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The Role of Supplier Performance in Building Customer Trust and Loyalty: A Cross-Country Examination

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Abstract

Building trust in buyer–seller relationships is a focal issue in relationship marketing. However, there are mixed results concerning the performance outcomes of trust. Also, no attention has been given to linking supplier performance aspects to the development of trusting relationships. In this study we propose a conceptual model of supplier performance drivers and customer loyalty consequences of trust in supplier–organizational customer relationships. We test the model relationships using data from three different countries, namely, France, Hungary, and the U.K., in an effort to assess the extent to which the development and outcomes of trust are consistent across different countries. The results suggest that supplier performance in product quality and sales service quality is conducive to trust building across all three countries. Supplier performance in technical repair service support enhances trust in the market contexts of France and Hungary, but has no significant effect in the case of the U.K. Nonetheless, supplier performance in complaint handling has a positive effect on trust in the U.K. and French contexts, but no link is established in the context of Hungary. Further, the results show that trust enhances customer loyalty across all countries. Moreover, we find that firm size negatively moderates the trust–loyalty relationship in all the countries, with this link being not significant among larger firms in France and Hungary. The results have important theoretical and practical implications for international relationship marketing.

Key words: trust; supplier performance; customer loyalty; relationship marketing

1. Introduction

In business-to-business markets, the establishment and development of long-term, trust-based relationships between suppliers and customers has been long-standing practice, largely associated with significant benefits that such close exchanges can have for the two parties (e.g., Griffith & Zhao, 2015; Skarmeas, Zeriti, & Baltas, 2016). As a result, heightened research attention has been given to the study of trust in inter-firm exchange partnerships within domestic (e.g., Gundlach & Cannon, 2010; Palmatier, Dant, & Grewal, 2007) and international (e.g., Barnes, Leonidou, Siu, & Leonidou, 2015; Robson, Katsikeas, & Bello, 2008) business settings. Broadly trusting exchanges may limit duplication of efforts, lower transaction costs, discourage opportunistic behaviors, reduce a firm's propensity to switch, increase communication, commitment, and satisfaction, and encourage partners to engage in joint actions, with positive implications for firms' performance outcomes (for review see Gundlach & Cannon, 2010). Nonetheless, it has been acknowledged in the literature that developing trust in relationships with foreign partners is more challenging than with partners in the domestic market. This is attributed to the fact that, as opposed to domestic partnerships, interactions in international business associations are typically governed by geographical distance and cultural disparities between the trading parties (e.g., Katsikeas, Skarmeas, & Bello, 2009).

However, there is little evidence in extant empirical research to support the widely held perception that trust enhances performance outcomes in the relationship. A review of the inter-firm exchange literature suggests that findings of the performance implications of trust are conflicting. Some studies provide evidence in support of a positive direct link between trust and performance (e.g., Gundlach & Cannon, 2010; Katsikeas, Paparoidamis, & Katsikea, 2004; Silva, Bradley, & Sousa, 2012). Nonetheless, a stream of other studies find that there is no significant relationship between trust and performance (e.g., Fryxell, Dooley, & Vryza, 2002; Palmatier et al., 2007). Even more surprising evidence is provided in the empirical work of Lyles

and associates (1999) who argue that trust and its development can be risky and costly for the exchange partners and reveal the presence of a negative link between trust and performance. Empirical research on performance outcomes of trust are summarized in Table 1. Such inconsistent results provide the rationale for the need for a deeper understanding of the mechanisms that explain how trust functions in business relationships and under what circumstances trust influences performance outcomes and when it bears no such effects.

This study attempts to examine the issue of trust in inter-organizational exchange relations by specifying the business exchange conditions that facilitate the building of trust and moderate its relationship with performance. Specifically, to enhance understanding of the complexity associated with trust in supplier–organizational customer collaborative exchanges, we consider how the supplier's performance with specific tasks in the relationship can affect the purchasing firm's trust in the supplier and, in turn, its loyalty to this supplier relationship across different countries. This research differs from previous studies on antecedents and performance consequences of trust in a number of ways. First, much of the research on performance outcomes of trust have employed global measures of performance that may fail to unveil the unique effects connected with certain aspects of performance that can differ from other performance dimensions. In response to a recent call for focusing on specific aspects of performance (Katsikeas, Morgan, Leonidou, & Hult, 2016), we examine trust's relationship with loyalty from the customer's standpoint. Firms recognize that building up customer loyalty, viewed as a key indicator of market performance, involves a long-term investment. We explain how suppliers can build customer loyalty on the basis of trust and show that the trust–loyalty link is moderated by firm size. We argue that trust affects loyalty through social interactions between the parties that ease organizational complexity problems that are reflected in firm size.

Insert Table 1 here

Second, the bulk of research on trust focuses on its drivers that have been considered from different theoretical perspectives. The literature has identified an array of factors that affect the development of trust including relational exchange variables (e.g., partner support, communication, and transaction specific investments), partner characteristics (e.g., domain consensus, compatibility, and inter-dependence), decision making structure (e.g., participation, centralization, and formalization), and relationship environment (e.g., internal and external uncertainly) (for review see Geyskens, Steenkamp, & Kumar, 1998). An issue that has been given scant attention in the literature on drivers of trust concerns how well suppliers perform in those areas that organizational customers view as particularly important for selecting among alternative supply sources. Exploratory interviews with managers in purchasing organizations pointed to the relevance of supplier performance in the relationship to the development of customer trust and loyalty. Drawing from the supplier selection literature in industrial marketing (e.g., Katsikeas et al., 2004; La, Patterson, & Styles, 2009; Simpson, Siguaw, & White, 2002), we examine how supplier performance in certain important areas from the standpoint of business customers can facilitate trusting interactions in the exchange relationship.

Suppliers in business-to-business contexts increasingly focus on "augmented" product elements to strengthen their differentiation vis-à-vis rivals' offerings, due in part to increasing commoditization of products offered by selling firms (e.g., Bharadwaj & Matsuno, 2006; Rangan & Bowman, 1992). In these contexts, traditional marketing program elements such as price tend to be of lesser importance compared to product and service elements (e.g., Ko de Ruyter, Moorman, & Lemmink, 2001). The literature suggests that, in addition to product quality, factors such as sales service quality, technical repair service support, and complaint handling service are particularly important to buying firms' supplier selection decisions (e.g., Ruyter et al., 2001; Lee, Lin, Lee, & Lee, 2010). These are critical operational factors for the supplier and constitute tangible and measurable criteria for which metrics can be developed and deployed for enhancing

supplier performance in its customer relationships (Bharadwaj & Matsuno, 2006; Day, 1994). For purchasing firms, product quality and services in these areas play an important role in building customer trust in the supplier (Ko de Ruyter et al., 2001). As organizational customers select among alternative supply sources based on supplier performance across product and service criteria, understanding how well suppliers perform in these factors is instrumental for purchasing firms in establishing, developing, and maintaining trusting supplier relationships.

Third, there is a dearth of research that investigates whether the development of trust and its performance consequences have similar patterns, or otherwise, across different national markets. The lack of such empirical investigation limits understanding of the extent to which findings based on specific business-to-business settings within a specific market are applicable to different country contexts. We contribute to the body of cross-national research on trust by examining supplier performance antecedents and loyalty outcomes of trust from the customer's perspective by collecting and analyzing data from three countries, namely, France, Hungary, and the U.K. Our study offers new insights into the adoption of standardized or customized strategies in developing and managing trust and customer loyalty in inter-firm exchange relations. Considering that these countries have distinct differences from one another, this examination will help us provide practical guidelines for trust-based productive relationship collaboration applicable uniformly across different countries and, more importantly, pinpoint factors that differ across countries in the process of trust building and customer loyalty.

Next, we review the pertinent literature with attention to relevant supply source selection criteria. We then develop our conceptual framework and research hypotheses, followed by the methods and presentation of the results. Finally, we discuss the findings and their implications for theory and practice and consider limitations of the study and future research directions.

2. Literature review and conceptual development

From a theoretical perspective, there is a growing body of research focusing on buyer-supplier relational exchanges in business-to-business settings. Social exchange theory posits that firms decide to engage in long-term relationships with vendors that provide value which outweighs the value offerings of their competitors (Blau 1964; Cook & Emerson 1978; Palmatier et al., 2007). A buying firm will establish a relationship if it sees that the supplier has the capability and willingness to provide the customer with competitive product offerings that add value to its own business. Customers will make commitments to maintaining relationships with supply sources if they perceive that their suppliers' value is superior to any other alternative offerings (Bharadwaj & Matsuno, 2006). Thus, outperforming competitors on supply source selection criteria becomes critical for supplying firms in their endeavors to build enduring relational exchanges with their buying counterparts. In this research context, we argue that customers' perceptions of supplier performance in product and sales service quality, technical repair service support, and complaint handling service influence the credibility of the supplier in the eyes of the customer, which in turn serves as a platform for purchasing firms to develop trusting relations and engage in ongoing business exchanges with supplying companies (Meldrum & Millman, 1991; MacKenzie, 1992; Ko de Ruyter et al., 2001).

Within the social exchange theory paradigm, social capital plays a critical role in successful buyer-supplier relationships (Kwon, 2008). As a component of social capital trust is one of the key focal elements that positively influences relationship performance and outcomes that individual parties receive from collaborative interactions and exchanges. In the relationship marketing literature, trust has a central role affecting relational exchanges and has been conceptualized as a favorable attitude reflecting the confidence that one party has in an "exchange partner's reliability and integrity" (Morgan & Hunt, 1994, p. 23). We contend that the development of trusting feelings on the part on the organizational customer driven by supplier

performance in certain operational areas important to the customer is likely to facilitate customer loyalty and that this link may be affected inversely by the level of organizational complexity reflected in firm size. Our in-depth interviews with managers of buying organizations supported this contention, as managers suggested that good supplier performance can enhance their trust in the supplier and also result in the continuation of their supplier relationships. Figure 1 shows the conceptual framework of the supplier performance drivers and loyalty outcomes of customer trust in the supplier. In the following sections, we present our constructs and explain in detail the logic underlying the links that compose our conceptual model.

