda Ltd from its own opinion to create trust were on factors of product quality and design as well as price of the product. The retail customers saw Popsoda Ltd performance to create trust on the business factors lower than what it had been on a general level on all the factors except the price of product. The lowest rating for Popsoda Ltd's performance to create trust was on factors of flexibility and keeping customers updated. When comparing retailer's and Popsoda Ltd's answers on Popsoda Ltd's performance to create trust, it came clear that Popsoda Ltd had rated itself better than what the average answers from the retail customers indicated.

One objective of this thesis research was to determine what is needed to have a successful and trustful business relationship. According to Popsoda Ltd's opinion, the successful retail relationship can be achieved with a partner, who is loyal to its three brands, allocates good space to the brands in the store and who makes the payments quick. Furthermore, the possibility to grow was preferred; when the retailer's business and sales grow, so grows Popsoda Ltd. The preferred wholesaler relationships from retailers' views were formed with a partner that provides quality products with good sales ability and who keeps customers updated. The price of the product and quick deliveries were also appreciated. Both partners therefore had a preference to a relationship that creates optimal environment to operate, which is natural. When the wholesaler produces a collection and pays the products upfront, the wholesaler naturally also wishes retailers to do the payments quick. Wholesaler wants to maintain quick product flow from the warehouse as otherwise it creates costs. From retailers view when the quality and the sell through ability of the products are good, it creates a win-win situation for both parties. Every item bought therefore needs to be good seller as when the item sells quicker, many cases the payments to the wholesaler can be made quicker.

Popsoda Ltd was regarded as wholesaler who hears retailers' opinions and advices and who communicated with retailers' overall fluently. Retail customers described the relationship to be built on mutual support and that they got value for their money. The interesting finding was that if customers need to pay more for better quality of service, bigger part of the customers was willing to do so than the part that would not. When inquiring from retailers, were the complaints always dealt well in Popsoda

Ltd, almost same amount customers were indicating this did not happen than that it did. This indicates improvements were needed on a field of service and complaints. In case where overall product price was increased, more customers informed they would not order than customers that would. Half of the retail customers used the given opportunity to explain their preferred wholesale relationship by an open word. More than half of these customers, revealed their dissatisfaction of the up to date communication level with Popsoda Ltd. The information gathered from retail customers gave a good overall picture of the Popsoda Ltd and its performance as a wholesaler.

5.2 Conclusion

The objective of thesis research was to identify the relationship stages and the common trust type in the relationships and what factors influence the trust and how. Another objective was to establish how to maintain a trustful and strong business relationship and therefore provide suggestions to Popsoda Ltd. The empirical research was conducted 2008, when Popsoda Ltd.'s, owner Balraj Kudhail, was interviewed and randomly selected Popsoda Ltd.'s retail customers were sent an online questionnaire.

The relationship stage of Popsoda Ltd towards its retail customers was found as stable stage when the same among retailers was developing stage. Thus the stages were found different the conclusion can be drawn that Popsoda Ltd had positioned itself where it can make the decisions and therefore relationships with retailers were already dealt with a certain routine. Therefore the retail customers had not become aware of Popsoda Ltd's principles, needs and wants at the time of the research. The main trust type found by this research was contractual trust. As the contractual trust can be regarded as the start level of trust or even enforced trust, this finding opened a space to improve the relationship and the trust in it. To improve the relationship and the trust level in it, it is important to identify the factors that effect to it.

The most important factors to create trust for the wholesaler was the sectors of customer service, good information flow and orders handling as these sectors are

regarded as vital part of its contractual trust, therefore failing on these sectors can affect the reputation of the company. On the retailers' side, having quality and well-designed product in the right time combined with good customer service were found more important as these factors affect directly retailers' sales if not functioning properly. Therefore when creating trust in the wholesaler retailer relationship, the important business sectors and factors influencing the trust can be regarded as good and communicative customer service, delivery of the products accurately and product design and quality.

Objective to find out what is needed to have a successful and trustful business relationship both the wholesaler and retailers preferred a relationship that creates optimal environment to them to operate. The answer is depended on the angle where it is looked from. For Popsoda Ltd successful retail relationship can be achieved with a partner, who grows and is reliable with payments and who is loyal to the brands. For retailer customers successful relationship can be formed with a partner that provides strong and quick customer service and quality products with good sales ability. Therefore to be able to maintain strong and trustful relationship, the routine on business actions such as good communication combined with good quality products with right pricing are the keys to the success.

