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## The Influence of Modern Retail-Suppliers Relationships on Suppliers Performance

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#### Abstract

The aim of the study was to study the factors of harmonization of behavior of modern retail-suppliers relationships in the supply chain of modern retail suppliers and their impact on suppliers performance. On the other side of the extent to the factors of harmonization behavior (commitment, conflict, conflict management, cooperation and trust) influence the closeness of the modern retail-suppliers relationships. This research is an exploratory research and will be descriptive and verification. This study will use samples from the population and questionnaires as a data collection tool, then a verification study is conducted to determine the relationship between variables and to test hypotheses. In verification research with an approach in modeling and solution techniques that will be used as an analysis tool is the PLS method. The paper presents the results of a survey of packaged processed foods suppliers which formed part of the wider study of the factors of harmonization behavior. The findings of this study indicate that the results demonstrate the factors of harmonization behavior have varied effects on the closeness of the modern retail-supplier relationships and its impact on suppliers performance and the trust is the most influential factor in modern retail-suppliers relationships. The results of this study contribute new facts, data and concepts related to the influence model of modern retail-supplier relationship behavior factors, such as commitment, conflict, conflict management, cooperation, and trust, each of which has highly variable effects on supplier performance both financially and non-financially. Further research is needed to refine the results of this initial study.

**Keywords**: Commitment, Conflict, Conflict Management, Cooperation, Trust, Supplier Performance

**JEL Classification**: [example: D43, L12, G32]



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### INTRODUCTION

In Indonesia since 1998, the modern retail industry map underwent significant changes. Liberalization of the retail sector is marked by Presidential Decree No.99/1998, which states the elimination of retail business from the negative list of foreign investment. The policy's impact caused a very rapid increase in the number of modern retailers, including outlets in various locations throughout Indonesia. The retail industry expansion is also triggered by the push and pull factor (Reardon & Berdegue, 2006). The push factor, as it is known that the character of the mature industry in developed countries is characterized by high competition and low profit (market saturation) and domestic regulations that limit the development of large stores and low growth in the market. In general, domestic has driven an increase in the expansion of large modern retailers into emerging markets (Kaliappan et al. 2009). On the other hand, the pull factor is related to the growth of business opportunities, rapid urbanization, rapid population growth rates, increased income or increased levels of wealth, westernized lifestyle, increased demand for fast food, and less investment and trade policies strict (Reardon & Berdegue, 2006).

In the Indonesian retail industry's current business competition environment, businesses must be aware that competition is a competition between supply chain networks. This condition requires a company strategy that can integrate the management of various business functions in a collaborative strategy between suppliers and modern retailers to achieve strategic objectives by taking into account the interrelation of external and long-term variables (Visdatin, 2005).

Modern supplier-retail supply chain relations and the number and types of modern retail outlets, both foreign and non-foreign owned and their suppliers in the Indonesian domestic market, are generally controlled and fostered and supervised by the government, both central and regional. This control includes regulatory and competitive policies to realize an industrial system that creates a healthier and more efficient harmonization of modern supplier-retail supply chain relationships to preserve the community's interests properly. The leading suppliers that play a role in supplying modern retailers include manufacturers, wholesalers, agents, exporters/importers, micro, small, medium, and large businesses.

The supply chain activities consist of various products, food products, beverages, and personal care. Types of domestic suppliers that significantly contribute to the overall products sold through modern retail are processed food products and packaged foods (package processed foods) in various flavors and brands. The existence of liberalization through the retail industry regulation in Indonesia causes intense competition but has the potential for deviation. With effective behavioral factors (commitment, conflict, conflict management, cooperation, and trust), it is possible to influence and control the modern supplier-retail supply chain's relationship to obtain optimum supplier performance.

It is exciting and challenging to research in order to find out how the antecedent behavioral factors and role ambiguity (commitment, conflict, conflict management, cooperation, and trust) and the consequence variables (performance optimization) of the supply chain relationship with modern retailers affect and/or control the performance of packaged food suppliers supplying modern retail in Indonesia, especially Jakarta and its surroundings.

Based on the description above, this study seeks to examine, test, analyze and understand, how the influence of antecedent variables (experience and ambiguity of the role-factors of behavior-commitment, conflict, conflict management, cooperation, and trust) as variable dimensions of the modern supplier-retail supply chain related to the consequences variable (performance optimization). Considering the complexity of the modern supplier and retail industry in Indonesia today, it is important to simplify it so that it is easy to understand and make boundaries without reducing this research's substance and value.