Insert Figure 1 here

2.1. Supplier performance in business exchange relations

There has been considerable interest among academic researchers and practitioners in assessing performance in operations management during the past two decades (e.g., Evans, 2004; Mentzer & Konrad, 1991; Wouters & Sportel, 2005). In business-to-business settings, from the standpoint of the customer, formulating an effective supply source strategy that is based on explicit supplier choice criteria is a particularly important challenge facing top management. In the literature, there have been various approaches to and frameworks for assessing and measuring supplier performance. From an organizational effectiveness perspective, Venkatraman and Ramanujam (1986) classify business performance measures into two main categories: financial measures, which refer to indicators that assess the fulfilment of the economic goals of the firm; and operational measures, which concern the assessment of key competitive success factors (e.g., quality, delivery, price, service, and flexibility) and internal indicators (e.g., defects, schedule, realization, and cost). Mentzer and Konrad (1991) consider performance assessment to be "an analysis of effectiveness and efficiency of completing a given task" (p.33). Specifically, effectiveness is "the extent to which goals are accomplished", whereas efficiency is "a measure of how well resources are utilized" (p. 34). Within the broad domain of supplier performance

assessment in inter-firm partnerships, a stream of research (e.g., Piercy, Katsikeas, & Cravens, 1997; Ross, Kuzu, & Li, 2016; Steward et al., 2010) evaluate supplier performance on the basis of taping relevant operational aspects that provide a reflection of key competitive success factors including product quality, after sales service support, responsiveness to customer requests, and sales service quality.

More specifically, in this study's business-to-business context we conceptualize supplier performance as an organizational customer's evaluation of how well the supplying firm accomplishes its tasks in critical areas such as product quality, sales service quality, technical repair service, and complaint handling service. These factors to a large extent influence supply source selection decisions of organizational customers. Subsequently, we examine more explicitly the relevance of each of these areas.

Product quality. Prior work (e.g., Gundlach & Cannon, 2010; Prahinski & Benton, 2004) points to the important role of product quality in inter-firm collaborative partnerships and suggest that this is a key indicator of a supplier's operational performance. Here, product quality refers to customer perceptions of the excellence in a supplying firm's product offering in terms of meeting customer requirements with attention to technical aspects. In this study's supplier–organizational customer relationship context, managers in fieldwork interviews consistently indicated that the level of product quality is of particular relevance to the purchasing firm's supply source selection decisions and constitutes an important area that the customer focuses on in evaluating their supplying counterpart's performance (e.g., Katsikeas et al., 2004; Prahinski & Benton, 2004). For instance, Choi and Hartley's (1996) auto supply chain study reveals that consistency in product quality performance is regarded as a key criterion in the supplier selection process of business customers, regardless of the buying company's position on the supply chain.

Sales service quality. The quality of sales service in this research concerns customer perceptions of the commitments and overall responsiveness of a supplier's sales team to

customer requirements (Kumar, 1999). Building from theories of business relationships and empirical research in the marketing and procurement literature, Cannon and Perreault (1999) suggest that buyer-seller relationships are established, developed, and sustained via "operational integration". To achieve this, sales representatives of the supplier develop routinized activities to integrate themselves more closely into a buying firm via regular communication and/or real-time inventory monitoring, enabling them to keep their commitments and offer products that are tailored to the particular needs of their customers. By examining organizational buyers' normative expectations of supplier performance, Steward et al. (2010) show that salespersons considered to be adjacent in workflow processes influence the decisions of organizational customers concerning the selection of suppliers and evaluation of their performance.

Technical repair service support. Marketing scholars and practitioners agree that after-sales services should be considered as a potential source of competitive advantage for the firm in the fiercely competitive market environments (Goffin, 1999; Saccani, Songini, & Gaiardelli, 2006). After-sales service quality has thus become a "necessary evil" for manufacturing organizations, especially in durable goods industries (Lele, 1997). Driven by the development of a more innovative customer-centric approach, suppliers need to establish and maintain efficient and effective after-sales services to ensure that the post-purchase requirements of, and exchanges with, their business customers are fulfilled (Saccani et al., 2006). In industrial buying contexts, technical repair service support represents a crucial opportunity for supplying firms to strengthen their position in the eyes of their customers, with positive implications for building enduring customer relationships that are not vulnerable to attacks from competitors (e.g., Anderson & Kerr, 2001; Armistead & Clark, 1992; Campbell, 2003; Wise & Baumgartner, 1999). In a similar vein, Bolton and Drew (1991) view technical repair service as one of major supplier support areas that positively affects the customer's assessment of supplier service performance.

Complaint handling service. The consideration of complaint handling service quality has largely been neglected in the literature on business-to-business marketing and supplier performance evaluation. Using a fuzzy analytic hierarchy process approach to the study of supplier selection, Kahraman, Cebeci, and Ulukan (2003) propose complaint handling procedures as an important component of the performance evaluation system, particularly in terms of assessing quality systems and processes. A buying firm is especially interested in examining how a supplier assesses and addresses customer needs and requests, particularly in cases of defective or faulty products. Effective customer complaint handling is critical to the development and maintenance of customer satisfaction and continuation of the supplier relationship (Stephen & Stephen, 1998). Matzler and associates (2004) suggest that complaint handling should be seen as an important element of customer care and constitutes a source of competitive advantage of the supplying firm in the market in which it has chosen to operate.

We suggest that supplier performance in these four important aspects from the standpoint of their customers helps them be seen as being responsive and making equitable contributions to the exchange relationship. Strong supplier performance motivates customers to actively engage in joint relational exchanges, and make efforts and devote resources that complement those of their suppliers. Extending social exchange theory thinking in the context of this study (e.g., Cook & Emerson 1978; Palmatier et al., 2007), we argue that such performance on the part of the supplier may not only activate the customer to proactively work and contribute to resource integration efforts that are required by both parties, but it may also serve as a platform that triggers and cultivates a customer's assessment of trust in the supplier (e.g., Doney & Cannon, 1997; Katsikeas et al., 2009).

2.2. Supplier performance and customer trust

Trust in an exchange relationship concerns the willingness of a trading firm to accept vulnerability on the basis of favorable expectations about the partner's behavior in the business

association (McEvily, Perrone, & Zaheer, 2003). Clearly the concept of trust involves expected outcomes that a party can receive based on expected actions of its counterpart in interactions characterized by uncertainty (Sahay, 2003). Trust has been extensively studied in marketing, management, and international business and is viewed as an important enabler of smooth ongoing relational exchanges, especially in business-to-business market settings. Scholars (e.g., Bradach & Eccles, 1989; Heide, 1994) view inter-firm trust as a governance mechanism, which enables opportunism mitigation and long-term relationship building between independent exchange partners. Ring and Van de Ven (1992) assert that all modern commercial relationships require at least a modest level of trust among the partners. Further, trust can be built and maintained by engagement in joint decisions and productive activities for the relationship where a party has confidence in the other's reliability and efforts (Kwon & Suh, 2004; Morgan & Hunt, 1994). In this study's empirical setting, we view trust as the extent to which an organizational customer is confident in the credibility and benevolence of its supplying partner (e.g., Doney & Cannon, 1997; Katsikeas et al., 2009).

Supplier performance in terms of expected outcomes in those operational areas that are perceived as important by organizational customers in their supplier choices plays a critical role in developing and maintaining close trading interactions between the two parties. A buying firm typically assesses the overall performance of a supplier and the relevant investments that the supplier makes to the specific relationship, in comparison with what might be obtainable in other business associations. A supplier's efforts, time, and investments in important areas that will enable them to deliver product quality levels, sales service quality, technical repair and after-sales service support, and complaint handling service are expected to have favorable effects on a customer's assessments of equity and efficiency in the trading relationship (Katsikeas et al., 2009). A supplier that tangibly shows interest in a customer relationship though investments in operational, human, and other resources in its endeavors to comply to and perform well in

important relationship roles indicates its helpful intentions and strengthens its bonding with the specific customer. A supplier that exhibits honesty in its interactions with a buying partner and makes special efforts to satisfying the particular requirements of the customer and to performing in their relationship increases its switching costs. This not only enhances the need of the supplier to sustain this business association, but also signals the supplying firm's seriousness about and caring attitudes and behavior toward the customer (Wathne & Heide, 2000).

Such supplier performance in response to a customer's particular requirements is likely to yield more productive exchanges in the relationship, as specialized resources, activities, and outcomes of the supplier's efforts are better aligned to the customer's tasks in the trading association. Thus, in line with relational exchange theory (e.g., Cook & Emerson 1978), we suggest that an organizational customer's trust in the supplier is built on the basis of confidence and expectation of good supplier performance, which plays a central role in the development of effective interactions and supportive climate in the relationship. A customer that perceives its supplying counterpart as making productive investments to and performing well in important areas of their trading association is likely to assess the relationship as increasingly effective. Such supplier investments and performance in the business relationship provide clear evidence and strong signals that confidence can be placed in this supplying partner (Katsikeas et al., 2009). Therefore, it is possible to hypothesize that:

H1a: A supplier's performance in product quality is positively related to the level of customer trust in the supplier.

H1b: A supplier's performance in sales service quality is positively related to the level of customer trust in the supplier.

