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國外客戶給予新興市場供應商較合理價格之意願探討

Willingness of Foreign Customers to Accommodate Emerging Market Suppliers With a More Favorable Price

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Abstract

This study explores the strategies that emerging market firms can use to increase their bargaining positions and increase the willingness of foreign buyers to offer more favorable prices. It has been shown that customers are willing to accommodate their suppliers when they intend to maintain longer cooperative relationships with them. Accordingly, we propose that emerging market suppliers can receive more favorable prices through decreasing their customers' perceived threat of product quality and increasing the customers' perceived value of relationships. Based on a survey of 217 foreign customers of emerging market suppliers, our empirical testing identifies two major strategies that emerging market firms use to increase the willingness of their customers to offer better prices. First, emerging market suppliers can improve their capabilities through making brand investment and upgrading manufacturing competencies in areas such as product quality, service, and innovation know-how. Second, emerging market suppliers can strengthen the relationship with their foreign customers by making transaction-specific assets investments (TSIs) and developing relational norms with the customers. In addition, the results suggest that the supplier's capabilities display a stronger impact on its customer's perceived value of relationships than other strategies.

Keywords: emerging market, favorable prices, international customer-supplier relationships, supplier capabilities, relationship value

Table of Contents

Table

Figure

Appendix

1. Introduction

Many emerging market firms participate in global value chains by being suppliers for multinational enterprises (Celly, Spekman, & Kamauff, 1999; Jean, Sinkovics, & Cavusgil, 2010; Kang, Mahoney, & Tan, 2009; Luo & Tung, 2007). Due to their lack of market intelligence, these emerging market firms are often highly dependent on the multinational firms (Jean et al., 2010; Kang et al., 2009; Subramani & Venkatraman, 2003). As a result, they often have relatively low bargaining power and consequently poor profit margins.

This study attempts to explore the strategies that emerging market suppliers can use to increase the willingness of foreign buyers to offer more favorable prices. The literature has offered limited insights into how emerging market firms can do improve their bargaining positions and to obtain more favorable prices from foreign buyers. Foreign customers are willing to accommodate the emerging market suppliers when they offer price premiums to the suppliers. A price premium refers to a price that exceeds the marginal costs or, equivalently, the competitive market price for a particular quality level (Klein & Leffler, 1981; Rao & Bergen, 1992; Rao & Monroe, 1996; Shapiro, 1983). It has been suggested that a customer is willing to pay the price premiums under information asymmetry and moral hazard because s/he uses the price premiums to reduce the opportunistic behaviors of the suppliers in skimping on quality (Klein & Leffler, 1981; Rao & Bergen, 1992; Rao & Monroe, 1996; Shapiro, 1983). However, in the business to business market, industrial customers have less information asymmetry about product quality as they often have prior manufacturing experience and often exert tight control over their emerging market suppliers through product materials and processes (Smith, Sinha, Lancioni, &Forman, 1999). Thus for emerging market suppliers, quality is no longer a sufficient condition to command price premium (Sheth, Sisodia, & Sharma, 2000). More recently, there has been a growing recognition among scholars and practitioners that collaborative relationships with foreign customers can be source of competitive advantages for emerging market firms (Jean et al., 2010; Luo & Tung, 2007; Ulaga & Eggert, 2006). Built on this line of work, this paper proposes that emerging market firms can improve the willingness of multinational buyers to provide more favorable prices by not only reducing the threat of quality failure, but also enhancing the collaborative relationship with foreign customers.

Based on a survey of 217 multinational buyers in the electronics industry, the empirical results indicate that emerging market suppliers indeed receive favorable prices through decreasing customers' perceived threat of product quality and increasing customers' perceived value of relationships, in the two ways. The first is to improve the suppliers' capabilities through making brand investment (Ghosh & John, 2009; Persson, 2010) and upgrading manufacturing competencies in areas such as product quality, service, and innovation know-how (Cole, 1988; Shi & Gregory, 2003). The second is to consolidate the relationship with foreign customers by making transaction-specific assets investments (TSIs) (Rokkan, Heide, & Wathne, 2003; Kang et al., 2009) and developing relational norms (Heide & John 1992; Jap & Ganesan, 2000) with foreign customers.

This paper makes the following contributions. First, this study provides a theoretically grounded explanations and empirical evidences regarding why some emerging market suppliers are able to obtain more favorable prices from their foreign buyers. Second, this study advances the literature on the determinants of price premium (Kumar, Heide, & Wathne, 2011; Persson, 2010; Rao & Bergen, 1992; Smith et al., 1999), which has primarily examined this issue from the perspective of the customers. This study advances this line of research by taking the suppliers' perspective (Jean et al., 2010; Kang et al. 2006; Lin, 2004) and exploring the strategies that the suppliers can do to increase the willingness of their buyers to offer more favorable prices.

This research is structured as follows: we demonstrate theoretical background of favorable prices and develop an integrated framework of how suppliers' could do to influence favorable prices. Next, we present the results of an international survey among above senior purchasing/sourcing managers. Finally, we discuss the implications of our research for both academics and managers and conclude by outlining study limitations and an agenda for further research.

2. Theoretical Background

Foreign customers are willing to accommodate the emerging market suppliers when they offer price premiums to the suppliers. A price premium refers to a price that exceeds the marginal costs or, equivalently, the competitive market price for a particular quality level (Klein & Leffler, 1981; Rao & Bergen, 1992; Rao & Monroe, 1996; Shapiro, 1983). The literature (Rao & Bergen, 1992; Rao & Monroe, 1996; Kumar et al., 2011) has suggested that price premium is a mechanism that a buyer can use to solicit good quality products from a supplier. Specifically, a profit-seeking seller is incentivize to deliver a high-quality product when the offered price yields long-run profit over the life of the relationship that is greater than profits available from alternative (i.e., opportunistic) strategies, including (1) producing and selling low quality or (2) claiming high quality while producing and selling low quality (Kirmani & Rao, 2000). This economic theory of relationships is based on the assumption of a self-interested "homo economicus" whose decisions are "pulled from the front" by cost–benefit calculations of their likely consequences (Kumar et al., 2011). Therefore, a quality-sensitive buyer may knowingly pay price premiums (coupled with the promise of repeat purchase) to a particular supplier in order to prevent the supplier from cheating on quality under conditions of uncertainty.

This line of research suggests one critical factor that drives the presence of price premium: buyers' desire for quality. However, this conclusion has limited practical implications for many emerging market suppliers since in some global industries, quality has become a necessary condition to compete in global markets and is no longer a sufficient condition to command price premium (Sheth et al., 2000). As many emerging market suppliers are located in industries where product/process technology has been standardized, the number of suppliers who are capable of providing products of good quality is growing and competition is increasingly intense. To obtain price premium, emerging market suppliers need to find other strategies.

3. Theoretical Development

In this section, we explore how emerging market suppliers can create values in the customer-supplier relationship (Sharma, Krishnan, & Grewal, 2001), raise their customers' expectation of relationship continuity, and then increase the willingness of the customers to pay more favorable prices. The literature has suggested that a customer's expectation of relationship continuity has an important influence on the magnitude of price premiums (e.g., Rao & Monroe, 1996). If there is only one-time transaction (or very infrequent purchase), the supplier has little incentive to maintain quality since the repeat "policing" mechanism does not apply; no price premium will be high enough to assure quality.

3.1 Customer's expectation of relationship continuity

On the other hand, a customer is more willing to pay a higher price premium to a supplier if it wants to keep its relationship with the supplier going (Kumar, Bohling, & Ladda, 2003). In other words, a loyal customer is less sensitive to price changes; thus its supplier can command premium prices (Porter, 1985). A customer's tendency of continuing cooperative relationship with a supplier, or a *customer's expectation of relationship continuity*, reflects the desire of the customer to remain a long-term relationship with a specific supplier (Noordewier, John, & Nevin, 1990). It highly depends on the customer's perception of interdependence of outcomes, in that both the supplier's outcome and the joint outcomes are expected to benefit the customer in the long run (Ganesan, 1994; Lusch & Brown, 1996). A growing number of research shows that firms have increasingly moved away from an adversarial relationship management style with their suppliers and have begun building long-term relationships with selected key suppliers (Kalwani & Narayandas, 1995; Narayandas & Rangan, 2004; Spekman, 1988; Ulaga & Eggert, 2006). For example, Chena, Paulraja, and Lado (2004) argued that strategic purchasing can engender sustainable competitive advantage by enabling firms to: (a) foster close working relationships with a limited number of suppliers; (b) promote open communication among supply-chain partners; and (c) develop long-term strategic relationship orientation to achieve mutual gains. In particular, it is suggested that price premium is a tool for firms to foster a stronger cooperative relationship with key suppliers (Kumar et al., 2003). For the perspective of emerging market suppliers, increasing their customers' willingness to maintain a long term relationship with them will have a positive impact on the price premium they can receive from the customers, since these customers are less sensitive to the price of the product. Thus, we expect that,

Hypothesis 1: A customer's expectation of relationship continuity with a specific supplier is positively associated with a customer's willingness of accommodate the supplier with more favorable prices.