To determine were there any actions required from Popsoda Ltd to become more successful and trustful business partner, following results were found. The product quality with interesting design and right pricing were found to be the factors that drew the retail customers towards Popsoda Ltd at the time of the research. These factors should be kept on the same level as these were the factors that were rated most important in trust creating with Popsoda Ltd. As indications were found that increase in product price can affect ordering of the customers decreasingly, any changes needs to be carefully weighted. According the retail customers the overall picture of customer service with order handling in punctual and flexible way, Popsoda Ltd was doing well without any major difficulties. Customer service with complaint handling overall was seen on a level of acceptable, but at the time of the research, Popsoda Ltd would have needed to make improvements in their communication with retail customers. Providing up to date information and communicating efficiently about availabilities and statuses of the orders did not seem

to be on a level that retailers were expecting to have from wholesalers generally. When the majority of the retail customers informed Popsoda Ltd to meet their expectations, a question can be asked was the lack of up to date information already included in these expectations when they started the relationship. This seen with the fact that most of the retailers were having their trust type towards Popsoda Ltd as contractual trust, which can be regarded enforced trust type, can and will create problems if not dealt with accordingly. As the information about the orders and the stock availabilities are crucial for retailers, improvements in these sectors are needed. A noteworthy suggestion for solution to improve the managing the customer communications could be the wider use of the dyadic relationship for example with an agent, which Popsoda Ltd has already successfully used in US.

5.3 Limitations of the study and suggestions for further research

Limitations are considerable due to the fact that the empirical research was conducted in 2008 whereas the final study was concluded 2014. Hence, the empirical material might differ nowadays to the situation the case study company Popsoda Ltd has been 6 years before. Being frequently in contact with Popsoda Ltd ever since, it can be stated and considered as accurate that no major changes within the organisation occurred and thus their retail customer's attitudes have assumedly stayed similar. Therefore the results of this research can still be considered as valid from the perspective of the case study company.

Furthermore, the results of the general level suggestions as well as results of preferred relationships are not affected over time and thus can still been considered as helpful information. However, when applying the previously described questionnaire approaches here all retail customer data were collected anonymously the result validity at present time can not be reconfirmed as customers and customer relationships change over time.

Therefore, for further research it is recommended to repeat and compare data which are collected by applying a similar survey approach as data may outcome differently in 2014. Here, results from 2008 could provide a solid data basis and help give good

indications about trust in changing relationship patterns in a continuously changing business environment.

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APPENDICES

Appendix 1 1(3)

QUESTIONNAIRE TO SUPPORT THE INTERVIEW
Manager of Pop Soda Ltd

1. How would you describe your company's relationship with the retail customers?

Please choose one or more options from following alternatives.

☐ Everything agreed is put in written form or it is done orally

☐ We have mutual expectations of open commitment towards each other

☐ We have mutual trust to each other that both parties can perform their role competently

☐ Both parties are expected to keep their promises

☐ Normal business relationship, after ordering comes shipment

☐ Relationship is fair to both parties

☐ Other, What?

_____

2. Does your firm's attitude towards retail customer change with the years?

Please choose one alternative. If the answer is yes, go to question 3. If the answer is no, go to question 4.

☐ Yes

☐ No

3. If the attitude has changes with the years how it has changed?

Choose one or more answers from alternatives below.

☐ Level of interaction with customer tend to increase

☐ There is no need to written/oral agreements anymore if something is agreed

☐ Level of trust towards retail customer normally increases with the years

☐ Customers with good ordering history, gets priority over the others

☐ Customer gets priority over the others if they are "old" customers

☐ New customers are more likely to get priority over the other

Appendix 1 2(3)

4. How would you scale the sectors of business below when measuring them from importance to create the trust with retail customers?