H1c: A supplier's performance in technical repair service support is positively related to the level of customer trust in the supplier.

H1d: A supplier's performance in complaint handling service is positively related to the level of customer trust in the supplier.

2.3. Trust in the supplier and customer loyalty

Many researchers acknowledge the critical role of customer loyalty in marketing theory and practice in both business-to-consumer and business-to-business market settings (e.g., Jones & Sasser, 1995; Lam et al., 2004). Broadly, customer loyalty concerns a buyer's strong commitment to repurchase or patronize a particular product in a consistent manner in the future (Oliver, 1999). In business markets, in order to attract and create loyal customers, suppliers often need to focus on investing and nurturing long-term cooperative relationships with their customer (Lam et al., 2004). This leads to a high probability of future customer purchases, high advocacy, and positive word-of-mouth as well as a significant contribution to the company's profitability (e.g., Dick & Basu, 1994; Stern, 2014). Due in part to the nature of business-to-business transactions that typically involve high volume tailor-made purchases, the success in building up and maintaining customer loyalty could create enormous rewards for suppliers, such as a stable stream of revenue, low costs for customer acquisition, and processing repeated purchases, ultimately leading to greater profitability (Reichheld, 1996; Reichheld & Sasser, 1990).

The concept of loyalty has traditionally been viewed as a construct comprising behavioral elements (e.g., actual purchasing decisions) and attitudinal elements (e.g., positive word-of-mouth and encouraging others to use the product) (e.g., Day, 1976; Dick & Basu, 1994). In the business-to-business literature, attention has been given accordingly to considering behavioral loyalty, which refers to the willingness of an average business customer to repurchase the service and/or product of the supplier and maintain a relationship with the supplying firm, and attitudinal loyalty, which concerns the degree of a customer's psychological attachment and attitudinal advocacy toward the supplying firm (Rauyruen & Miller, 2007). Drawing from prior research on the subject (e.g., Rauyruen & Miller, 2007; Zeithaml, Berry, & Parasuraman, 1996), for

present purposes we conceptualize customer loyalty as a construct which takes account of both behavioral and attitudinal elements.

We posit that trusting relational exchanges are a prerequisite for the development of customer loyalty in business relationships. Theoretical thinking suggests that trust plays an important role in influencing performance outcomes by changing the social interactions between the buyer and the seller in the exchange partnership (McEvily & Zaheer, 2006). Trading relational exchanges between the partnering organizations are performed through a network of individuals in each firm who interact with employees of the other party to coordinate the inter-organizational flow of resources, information, and skills as they take part in daily interactions (Katsikeas et al., 2009). Scholars (e.g., McEvily et al., 2003) suggest that high levels of trust trigger certain structuring and mobilizing forces that strengthen the social elements for the individuals in the partnering firms engaging in trading exchanges in a manner that enables them to improve the quality of interactions with the partner and workplace performance.

More specifically, trust strengthens the structure of network connections between individual employees in the partnering firms by improving the density and thickness of inter-firm ties (e.g., Katsikeas et al., 2009). Structuring serves as a mechanism that facilitates channels of coordination among connecting employees. Hence, high levels of density in the social network structure caused by high levels of trust enables employees to be involved in a wider range of resource and information exchanges with a larger set of employee-actors, which may lead to better coordinated activities between the exchange parties (Robson et al., 2008). Moreover, trust stimulates partnering firms to "contribute their resources to combine, coordinate, and use them in joint activities, and to direct them toward the achievement of organizational goals" (McEvily et al., 2003, p. 97). Such mobilizing of partners' resources enables relationship participants to employ relational governance approaches that have the potential to strengthen the quality of relationship interactions and performance outcomes (McEvily & Zaheer, 2006).

In the trust literature, it has been suggested that trusting business associations facilitate the achievement of enhanced outcomes by increasing transaction value and lowering transaction costs of inter-organizational exchanges (e.g., Robson et al., 2008; Zaheer, McEvily, & Perrone, 1998). Specifically, trust drives partnering firms to engage in productive activities by sharing valuable information and knowledge, making commitments to joint efforts, and in turn coordinating their ways of working and requirements. Trusting partners effectively utilize valuable knowledge as each party contributes openly important information that facilitates the smooth functioning of their relational exchanges. Thus partnering firms interact more productively and address day-to-day problems more effectively, which in turn improves transaction value in the relationship (McEvily et al., 2003). Furthermore, prior research suggests that trusting firms experience diminishing transaction costs as each spend less time and effort on, and commit fewer resources to, dealing with problems, monitoring the task performance of one another, and implementing agreements (Dyer & Chu, 2003; Robson et al., 2008). As problem resolution, monitoring, and enforcement of agreements involve nonproductive efforts that the partnering firms are unwilling to undertake, each partner's outcomes from the relationship are expected to increase. Therefore, the literature on trust provides theoretical rationale underlying the expectation that organizational customers who trust their suppliers will stay in be loyal to the exchange relationship. Thus, it is possible to advance that:

H2: Customer trust in a supplier enhances the level of customer loyalty in the relationship.

1.4. The moderating effect of firm size

An organization's size (in terms of employee number) has been found to be closely associated with organizational complexity in different business settings (e.g., Kalleberg & Van Buren, 1996; Scott, 1998). Firm size is related to and in fact reflects the degree of bureaucracy within the organization. A large company size indicates high bureaucratic structuring essentially because of the problems of scale and scope that are integral in the coordination among and

management of a large number of employees (Robson et al., 2008). We contend that the size of the purchasing company affects the nature, frequency, and intensity of its interactions with the supplying counterpart. As the size of the buying firm increases, its organizational procedures and processes are governed by increasing bureaucracy that is likely to inhibit the network ties between the partners and perhaps reduce and slow down the patterns of their exchanges (Park & Ungson, 1997). Larger firms are typically organized on the basis of different departments and functional units and different layers of authority, which adds to the level of organizational complexity. The existence of different departments and management layers in the organization limits flexibility and adaptability in the interactions and direct links between individuals in the partnering firms. Large companies develop formal rules that are prescriptive of certain ties, but are preventive of other unspecified activities and connections.

We posit that the size of the purchasing company conditions the effect of customer trust in the supplier on the level of customer loyalty in the relationship because the extent of bureaucratic structuring specifies network ties. Although organizational customers of large size tend to have greater negotiation power that allows them to "keep suppliers on their toes and extract better buy-in prices" (Geyskens, Gielens, & Wuyts, 2015, p. 19), increased red tape within the buying firm runs contrary to the social structure and connections inherent in high levels of trusting relational exchanges with the supplier. Any development of trusting behaviors in the relationship is likely to be eased and inhibited by a large company size because of heightened organizational complexity. As Robson and colleagues (2008) note, "While trust enables denser networks among actors, facets of size-driven bureaucracy … establish barriers that disconnect actors" (p. 651). Conversely, a relatively small company size and a high level of trust support the development of network ties between the customer and the supplying partner. In this situation there is convergence between the low levels of red tape and the high levels of social structure based on trust, as each of these forces works toward improving connections

between individuals and the pattern of interactions between the relationship participants. It is expected, therefore, that the positive impact of customer trust in the supplier on customer loyalty is boosted among smaller purchasing organizations, since a less complex organizational design promotes individual employee connections, more productive interactions, and enhance coordination in the activities with the supplier. Thus, we advance the following hypothesis.

H3: Firm size has a negative moderating effect on the relationship between trust in a supplier and customer loyalty.

3. Methodology

3.1. Research Context

The empirical setting for this study is supplier–organizational customer relationships in three different European countries: France, one of the traditional fully-fledged E.U. countries; Hungary, one of the ex-Eastern bloc countries that joined the E.U. in 2004; and the U.K., a country widely debated because of its decision to exit the E.U. These countries exhibit significant differences in terms of cultural attributes and market characteristics. This variation would enable us to assess the extent to which trust building management practices for customer retention can be standardized across different market contexts or need to be customized on the basis of particular characteristics of individual markets. Consistent with prior research on inter-firm relations (e.g., Durand, Turkina, & Robson, 2016; Griffith & Zhao, 2015), in this study we employ the individual supplier–customer relationship as the unit of analysis. We focused on relationships of organizational customers with suppliers of coffee vending machines in each of the selected countries, thus controlling for potential influences pertaining to differences in structural characteristics and behavior across various supply source sectors.

3.2. Measure Development

We followed an established psychometric approach to developing appropriate measures for the constructs in our study (Nunnally & Bernstein, 1994). On the basis of a review of the

relevant literature and measures used in previous studies, along with interviews with marketing and purchasing managers, we generated multi-item measurement scales for all study constructs. We developed a draft questionnaire that was discussed with and assessed by three academic researchers with significant experience in and contributions to inter-organizational exchange relationships and cross-cultural research. The questionnaire was revised in response to a series of suggestions made by three academic researchers. Subsequently, we made additional refinements to the revised questionnaire on the basis of personal interviews with six managers in supplying and purchasing organizations. This process ensured that all questions were fully understood, the instructions were clear, and the length of the questionnaire was not an issue of concern that could undermine the response rate in each of the three countries.

The survey questionnaire was initially formulated in English. As the study was implemented among purchasing companies in France and Hungary in addition to the UK, the questionnaire was then translated in French and Hungarian using two experienced translators who were familiar with and had good understanding of business relationship practices. Next, the French and Hungarian versions were back-translated into English using two other bilingual people in an effort to sort out all inconsistencies among the three questionnaire versions. In this way, we assured translational equivalence prior to the beginning of the full-scale survey in each of three countries in our study.