The formulation of this research problem deals with behavioral factors (commitment, conflict, conflict management, cooperation, and trust) that affect the relationship of the modern retail supplier-supply chain and supplier performance or stated as the antecedents and consequences of the modern supplier-retail supply chain. Thus, some research questions related to this research are as follows:

- 1. How do behavioral factors as the variable dimensions of the modern retail-supplier supply chain relationship affect supplier performance?
- 2. What is the supplier performance model in terms of the content and implementation of behavioral factors as the dimensions of the modern retail-supplier supply chain relationship?
- 3. How to improve supplier performance to develop micro and smallscale suppliers and improve the welfare of consumers?

This research aims to examine the influence of behavioral factors such as dimensions of harmonization of modern retail-supplier supply chain relationships on supplier performance. Developing supplier performance models within the scope of content and implementing behavioral factors as dimensions of modern retail-supplier supply chain relationships and formulating improvements in the relationship of the modern supplier-retail supply chain to improve micro and small performance suppliers.

The benefits of this research can be broken down according to benefits for science, benefits for policymakers, benefits for practitioners, and benefits for other researchers:

- 1. Benefits for science. This research is expected to provide basic data for further research in its fields to contribute to the development of science, technology, and art.
- 2. Benefits for policymakers. The study results are expected to be input for the Ministry of Trade and Local Government (Pemda) throughout Indonesia in designing the regulation of the harmonizing behavior factors of the modern retail-supplier supply chain relations.
- 3. Benefits for practitioners. It is expected that the results of this study provide a more practical picture and provide a more feasible opportunity of the influence of the harmonizing behavior factors of the modern retail-supplier relationship and the impact on the performance of its suppliers more comprehensively.
- 4. This research is expected to provide useful information for other researchers who want to find out more deeply about the behavioral factors of harmonizing modern retail relations with their suppliers' performance.

This research's novelty is as follows; there has been no similar research that integrates behavioral factors as a variable dimension of harmonization of modern retail-supplier relations that affect packaged food suppliers' performance, packaged drinks, and personal care products in Indonesia.

The scope of this research includes research on the influence of behavioral factors as a variable dimension of the relationship of modern retail suppliers to the performance of suppliers in Indonesia, especially Jakarta and its surroundings. Therefore the scope of this study is limited as follows:

1. Analysis of suppliers in this study is that business actors regularly supply goods to modern retailers for resale through business cooperation.

- The definition of modern retail is a modern store, in accordance with Peraturan Presiden 112/2007 and Peraturan Menteri Perdagangan 53/2008, and this study is limited to covering modern retail supermarkets and hypermarkets.
- 3. This study limits suppliers to food packaging products, beverage packaging, and personal care products that prioritize domestic production and operations in the Greater Jakarta area. Through the retail industry regulations in Indonesia, liberalization has resulted in a rapid increase in the number of modern retailers and their suppliers and has resulted in intense competition and irregularities. Even though the government has anticipated it, these deviations still occur, including violations of the competition regulations UU/5/1999, which are carried out by modern retailers Carrefour against their suppliers, namely the occurrence of market control and concentration and abuse of Carrefour's modern retail purchasing power against their suppliers, resulting in anti-competitive behavior.

### LITERATURE REVIEW

This research uses the grand theory that is closest to the model of the influence of commitment, conflict, conflict management, cooperation, and trust in the relationship of modern retail suppliers and suppliers of performance, namely the theory of Institutional Theory (Yustika, 2006; Mahalingam & Levitt, 2007), Theory of Dependence on Resources (Heatwole, 2006; Hunt, 2001), Industrial organization theory, specifically the market structure paradigm, behavior, performance and the power model of the five porters - Porter's five forces (Porter, 1980, 1985,1990) Supply Chain Management Concepts (Dunne et al., 2014; Hayzer & Render, 2009)

### An overview of modern retailers-suppliers relationships

Modern retail is a development of traditional retail. This retail format emerged and developed along with the development of the economy, technology, and people's lifestyle, making people demand more convenience in shopping. The retail sector, or retail trade, has a very important position and opportunity to develop from year to year. Various types of modern retail formats do business activities in Indonesia, but there are generally three types: minimarkets, supermarkets, and hypermarkets.

The modern retail sector is an important industrial sector and should be considered, especially in its contribution to the Indonesian economy. In a global context, Indonesia's modern retail market potential is quite enormous. The retail sector or retail trade has a reasonably large position and opportunity to develop from year to year based on the data. The growth of modern retail every year is in the range of 10% to 30%. This growth is indicated by expanding modern retail to rural areas and residential areas (Muslim & Febriana, 2008). Judging from its activities, suppliers are generally manufacturers or producers, besides traders, distributors, and importers/exporters, but in reality, these modern retailers tend to get their goods from first hand, namely producers or manufacturers. This direct relation to producers is intended to get a better price so that retailers can resell it at competitive prices. Also, most modern retailers make purchases in large enough parties so that the bargaining position will be strong enough in the suppliers' or manufacturers' faces. Such conditions will lead to price competition among retailers, and retailers with a larger group can get better prices.