3.2 Customer's perceived threat of quality failure

We propose that a customer's expectation of relationship continuity with a specific supplier is affected by its *perception of threat of quality failure* and its *perceived value of the relationship with the supplier*. We first discuss the threat of quality failure. As discussed above, the prior literature on price premium has suggested that a customer's tendency to offer price premium is driven by their desire for quality (Rao & Bergen, 1992; Rao & Monroe, 1996). Threat of quality failure is greater when the customer is highly uncertain about the product/technology (Rao & Monroe, 1996). This literature has focused on functional or technical quality delivered by a supplier. A more recent line of research begins to take a broader view of product quality by including all dimensions of a product, including product features, innovation, reliability, proven, consistency, performance as well as easiness to install and upgrade (Beverland, Napoli, & Lindgreen, 2007; Mudambi, Doyle, & Wong, 1997: Kuhn, Alpert, & Pope, 2008; Van Riel, de Mortanges, & Streukens, 2005). In other words, the focus now shifts to the problems of customers that a supplier/product is solving, rather than the physical product as such (Vargo & Lusch, 2004; Beverland et al., 2007; Ballantyne & Aitken, 2007). This view implicates that customers are not buying separate products or services, but total solutions in the form of bundles of products and services that solve their problems rather than provide benefits or features. Both customization and value-in-use are also at the core of this thinking.

A supplier's investments in quality help foster a long term relationship with its customer (Anderson, Jain, &. Chintagunta, 1993; Cannon & Homburg, 2001). The supplier's investments in research and development, quality control, and modern manufacturing practices improve its overall quality of products and services and help upgrading its ability that increases its competitiveness. Such investments therefore solicit greater customer loyalty and repeat purchase

(Stalk & Hout, 1990). These investments nonetheless raise the operating costs of the supplier. The customers are likely to accommodate the supplier by paying a price premium to the suppliers in order to consolidate a long relationship with the supplier. Thus, we expect that,

Hypothesis 2: A customer's perceived threat of quality failure is negatively associated with a customer's expectation of relationship continuity

3.3 Customer's perceived relationship value

A customer's expectation of relationship continuity with a specific supplier can also be affected by its perceived value of the relationship with the supplier. The value of a business relationship is a multidimensional concept that reaches beyond the price versus quality trade-off that is prevalent in the traditional consumer research (Gassenheimer, Houston, & Davis, 1998). In particular, recent research (Eggert & Ulaga, 2002; Lapierre, 2000; Möller & Törrönen, 2003, Ravald & Grönroos, 1996; Ulaga & Eggert, 2005; Walter et al., 2003) have investigated the multiple facets of relationship value, and generally conceptualized it in two major ways. The first focuses on the worth of a supplier's bundle of physical products and services that offer to the customer (Anderson et al., 1993; Anderson & Narus, 1999; Newman, 1988). For example, Newman (1988) proposed that value received by a customer can be generally defined by the quality of the product offering divided by price. However, this approach is limited by the lack of empirical support for such a broad and mental accounting view.

The second focuses more explicitly on the long-term costs and benefits associated with a customer firm's relationship with the supplier. Grounded in resource-based theory (Barney, 1991; Conner, 1991; Hunt & Morgan, 1995), it views the relationship as a core asset of the firm whose value is best assessed holistically. Under this perspective, the value of a relationship can be viewed as the aggregate worth of all exchanges that will occur between two firms. That is, a customer-perceived value in business relationships is greater when s/he obtains greater long-term benefits than costs. The research that takes this approach (Ulaga & Eggert, 2006; Wilson, 1995) has suggested that the value of a relationship is the outcome of a collaborative relationship, which could enhance the competitive abilities of the partners. While the customer receive more competitive abilities from the relationship with the supplier, s/he is more likely to consolidate a long-term relationship with this supplier (Ulaga & Eggert, 2006). Thus, we expect that,

Hypothesis 3: A customer's perceived relationship value is positively associated with a customer's expectation of relationship continuity

3.4 Supplier's brand investment

A supplier with a strong brand is likely to reduce a customer's concern about quality failure. The brand reputation is the aggregate perception of outsiders on the salient characteristics of companies, or brands (Fombrun & Rindova, 2000). A strong brand delivers a positive reputation to be successful and hence profitable (Herbig & Milewicz, 1995). The literature (Rao & Monroe, 1996) has suggested that the supplier with a brand name is less likely to cheat than a supplier without a brand name. Branded suppliers will offer their brand names as "hostages" in the marketplace, where they effectively serve as reassurance to customers that they are not a "fly-by-night" operator. Moreover, suppliers with large investments in brand names are less likely to skimp on quality because of the perceived real costs of loss of future sales (and associated premiums), loss of sales in related markets, loss of goodwill, erosion of brand image, and the like. In other words, a branded supplier who cheats lose not only future sales and profits but also any prior investment in the brand name (e.g., advertising). Thus, a branded supplier firm is less likely to provide defective products. Therefore, we expect that the greater a customer's perception of a supplier's brand name strength among customers, the less a customer's perception of threat of quality failure.

From the customer's perspective, a supplier with large investments in brand names may have unique attributes and be hard to replace. A strong brand may generate positive externalities and add to the values of the cooperative relationship perceived by the customers (Ulaga, 2003; Ulaga & Eggert, 2006), which in turn increases the supplier's power in its relationships with the customer (Frazier, 1983). Thus, the greater a customer's perception of a supplier's brand name strength among customers, the greater a customer's perception of benefits from the relationship with the supplier. Hence, we expect that,

Hypothesis 4a: A supplier's brand investments are negatively associated with a customer's perceived threat of quality failure

Hypothesis 4b: A supplier's brand investments are positively associated with a customer's perceived relationship value

3.5 Supplier's capabilities

The literature (Choi & Hartley, 1996; Katsikeas, Paparoidamis, & Katsikea, 2004; Kannan & Tan, 2002) has shown that suppliers play an important role in affecting a buyer's competitive advantage. According to the resource-based view (RBV), competitive advantage arises from capabilities that are valuable and rare, owned and controlled by the firm, and difficult for competitors to copy or acquire (Amit & Schoemaker, 1993; Barney, 1991; Teece, Pisano, & Shuen, 1997; Weigelt, 2013). Recent research (Dyer & Singh, 1998; Lavie, 2006; Denrell, Fang,

& Winter, 2003; Santos & Eisenhardt, 2005) has begun to extend the inward-looking perspective of the RBV to the interfirm level, proposing that partner capabilities could be important in shaping a firm's competitive advantage. More precisely, a supplier's capabilities and value-generating mechanisms through interfirm learning or resource sharing could enhance its customer's competitive advantage (Dutta & Weiss, 1997; Lane & Lubatkin, 1998; Steensma & Corley, 2000).

In this paper, a supplier's capabilities are defined as the supplier's potential that can be leveraged to the buyer's advantages in the long term (Sarkar & Mohapatra, 2006). The empirical study (Ulaga & Eggert, 2005) has demonstrated that there are three fundamental sources of value creation in a business relationship: product quality (value creation through the core offering), service support (value creation in the sourcing process), and know-how of a supplier (value creation in customer operations). Therefore, if a supplier consistently offers a standard quality component which operates more efficiently than its competitors, it may have a better supplier portfolio itself (Möller & Törrönen, 2003) and move into a main supplier position (Ulaga & Eggert, 2006). Thus, we propose that a supplier's upgrading in its manufacturing competences may decrease the customer's uncertain about the supplier's product/technology.