All reflective measures in the study were captured using multiple items, and a ten-point rating scale format employed to tap responses to individual questions. More specifically, measures of the components of supplier performance were developed from the industrial marketing and purchasing literature to accommodate the supplier–organizational customer context. The items were generated based on interviews with purchasing managers and existing scales in the relevant literature (Gundlach & Cannon, 2010; Katsikeas et al., 2004; La et al., 2009). Responses to individual questions pertaining to the items tapping the four supplier

performance areas were assessed on a ten-point rating scale ranging from 1 "completely unsatisfied" to 10 "completely satisfied". Customer trust in the supplier was measured using existing benevolence and honesty items from previous studies (e.g., Geyskens, Steenkamp, Scheer, & Kumar, 1996; Gundlach & Cannon, 2010) that were adapted based on our pre-tests. A ten-point rating scale, anchored by 1 "strongly disagree" and 10 "strongly agree", was used to capture responses. Customer loyalty in our study captured both attitudinal and behavioral aspects in line with prior research (e.g., Chumpitaz & Paparoidamis, 2004; Lam et al., 2004). Again, responses were captured on a ten-point scale ranging from 1 "strongly disagree" and 10 "strongly agree". The specific items that we employed for the measurement of our constructs are shown in Table 2.

3.2. Data Collection

Data were collected from organizational customers of coffee vending machines in the three countries. The sampling frame for the study was obtained by an electronic directory of European business buyers of coffee vending machines provided by a leading consulting organization. In each of the chosen countries, we drew a random sample of 1000 purchasing firms to target for the purpose of this study. Consistent with established practice in interfirm relations research in international markets (e.g., Hoppner, Griffith, & White, 2015; Jin, Zhou, & Wang, 2016), we adopt the key informant technique for collecting the information needed to test our research hypotheses. Key informants are individuals within the firm that are capable of providing reliable information concerning the variables investigated in this study (Katsikeas et al., 2009). Within each purchasing firm, an attempt was made to locate and target an appropriate key informant in the firm's buying center by name and position. In most cases such individuals to contact were found in the directory of buying firms. For those firms where no contact person information was provided in the directory, we identified appropriate respondents using suppliers'

databases in each country that provided the names and titles of influential members in each buying center and through a series of telephone calls to the buying companies.

Pre-notification letters were sent out to all 3,000 firms selected in France, Hungary, and the UK with the view to creating awareness of the nature and importance of the study and requesting the firm's participation in the study. Three weeks later, the questionnaire, a prepaid self-addressed return envelope, and a cover letter outlining the scope and objectives of the study and proving guidelines concerning the completion of the questionnaire were mailed to the key informant – mostly the purchasing manager or a senior purchasing officer in the firm's buying center – in each of the targeted companies. We offered a summary of the main research findings to all study participants as an incentive to respond. In the cover letter we emphasized that responses will be treated in an anonymous fashion. Managers were requested to check with other members of the buying center if necessary in an effort to obtain as accurate and honest responses to the survey questions as possible (Parasuraman, 1998; Schellhase, Hardock, & Ohlwein, 1999).

Two mailings, along with reminder "thank you" postcards sent out three weeks after each mailing, resulted in 200, 226, and 455 usable responses in France, Hungary, and the U.K., respectively. Thus, satisfactory response rates were achieved: 20 percent in France, 22.6 percent in Hungary, and 45.5 percent in the U.K. Overall, the composition of sample firms across the three countries are from various industries: 25 percent operate in retail, 9 percent in catering, and 66 percent in the hotel and restaurant sectors. Respondents occupy different positions within the purchasing firms: purchasing managers (33.0 percent), product managers (7.2 percent), research and development directors (11.9 percent), accounting and financial managers (23.2 percent), and technical managers (24.6 percent). On average, they possess 11.8 years of business experience and have been working for their current organization for 8.1 years.

The presence of potential nonresponse bias in each of the three countries was examined in two ways. First, we compared early and late responses in terms of the study variables

(Armstrong & Overton, 1977). No significant differences were identified between the two groups. Second, a comparison was made between respondents a random group of 50 nonresponding firms with regard to the number of employees and sales revenue. Again no significant differences were found to exist between respondents and non-respondents. Therefore, it might be suggested that nonresponse bias does not constitute a major problem in this study.

4. Analysis and Results

4.1. Measure Validation

Confirmatory factor analysis (CFA) was employed to assess the validity of our measures in each of the three countries. Each measurement model contained 21 items measuring the four supplier performance dimensions, trust and loyalty. We used the maximum likelihood estimation procedure in LISREL 9.1. As per Gerbing & Anderson (1988), each item was restricted to load on its a priori specified factor, while the underlying factors pertaining the four supplier performance dimensions product quality, sales service quality, technical repair service support and complain handling, and customer trust and loyalty were permitted to correlate. The fit indices in each of all three CFA models exhibited a satisfactory fit to the data (Table 2): $\chi^2_{(174)}$= 486.84, p = 0.00; CFI = 0.98; GFI = 0.91; NNFI = 0.98; and RMSEA = 0.06 for the French data; $\chi^2_{(174)}$= 384.33, p = 0.00; CFI = 0.95; GFI = 0.87; NNFI = 0.94; and RMSEA = 0.07 for the Hungarian data; and $\chi^2_{(174)}$= 285.17, p = 0.00; CFI = 0.97; GFI = 0.88; NNFI = 0.96; and RMSEA = 0.06 for the UK data. In all cases though the chi-square value is significant, but this might be expected because of this test statistic's sensitivity to sample size (Bentler 1995).

Insert Table 2 here

Notably, all items loaded heavily on their intended factors and loadings were highly significant in each of the three samples, which provides evidence of convergent validity. In all samples, internal consistency (α) and average variance extracted (AVE) scores were satisfied the recommended thresholds of 0.70 or greater and 0.50 or greater, respectively (Bagozzi & Yi,

1988; Anderson & Gerbing, 1988). We assessed discriminant validity following Fornell and Larcker's (1981) stringent test that involves assessing whether the AVE for every construct is larger than the squared correlation of that construct's measure with the measures of all other model constructs. In all three samples, discriminant validity was evident as the squared correlation between two constructs was lower than the AVE scores of these two constructs. The correlation matrix, along with descriptive statistics and AVE scores for all construct measures, for the three samples is presented in Table 3.

Insert Table 3 here

Given that data were collected from France, Hungary, and the U.K., it was necessary to assess the cross-cultural measure equivalence across these three countries. Such an assessment would ensure the meaningfulness of our cross-sectional perceptual data gathered in different countries. To this end, we followed a sequential process of estimating and comparing nested models to assess: first, configural invariance, testing if the factorial structure of the constructs (i.e., number of factors and observed indicators of each factor) is similar across the three samples; and, second, metric (factor loadings) invariance, testing whether the strength of association between the observed indicators and their underlying constructs is equivalent across the samples and thus establishing whether each construct has the same meaning across samples (Steenkamp & Baumgartner, 1998; Swoboda & Hirschmann, 2016). Metric invariance is recommended as item measurements may not be equivalent across different cultures. If two factor loading estimates per construct can be constrained to be equal without deteriorating model fit, partial metric invariance is attained and this provides sufficient evidence to compare relationships across samples (Hoppner, Griffith, & White, 2015; Tobacyk et al., 2011).

Table 4 presents the measurement invariance tests for the three countries. Three sets of two-group models were estimated to examine configural invariance. For each pair of countries, fit indices indicated that the unconstrained model has a satisfactory fit to the data. In all cases

chi-square values, ranging from 937.51 to 1083.56 with 404 degrees of freedom, were significant due in part to this test statistic's sensitivity to sample size. However, all other fit statistics provided evidence of good fit (RMSEA = 0.07-0.08; NNFI = 0.92-0.96; CFI = 0.93-0.97; and IFI = 0.93-0.97). Subsequently, we proceeded with the assessment of metric invariance across the samples. We found a lack of invariance with regard to specific items when testing metric invariance between pairs of countries. Specifically, in the metric invariance test between Hungary and the U.K., items 2 and 4 of product quality, item 3 of complaint handling service and item 2 of trust in a supplier were found to be variant across these two countries. The result of the metric invariance test between Hungary and France showed that there was a lack of invariance on item 3 of product quality, item 3 of sales service quality, item 3 of complaint handling service, item 2 of trust in a supplier, and item 3 of customer loyalty. Lastly, the analysis of the metric invariance test between France and the U.K. revealed that item 2 of product quality, item 3 of complaint handling service and item 2 of trust in a supplier were lacking invariance across the two samples. When these items were re-specified as freely estimated parameters, the overall model fit was improved in all three samples. As shown in Table 4, partial metric invariance of the scales was supported across the three countries, suggesting that the relationships between the scale items and their underlying constructs were the same in France, Hungary, and the U.K. In sum, the measures in this study exhibit adequate metric equivalence, as well as psychometric properties, and thus can be used to test our research hypotheses. Next, we present the results of our hypotheses tests concerning main and moderating effects.

Insert Table 4 here

4.2. Tests of Hypotheses

We tested the research hypotheses using structural equation modeling for each of the three samples as well as for an overall, global sample containing all the data from the three countries. Estimation of the structural model in each case enables us to test all model

relationships at the same time and take account of measurement error. Concerning the interaction term (trust in supplier x firm size) in the structural model, size was mean-centered to reduce multicollinearity and obtain unbiased estimated parameters prior to calculating the cross-product for inclusion in the model (e.g., Robson et al., 2008). All structural models that were estimated indicated good fit to the data. The results structural models for the data in each of the three countries, as well as in the global sample, are shown in Table 5.