The presence of modern retail will have both positive and negative impacts on domestic suppliers. It can develop domestic companies related to product quality, production capacity, increasing sales volume, developing new products, and access to international markets from a positive perspective. On the other hand, from an opposing perspective, it is suspected that it has a more substantial bargaining power against buyers, creating adverse behavior for suppliers.

The government applies a partnership system between small businesses and suppliers with modern retailers on the principle of mutual need, mutual strengthening, and mutual benefit. The following is regulated in the partnership system: (1) If trading conditions regulate trade conditions, they must be transparent, fair and fair and mutually beneficial and agreed upon by both parties without pressure; (2) Costs that can be charged to suppliers are costs directly related to the sale of supplier products (Peraturan Presiden 112/2007).

In practice, partnerships often distort one party and have a broad impact on the economy. Partnership conditions that are not accompanied by efficient marketing institutions' role will potentially lead to conflicts that almost trade partnerships and cooperation and unfair business competition (Muslimin & Nuryati, 2007).

Trading terms are the terms of the business cooperation agreement between the supplier and the modern store and the minimarket network manager relating to the supply of products traded in the relevant modern store. These trading terms allegedly triggered various types of problems between suppliers and modern retailers. In Peraturan Presiden 112/2007, the trading terms applied were only seven types. Whereas before the existence of the Perpres, the number of trading terms could reach35 types with huge nominal numbers.

Modern retailers are involved in developing partnerships with members of their supply chains and consumers. Members of the supply chain can act as buyers and sellers or suppliers and consumers. Supplier relationships with modern retailers and consumers within the supply chain's scope often relate to one another's benefits, such as reducing uncertainty, opportunities for choice, managing interdependence, and exchanging efficiency, effectiveness, and social excellence. The main reason modern retailers develop relationships or partnerships with suppliers is to be more competitive. Suppliers must supply quality products, low cost, timely delivery, product development, innovation, and productivity. Businesses need other company partners that allow sharing of costs, share risks,

The supply chain includes all interactions between suppliers, manufacturers, distributors, modern retailers, and consumers, such as transportation, scheduling information, cash and credit transfers, ideas, design, and raw materials transfer. The supply chain is a set of institutional arrangements that move goods from production to the point of consumption. The supply chain includes manufacturers, wholesalers, distributors, agents, exporters, importers, suppliers, modern retailers, and consumers. Thus the supply chain consists of all institutions and all activities, including marketing storage, financing, purchasing, transportation, which cross geographical and time boundaries through the marketing process.

Conflicts are likely to occur when interdependent relationships are less close because the dependent party cannot change the situation and only receives power resources from the stronger party. Suppliers who have their product brands occupy a strong position compared to modern retail. Conflict arises when the parties put their self-interest highly and when there are differences in the allocation of the scarcity of resources. In the retail industry, shelf space product placement is a significant resource with potency conflict for modern retailers and their suppliers. Modern retailers strive to maximize returns through space and its contribution to the overall modern retail image. The supplier seeks to maximize the choice of space utilization for the trial of its new products compared to its competitors. Such conditions are easy for conflicts to occur between modern retailers and suppliers. (Cakir & Balagtas, 2012). Maloni and Benton (2000) state that some of the main parameters that make supplier-buyer relations integrated are commitment, conflict, conflict management, cooperation, and trust.

Relationships are developed with interactions in a certain period. Relationships between two units (units could be organizations, persons, communities, even states), each unit has a role to play and expected norms of characteristics (Fournier, 1998; Bhattacharya & Bolton, 2000; De Wulf et al., 2001; Ross & Robertson, 2007 in Walz 2009).

Modern retail-supplier relations have become an integral part of the market mechanism and the supplier's operating strategy to modern retail in the supply chain. Experts have developed a model supported by various relevant variables that influence success and failure in a business relationship. Any effective collaboration aims to enable synergy between the two business actors to meet consumers' needs better. Some of the main factors determining the modern retail-supplier relationship to be integrated are commitment, conflict, conflict management, cooperation, and trust (Maloni & Benton, 2000).

### Supplier Performance

Traditionally, performance measurement is business-oriented, related to the company's internal activities or the competitive environment. Thus performance depends on business-oriented relationships' effectiveness with clear interdependence between partners (Paiva et al. 2008). Measures of the financial performance of a company or supplier can be stated, among other things: profit, sales, business growth, and transaction costs, while non-financial performance measures include: Market share, product quality, flexibility, delivery, business continuity, and adaptation to technology (Wu et al., 2011).