Indeed, holding a specific expertise helps a supplier solidify its position. In turn, a stronger position enables a supplier to accumulate more experience with a customer's products and gain better insights into a customer's operations than any other supplier. We also learned that key suppliers benefit from their preferred status because the interactions between key supplier status and know-how are mutually reinforcing (Ulaga & Eggert, 2006). Both the buyer and the supplier often have to make substantial adaptations and commitment of resources in the development of partnering relationships (Brennan & Turnbull, 1999; Ford & McDowell, 1999;

Ritter, 1999; Spekman, Isabella, & MacAvoy, 2000). The efforts reflect the investment character of partnership establishment. A significant part of a supplier's value is generally realized in the future and is thus dependent on the development of multiple partners (Möller & Törrönen, 2003). Therefore, a supplier's upgrading manufacturing competencies in areas such as product quality, service, and innovation know-how provide many opportunities to add value in a customer–supplier relationship. Consequently:

Hypothesis 5a: A supplier's capabilities are negatively associated with a customer's perceived threat of quality failure

Hypothesis 5b: A supplier's capabilities are positively associated with a customer's perceived relationship value

3.6 Supplier's transaction-specific assets investments (TSIs)

A supplier's transaction-specific assets investments (TSIs) are the supplier's investments which are specialized to the exchange relationship that could be lost if s/he switches to another customer (Jap & Ganesan, 2000; Williamson, 1981). If the relationship ends, the other party will suffer economic losses; hence, such idiosyncratic investments are not vain promises. All of these economic safeguarding mechanisms ensure substantial negative consequences if the exchange relationship is terminated; thereby reducing the exchange partner's incentive to behave opportunistically (Kang, et al, 2009). On the other hand, a buyer firm safeguards his specific assets by establishing control over aspects of the supplier's operations. Thus, the supplier is less likely to skimp on quality because of its unilateral investments in production equipment, tools, and procedures. Consequently:

Hypothesis 6a: A supplier's transaction-specific assets investments (TSIs) are negatively associated with a customer's perceived threat of quality failure

As mentioned above, when a supplier makes TSIs, the customer perceived such investments as a credible pledge of the supplier's commitment to the relationship (Anderson & Weitz, 1992; Williamson, 1985). This action can act as a signal that the supplier is willing to shoulder its portion of the risks (Ouchi, 1980). When a customer observed a supplier making TSIs investments, s/he becomes more confident of the supplier's commitment, because it knows that the supplier will sustain economic consequences if the relationship terminated. By making specific investments, a supplier has an incentive to maintain and continue the relationship until the value of its investment is recouped (Williamson, 1985). There is a strong relationship between a supplier's TSIs and a customer's perception of the manufacturer's commitment to it (Anderson & Weitz, 1992). Previous studies (Anderson & Narus, 1990; Anderson & Weitz, 1989, 1992) have concentrated mainly on the importance of transaction-specific investments in determining long-term orientation. The more dedicated assets that a supplier invests, the more likely that this supplier will accumulate partner specific knowledge (von Hippel, 1994) and thereby will develop interorganizational routines (Nelson & Winter, 1982). Such knowledge will then enable the supplier to outperform other potential suppliers in future transactions. Thus, these newly created capabilities can greatly improve exchange efficiency (Madhok, 2000) and enhance transaction value perceived by customers (Zajac & Olsen, 1993). Thus, we argue that a supplier's transaction-specific assets investments (TSIs) will enhance the customer's perception of relationship benefits. Consequently:

Hypothesis 6b: A supplier's transaction-specific assets investments (TSIs) are positively associated with a customer's perceived relationship value

3.7 Supplier's relational norms

Norms are expectations about behavior that are partially shared by a group of decision makers and directed toward collective or group goals (Gibbs, 1981; Macneil, 1980; Moch & Seashore, 1981; Thibaut & Kelly, 1959). Following the line of research (Dwyer & Oh, 1988; Heide & John, 1992; Jap & Ganesan, 2000), this study focuses on two mainly types of relational norms: solidarity and information exchange. The first relational norm is solidarity, which is a bilateral expectation that firms are directed toward relationship maintenance and a high value is placed on the joint relationship (Jap & Ganesan 2000; Macneil, 1980). Solidarity is a feeling of mutuality, a "we-ness" that assures the parties that arise in the course of the relationship will be treated as joint concerns. The second relational norm is information exchange, which is the expectation that the parties sill freely and actively provide useful information to each other (Heide & John, 1992; Jap & Ganesan, 2000). These norms address behavioral expectations in ongoing, present-day relationships.

Relational norms direct the focus of a supplier to bilaterally beneficial strategies and goals and a long-term orientation (Heide & John, 1992; Jap & Ganesan, 2000; Macneil, 1980). Developing solidarity shifts the focus of a supplier from self-created behaviors to behaviors that foster unity arising from common responsibilities and interests. Previous research (Jap & Ganesan, 2000) has proposed that the use of relational norms enhance a customer's perception of the supplier's commitment to the relationship. Consistent with past empirical results (Gundlach, Achrol, & Mentzer, 1995; Heide & John, 1992; Jap & Ganesan, 2000), we expect that a suppliers' development of such norms will enhance the customer's perceptions of relationship benefits. Thus, we expect that

Hypothesis 7: A suppliers' development of relational norms is positively associated with a customer's perceived relationship value

Figure 1 describes the determinants of a supplier's willingness to provide a favorable price to its customer. H1 posits that customers' expectation of relationship continuity (F2) with a particular supplier has a positive effect on their willingness to pay favorable price (F1). H2 and H3 contend that customers' expectation of relationship continuity increase with decreased perceived threat of quality failure (F3), and with higher perceived values from relationship (F4). The rest of the hypotheses suggest some factors that contributed to decreased threat of quality failure and perceived relationship values. They include suppliers' own capability (brand investment (F5) and capabilities (F6)), and their consolidating the relationship with foreign customers (transaction-specific assets investments (F7), and relational norm (F8)).

4. Research Method

4.1 Research setting

The unit of analysis in this study is the specific relationship between the emerging market supplier and its foreign customers in the electronics industry. We selected this subject for two major reasons. First, most of emerging market suppliers in the electronics industry often have relatively low bargaining power and extremely poor profit margins. The electronics industry is characterized by its highly uncertainty and stiff competition. Due to lack of quickly market intelligence, the emerging market suppliers are often highly dependent on global firms which transfer technological and organizational skills to them (Jean et al., 2010; Kang et al., 2009; Subramani & Venkatraman, 2003). Second, another characteristic of electronics industry is vertically deintegrated in global production networks, where international customers concentrate on branding and product design, and suppliers are responsible for manufacturing parts, components, and assembly services. A majority of electronics manufacturers in emerging markets access international markets and advanced technology by serving foreign customers (Kang et al., 2006).

The key informants in this study are senior purchasing/sourcing managers who are directly involved in international relationship with emerging market suppliers and have power of price setting.

4.2 Sampling frame

The study uses a survey methodology for data collection. The sampling frame for the survey comprises all foreign buyers from two international exhibitions held in Taiwan: 2012 COMPUTEX TAIPEI and DISPLAY TAIWAN. First exhibition is an annual defining event for the Information and Communications Technology (ICT) industry which consolidated its standing as Asia's largest, and the world's 2nd largest ICT trade show. This event attracted 36,500 international buyers from 172 countries in 2012. Second one is the most international business-to-business (B2B) Flat Panel Display (FPD) exhibition in Taiwan, which includes international exhibitors from Korea, Japan, China, the U.S., Germany, Singapore, Belgium, the U.K., France and Austria composed over 35% of the overall exhibitors. This display also attracted more than 660 international buyers from over 70 countries in2012. Data used to test the model were collected through a questionnaire which visitors random contacted to international buyers in the above two exhibitions.

4.3 Data collection

Survey instrument. Questionnaire development was conducted of three stages: First, the initial survey format was developed based upon pre-existing measures developed researches. Next, the survey instrument was modified. In order to avoid errors, the content and face validity of the items were assessed by four Taiwanese judges and one American judge (university professors in international marketing); each judge was asked to assess how representative each item was of the final. Final, we submitted the mailing cover letter and scale items to a pretest with two senior purchasing managers for completing the questionnaire. Few items were slightly modified. The final list of scale items appears in the Table 1.

Data collection was carried out in two stages: qualitative interview and a large-scale survey. In the first stage, in-depth interviews were conducted with two senior electronics purchasing managers. In order to balance the dyadic point of view in international out-sourcing, we also conducted two interviews with senior account and marketing managers. These interviews provided insights into the strategies of emerging market suppliers can use to increase the willingness of foreign buyers to offer more favorable prices.