The results suggest that supplier performance in product quality is positively related to organizational customer trust in the supplier across all three countries, namely in France (0.35, $p < 0.01$), Hungary (0.14, $p < 0.05$), and the U.K. (0.50, $p < 0.01$), in line with H1a. Supplier performance in sales service quality is positively associated with customer trust in the Hungarian (0.50, $p < 0.01$) and the U.K. (0.28, $p < 0.01$) samples, but no significant link is established in the French sample (0.09, $p > 0.05$), which provides partial support for H1b. Likewise, the evidence indicates that, while supplier performance in technical repair service support is positively related to customer trust in the French (0.14, $p < 0.05$) and the Hungarian (0.21, $p < 0.01$) samples, no significant relationship is found for the U.K. data set (0.03, $p > 0.05$), lending partial support for H1c. We similarly find a positive link between supplier complaint service handling and customer trust for the French (0.34, $p < 0.01$) and the U.K. (0.19, $p < 0.01$) samples, but no significant link exists for the Hungarian sample (0.02, $p > 0.05$), which provides partial support for H1d. Moreover, the results are consistent across all three samples in that there is a positive relationship between customer trust in the supplier and customer loyalty (0.65, $p < 0.01$ for France; 0.36, $p < 0.01$ for Hungary; and 0.68, $p < 0.01$ for the U.K.), in support of H2.

Insert Table 5 here

Concerning the assessment of moderating influences of firm size in this study, we performed the analysis in two steps. First, we tested the impact of the cross-product of customer trust and firm size on customer loyalty in the structural model for each of the data sets. The

results suggest a significant negative effect of customer trust x firm size on loyalty across all three countries, namely in the French (-0.17, $p < 0.05$), Hungarian (-0.14, $p < 0.05$), and the U.K. (-0.13, $p < 0.01$) samples, providing support for H3. Second, we performed a split-group moderation test to deepen our understanding of the moderating effect of firm size. Thus we used a median split to divide the data into the groups of larger and smaller purchasing firms. Separate models containing all study constructs except for firm size were run for each country. Following established procedures (e.g., Katsikeas et al., 2009), in each of the three country samples we run a restricted model, constraining the trust to loyalty link to be equal across the larger and smaller groups of firms, and another non-restricted model, allowing the parameters to be freely estimated across the two groups. Consistent with the results of the cross-product approach to assessing moderating effects, for the groups of larger versus smaller firms there was a significant $\Delta\chi^2_{(1)}$ (greater than 3.84, $p < 0.05$) between the unconstraint and constrained models in each of the three countries. As shown in Table 5, the results show that across all samples customer trust in the supplier has a strong significant effect on loyalty in the smaller firm size group, but this effect is somewhat weaker (U.K. sample) or reaches insignificance (French and Hungarian samples) in the group of larger firms. This suggests that the effect of firm size is dissimilar across different firm size groups. Figure 2 graphs this significant interaction and indicates that high firm size weakens the effect of trust on loyalty across all three samples.

Insert Figure 2 here

Collection of cross-sectional perceptual data from on dependent and independent variables at one point in time may introduce common method variance (CMV) as a source of explanation for the relationships observed in this investigation. In addition to following Podsakoff and colleagues' (2012) procedural steps to limiting the potential for such bias (e.g., systematic measure and questionnaire development, clarity of scale items and instructions, guaranteeing anonymity to respondents, items placed together by general topic rather than by

construct, appropriate questionnaire length), we empirically examined the possibility of CMV in this study. We used the marker variable test, a widely adopted approach to assessing potential biasing influences of CMV on the study findings (e.g., Griffith & Lee, 2016; Zeugner-Roth, Zabkar, & Diamantopoulos, 2015). In each of the three samples, we identified the second-smallest correlation and adjusted the correlation matrix using this value (Lindell & Whitney, 2001; Malhotra et al., 2006). In all three datasets, we observed no major differences between the original and the adjusted correlation matrices, and no significant correlation coefficient was reduced to non-significant levels (for $p < 0.05$, two-tailed). This evidence suggests that common method bias is not likely to affect our study findings in any of the three countries.

4.3. Mediating Effects

The conceptual model in this study posits a mediating role of customer trust in the supplier. An alternative specification of our conceptual model might suggest that supplier performance in the areas of product quality, sales service quality, technical repair service support, and complaint handling service also influence directly customer loyalty. We tested for the mediating role of trust using the approach recommended by Hayes (2013), which provides estimation of direct, indirect, and total effects in each case. Table 6 presents a summary of our analyses for the mediating role of trust, and the detailed results of our mediation tests are exhibited in the Appendix. The results suggest that trust in the supplier fully mediates the link between supplier performance in product quality and customer loyalty in the Hungarian sample, but partially mediates this link in the samples of French and U.K. organizational customers. The evidence shows that the relationship of sales service quality with customer loyalty is fully mediated by customer trust across all three samples of customers. Nonetheless, trust was found to partially mediate the technical repair service support–customer loyalty link only in the U.K. sample, but plays no mediating role in the samples of French and Hungarian buying firms. Lastly,

we find that trust fully and partially mediates the complaint handling service–loyalty link in the samples of French and U.K. customers, but plays no such role in the Hungarian sample.

5. Discussion and Implications

Our motivation for the execution of this study is driven by the presence of inconsistent findings in the literature on performance outcomes of trust, which questions the widely held perception that trust is good for performance and the extent to which building trust is a key element of enduring, close customer relationships in both domestic and international business operations. In this research we have examined the impact of organizational customer trust in the supplier on customer loyalty, the role that the buying firm's size plays in conditioning the trust–loyalty link, and the effects of supplier performance in certain important areas on customer trust and loyalty across different countries. Our study of business customers in France, Hungary, and the U.K. offers strong empirical support for a positive relationship between customer trust in the supplier and customer loyalty, highlights the role that organizational complexity among purchasing firms plays in influencing the beneficial effect of trust on customer loyalty, and identifies supplier performance areas that are instrumental in developing trust and loyalty among organizational customers in these countries.

More specifically, unlike some previous studies of trust in the marketing literature, we provide support on trust's positive relationship with loyalty across all countries studied. These results suggest that a supplier should focus on building relationships that are marked by high levels of trust in order to create and maintain customer loyalty. Of particular interest is the positive impact of trust on customer loyalty through social exchanges that ease problems associated with organizational complexity reflected in the size of the purchasing organization. For the U.K. market, the need for building trusting relationships in order to stay loyal to a supplier exists for both small and large firms although it is much stronger for small firms as per our expectations. This means that for British firms, trust is a key relational element embedded in

business reality affecting decision making as regards the continuance of business relationships, irrespectively of organizational complexity or company size. In a similar pattern, French and Hungarian firms also view trust as a key element of building and maintaining close relationships with their suppliers. However, for smaller French and Hungarian firms in our samples the impact of trust on loyalty is stronger, as opposed to larger firms where trust appears not to have a significant effect. The structural models in this study exhibit satisfactory explanatory power. Specifically, the total variance of trust in a supplier explained by the supplier performance dimensions in the model was 38.72 percent, 41.82 percent, and 60.67 percent in France, Hungary, and the U.K., respectively. Likewise, the model's explanatory power of customer loyalty accounted for by trust was 42.67 percent, 13.13 percent, and 46.34 percent in France, Hungary, and the U.K., respectively. The study findings have important theoretical and managerial implications that are discussed subsequently.

5.1. Theoretical Implications

This research is based on the notion that good supplier performance in certain important areas which underpin the existence and smooth functioning of trading associations with their organizational customers are driving forces in building customer trust in the supplying firm. Traditional interfirm exchange and relationship marketing research has pursued several streams of empirical inquiry as regards antecedents of trust including relational (e.g., commitment, norms, opportunism), transaction cost economics (e.g., transaction specific investments, internal and external uncertainty), interfirm rivalry (e.g., distributive fairness, partner similarity), and international business (e.g., degree of internationalization) factors (e.g., Katsikeas et al. 2009; Robson et al., 2008; Samiee, Chabowski, & Hult, 2015). We extend the literature on trust by investigating the role of supplier performance in important aspects of the trading association from the standpoint of the customer. This study is a valuable addition to these previous streams of research as it provides new evidence concerning the development of productive trust-based

exchange relationships in business-to-business contexts. Drawing on social exchange theory, our conceptual framework highlights the relevance of supplier performance in product quality, sales service quality, technical repair service support, and complaint handling service to building and maintaining trust in the supply source and enhancing loyalty among organizational customers.

Our study was also grounded in the logic that trust puts in motion structuring and mobilizing forces that can help firms to lower costs and increase value in the transactions between the exchange parties (McEvily et al., 2003). The data shows consistently across countries that customer trust in the supplier enhances customer loyalty in the trading relationship, in support of the conceptual thinking advanced in this research effort. Further, the study views firm size as a contextual factor that plays a potentially important role in conditioning trust's impact of loyalty. Prior research on trust has identified several moderators that influence the trust–performance link including market uncertainty, transaction specific investments, overlapping roles, and interdependence (see Katsikeas et al., 2009). We add to this broad strand of research by focusing on the trust–loyalty relationship and offering new evidence that suggests a negative influential role that the size of the purchasing firm plays in moderating the impact of trust on establishing, developing, and sustaining customer loyalty.

In addition, the results of the study on drivers and loyalty outcomes of trust widen and deepen our knowledge concerning the notion of adaptation and standardization that has been developed essentially in the context of international marketing strategies (e.g., Hultman, Robson, & Katsikeas, 2011; Zeriti et al., 2014). This thinking can be extended to the relational context of this study in terms of trust building and loyalty outcomes of trust. Concerning the drivers of trust, the evidence shows that supplier performance in product quality plays a uniform role in developing trust-based exchanges across different markets. However, this role differs from one country to another as regards supplier performance in other areas. We find that supplier performance in sales service quality is important for building loyal trust-based customer

exchange relations in Hungary and the U.K., but is not influential in France. Fieldwork interviews with managers in France suggested that sales service quality is always a key element of French suppliers' marketing strategies in their efforts to attract and retain customers. This was not the case among Hungarian and U.K. suppliers that appeared to pursue a more customer-focused approach tailored to addressing the particular requirements of their business customers.