Interdependence between suppliers and modern retailers occurs when the part involved in the relationship is integrated between the two parties. It was further stated that supplier capabilities were affected by internal activities and partners and external activities. Based on economic reasons, the relationship must be based on the profit needs of the two collaborating parties and based on a strategy that is sensitive to each other and togetherness, but at the same time, better performance results will be realized if the efforts are made by making more cooperation closely (Hamister, 2007).

From the supplier's point of view, it is clear that performance will depend on three elements of interrelation, including developing closer trade cooperation in order to direct suppliers to improve business results by focusing on management category decisions regarding consumer value giving, understanding the role of trade promotion businesses are better than modern retailers, controlling aspects of management technology effectively, understanding the real costs of supply chains and managing them efficiently and in accordance with each modern retail target (Hamister, 2007).

From the suppliers' point of view, performance depends on elements of inter-relationships: that is to expand closer trade cooperation to direct suppliers to boost business by focusing on management category decisions related to consumer value, a better understanding of the role of trade promotion, controlling management technology aspects effectively, seeking to understand concrete costs of supply chain and efficiently managing it, in line with the respective targets of modern retailers (Hamister, 2007).

Several complicated factors determine the performance of suppliers. In connection with suppliers' performance, suppliers' performance constitutes results of the impact of factors, that is, relationships between suppliers and buyers, asymmetric powers of two parties, and intensity of competition (Chuah et al., 2010). Business relationships between suppliers and modern retailers concerns transaction costs. Based on the relation contracting theory, an effective contract could strengthen relationships between suppliers and buyers and create more buyers' substantial competitiveness. If competitiveness is applied to suppliers' management, it will increase the value of the supply chain that would contribute to suppliers' better performance (Ramdas & Spekman 2000 in Chuah et al., 2010).

Performance depends on the effectiveness of business-oriented relationships with clear interdependence between partners (Winner et al., 2005 in Paiva et al., 2008). Measures of a company's or supplier's financial performance can be stated, among other things: earnings, sales, business growth, and transaction costs (Toni et al., 2001; Paiva et al., 2008; Ou et al., 2010; Baofeng 2007; Wu et al., 2011) while non-financial performance measures include: Market share, product quality, flexibility, delivery, business continuity and adaptation to technology (Toni et al., 2001; Paiva et al., 2008; Ou et al., 2010; Chuach et al., 2010; Wu et al., 2011). Interdependence between suppliers and modern retailers occurs when the part involved in the relationship is integrated between the two parties.

### Research Thinking Framework

Based on discussing the theories and concepts and previous studies above, the writer can then make a research framework of the path, as shown in Figure 1 below.



Figure 1. Research Thinking Framework

This study examines the influence of behavioral factors as dimensional variables (commitment, conflict, conflict management, cooperation, and trust) that influence modern-retail supplier relationships and supplier performance (financial and non-financial). This research will be carried out with quantitative and qualitative methods, with primary data being primary.

### Research Hypothesis

The higher the interdependence level in business relationships or collaboration, the better performance will be obtained (Duffy & Fearne, 2006). Modern integrated supplier-retail relationships can significantly enrich performance (Maloni & Benton, 2000). Performance is influenced and depends on the effectiveness of the relationship between business actors with clarity in the interdependence between partners (Winner et al., 2005). The effect of the modern retail-supplier relationship strategy on its performance depends on the benefits received by both parties. The external-company-supplier relationship influences the company's

performance positively (Ou et al., 2010). Supplier-retailer collaboration is carried out to integrate supply and demand, improve shipping performance, and closer cooperation relationships that have more potential to seize opportunities (Simatupang & Sridharan, 2004). The main factors determining the modern supplier-retail relationship to be integrated: commitment, conflict, management or conflict resolution, cooperation, and trust (Maloni & Benton, 2000). The modern retail-supplier collaboration relationship in Indonesia, assessed through financial ratios, shows each company's ability to generate profits (Muslim & Febriana, 2008). Thus, based on the discussion above, the following hypothesis can be stated:

H1: There is an influence between the modern retail-supplier relationship on supplier performance

### **METHODS**

### Method Used

This research is exploratory and will be descriptive and verification. This study will use an explanatory survey method, a study that takes a sample from the population and uses a questionnaire as a data collection tool. A verification study is conducted to determine the relationship between variables and to test hypotheses.

In verification research with an approach in modeling and solution techniques used as an analysis tool (analysis tool) is the PLS (Partial Least Square) method. The PLS method is an alternative (variant-based) approach that shifts from the covariant-based SEM approach (Ghozali, 2014).