In the second stage, a large-scale personal contact survey was conducted. We collected data in two international exhibitions: 2012 COMPUTEX TAIPEI and DISPLAY TAIWAN. Respondents among purchasing/sourcing managers of foreign electronics buyers were conveniently and randomly contacted by our well-trained visitors. Because all questionnaires were in English, visitors were asked to confirm that respondents had a good comprehension of

English before filling out questionnaires, thus mitigating any measurement equivalence concerns. Visitors must identify the representatives who (1) are willing to participate in the whole study (around 30 minutes), (2) are knowledgeable about their company's international purchasing/sourcing decisions, and (3) are knowledgeable about their company's price setting with the emerging market suppliers.

The initial sampling frame was foreign buyers in 2012 COMPUTEX TAIPEI. During this period (2012, June 5th-8th), there were six well-trained and English fluently visitors (one PhD student and five undergraduate students) conducting this survey. There were total 186 foreign buyers are willing to complete our questionnaire. Among these respondents, a total of 143 questionnaires were usable, resulting in an effective response rate of 77%. The second sampling frame was foreign buyers in Display Taiwan. During the second period (2012, June 19th -21th), there were one experienced PhD student and three well-trained undergraduate students conducting this survey. However, this time, a total 93 foreign buyers participated in our study. Among these respondents, a total of 74 questionnaires were usable, resulting in an effective response rate of 80%. Finally, there were final effective 217 samples in this survey.

Sample characteristics. The 217 respondents came from 49 countries, and their cooperative supplier were in emerging markets (mainly in Taiwan (57%) and China (19%)) (As shown in Table 2). Customer firms ranged from small enterprises to multibillion dollar companies. On average, customers had been buying from their emerging market supplier for 6.5 years, with a standard deviation of 5.3 years. In our sample, on average, the suppliers captured 38.3% of customers' order volumes in a given product category. Respondents held senior positions in their firms. They averaged 7 years of experience in their area.

4.4 Measures

Existing scales identified through the literature review were modified to suit the research purpose and particular research context. These modified scales were supplemented with interviews from managers and academics in international sourcing and purchasing. All measurements ranged from one to seven (1=‘‘strongly disagree’’, 7= ‘‘strongly agree’’) and are reported below.

The only one outcome variable in this study was foreign customers’ willingness to accommodate emerging market suppliers with favorable prices. *Customer’s willingness to offer favorable prices* measures the extent to which a customer is potentially exposing the supplier to a profitable situation in their pricing. Based on the definition of price premiums, which refers to the prices in excess of marginal costs or the competitive market prices for a particular service (Kumar et al., 2011; Rao & Bergen, 1992; Rao & Monroe, 1996), this study develop four items to fit this construct, and invest customers’ willingness to be more accommodating while price setting.

Customer’s expectation of relationship continuity is defined that both parties have a high stake in ensuring the relationship's success (Buchanan, 1992). In such cases, both parties have invested time, effort, and money in the relationship and committed to the relationship (Anderson & Weitz, 1992; Lusch & Brown, 1996). In our study, this construct is measured along a four-item scale that was recently developed by Lusch and Brown (1996).

Customer’s perceived threat of quality failure was based on the work of Steensma and Corley (2001), and modified to the supplier-customer context. It is operationalized as a construct comprising four measures. These address the uncertainty associated with both the engineering and design of a purchasing product and technology success.

Customer's perceived relationship value consists of four items based on the work of Ulaga and Eggert (2006), and captures the concept that goes beyond the price vs. quality trade-off prevalent in consideration customer value from a relationship marketing perspective.

Supplier's brand investment including measures of supplier brand reputation and brand sustainable image, were adopted from Veloutsou and Moutinho (2009) to fit our context, and modified to the business to business market. The first is brand reputation consisted of 3 items and the second sustainable is image consisted of 2 items. The reputation is the aggregate perception of outsiders on the salient characteristics of companies (Fombrun & Rindova, 2000), or brands. Sustainable image captures the extent to which the values behind the brand will not change in the long-term.

Supplier's capabilities scales, including measures of product quality, service support and supplier know-how, were adopted from Ulaga and Eggert (2006) to fit our context. This construct is assessed through seven items respectively

Supplier's transaction specific assets investments (TSIs) captures the extent to which the supplier makes specific investments in the relationship that could be lost if it switched to another customer. This construct is measured using four items adapted from the scales developed by Rokkan, Heide, and Wathne (2003).

Supplier's relational norms were based on the work of Jap and Ganesan (2000) and Heide and John (1992). It is operationalized as a construct comprising seven measures. These address the standards for bow parties should treat each other, but they are not behavior per se. Information exchange items reflect the extent to which each party is willing to provide information that will help its partner. Solidarity items focus on the efforts directed toward preserving the relationship.

Control variables. First, we controlled for *supply market dynamism* by including the degree of variability of changes in the supplier's market, such as rapidly changing technology or fluctuations in product availability (Cannon & Perreault Jr., 1999; Achrol & Stern, 1988). Significant supply market dynamism can create uncertainty and risk for a buying customer, and thus may increase the customer's willingness to offer favorable prices (Roa & Monroe, 1996). This construct describes the extent of changes in the product market in recent years, and we use four indicators (product features and specs, vendor support services, technology used by suppliers, and product availability) to measure (Cannon & Perreault Jr., 1999). All indicators were measured on a seven-point scale from "major significant" to "minor significant." The Cronbach alpha measure of reliability for this construct is 0.79.

Second, we controlled for the *variability of product quality* by testing the degree of variability in product quality in the supply marketplace. If the product market is considerable variability in product quality, customers who are concerned about quality will be willing to offer favorable prices to assure quality (Rao & Monroe, 1996). The variable of one scale was judged by comparing to other purchases the customer makes, the product is "highly variable in quality = 7" to "not variable in quality = 1" (seven-point scale).

4.5 Data Analysis

The analysis for testing the proposed hypotheses was carried out in two stages. Initially, the reliability and construct validity of independent and dependent constructs were evaluated using Cronbach's α coefficients and confirmatory factor analysis (CFA). After reliability and construct validity were established, composite scores were used to reflect the dimensions of the underlying constructs, and to test the hypotheses using structural equation modeling (SEM).

4.5.1 Reliability.

For all seven multiple-item scales, the coefficient α for each set of items was computed to assess the reliability of the measures. All of the scales demonstrate acceptable reliability above 0.70 (see Table 1), following criteria suggested by DeVellis (2003).

4.5.2 Measurement validity.

Following Anderson and Gerbing (1988), CFA was carried out to assess the validity of all of construct measures included in this study. As shown in Table 1, the model provides an acceptable fit ($\chi 2(674)$ =1930.69, CFI=0.94, NNFI=0.94, RMSEA=0.093). Moreover, all factor loadings were statistically significant at the 5% level, and most of the factor loadings exceed the arbitrary 0.5 standard (Fornell & Larcker, 1981). Thus these measures demonstrate adequate convergent validity. In terms of discriminant validity, this study used the methods suggested by Fornell and Larcker (1981). As shown in Table 3, the square root of the average variance extracted (AVE) (ranging from 0.687 through 0.866) is greater than most of the corresponding correlations (ranging from 0.102 through 0.660), which indicates adequate discriminant validity.

4.5.3 Structural equation model.

With the acceptable measurement model established, we proceeded to estimate the structural model. We use data collected from 217 foreign customers to test the hypothesized relationships through path analysis using LISREL methodology and provide the results (Joreskog, 1977). As shown in Figure 2, the overall fit statistics indicate an adequate fit of the model to the data ($\chi 2$ (18) =55.21, CFI=0.91, GFI=0.95, RMSEA=0.09).

As per our findings, the hypothesized relationship between a customer's expectation of relationship continuity and its willingness to accommodate emerging market suppliers with favorable prices is positive and significant (β=.12 $p<0.05$), which supports Hypothesis 1.

Hypothesis 2 postulates that a customer's perceived threat of quality failure has negative effects on its tendency of continuing cooperative relationship with a supplier. Consist with our claim, a customer's perceived threat of the quality failure does reduce a customer's expectation of relationship continuity (β= -.26, $p<0.001$). Hypothesis 3, which claims that a customer's expectation of relationship continuity is also driven by its perceived value of a relationship with emerging market suppliers (β=.22, $p<0.01$), is supported. In line with our claim, we found no difference in terms of the impact of a customer's perceived threat of quality failure and relationship value on its expectation of relationship continuity ($\chi2$ (19) =55.50, $\Delta\chi2$ = 0.29, df =1, p >.05).