Further, supplier performance in technical supplier service support plays a significant role in France and Hungary but is not important for developing trust and loyalty in the U.K., and supplier performance in complaint handling service is important in France and the U.K. but not for trusting relationships in Hungary. Similar idiosyncratic considerations can be made for these findings. In the U.K., offering technical service support to buying firms was uniformly emphasized in the customer relationship management practices of supplying firms. This is the case among Hungarian suppliers with the provision of complaint handling service to their customers. Although the mean score for supplier performance in this service was the highest among Hungarian firms compared to French and U.K. firms, field interviews in Hungary indicated that business customers do not perceive that such a service is as critical as supplier performance in the other operational areas. Likewise, trust's impact on loyalty is consistent among smaller firms, but this effect differs among larger companies across the datasets: while among U.K. buying firms trust is important, this is not the case for organizational customers in France and Hungary. In a similar veil, trust plays consistently a strong mediating role in the sales service quality–loyalty link, but its mediating role varies across the samples. Collectively, this evidence provides support for the customization perspective in building customer trust and loyalty, which is essentially reflected in the varying effects of particular supplier performance achievements and the purchasing firm's organizational complexity across the samples.

5.2. Managerial Implications

The study findings offer valuable implications for relationship managers. First, though trust in the supplier has beneficial loyalty outcomes for customers, one should be cautious about the adoption of an always-positive view of trust and its beneficial effects. As per study results, establishing and maintaining a trusting relationship is more important in smaller buying firms due to their organizational simplicity enabling these companies to better set in motion structuring and mobilizing forces that support productive interactions with their supplying counterparts and, in turn, facilitate enhanced levels of customer loyalty from trusting exchanges. Higher levels of red tape associated with larger organizations tends to introduce formal structures in interactions with their suppliers, which may prevent social exchanges and close interactions patterns and to some extent lower trust's beneficial effects for building customer loyalty. Global marketing managers should be aware that the impact of trust on performance and the role of firm size for building trust-based customer loyalty are similar across different national markets. Thus, international relationship managers may find advantage in the use of a standardized approach based on trust in achieving and maintaining customer loyalty across different foreign markets in which they operate.

International relationship managers interested in cultivating trust-enhancing practices should recognize that trust building is a context-specific issue. The evidence from this study implies that supplier performance in product quality is essential for establishing trusting relations in customer relationships across different countries. Nonetheless, international suppliers should be aware that performing in sales service quality, technical repair service support, and complaint handling service may not uniformly result in generating and enhancing trust among business customers across countries. More specifically, managers may find it prudent, in terms of trust building, to spend time and effort on providing high levels of sales service quality in Hungary and the U.K. but not in France, technical repair service support in France and Hungary but not in the U.K., and complaint handling service in France and the U.K. but not in Hungary.

Furthermore, similar considerations can be made for international relationship managers concerning the deployment of effective customer loyalty-enhancing practices through trusting relational exchanges. The study finding imply that trusting interactions are important for the effectiveness of high levels of sales service quality to result in enhanced customer loyalty across countries. Nonetheless, the importance of trust concerning the role of other supplier performance areas in boosting customer loyalty is not the same across countries. For instance, managers should be aware that trust is not important in facilitating positive customer loyalty effects of high technical repair service support offered suppliers in France and Hungary, but trust gains some importance when supplying firms provide technical repair service support with the view to enhancing customer loyalty in the U.K.

6. Limitations and Future Research Directions

The present results should be interpreted in light of limitations that are associated with the research design trade-offs and choices made in this research. First, the research model was tested in three different European countries in an effort to increase variation in the responses and assess the extent to which findings are generalizable within this region. Nevertheless, one should be cautious in attempting to apply these findings to other contexts as our selection of countries may not cover all other country contexts worldwide. It would be enlightening if future research efforts are undertaken in other countries from the Far East, South America, and/or Africa to assess the applicability of the study results and their consistency with those from other settings.

Second, the cross-sectional research design of the study limits the ability to make cause-effect considerations concerning the links investigated. It should be noted that, although the ordering of our constructs is based on the likely sequence of events in building customer loyalty, some of the examined links might be reciprocal in a sense, for instance, that supplier performance in specific areas can affect customer trust and loyalty, and this over time may after supplier performance (Robson et al., 2008). Investigating causal linkages and establishing the

hypothesized ordering of events in customer trust and loyalty building over time would essentially require the use of a longitudinal research design in future empirical efforts.

Finally, this investigation looks into the importance of customer size in moderating the relationship of a purchasing firm's trust in its supplier with customer loyalty. In this framework, we develop thinking on the basis that organizational complexity in the purchasing organization determines the impact of trust on loyalty. It would be interesting if future research efforts consider the role of other firm-specific factors, including network ties, organizational design, and ownership structure aspects, in potentially conditioning the link between trust and loyalty in supplier–customer trading associations in business-to-business contexts. Moreover, future investigations of trust's outcomes may look into possible moderating influences of factors of the business environment such as competitive intensity, complexity, and dynamism, the study of which would certainly enrich our understanding of trust-based relational exchanges and their implications in inter-firm business exchanges.

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TABLE 1 Empirical Contributions on the Impact of Trust on Performance

Study	Context	Unit of Analysis	Trust Aspect(s) Considered	Performance Aspects Examined	Empirical Findings
Sako (1997)	Car industry in the US, Japan, and Europe	Supplier –customer relationship	Supplier trust in customer (contractual, competence, and goodwill aspects)	Performance (e.g., supplier costs, profit margins, just-in-time delivery)	• Goodwill trust has the strongest impact on performance • Goodwill trust reduces supplier costs (Japanese sample), while profit is enhanced in the high trust group (US sample)
Selnes (1998)	Food industry in Norway	Buyer–seller relationship	Supplier trust in customer	Continuity	• Trust is not significantly related to continuity
Geyskens, Steenkamp, Kumar (1998)	Multiple industries in the US and Europe	Buyer–seller relationship	Trust (benevolence and honesty)	Satisfaction Long-term orientation	• Trust enhances satisfaction and long-term orientation • Both trust and economic outcomes—not just one or the other—are conducive to relationship success
Lane, Salk, and Lyles (2001)	International joint ventures (IJVs) in Hungary	Relationship between two partners	Inter-partner trust	IJV performance (e.g., business volume, market share, and profits)	• Trust positively associated with IJV performance
Dyer and Chu (2003)	Car industry in the US, Japan, and Korea	Supplier–buyer relationship	Buyer trust in supplier	Value, and transaction, monitoring, and enforcement costs	• Trust reduces monitoring and transaction costs • Trust enhances value in the relationship
Bharadwaja and Matsuno (2006)	Computer and electronics industry in the US	Supplier–customer relationship	Customer trust in supplier	Customer firm transaction cost advantage, future intentions, and satisfaction	• Trust negatively impacts customer future intentions, but has positive indirect effect on such intentions • Trust enhances customer satisfaction, but has no indirect effect on satisfaction through transaction cost advantage
Ulaga and Eggert (2006)	Manufacturing industry in the US	Supplier – manufacturer relationship	Manufacturer trust in supplier	Expansion Leave	• Trust not associated with behavioral outcomes
Palmatier, Dant, and Grewal (2007)	Multiple industries	Inter-firm relationship	Customer trust in supplier	Sales growth Financial performance	• Trust not related to financial outcomes • Trust not associated with sales growth
Kwon (2008)	IJVs of South Korean firms	Relationship between two partners	Inter-partner trust	Effectiveness (satisfaction with relationship and with achievement of IJV goals)	• Trust positively influences IJV effectiveness
Katsikeas, Skarmeas and Bello (2009)	Multiple industries in the UK	Importer–exporter relationship	Importer trust in foreign supplier (credibility and benevolence)	Performance (comprising economic, customer, and competitive aspects)	• Trust enhances performance when partner interdependence is high, but trust has no effect when interdependence is low
Costa e Silva, Bradley, and Sousa (2012)	International alliances in Portugal	Relationship between two partners	Trust in alliance partner	Performance (comprising firm performance and satisfaction with alliance performance)	• Trust positively associated with performance
Jain, Khalil, Johnston, and Cheng (2014)	Retailing industry in Taiwan	Supplier–retailer relationship	Retailer trust in supplier	Strategic performance Financial performance	• Strategic performance partially mediates impact of trust on financial performance • Trust positively impacts strategic performance
Kauser and Shaw (2004)	Multiple industries in the UK	International strategic alliance (ISA)	Trust in alliance partner	ISA performance (market share, profitability, and sales growth)	• Trust positively related to ISA performance
Wu (2015)	Chain-store franchise system in Taiwan	Franchisor–franchisee relationship	Franchisee rust in franchisor	Performance (e.g., market share, sales growth)	• Trust positively associated with performance