## Operationalization of Variables

Some variables will be disclosed, complete with concepts, dimensions, indicators, size, and scale. This study's variables consist of exogenous/independent variables (independent variables or predictors) and endogenous/dependent variables (dependent variables or criterion variables). The independent variable is a variable that Affects the dependent variable. Modern retail-suppliers relationships as independent variables are measured using five dimensions, namely commitment, conflict, conflict management, cooperation and trust adopted from Maloni and Benton (2000) and suppliers performance as dependent variables measured using two dimensions, namely financial and non-performance financial performance suggested by Wu et al. (2011).

### Data Sources and Data Collection Techniques

Data sources that will be used in this study are primary data and secondary data. The supplier company that will be the respondent is related to the supplier's business scale, which refers to Undang-undang No. 20/2008 concerning Micro, Small, and Medium Enterprises.

Primary data collection in descriptive and verification research is carried out simultaneously and with the same respondents and carried out by observation, interview, and questionnaire techniques. All primary data were collected with structured questions using questionnaires and direct interviews, and quantitative data were ordinal on a scale of 1 to 5 (Likert scale). Whereas secondary data collection is done by collecting available data and then reviewing data collected or processed by data sources in the form of publications.

Primary data collection is done using a questionnaire, so respondents' seriousness in answering questions is very important in research. Therefore, to determine the level of reliability or trust of the research instrument, two types of testing will be carried out, namely the test of validity and the test of reliability.

The number of respondents in this study was 127 respondents. Respondents are chosen to follow predetermined unit criteria analysis, namely those who are owners or managers of suppliers companies to modern retailers located in Jakarta, Bogor, Depok, Tangerang, and Bekasi (JABODETABEK). This study limits suppliers to packaged food products, packaged drinks, and personal care products prioritized for domestic production and operated in Jakarta and surrounding areas (Jabodetabek). First, technical limitations, researchers try to use the methodology and systematics of scientific writing to obtain objective, valid, and unbiased data. Meanwhile, if the researcher is wrong in choosing the respondent, it means that the researcher will get data from the respondent who is not competent or the data provided is inaccurate. Second, limited documents are required. In conducting the research, the researcher faced the constraints of the lack of accurate and up to date data. Also, in the interactive process with respondents, the researcher found the respondent's cautious attitude. Fourth, from the results of observations during the supplier research, the researcher felt that it was not easy to carry out research, especially those involving adjacent areas. According to the researcher, this is unfortunate because the researcher hopes that this study's results can be a strategic input for the government in the Jabodetabek area as a buffer for the national capital.

	Amount	Percentage (%)
Gender:		
- Male	89	70.07
- Female	38	29.92
Age:		
<ul> <li>&lt;21 years</li> </ul>	0	0
- 21-30 years	11	8.66
- 31-40 years	46	36.22
- 40-50 years	55	43.30
- > 50 years	15	11.82
Education:		
<ul> <li>Under high school</li> </ul>	10	7.87
- High school	27	21.26
- S1	62	48.82
- S2	28	22.05
- S3	0	0
Production and Trade		
- Food packaging	61	48.03
- Beverage Packs	38	29.92
- Self care	23	18.11
<ul> <li>Food and Beverage Packaging</li> </ul>	3	2.36
- Food, Beverage Packaging and Personal Care	2	1.58
Scale enterprises:		
- Large (> IDR 10 Billion)	60	47.25
- Medium (IDR 500 Million - IDR 10	24	18.88
Billion)	13	10.24
- Small (IDR 50 Million - IDR 500 Million)	30	23.63
- Micro ( <idr 50="" million)<="" td=""><td></td><td></td></idr>		

Table 1. Profile of Respondents	Table 1.	Profile	of Res	pondents
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Source: the results of data processing using SPSS

#### Test Validity and Reliability of Measuring Instruments

The construct is tested for validity and reliability through PLS analysis by confirmatory factor analysis (CFA). To test the validity of the entire construct of latent variables, dimensions (factors), and indicators is done by assessing convergent validity and discriminant validity based on PLS output. Checking convergent validity includes checking individual item reliability, internal consistency, or construct reliability and average variance extracted (AVE). Convergent validity illustrates how much correlation between construct and latent variables.

Supplier choice answers to the questionnaire questions from 400 respondents and previous respondents were re-evaluated using the PLS method. The first stage of the discriminant validity test, through the cross-loading value, produced good discriminant validity indicators. The second stage test assesses the discriminant validity of the construct by looking at the value of AVE. Based on the root value of AVE, all constructs have good discriminant validity. The latent variable correlation output results are

used to compare the maximum value of the construct correlation with the root value AVE. The result is dominated by constructs with a root value of AVE that is higher than the maximum correlation value. Thus, all constructs of dimensions have good discriminant validity.