We found a different effect of a supplier's brand investment on its customer's perceived threat of quality failure and relationship value, in line with Hypothesis 4. Our findings show that a supplier's brand investment reduces a customer's perceived threat of quality failure (β= -.32, $p<0.001$), as expressed in Hypothesis 4a. On the contrary, a supplier's brand investments was expected to affect a customer's perceived relationship value, and that is also supported (β=.29, $p<0.001$), as expressed in Hypothesis 4b. Moreover, we found no significant difference in terms of the impact of a supplier's brand investment on its customer's perceived threat of quality failure and relationship value ($\chi2$ (19) =55.43, $\Delta\chi2$ = 0.22, df =1, p >.05).

Hypothesis 5a and 5b, which claim that a supplier's capabilities have significant and negative effects on a customer's perceived threat of quality failure (β= -.48, $p<0.001$), but positive effects on a customer's perceived relationship value (β=.41, $p<0.001$). In addition, there is no significant difference in terms of the impact of a supplier's competences on its customer's perceived threat of quality failure and relationship value ($\chi2$ (19) =55.85, $\Delta\chi2$ = 0.64, df =1, p >.05)

Hypotheses 6 also relate a supplier's TSIs to a customer's perceived value from suppliers. We also found negative effect of a supplier's TSIs on a customer's perceived threat of quality failure (β= -.13, $p<0.05$), but positive effect on a customer's perceived relationship value (β= .25, $p<0.001$), as predicted by Hypotheses 6a and 6b. Furthermore, there is no significant difference in terms of the impact of a supplier's TSIs on its customer's perceived threat of quality failure and relationship value ($\chi2$ (19) =56.79, $\Delta\chi2$ = 1.58, df =1, p >.05)

Finally, Hypothesis7 postulates that a supplier's relational norms have a positive impact on a customer's perception of relationship value with the supplier. In line with our claim, relationship value was found to be driven strongly by the supplier's relational norms (β= .30, $p<0.001$): thus there is empirical support for Hypothesis 7.

4.5.4 Competing models: Examining other direct or indirect paths.

Since our goal is to untangle direct versus indirect effects within a complex chain of constructs, it is important to verify that other paths are not significant. One possibility is that the customer's perceived threat of product quality and value of relationships may directly affect the willingness of their customers to offer better prices. The issue is important because (1) we model the customer's long term orientation as an important mediator of the impacts of customer's perceived value and its willingness of offering favorable prices. If either proves false, the chain of direct and indirect effects would be significantly different, having major theoretical and practical implications. To test the alternative model, the direct links between (customer's perceived threat of product quality)-(customer's willingness to offer favorable prices) and (customer's perceived value of relationships)-(customer's willingness to offer favorable prices) were added. The difference in $\chi2$ was not significant, $\chi2$ (16) =54.03, $\Delta\chi2 = -1.18$, df =2, p >.05). Therefore, the customer's perceived value affects its willingness of offering favorable prices is indirect.

Another possible challenge to the hypothesized model is that emerging market supplier's strategies (i.e., supplier's brand investment, supplier's capabilities, supplier's TSIs and supplier's relational norms) may direct affect its customer's willingness to offer favorable prices. To test this assertion, the links from the supplier's strategies and its customer's willingness to offer favorable prices were freed (six new paths). The results show that the difference in chi-square was not significant, $\chi 2$ (12) = 44.83, $\Delta\chi 2 = -10.38$, df = 6, $p > .05$). Thus, emerging market suppliers can receive more favorable prices indirectly through decreasing the customer's perceived threat of product quality, increasing customer's perceived value of relationships, and expectation of relationship continuity.

5. Discussion and Implications

The overall objective of this study is to explore the strategies that emerging market firms can use to increase their bargaining positions and then increase the willingness of foreign customers to offer more favorable prices. Findings demonstrate that the emerging market supplier's capabilities and collaborative relationship with the foreign customer do contribute to the customer's tendency to continue the relationship, and accommodate the supplier with favorable prices.

The empirical findings confirm that a customer's expectation of relationship continuity serve as a powerful mediation between emerging market supplier's strategies and its customer's willingness to offer favorable prices. Indeed, a customer's tendency of relationship continuity with the supplier has a strong influence on its willingness to offer favorable prices. This finding provides an empirical support for previous research (Dyer & Singh, 1998; Kumar et al., 2003;

Porter, 1985), which suggests that a customer is more willing to pay a higher price premium to a supplier if it wants to keep its relationship with the supplier going. For instance, Kim (2007) demonstrates that relational rent as a supernormal profit from an interfirm exchange can only be earned and preserved through relational behaviors between two exchange parties. Our findings also propose that a customer's expectation of relationship continuity was driven by perceived the supplier's value creation, which includes decreasing the relationship costs (threat of quality failure) and increasing the relationship benefits (relationship value) with the customer.

The second findings highlight the mediation roles of emerging market supplier's strategies can use to increase its customer's expectation to continue the relationship with the supplier. This study finds that not only decreasing a customer's perceived threat of quality failure may contribute to its expectation to continue the relationship with the supplier, but also increasing a customer's perceived value of relationship may do. This is consistent with the emerging view of value-based perspective, and the crucial role of value creation in the management of customer-supplier relationship (Heide, 2003; Ulaga & Eggert, 2006).

Interestingly, we find that a customer's perceived threat of quality failure is driven by a supplier's brand investments, capabilities and TSIs with the customer. In addition, there is no difference in terms of the impact of these three supplier's strategies on the customer's perceived threat of quality failure (H4a & H5a, $\Delta\chi2 = 0.01$ with df =1, p >.05; H4a & H6a, $\Delta\chi2 = 0.87$ with df =1, p >.05; H5a & H6a, $\Delta\chi2 = 1.05$ with df =1, p >.05). That is, both two major strategies that emerging market suppliers use will lead to decreasing foreign customer's perceived threat of quality failure. Especially, previous research (Hague & Jackson, 1994; Persson, 2010; Wood, 2000) has proposed that the competitive advantage of firms that have brands with high equity can attain a price premium. For instance, Ackerman (1998) suggests that the corporate brand offers managers a comprehensive discipline for clarifying, humanizing, organizing, and communicating how the company creates value. Therefore, a supplier's brand investments could decrease a customer's perceived threat of quality failure.

Results also imply that a customer's perceived value of relationship is driven by a supplier's (1) making brand investment, (2) upgrading manufacturing competencies in areas such as product quality, service, and innovation know-how, (3) making transaction-specific assets investments (TSIs), and (4) developing relational norms with the customers. In line with our claim, there is no difference in terms of the impact of the first two supplier's strategies on the customer's perceived value of relationship (H4b & H5b, $\Delta\chi 2$ = 0.02 with df =1, p >.05). However, a customer's perceived value of relationship was found to be driven more strongly by the supplier's capabilities than by supplier's TISs and relational norms (H5b & H6b, $\Delta\chi 2$ = 10.66 with df =1, p <.05; H5b & H7b, $\Delta\chi 2$ = 14.32 with df =1, p <.05). In other words, emerging market supplier's capabilities serve an essential role in enhancing the value of international exchange relationships.

From a conceptual standpoint, this study advances the literature on the determinants of price premium (Kumar et al., 2011; Persson, 2010; Rao & Bergen, 1992; Smith et al., 1999) by offering the perspective of value of relationship between the supplier and its customer. We argue that the customer's perceived value of relationship may also contribute to its willingness to offer favorable prices. From a practical standpoint, this study provides an empirical evidences regarding the strategies that the suppliers can do to increase the willingness of their buyers to offer more favorable prices. We find that supplier's capabilities display a stronger impact on the customer's perceived value of relationship with the supplier. This finding is consist with Ulaga and Eggert's (2006) study, since they suggest that offering superior benefits (e.g. core benefits, sourcing benefits, and operations benefits) to the customer is essential for winning a substantial share of a customer's business. Therefore we extend Ulaga and Eggert's (2006) study to international contexts, and argue that emerging market supplier's capabilities plays a crucial role in building cooperative international exchange relationships.