Please choose one alternative, when 5=very significant, 4=significant, 3= can't say, 2= not important, 1= irrelevant

	1	2	3	4	5
Punctuality	☐	☐	☐	☐	☐
Flexibility	☐	☐	☐	☐	☐
Product quality and design	☐	☐	☐	☐	☐
Customer service	☐	☐	☐	☐	☐
Keeping customer updated	☐	☐	☐	☐	☐
Taking orders	☐	☐	☐	☐	☐
Interaction with customer	☐	☐	☐	☐	☐
Delivering the products	☐	☐	☐	☐	☐
Co-operation	☐	☐	☐	☐	☐
Price of the product	☐	☐	☐	☐	☐

5. How well Pop Soda Ltd has succeeded in the sectors of business listed below when measuring from the point of view of creating trust?

Please choose one alternative, when Scale is 5= really well, 4=well, 3=average, 2=fair, 1= not well at all

	1	2	3	4	5
Delivering the products	☐	☐	☐	☐	☐
Punctuality	☐	☐	☐	☐	☐
Flexibility	☐	☐	☐	☐	☐
Customer service	☐	☐	☐	☐	☐
Co-operation	☐	☐	☐	☐	☐
Taking orders	☐	☐	☐	☐	☐
Interaction with customer	☐	☐	☐	☐	☐
Price of the product	☐	☐	☐	☐	☐
Keeping customer updated	☐	☐	☐	☐	☐
Product quality and design	☐	☐	☐	☐	☐

Appendix 1 3(3)

6. How well these statements describe your relationship with the retail customers or your feelings concerning relationship with the retail customers?

Please choose one alternative when Scale is 5= describes totally, 4= describes well, 3=average, 2= doesn't describe totally, 1= doesn't describe at all

	1	2	3	4	5
1. Pop Soda Ltd listen customers opinions and advices	☐	☐	☐	☐	☐
2. If product price would grow, customers would still order from Pop Soda Ltd	☐	☐	☐	☐	☐
3. Interaction with customers hasn't always been really successful	☐	☐	☐	☐	☐
4. There is lot of misunderstandings in the relationship with retail customers	☐	☐	☐	☐	☐
5. Communication with customers is fluent.	☐	☐	☐	☐	☐
6. If the quality of service would increase, customers would be willing to pay more for that.	☐	☐	☐	☐	☐
7. Pop Soda Ltd meets customers expectations.	☐	☐	☐	☐	☐
8. Customers get value for their money	☐	☐	☐	☐	☐
9. Relationship is built on mutual support	☐	☐	☐	☐	☐
10. Complaints from customers are always dealt with great importance.	☐	☐	☐	☐	☐
11. We have clear rules in our transactions with our customers	☐	☐	☐	☐	☐

What kind of wholesaler-retailer relationship is preferred from your company point of view?

Appendix 2 1(4)

QUESTIONNAIRE

Sent to retail customers

1.   Duration of business relation with Popsoda Ltd?

Please choose one answer from the following alternatives

☐ Less than a year

☐ 1-3 years

☐ 3-5 years

☐ 5-10 years

☐ More than 10 years

2.   How many times your company orders from Popsoda Ltd in one year time?

Please choose one answer from the following alternatives

☐ 1-2 times in a year

☐ 3-5 times in a year

☐ More than 5 times a year

3.   How would you describe your relationship with Popsoda Ltd now?

Please choose one or more options

☐ Everything agreed is put in written form or it's done orally

☐ We have mutual expectations of open commitment towards each other

☐ We have mutual trust to each other that both parties can perform their role competently

☐ Both parties are expected to keep their promises

☐ Normal business relationship, after ordering becomes shipment and invoice

☐ Relationship is fair to both parties

☐ In our relationship we don't have explicit promises to fulfil or professional standards to be reach

☐ Other, what?

Appendix 2 2(4)

4. Has your business relationship changed with Popsoda Ltd over the years?

Please choose answer from following alternatives. If the answer is YES, please answer also the question number 5. If answer is No, please go directly to the question number 6.

☐ Yes
☐ No

5. Which of the statements below would describe your business relationship with Popsoda Ltd at the moment[?]

Choose one or more answers from alternatives below.