Construct	AVE	AVE Root	Reliability AVE Root > AVE
KF	0.593164	0.77017141	Good
МК	0.553904	0.74424727	Good
KJ	0.522353	0.72273993	Good
КР	0.501744	0.7083389	Good
PS-RT relationship	0.221517	0.47065593	Good
ТО	0.903057	0.95029311	Good
KN	0.805223	0.89734219	Good
The performance	0.220652	0.4697361	Good

### **Table 3. AVE Value and AVE Root Research Constructions**

Source: Processed with SmartPLS

Evaluations relating to the internal consistency of reliability can be examined on composites' reliability values and Cronbach's alpha. The composite reliability and Cronbach's alpha output results show that the composite reliability values for all constructs are values above 0.7, which shows that all constructs in the model are estimated to meet the discriminant validity criteria. Cronbach's alpha, the recommended value is above 0.6, and the results indicate that the Cronbach's alpha value for all constructs is above 0.6 (Ghozali 2014). Thus it can be concluded that all constructs tested have good reliability. In Table 2 below, the composite reliability and Cronbach's alpha constructs of the study are shown.

 Table 4. Value of Composite Reliability and Cronbach's Alpha

Construct	Reliability Composite> 0.7	Cronbach's Alpha > 0.7	Reliability Construct
КО	0.924955	0.904894	Good
KF	0.87769	0.839065	Good
МК	0.859191	0.791765	Good
KJ	0.929056	0.916585	Good
КР	0.937469	0.928256	Good
PS-RT relationship	0.959759	0.957184	Good
ТО	0.965428	0.946018	Good
KN	0.925301	0.879787	Good
The performance	0.959751	.957184	Good

Source: Processed with SmartPLS

## Partial Least Square (PLS)

This research (specifically path analysis) was analyzed using the Partial Least Square (PLS) model. PLS is a compelling analysis method because it is not based on many assumptions. Data does not have to be multivariate normally distributed (indicators with a scale of categories to ratios can be used on the same model); the sample does not have to be large and residual distribution. PLS can be used to confirm theories, but it can also explain the presence or absence of relationships between latent variables.PLS can analyze and construct formed with reflexive indicators and formative indicators, which is not possible in the SEM (Structural Equation Model) because there will be difficult to understand (unidentified model). (Yamin & Kurniawan, 2009, 2011).

### **RESULTS AND DISCUSSION**

### Characteristics of Respondents

The research respondents consisted of those who held directorships, managers, and staff positions. The products and products traded by suppliers consist of packaged foods, packaged drinks, and personal care products, while the scale of business of suppliers' companies ranges from large, medium, small, and micro-scale businesses.

## Measurement Model Evaluation Results

Analysis of the validity and reliability of data in this study was completed with the support of the SPSS 18 program. The results of the processing of all research constructs are: Supplier relationship with modern retail (PS-RT), Commitment (KO), Conflict (KF), Conflict Management (MK), Cooperation (KJ), Trust (KP), Financial Performance (KE) and Non-Financial Performance (KN) obtained factor loading values and Cronbach alpha values. Testing sample respondent suppliers provide a factor loading values of all indicators that make up the dimensions, factor, or construct already has a value greater than (0.553-0.960) than 0.55 (Hair et al. 2019). Therefore it is concluded that all indicators are said to be valid. Likewise, the Cronbach's alpha coefficient of all dimensions or constructs with some question items, all of them is greater (0.797-0.960) than 0.60, which means that all constructs are reliable. Figure 2 below shows the construct of supplier relations with modern retail (PS-RT) and the overall relationship of latent or construct variables and magnitudes of the path coefficient.

### Figure 2. Structural Relationship Construction, Dimensions and Research Indicators



### Structural Model Evaluation Results

The first step in evaluating a structural model is to look at the significance of the relationship between constructs through parameter estimation values or path coefficients. The path coefficient's significance is carried out through a bootstrapping process (resampling method) to get the t-test or critical ratio (Yamin and Kurniawan 2011). The testing of the proposed hypothesis is carried out on the influence of latent variables. The results are known by assessing the output data processing with PLSon the result for inner weight. The t-statistic limit for rejecting and accepting the proposed hypothesis is 1.96 (t-table significance of 0.05 = 1.96).

The second step in evaluating the structural model is to evaluate the R-square value. Assessing a model with PLS starts by looking at the R-square of each latent dependent variable. The interpretation is the same as the interpretation of the regression. Changes in R-square value can be used to assess the effect of certain independent latent variables on the dependent latent variable, whether it has a substantive effect (Ghozali, 2014).

Based on the evaluation of the structural model, values of path coefficients can be obtained (see Figure 2), along with t-statistics of the entire construct, so that it can be seen how the relationship between variables and the effect of variables on other variables (significance), the strength of relationships between variables.