5.1 Limitations and future research directions

The findings need to be evaluated taking into account several limitations. First, when exploring a supplier's capabilities and associated a customer's perception of the supplier's value creation, this study considered the perspective of the customers. It may be valuable to compare whether the findings are equally applicable to the suppliers. Second, the specific context was a sample of foreign customers' attendance in international electronics exhibition in Taiwan, suggesting that an extension of the study to other countries would be desirable. Third, our empirical testing identifies four major strategies that emerging market firms use to increase the willingness of their customers to offer better prices: (1) making brand investmen**t,** (2) upgrading manufacturing competencies in areas such as product quality, service, and innovation know-how, (3) making transaction-specific assets investments (TSIs), and (4) developing relational norms with the customers. Future research could investigate other supplier's competences within international customer-supplier relationship, such as dynamic competitive capability. In spite of all the limitations of our conclusions, we believe that the findings from our study are intriguing enough to invite further research on the related topic of the strategies that emerging market suppliers can use to increase the willingness of foreign buyers to offer more favorable prices**.**

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Table

Table 1　Construct measures and validity assessment

Construct and measures	Std. factor loadings
F1: Cutomer's willingness to offer favorable prices (composite reliability, α=0.831)(Reverse)	
In our pricing, we are potentially exposing the supplier to an unprofitable situation.	0.84
In our pricing, we are potentially exposing the supplier to an economically unviable situation.	0.90
We are very rigid about price setting with this supplier	0.58
We need to haggle over the price with this supplier when setting prices.	0.46
F2 Cutomer's expectation of relationship continuity (α=0.907)	
We expect our relationship with this supplier to continue a long time	0.82
Renewal of the relationship with this supplier is virtually automatic	0.75
Our relationship with this supplier is enduring.	0.85
Our relationship with this supplier is a long-term alliance	0.83
F3 Cutomer's perceived threat of quality failure (α=0.920) (Reverse)	
Our firm is confident that this supplier's product/technology would perform as it was originally designed.	0.81
We are certain this supplier's product/technology would meet our technical expectations	0.93
We are certain this supplier's product/technology would meet our demands	0.88
Our firm is confident that this supplier's product/technology would achieve our market goals	0.84
F4 Cutomer's perceived relationship value (α=0.905)	
Compared to the other suppliers,…	
This supplier adds more value to the relationship overall	0.90
We gain more in our relationship with this supplier	0.85

	The relationship with this supplier is more valuable	0.79
	This supplier creates more value for us when comparing all costs and benefits in the relationship	0.76
F5	**Supplier's brand investment (α=0.912)**	
	The brand (corporate) name of this supplier is trustworthy	0.87
	The brand (corporate) name of this supplier is reputable	0.89
	The brand (corporate) name of this supplier makes honest claims.	0.88
	The brand (corporate) name of this supplier has a lasting nature	0.80
	In the past, today and in the future, the values behind the brand (corporate) name of this supplier will not change	0.67
F6	**Supplier's capabilities (α=0.926)**	
	Compared to the other suppliers,…	
	This supplier provides us with better product quality.	0.86
	This supplier meets our quality standards better	0.84
	This supplier's products are more reliable	0.83
	This supplier provides us a better access to its know-how.	0.76
	This supplier performs better at presenting us with new products	0.82
	This supplier knows better how to help us drive innovation in our products.	0.75
	This supplier provides us with better services	0.76
F7	**Supplier's TSI (α=0.893)**	
	This supplier has made significant investments in equipment dedicated to the relationship with our firm	0.71
	This supplier has made extensive internal adjustments in order to deal effectively with our firm	0.88
	This supplier has involved substantial commitments of time and money in training its people to deal with our firm.	0.89
	This supplier's logistics systems have been tailed to meet the requirements of dealing with our firm.	0.79

F8	**Supplier's relational norm (α=0.851)**	
	In this relationship, it is expected that any information that might help the other party will be provided to them	0.62
	Exchange of information in this relationship takes place frequently	0.74
	It is expected that both parties will provide proprietary information if it can help the other parties.	0.74
	It is expected that we keep each other informed about events or changes that may affect the other party.	0.77
	Problems that arise in the course of this relationship are treated by our firm and this supplier as joint rather than individual responsibilities	0.68
	Both firms are committed to improvements that may benefits the relationship as a whole, and not only the individual parties	0.68
	Both firms do not mind owing each other favors	0.55

Note: CFA model goodness-of-fit indexes: Chi-Square=1930.69 and with degree of freedom (d.f.)=674; comparative fit index (CFI)=0.94; normal fit index (NFI)=0.91; non-normed fit index (NNFI)=0.94; root mean square of approximation (RMSEA)=0.093; 90% confidence of RMSEA (0.088; 0.098)

Table 2 Demographic characteristics of the respondent firms (n=217)

	Number of respondents	%
Product distribution		
Electronics	96	44%
Software/Information Technology	66	30%
Telecommunications	19	9%
IT Engineering	11	5%
Others (refuse to answer)	25	12%
Number of employees		
Less than 100	136	63%
100-199	13	6%
200-499	18	8%
500-999	6	3%
1000-4999	16	7%
5000-9999	11	5%
10000 and above	6	3%
Others (refuse to answer)	11	5%
Sales revenue		
Less than US $ 100 million	101	47%
US $ 100 million- US $ 499 million	51	24%
US $ 500 million- US $ 999 million	12	6%
US $ 1billion- US $ 9 billion	19	9%
US $ 10 billion- US $ 24 billion	17	8%
US $ 25 billion- US $ 49 billion	8	4%
Above US $ 50 billion	3	1%
Others (refuse to answer)	6	3%
Location Country		
East Asia	65	30%
Europe	43	20%
Southwest Asia	22	10%
North America	20	9%
South Asia	19	9%
Latin America	17	8%
Southeast Asia	15	7%
Africa	4	2%
Oceania	4	2%
North Asia	3	1%
Others (refuse to answer)	5	2%

Table 3 Mean, s.d., inter-construct correlations, and average variance extracted (n=217)

	Mean (s.d.)	F1	F2	F3	F4	F5	F6	F7	F8
F1: Willingness to accommodate favorable prices	4.49(1.37)	**0.718**							
F2: Expectation of relationship continuity	5.53(1.29)	0.156*	**0.814**						
F3: Threat of quality failure	5.43(1.12)	-0.147*	-0.427**	**0.866**					
F4: Relationship value	5.33(1.14)	0.550	0.452**	-0.490**	**0.827**				
F5: Brand name investment	5.30(1.23)	0.102	0.409**	-0.485**	0.462**	**0.826**			
F6: Capabilities	5.15(1.12)	0.135	0.371**	-0.469**	0.771**	0.636**	**0.804**		
F7: TSIs	4.00(1.50)	-0.175*	0.167*	-0.199**	0.377**	0.227**	0.315**	**0.821**	
F8: Relational norms	5.04(1.00)	0.660	0.610**	-0.434**	0.490**	0.461**	0.475**	0.366**	**0.687**

Note: Numbers in bold denote the square root of the average variance extracted (AVE); $^{**}p<0.01$.