Table 2 Results of Measurement Models

	Standardized factor loadings[a]		
Constructs/measure items	France	Hungary	U.K.
Product quality			
1. Consistency in product quality	0.75(11.42)	0.77(12.07)	0.80(19.57)
2. The user-friendliness of the product	0.72(10.79)	0.85(15.22)	0.86(22.05)
3. The ease with which the product can be maintained	0.73(10.99)	0.87(15.86)	0.71(16.78)
4. Product quality reliability	0.76(11.62)	0.88(13.41)	0.76(18.16)
Sales service quality			
1. Our sales contact keeps his/her commitments	0.88(15.09)	0.90(17.17)	0.85(21.52)
2. Our sales contact transfers our needs into the right offering/solutions	0.92(16.28)	0.93(17.92)	0.90(23.40)
3. The ease with which our sales contact can be contacted	0.79(12.97)	0.86(15.78)	0.80(19.64)
Technical repair service support			
1. The ease with which the technical service can be reached	0.74(11.59)	0.87(16.22)	0.88(23.43)
2. The helpfulness of the technical service people	0.88(14.60)	0.90(17.34)	0.90(24.04)
3. Keeping response time as promised	0.75(11.64)	0.89(17.02)	0.83(21.13)
4. The quality of the repairs (first-time fixes)	0.70(10.61)	0.88(16.69)	0.85(22.03)
Complaint handling service			
1. Speed with which our complaints are handled	0.96(17.61)	0.95(17.82)	0.89(23.42)
2. Quality of the solution proposed by the supplier	0.78(12.82)	0.79(13.70)	0.89(23.68)
3. Clear communication about the status of our complaints	0.88(15.16)	0.80(13.99)	0.88(23.14)
Trust in the supplier			
1. The supplier shows interest in us as a customer	0.80(15.02)	0.80(12.46)	0.83(20.68)
2. We trust this supplier	0.85(14.04)	0.64(09.51)	0.89(22.80)
3. The supplier is honest	0.82(13.31)	0.68(10.36)	0.63(14.30)
Customer loyalty			
1. We will continue to buy from this supplier	0.83(14.02)	0.88(15.88)	0.85(14.02)
2. We have no hesitation in recommending this supplier	0.70(10.85)	0.66(10.56)	0.66(15.39)
3. We always say positive things about this supplier	0.89(15.48)	0.72(12.08)	0.87(22.64)
4. We will do more business with this supplier in the next few years	0.83(13.88)	0.84(14.74)	0.91(24.46)

Model fit indices:
France (n= 200): $\chi^2_{(174)}$= 486.84; p = 0.00; CFI = 0.98; GFI = 0.91; NNFI = 0.98; RMSEA = 0.06
Hungary (n= 226): $\chi^2_{(174)}$= 384.33; p = 0.00; CFI = 0.95; GFI = 0.87; NNFI = 0.94; RMSEA = 0.07
UK (n= 455): $\chi^2_{(174)}$= 285.17; p = 0.00; CFI = 0.97; GFI = 0.88; NNFI = 0.96; RMSEA = 0.06

[a] t-values from the unstandardized solution are in parentheses.

Table 3 Means, Standard Deviations, Reliabilities, AVE Scores, and Correlations

France (n= 200)

Constructs	Mean	S.D.	α	1	2	3	4	5	6	7	8
1. Product quality	7.95	1.10	0.83	0.55							
2. Sales service quality	8.07	0.96	0.90	0.39	0.75						
3. Technical repair service support	8.11	1.09	0.85	0.19	0.17	0.59					
4. Complaint handling service	6.61	0.98	0.91	0.27	0.12	0.10	0.77				
5. Trust in a supplier	7.41	1.39	0.86	0.49	0.30	0.27	0.46	0.68			
6. Customer loyalty	7.31	1.81	0.89	0.40	0.15	0.10	0.30	0.65	0.67		
7. Frequency of buying	8.93	1.02	-	0.07	0.00	0.05	-0.13	0.03	0.06	-	
8. Age of relationship	9.07	0.91	-	0.19**	0.01	0.06	-0.08	0.00	0.04	0.12*	-
9. Company size	346.20	132.56	-	0.087	-0.02	-0.12	0.05	0.13	0.25**	-0.02	-0.05

Hungary (n= 226)

Constructs	Mean	S.D.	α	1	2	3	4	5	6	7	8
1. Product quality	8.97	0.92	0.89	0.66							
2. Sales service quality	9.21	1.53	0.93	0.20	0.80						
3. Technical repair service support	9.13	0.99	0.94	0.31	0.25	0.79					
4. Complaint handling service	7.36	1.08	0.89	0.04	0.10	0.20	0.73				
5. Trust in a supplier	8.97	1.21	0.75	0.31	0.58	0.39	0.07	0.50			
6. Customer loyalty	7.77	1.54	0.86	0.16	0.23	0.10	0.12	0.36	0.61		
7. Frequency of buying	9.67	0.68	-	0.06	-0.08	-0.07	0.01	-0.01	0.05	-	
8. Age of relationship	7.60	0.83	-	0.08	0.09	0.00	0.06	0.15*	0.01	-0.02	-
9. Company size	119,47	75,63	-	0.10	0.13*	0.07	-0.01	0.23**	0.46**	0.05	-0.05

U.K. (n= 455)

Constructs	Mean	S.D.	α	1	2	3	4	5	6	7	8
1. Product quality	7.78	1.70	0.86	0.62							
2. Sales service quality	7.58	1.42	0.89	0.41	0.72						
3. Technical repair service support	7.65	1.59	0.92	0.53	0.38	0.75					
4. Complaint handling service	5.64	1.57	0.92	0.36	0.35	0.50	0.78				
5. Trust in a supplier	7.45	1.93	0.82	0.68	0.57	0.48	0.48	0.62			
6. Customer loyalty	7.11	1.78	0.90	0.52	0.35	0.40	0.34	0.67	0.68		
7. Frequency of buying	9.41	1.14	-	-0.02	0.04	-0.01	-0.03	-0.01	-0.03	-	
8. Age of relationship	9.10	1.30	-	0.09	0.09	0.07	0.04	0.04	0.07	0.15*	-
9. Company size	388.90	292.12	-	0.33**	0.24*	0.25*	0.22**	0.41*	0.56**	-0.03	0.07

Note: α denotes Cronbach's alpha scores; AVE scores are on the diagonal and between-construct correlations below the diagonal.

Table 4 Measurement Invariance Tests

	χ^2	df	RMSEA	NNFI	CFI	IFI	CAIC	$\Delta\chi^2$	Δdf	P	ΔCFI	ΔCAIC
Hungary–U.K.												
Configural invariance	1083.56	404	0.07	0.95	0.97	0.97	1850.96					
Partial metric invariance	1098.78	414	0.07	0.96	0.97	0.96	1790.95	15.22	10	0.000	-0.001	-66.02
Hungary–France												
Configural invariance	937.51	404	0.08	0.92	0.93	0.93	1657.07					
Partial metric invariance	954.71	415	0.08	0.92	0.92	0.93	1596.67	17.20	11	0.000	-0.002	-60.40
France–U.K.												
Configural invariance	1029.37	404	0.07	0.96	0.97	0.97	1792.80					
Partial metric invariance	1044.04	417	0.07	0.96	0.96	0.96	1710.18	14.67	13	0.000	-0.001	-82.62

Table 5 Results of Structural Models

Structural Relationships	Theoretical Model							
	Global		France		Hungary		U.K.	
	Estimate	t-value	Estimate	t-value	Estimate	t-value	Estimate	t-value
Hypothesized Links								
H1a: Product quality →Trust in supplier	0.57**	15.15	0.35**	4.26	0.14*	1.97	0.50**	10.77
H1b: Sales service quality → Trust in supplier	0.27**	8.22	0.09^{ns}	1.18	0.50**	7.87	0.28**	6.56
H1c: Technical repair service support → Trust in supplier	0.09*	2.38	0.14*	2.03	0.21*	2.82	0.03^{ns}	0.57
H1d: Complaint handling service → Trust in supplier	0.11**	3.61	0.34**	5.07	0.02^{ns}	0.24	0.19**	4.14
H2: Trust in supplier → Customer loyalty	0.6**	22.67	0.65**	12.93	0.36**	5.13	0.68**	22.13
H3: Trust in supplier x Company size → Customer loyalty	-0.18**	-5.12	-0.17*	-2.31	-0.14*	-2.25	-0.13**	-3.11
Control variables								
Frequency of buying → Trust in supplier	0.01^{ns}	0.38	0.05^{ns}	0.75	0.03^{ns}	0.42	-0.03^{ns}	-0.79
Frequency of buying → Customer loyalty	-0.01^{ns}	-0.18	0.04^{ns}	0.66	0.07^{ns}	0.96	-0.02^{ns}	-0.40
Sector of activity → Trust in supplier	-0.06^{ns}	-1.81	0.09^{ns}	0.70	0.11^{ns}	1.66	-0.02^{ns}	-0.24
Sector of activity → Customer loyalty	0.07*	2.09	-0.04^{ns}	-0.61	0.04^{ns}	0.51	0.09^{ns}	1.89
Age of the relationship → Trust in supplier	0.01^{ns}	0.26	-0.06^{ns}	-0.83	0.10^{ns}	1.48	-0.02^{ns}	-0.47
Age of the relationship → Customer loyalty	-0.01^{ns}	-0.29	0.02^{ns}	0.30	-0.06^{ns}	-0.79	0.03^{ns}	0.82
R^2_{trust}	69.40		38.72		41.82		60.67	
$R^2_{loyalty}$	36.42		42.67		13.13		46.34	

Split-group moderator tests	Estimate	t-value	Estimate	t-value	Estimate	t-value	Estimate	t-value
Large Firms								
Trust in supplier → Customer loyalty	0.17*	2.54	0.11^{ns}	1.82	-0.00^{ns}	-0.01	0.37**	3.64
Small Firms								
Trust in supplier → Customer loyalty	0.50**	11.44	0.53**	7.17	0.62**	4.13	0.66**	10.57