### Effect of Factors KO, KF, MK, KJ, KP on PS-RT Relations

Structural model test results confirm that the constructs of the five dimensions (formative factor-form) namely, commitment-KO ( $\lambda$ KO= 0.164, t = 4.703, p <0.05), conflict-KF ( $\lambda$ KF= 0.064, t = 2.184, p <0.05), conflict management-MK ( $\lambda$ MK= 0.085, t = 2.804, p <0.05), cooperation-KJ ( $\lambda$ KJ= 0.244, t = 5.152, p <0.05), trust-KP ( $\lambda$ KP= 0.346, t = 6.442, p <0.05) affect the PS-RT relationship construct. Each path coefficient values are small-large enough, positive correlation, and weak-strong enough. The results of the model tests in the evaluation of the structural models above confirm that the influence of the five dimensions on the PS-RT relationship is an influence that ranges from weak to strong enough, unidirectional and significant. Its influence is weak - strong enough because the path coefficient values range from 0.064 to 0.346, the direction of the relationship is positive, the range of significance is KO (t = 4.703, p <0.05), KF (t = 2.184, p <0.05), MK (t = 2.804, p <0.05), KJ (t = 5.152, p <0.05), KP (t = 6.442, p <0.05).

Research findings related to KO, KF, MK, KJ, KP reinforce Maloni and Benton's (2000) opinion, which states that some of the main parameters that make supplier-buyer relations integrated are commitment conflict, conflict management, cooperation, and trust. In the study of modern retail relations with suppliers, the results show that partnerships can help modern retailers and suppliers improve their performance (Duffy and Fearne 2006). The interpretation of the above data results confirms that the influence of KO, KF, MK, KJ, and KP varies and has not been very strong in increasing PS-RT relations. However, the most important factor of the five factors is the factor of trust.

### The Effect of PS-RT Relations on Supplier Performance

Structural model test results confirm that the construct of the PS-RT ( $\beta$ ) relationship1= 0.998, t = 449,631, p <0.05) affect the construct of supplier performance. The path coefficient is substantial, positive correlation, and very strong. The hypothesis test results in evaluating the structural model above confirm the answer to the research objective question that the PS-RT relationship's influence on supplier performance is powerful, direct, and significant. The effect is powerful because the path coefficient value is

0.998. In the same direction, it means that the relationship's value is positive, significant (t = 449,631, p < 0.05)—the closer the PS-RT relationship, the supplier performance increases.

This study's findings are related to the construct of financial performance (KE) and non-financial performance (KN). A higher level of interdependence in supplier-buyer relations or collaboration will improve performance (Duffy and Fearne 2006). Modern integrated supplier-retail relationships can significantly enrich performance (Maloni and Benton, 2000).

The interpretation of the data results above confirms that financial performance and non-financial performance can improve supplier performance. The most important factors of the two most influential performance factors are carrying out non-financial performance, including market share, product quality, business continuity, and adaptation to technology. The second most influential factor is financial performance, including profit growth, sales, business, and transaction costs.

### Goodness of fit evaluation

Evaluate the model's suitability (goodness of fit) with the SmartPLS method using the R-square interpretation. Based on the results of the KO, KF, MK, KJ, KP constructs, together with other constructs, can explain the PS-RT relationship construct variability of 98.92%, while 1.08% is explained by other variables not examined in this model. Furthermore, the PS-RT construct can explain the variability of construct perceptions of performance by 99.54%, while 0.46% is explained by other variables not examined in this model. Chin 1998 in Yamin and Kurniawan (2011) explained the criteria for R-square values in three classifications, namely the value limit of 0.67 (substantial), the limit of the value of 0.33 (moderate), and the limit of the value of 0.19 (weak). Thus, the model's suitability shows the difference between the observed values and the values predicted by the model, both valued and substantial. The interpretation of the results above shows that retail businesses and suppliers can adopt the framework of KO, KF, MK, KJ, KP on PS-RT relations and the impact on supplier performance.

## Problem Analysis

Analysis of the factors inhibiting the increase in PS-RT relationships is fundamental to understanding why KO, KF, MK, KJ, and KP do not have a strong influence on PS-RT relationships and their subsequent influence on supplier performance. The assessment is carried out on the study variables KO, KF, MK, KJ, KP, and modern supplier-retail relations compared to previous studies' results. The main problem findings found in this study have similarities and differences with previous research.