Figure

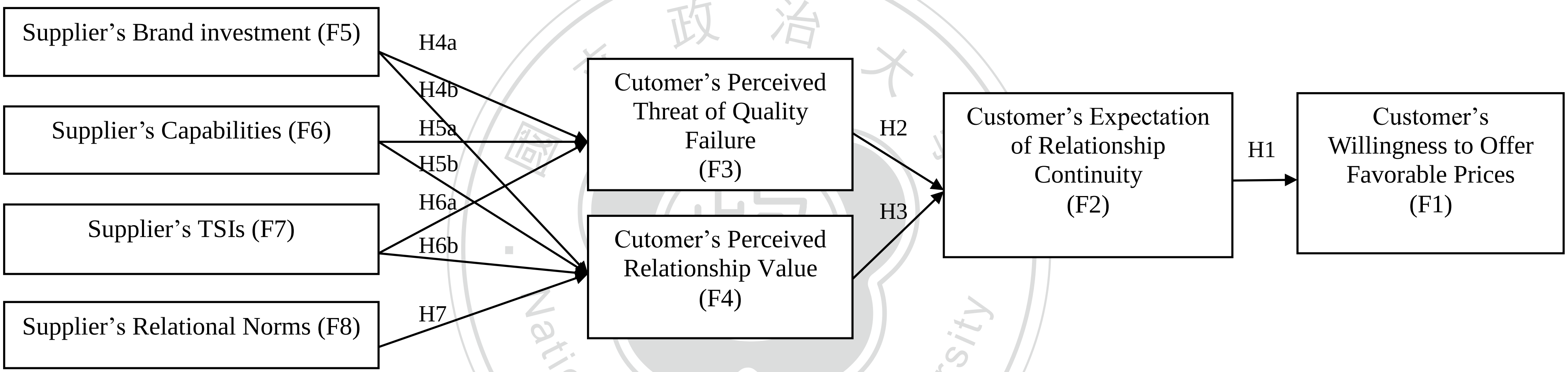

Figure 1 Conceptual Framework

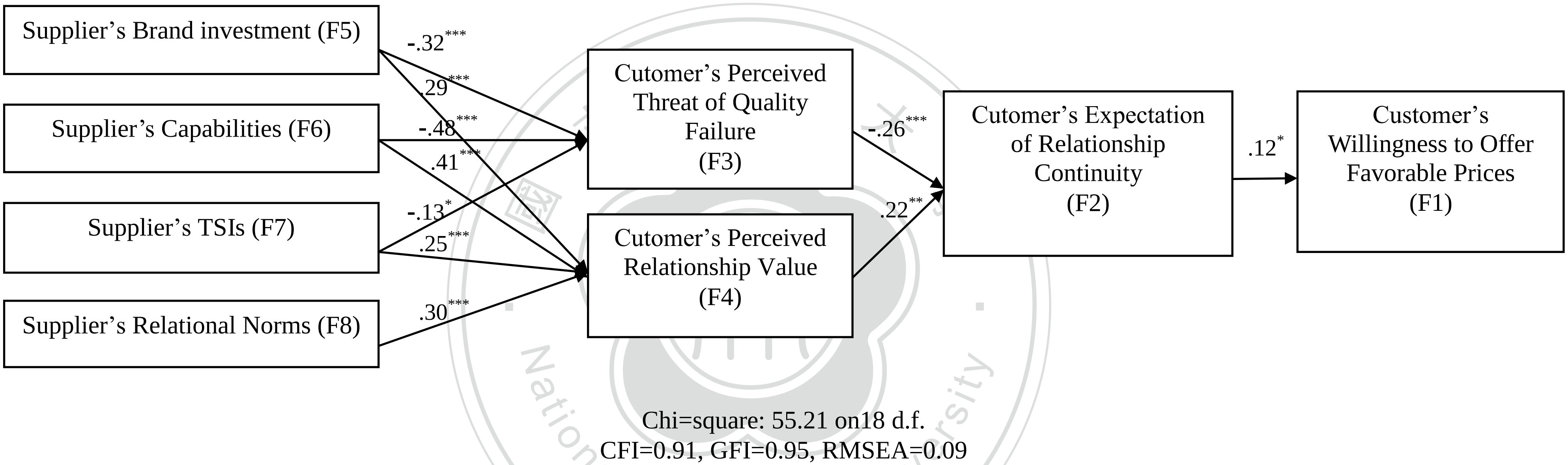

Figure 2 Hypothesized model with composite measures
Note: *p<0.05; **p<0.01; ***p<0.001

A Survey of the Relationship with Primary Supplier

This is a questionnaire of an academic research concerning industrial buyers and their primary suppliers' relationship. We appreciate your time and effort in completing this survey. The results from this survey will be used to conduct academic research. All information obtained through this survey is strictly confidential, and we will not reveal the identity of your firm nor your personal information to any other third party. Your input will greatly enhance the quality and impact of our research. Thank you very much for your cooperation!

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Established in 1958, the College of Commerce at National Chengchi University (CNCCU) is highly regarded nationally and internationally as the best business school in Taiwan. In UK Financial Times' newly published 2008 academic ranking of Masters in Management worldwide, National Chengchi University College of Commerce (CNCCU) has been honorably placed at No. 47, for its MS in International Business, not only bringing it to the top among Taiwanese universities, but also a leading position in Asia.

Date: 2012/06/__________, Questionnaire No._____________, Visitor: ._______________________

Section A. Please provide the following information about **your firm in *2012***.

1. Name of Your firm___________________________________*(you can choose to remain anonymous)*
2. Location of your firm. Country:_____________________________________
3. In what industry is your firm active？*(please select the major **one**)*
   - ☐ Software /Information technology ☐ Electronics ☐ Chemicals
   - ☐ Telecommunications ☐ Engineering ☐ Pharmaceuticals
   - ☐ Food ☐ Life sciences
   - ☐ Others *(Please specify)* _______________________
4. Which classification best describes your firm's primary business？*(please select the major **one**)*
   - ☐ System Builder/ Integrator ☐ Manufacturer (EMS/ODM) ☐ OEM /Branded
   - ☐ Retailer ☐ Distributor ☐ End User
   - ☐ Others *(Please specify)* _________________________
5. How long has your firm been in business? _________________________years
6. How many full-time employees does your company have? _____________________ employees
7. What are your entire firm's approximate gross annual sales? (US$)
   - ☐ Less than $100 Million ☐ $100 Million-$499Million ☐ $500 Million -$999 Million
   - ☐ $1 Billion -$9 Billion ☐ $10 Billion -$24 Billion ☐ $25 Billion -$49 Billion
   - ☐ $50+ Billion

Section B. Please respond to the remaining questions for **a specific supplier.** This should be a key supplier of yours.

1. Name this supplier __________________________________*(optional)*
2. Location of this primary supplier. Country:_____________________________________
3. What is the major product category do you have business with this supplier?

   ____
4. How long have you been doing business with this supplier? _____________________years
5. What was the total dollar value of your firm's purchases of products from this supplier last year? (US$)
   - ☐ Less than $1Million ☐ $1 Million -$4.99 Million ☐ $5 Million -$9.99 Million
   - ☐ $10 Million -$49.9 Million ☐ $50 Million -$99.9 Million ☐ $100 Million -$499.9 Million
   - ☐ $500+ Million
6. What percentage of the total purchasing volume in this product category is accounted for by this supplier (0%.–100%)? __________________%.

Section C. Please provide your information

1. What is your position? ____
2. How long have you worked in purchase department? _______________years

Section D. Please respond to the remaining questions based on the **product you just specify in Section B No.3**

- How significant are changes in **this product market** in recent years?

	Minor 1	2	3	4	5	6	Major 7
1. Pricing	☐	☐	☐	☐	☐	☐	☐
2. Product features and specs	☐	☐	☐	☐	☐	☐	☐
3. Vendor support services	☐	☐	☐	☐	☐	☐	☐
4. Technology used by suppliers	☐	☐	☐	☐	☐	☐	☐
5. Product availability	☐	☐	☐	☐	☐	☐	☐

- Please provide the following information about **this product market.**

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
6. It is difficult to judge the quality of this product at the time of delivery	☐	☐	☐	☐	☐	☐	☐
7. It is difficult to compare this product to similar products	☐	☐	☐	☐	☐	☐	☐
8. It is difficult to compare the price/quality ratio of potential suppliers' products	☐	☐	☐	☐	☐	☐	☐

- Compared to other purchases your firm makes, **this product** is…

	1	2	3	4	5	6	7	
Unimportant	☐	☐	☐	☐	☐	☐	☐	Important
Nonessential	☐	☐	☐	☐	☐	☐	☐	Essential
Low Priority	☐	☐	☐	☐	☐	☐	☐	High Priority

- Compared to other purchases your firm makes, **this product** is…

	1	2	3	4	5	6	7	
Completely Standardized	☐	☐	☐	☐	☐	☐	☐	Completely Customized
Not Variable in Quality	☐	☐	☐	☐	☐	☐	☐	Highly Variable in Quality
Simple	☐	☐	☐	☐	☐	☐	☐	Complex
Nontechnical								Technical

☐ ☐ ☐ ☐ ☐ ☐ ☐

Section E. Please respond to the remaining questions for **<u>the specific supplier you just indicated above</u>**

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
1. This supplier almost has a ***monopoly*** for what it sells	☐	☐	☐	☐	☐	☐	☐
2. There is really ***the only supplier*** we could use for this product	☐	☐	☐	☐	☐	☐	☐
3. ***No other vendor*** has this supplier's capability	☐	☐	☐	☐	☐	☐	☐
4. Other vendors could provide what we get from this supplier	☐	☐	☐	☐	☐	☐	☐
5. This supply market is very competitive	☐	☐	☐	☐	☐	☐	☐

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
6. The brand (corporate) name of this supplier is trustworthy	☐	☐	☐	☐	☐	☐	☐
7. The brand (corporate) name of this supplier is reputable	☐	☐	☐	☐	☐	☐	☐
8. The brand (corporate) name of this supplier makes honest claims.	☐	☐	☐	☐	☐	☐	☐
9. The brand (corporate) name of this supplier has a lasting nature	☐	☐	☐	☐	☐	☐	☐
10. In the past, today and in the future, the values behind the brand (corporate) name of this supplier will not change	☐	☐	☐	☐	☐	☐	☐

- Compared to the other suppliers, …

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
1. This supplier provides us with better product quality.	☐	☐	☐	☐	☐	☐	☐
2. This supplier meets our quality standards better	☐	☐	☐	☐	☐	☐	☐
3. This supplier's products are more reliable	☐	☐	☐	☐	☐	☐	☐
4. This supplier provides us a better access to its know-how.	☐	☐	☐	☐	☐	☐	☐
5. This supplier performs better at presenting us with new products	☐	☐	☐	☐	☐	☐	☐
6. This supplier knows better how to help us drive innovation in our products.	☐	☐	☐	☐	☐	☐	☐
7. This supplier provides us with better services	☐	☐	☐	☐	☐	☐	☐
8. This supplier adds more value to the relationship overall	☐	☐	☐	☐	☐	☐	☐
9. We gain more in our relationship with this supplier	☐	☐	☐	☐	☐	☐	☐
10. The relationship with this supplier is more valuable	☐	☐	☐	☐	☐	☐	☐
11. This supplier creates more value for us when comparing all costs and benefits in the relationship	☐	☐	☐	☐	☐	☐	☐

◆ Please provide the following information about **<u>the transaction situation with this supplier.</u>**

(Please indicate agreement with the left statement in each pair with a rating of 1, and agreement with the right statement with a rating of 7.)

		1	2	3	4	5	6	7	
1.	There is *little* risk for our firm if this supplier is unfairly taken advantage of us.	☐	☐	☐	☐	☐	☐	☐	There is *high* risk for our firm if this supplier is unfairly taken advantage of us.
2.	Our firm could expect complete honesty from this supplier.	☐	☐	☐	☐	☐	☐	☐	Our firm could *not* expect complete honesty from this supplier.
3.	*Minimal* detecting and evaluating would be required for acquiring this supplier's product.	☐	☐	☐	☐	☐	☐	☐	*Extensive* detecting and evaluating would be required for acquiring this supplier's product.

		1	2	3	4	5	6	7	
4.	There would be *little* differentiation between our firm and our competition as a result of possessing this supplier's product.	☐	☐	☐	☐	☐	☐	☐	There would be *big* differentiation between our firm and our competition as a result of possessing this supplier's product.
5.	This supplier's product would *not allow* our firm to attain certain benefits that our competition will be unable to match.	☐	☐	☐	☐	☐	☐	☐	This supplier's product would *allow* our firm to attain certain benefits that our competition will be unable to match.
6.	This supplier's product would *not allow* our firm to exploit opportunities our competition would be unable to.	☐	☐	☐	☐	☐	☐	☐	This supplier's product would *allow* our firm to exploit opportunities our competition would be unable to.

◆ Please provide the following information about **<u>this supplier's product.</u>**

		Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
1.	Our firm is confident that this supplier's product/technology would perform as it was originally designed.	☐	☐	☐	☐	☐	☐	☐
2.	We are certain this supplier's product/technology would meet our technical expectations	☐	☐	☐	☐	☐	☐	☐
3.	We are certain this supplier's product/technology would meet our demands	☐	☐	☐	☐	☐	☐	☐
4.	Our firm is confident that this supplier's product/technology would achieve our market goals	☐	☐	☐	☐	☐	☐	☐
5.	It is ***<u>not</u>*** clear whether this supplier's product/technology would work as it was intended technologically	☐	☐	☐	☐	☐	☐	☐

Section F. Please respond to the following questions regarding **the price setting with this supplier**

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
1. We are flexible about price setting with this supplier	☐	☐	☐	☐	☐	☐	☐
2. When it comes to setting prices with this supplier, we are willing to be more accommodating	☐	☐	☐	☐	☐	☐	☐
3. We ensure that this supplier remains profitable when setting prices.	☐	☐	☐	☐	☐	☐	☐
4. In our pricing, we are potentially exposing the supplier to an ***unprofitable*** situation.	☐	☐	☐	☐	☐	☐	☐
5. In our pricing, we are potentially exposing the supplier to an ***economically unviable*** situation.	☐	☐	☐	☐	☐	☐	☐
6. We are very ***rigid*** about price setting with this supplier	☐	☐	☐	☐	☐	☐	☐
7. We need to ***haggle over*** the price with this supplier when setting prices.	☐	☐	☐	☐	☐	☐	☐
8. We are ***not*** concerned whether this supplier makes a reasonable profit from each transaction.	☐	☐	☐	☐	☐	☐	☐

Section G. Please respond to the following questions regarding **the relationship with this supplier**

	Completely inaccurate description 1	2	3	4	5	6	Completely accurate description 7
1. We have made significant investments in equipment dedicated to the relationship with this supplier	☐	☐	☐	☐	☐	☐	☐
2. We have made extensive internal adjustments in order to deal effectively with this supplier	☐	☐	☐	☐	☐	☐	☐
3. We have involved substantial commitments of time and money in training our people to deal with this supplier.	☐	☐	☐	☐	☐	☐	☐
4. Our logistics systems have been tailed to meet the requirements of dealing with this supplier.	☐	☐	☐	☐	☐	☐	☐
5. This supplier has made significant investments in equipment dedicated to the relationship with our firm	☐	☐	☐	☐	☐	☐	☐
6. This supplier has made extensive internal adjustments in order to deal effectively with our firm	☐	☐	☐	☐	☐	☐	☐
7. This supplier has involved substantial commitments of time and money in training its people to deal with our firm.	☐	☐	☐	☐	☐	☐	☐
8. This supplier's logistics systems have been tailed to meet the requirements of dealing with our firm.	☐	☐	☐	☐	☐	☐	☐

		1	2	3	4	5	6	7
9.	In this relationship, it is expected that any information that might help the other party will be provided to them	☐	☐	☐	☐	☐	☐	☐
10.	Exchange of information in this relationship takes place frequently	☐	☐	☐	☐	☐	☐	☐
11.	It is expected that both parties will provide proprietary information if it can help the other parties.	☐	☐	☐	☐	☐	☐	☐
12.	It is expected that we keep each other informed about events or changes that may affect the other party.	☐	☐	☐	☐	☐	☐	☐
13.	Problems that arise in the course of this relationship are treated by our firm and this supplier as joint rather than individual responsibilities	☐	☐	☐	☐	☐	☐	☐
14.	Both firms are committed to improvements that may benefits the relationship as a whole, and not only the individual parties	☐	☐	☐	☐	☐	☐	☐
15.	Both firms do not mind owing each other favors	☐	☐	☐	☐	☐	☐	☐
16.	Our relationship with this supplier is governed primarily by written contracts	☐	☐	☐	☐	☐	☐	☐
17.	The only way we seem to communicate effectively with this supplier is when everything is spelled out in detail.	☐	☐	☐	☐	☐	☐	☐
18.	Over time we have developed ways of doing things with this supplier that ***never*** need to be expressed formally	☐	☐	☐	☐	☐	☐	☐
19.	We expect our relationship with this supplier to continue a long time	☐	☐	☐	☐	☐	☐	☐
20.	Renewal of the relationship with this supplier is virtually automatic	☐	☐	☐	☐	☐	☐	☐
21.	Our relationship with this supplier is enduring.	☐	☐	☐	☐	☐	☐	☐
22.	Our relationship with this supplier is a long-term alliance	☐	☐	☐	☐	☐	☐	☐

Section H. Please respond to the following questions regarding **the performance of this supplier**

		Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
1.	This supplier keeps promises it makes to our firm.	☐	☐	☐	☐	☐	☐	☐
2.	This supplier is very honest to our firm.	☐	☐	☐	☐	☐	☐	☐
3.	This supplier is trustworthy.	☐	☐	☐	☐	☐	☐	☐
4.	This supplier acts with good intentions.	☐	☐	☐	☐	☐	☐	☐
5.	We are happy about our decision to choose this supplier.	☐	☐	☐	☐	☐	☐	☐
6.	We believe we did the right thing when we chose this supplier.	☐	☐	☐	☐	☐	☐	☐
7.	Overall, we are very satisfied with the decision to choose this supplier.	☐	☐	☐	☐	☐	☐	☐

Thank you very much for your time and sincerely response! Wish you success and prosperity!