**$p<0.01$, *$p<0.05$, ^{ns} non-signifiant.

Table 6 Summary of tests for the mediating role of trust

X → M → Y	Global Sample	France	Hungary	U.K.
Product quality → Trust in supplier → Customer loyalty	Partial mediation	Partial mediation	Full mediation	Partial mediation
Sales service quality → Trust in supplier → Customer loyalty	Full mediation	Full mediation	Full mediation	Full mediation
Technical repair service support → Trust in supplier → Customer loyalty	Full mediation	No mediation	No mediation	Partial mediation
Complaint handling service → Trust in supplier → Customer loyalty	Partial mediation	Full mediation	No mediation	Partial mediation

Figure 1 The Conceptual Framework

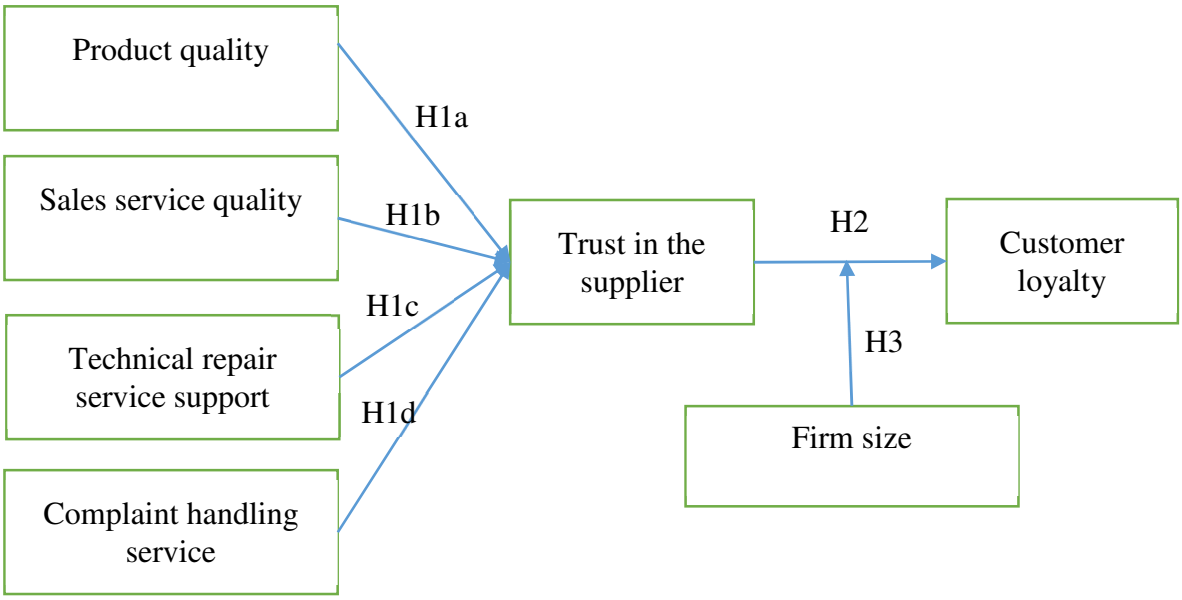
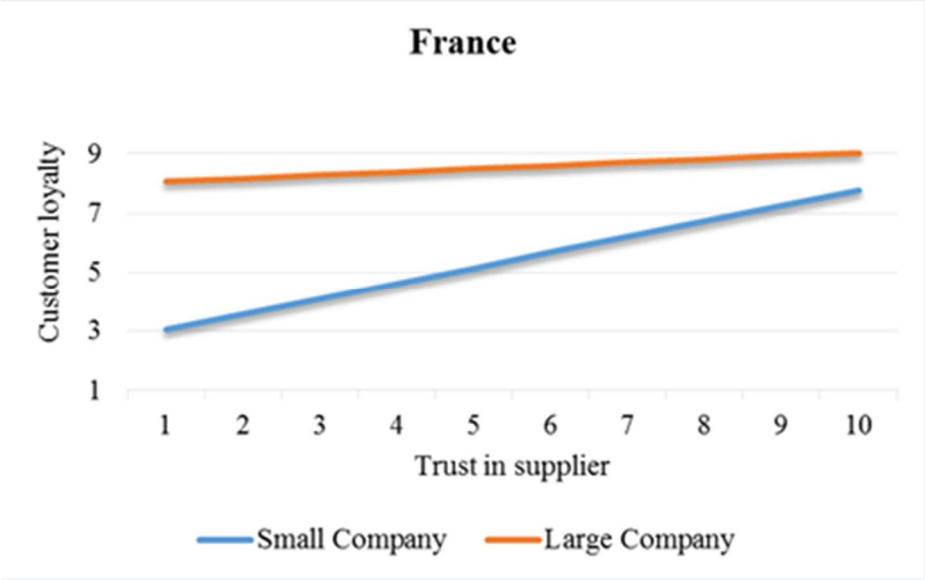
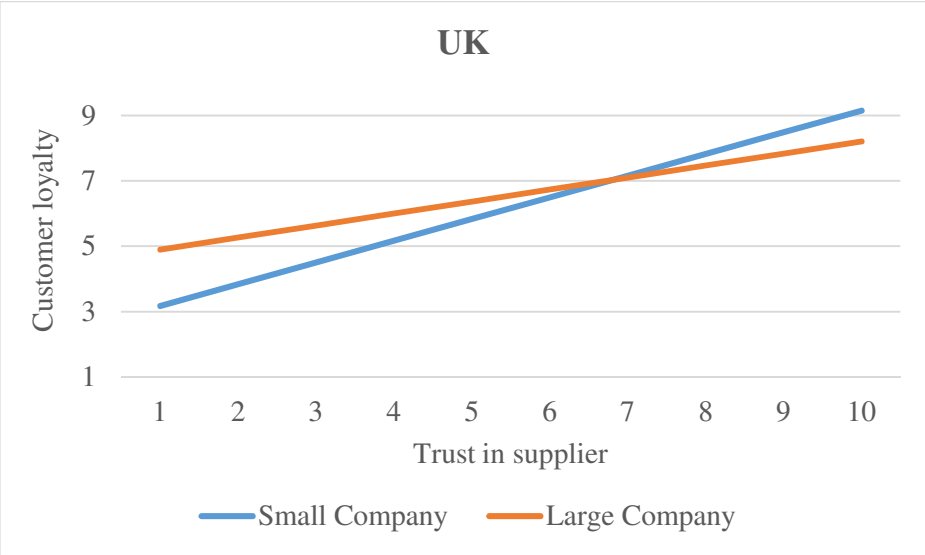
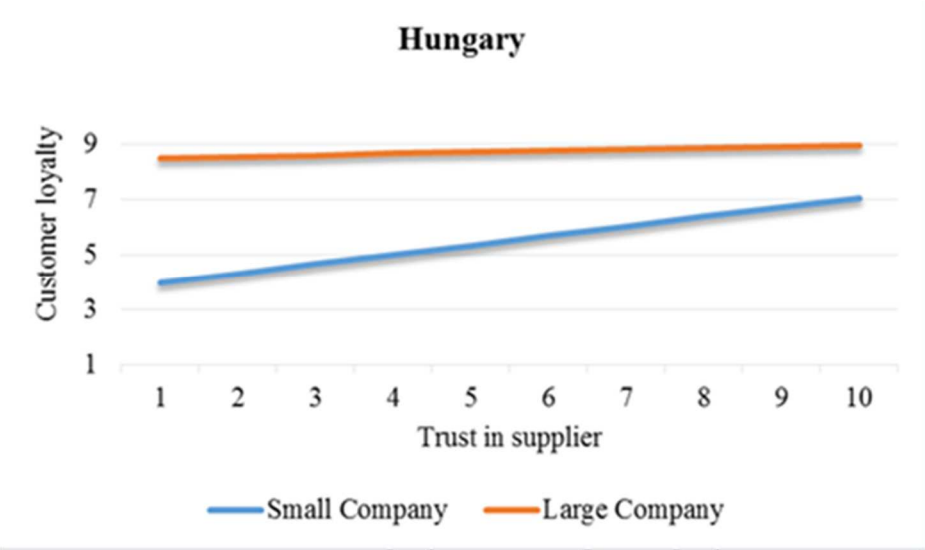


Figure 2 The moderating effect of firm size on the trust–loyalty relationship







Appendix Results for the mediating role of Trust [a]

X → M → Y	Effect X on Y [b]											
	Global Sample			France			Hungary			U.K.		
	Total	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect
Product quality →Trust in supplier → Customer loyalty	0.45(12.61)	0.12(2.92)	0.33(11.21)	0.59(5.44)	0.25(2.40)	0.34(4.96)	0.20(2.20)	0.09(0.97)	0.11(3.04)	0.47(10.81)	0.15(2.92)	0.32(8.76)
Sales service quality → Trust in supplier → Customer loyalty	0.32(8.81)	0.01(0.18)	0.31(11.91)	0.28(2.09)	-0.01(-0.09)	0.28(3.54)	0.21(3.23)	0.09(1.22)	0.12(3.24)	0.40(7.33)	0.08(1.49)	0.32(8.50)
Technical repair service support → Trust in supplier → Customer loyalty	0.33(8.83)	0.05(1.30)	0.28(11.20)	0.12(1.07)	-0.13(-1.32)	0.25(3.50)	0.13(1.28)	-0.04(-0.33)	0.17(3.48)	0.41(8.49)	0.17(3.77)	0.24(7.65)
Complaint handling service → Trust in supplier → Customer loyalty	0.25(7.31)	0.08(2.47)	0.17(8.72)	0.49(3.88)	0.07(0.61)	0.42(5.07)	0.07(1.38)	0.06(1.21)	0.01(0.73)	0.35(6.92)	0.10(2.13)	0.25(7.63)

[a] The mediating role of trust is tested using the bootstrapping method in SPSS PROCESS macro.

[b] t-values are in parentheses.