### The Role of KO, KF, MK, KJ, KP Dimensions on PS-RT Relations

The influence of the five dimensions, namely: Commitment, conflict, conflict management, cooperation, and trust in the modern supplier-retail relationship ranges from weak to strong enough because the path coefficient values range from 0.064 to 0.346. Structural model test results show that sequentially the most important factors of the five formative factors most influential are the factors of trust, cooperation, commitment, conflict, and conflict management.

Based on Maloni and Benton's (2000) research, the main factors determining the relationship of modern retail-suppliers to being integrated are commitment, conflict, conflict management, cooperation, and trust. In carrying out the modern long-term supplier-retail relationship's continuity, it requires partnership, collaboration, empathy, leadership, great enthusiasm, respect, and attention with emotional intelligence.

Determining modern partnerships or supplier-retail relations requires interdependence, intensity, trust, long-term orientation, information sharing, inventory systems, information technology capabilities (IT), coordination structures (Sheu et al., 2006). The company improves its weaknesses by using partnership relationship management, which is sharing information resources and using e-processes with partners to improve the relationship's closeness, improve competitiveness and maximize the performance of its supply chain (Wu et al., 2011).

Modern supplier-retail relations have become an integral part of the market mechanism and supplier's operating strategy to modern retail in the supply chain. Experts have developed a model supported by various relevant variables that influence success and failure in a business relationship. Any effective collaboration aims to enable synergy between the two business actors to meet better consumers' needs (Laeequddin et al., 2010).

### Managerial Implications

The influence of the five factors, namely: commitment, conflict, conflict management, cooperation, and trust in the modern supplier-retail relationship based on the results of the study above, ranges from weak to strong enough, with the trust factor being the most important relative factors for management attention, but without neglecting the other four factors can be improved more optimally.

The increase in the five factors of commitment, conflict, conflict management, cooperation, and trust will have vast implications for suppliers of micro, small and medium scale businesses in doing business with modern retailers; they will be able to realize their expectations, including gaining an increase in profit income, market access and business relationships in the long run. With the increased supply of products to modern retailers, supplier revenues have increased, increasing production capacity. Increased production capacity and product quality require the addition of a new workforce. Increasing a new workforce with income can reduce unemployment and poverty.

On the other hand, modern retail agreements with suppliers mostly regulate payment terms, product prices, and product standards. Providing guidance and consultation for micro and small suppliers and capital assistance is not a priority in making agreements with suppliers. This nonpriority guidance shows that the partnership between modern retailers with micro and small suppliers is not on equal footing. Suppliers are very dependent on modern retailers because modern retailers are the most preferred distribution channels by producers and are considered capable of bringing in huge consumers. Therefore, the importance of improvement in the application of the five factors, namely: commitment, conflict, conflict management, cooperation, and trust.

### CONCLUSION

This study's results contribute new facts, data, and concepts related to the influence model of modern retail-supplier relationship behavior factors, such as commitment, conflict, conflict management, cooperation, and trust, each of which has highly variable effects on supplier performance both financially and non-financially.

The five-dimensional constructs (formative form factor), namely, commitment-KO, conflict-KF, conflict management-MK, cooperation-KJ, trust-KP, influence the modern PS-RT supplier-retail relationship construct.

Each path coefficient values are small-large enough, positive correlation, and weak-strong enough. The results of the model tests in the evaluation of the structural models above confirm that the influence of the five dimensions on the modern PS-RT supplier-retail relationship is an influence that ranges from weak to quite strong, one-sided, and significant. The structural model test results show that the most important of the five formative factors are the most influential factor is trust.

The PS-RT relationship construct influences the construct of supplier performance. The PS-RT relationship's influence on supplier performance is a powerful, direct, and significant influence—the closer the PS-RT relationship, the supplier performance increases. The higher level of interdependence in modern supplier-retail relationships or collaboration, the better performance will be. The implementation of financial performance (KE) and non-financial performance (KN) can improve packaged food and beverage suppliers' packaging, personal care products, and modern retail. The most important factors of the two performance factors most concerned are carrying out non-financial performance (KN), including market share, product quality, business continuity, and technology adaptation. The second factor that is of most concern is financial performance (KN), including profit growth, sales, business, and transaction costs.

Factors that influence the modern supplier-retail relationship are, in fact, very complex. The relationship process not only involves commitment, conflict, conflict management, cooperation, and trust factors, but also, in reality, involves influence, trading terms, coaching, and other variables, i.e., such as zoning, store opening hours, the distance between modern retail outlets, sanctions as attractive variables for further research. The performance of large-scale suppliers and suppliers selected by modern retail is indicated to have improved, but other suppliers' performance, such as micro and small suppliers, is challenging to develop. Therefore, improvements need to be made, including realizing the provision of business locations or receiving supplies from suppliers carried out openly, prioritizing the supply of goods produced by micro, small and medium-sized businesses nationwide.

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