☐ Level of interaction has increased
☐ We don't have the same level of trust towards Popsoda Ltd than earlier
☐ Relations with Popsoda Ltd has worsened over the time
☐ There is no need to written forms anymore when something is agreed
☐ We have priority over the situation that we had earlier
☐ Ordering from Popsoda Ltd has decreased in our firm
☐ Our level of trust has increased from what it has been earlier

6. How would you scale the sectors of business below when measuring them from importance to create the trust?

Please choose one alternative, when 5=very significant, 4=significant, 3= can't say, 2= not important, 1= irrelevant

	1	2	3	4	5
Punctuality	☐	☐	☐	☐	☐
Flexibility	☐	☐	☐	☐	☐
Product quality and design	☐	☐	☐	☐	☐
Customer service	☐	☐	☐	☐	☐
Keeping customer updated	☐	☐	☐	☐	☐
Taking orders	☐	☐	☐	☐	☐
Interaction with customer	☐	☐	☐	☐	☐
Delivering the products	☐	☐	☐	☐	☐
Co-operation	☐	☐	☐	☐	☐
Price of the product	☐	☐	☐	☐	☐

Appendix 2 3 (4)

7.   How well Popsoda Ltd has succeeded in the sectors of business listed below
when measuring from the point of view of creating trust?

Please choose one alternative, when Scale is 5= really well, 4=well, 3=average, 2=fair, 1= not well at
all

	1	2	3	4	5
Delivering the products	☐	☐	☐	☐	☐
Punctuality	☐	☐	☐	☐	☐
Flexibility	☐	☐	☐	☐	☐
Customer service	☐	☐	☐	☐	☐
Co-operation	☐	☐	☐	☐	☐
Taking orders	☐	☐	☐	☐	☐
Interaction with customer	☐	☐	☐	☐	☐
Price of the product	☐	☐	☐	☐	☐
Keeping customer updated	☐	☐	☐	☐	☐
Product quality and design	☐	☐	☐	☐	☐

8.   How well these statements describe your relationship with Popsoda Ltd or
your feelings concerning relationship with Popsoda Ltd?

Please choose one alternative when Scale is 1= describes totally, 2= describes well, 3=can't say, 4=
doesn't describe totally, 5= doesn't describe at all

	1	2	3	4	5
1. Our opinions/advices are heard in Popsoda Ltd	☐	☐	☐	☐	☐
2. If product price would grow, we would still order from Popsoda Ltd	☐	☐	☐	☐	☐
3. Interaction with Popsoda Ltd hasn't been really successful	☐	☐	☐	☐	☐
4. There is lot of misunderstandings in the relationship with Popsoda Ltd	☐	☐	☐	☐	☐

Appendix 2 4 (4)

	1	2	3	4	5
5. We don't have gaps between our communication with Popsoda Ltd	☐	☐	☐	☐	☐
6. If the quality of service would increase in Popsoda Ltd, we would be willing to pay more for that.	☐	☐	☐	☐	☐
7. Popsoda Ltd meets our expectations.	☐	☐	☐	☐	☐
8. We don't get enough value for our money	☐	☐	☐	☐	☐
9. Relationship is built on mutual support	☐	☐	☐	☐	☐
10. Complaints from us are always dealt with great importance at Popsoda Ltd	☐	☐	☐	☐	☐
11. We have clear rules in our transactions with Popsoda Ltd	☐	☐	☐	☐	☐

9.   What kind of wholesaler- retailer relationship is preferred from your company point of view? What are the expectations that you have?

Please answer with your own words line below.

Appendix 3

Accompanying letter for the retailers

Dear Madams/ Sirs,

I am Mari Johansson student from Kemi-Tornio University of Applied Sciences. At the moment I am writing my Bachelor thesis on the subject of "Trust in wholesaler-retailer relationship". Popsoda Ltd is my case firm and with the support of Popsoda Ltd I am contacting you. I have the approval to contact you from Popsoda Ltd and you are randomly selected to be part of this research.

I would like to gather information from both sides to research the subject of trust and you as the customer of Popsoda Ltd can help me a lot. I have prepared a questionnaire and I hope you could answer to it. The aim of my thesis is to find out what kind of trust exists between wholesaler and retailer relationship and how the relationship has developed over the years?

Answering doesn't take long, maximum 5 minutes. I am hoping to receive the answers back latest in 23.11.2008. You find the questionnaire from the following webpage: http://metallic.kapsi.fi/mari/form.html
I analyse the answers with total confidence and anonymously and your answers are used only in my research.

Thank You in advance,
Best Regards,
Mari Johansson
For further information:
Phone:, E-mail: