Vendor Relationship Management and Business Performance Quoted Deposit Money Banks in Port Harcourt, Rivers State.

Sir Ngechu Obele.
Department of Marketing
Ken Saro-wiwa Polytechnic
Bori

Abstract

The purpose of this study was to examine the relationship between vendor relationship management and business performance of independent petroleum marketers in Rivers State. The study adopted the cross-sectional survey research design. The population of this study consists of the four hundred and fifty (450) independent petroleum marketers in Rivers State. This research design enabled the researcher to collect unbiased data from the study targets and describe the relationship between the variables. The sample size of this study was drawn from the four hundred and fifty (450) independent petroleum marketers in Rivers State. The sample size of this study was determined using the Yamane (1967) formula. This method was adopted to generate an appropriate sample size for the study from which generalization can be made on the entire population because the population is large. Thus, two hundred and twelve (212) independent marketers or their managers constituted the respondents of the study. The respondents include directors, station managers, station supervisors and depot representatives. This study made used of both descriptive and inferential statistics to analyze the data. Thus, bivariate inferential statistics of Pearson Product Moment Correlation (PPMC) was used to test the hypotheses stated in the study. More so, multivariate inferential statistics of Partial Correlation was adopted to determine the moderating influence of competition on the relationship between vendor relationship management and business performance. These analyses were done with the help of the Statistical Package for Social Sciences (SPSS Version 22.0). The study revealed that there is a strong, positive, and significant relationship between the dimensions of vendor relationship management and the measures of business performance. There is also a very strong, positive and statistically significant moderating effect of competition on the relationship between vendor relationship management and business performance. We therefore, concluded that significant relationship exists between vendor relationship management and business performance of independent petroleum marketers. As a result, the study recommends that Independent petroleum marketers in Rivers State should properly identify and choose among the plethora of vendors those that have the capacity to deliver the quality of products at the right time, right place and at the right price.

Keywords: Vendor Evaluation, Business Performance, Profitability, Market Share, Customer Satisfaction & Environmental Sustainability

1. Introduction

The contemporary business environment is characterized is highly complex and dynamic due to rapid globalization which have dismantled national boundaries (Kim & Mauborgne, 2005) exposing firms to competitive pressure from both national and international players (Ateke & Nwulu, 2017). However, opportunities abound in this complex, dynamic and challenging business environment. Therefore, it is important for firms including petroleum marketers to develop effective relationship with their vendors, and align their operations to enhance business performance. The petroleum marketers consists of organizations involved in the distribution and sale of petroleum products within and across the frontiers of national boundaries; building tank farms and gas (filling) stations to enable consumers have access to the products. The relationship between the petroleum marketers and their suppliers is an important factor determining their success. Thus, the focal point of vendor relationship management is to ensure that outcome of the interface between marketers and their suppliers is mutually beneficial.

The petroleum marketing activities are carried out by both national and private companies, even in joint venture operations. There are major marketers and independent marketers; and this study is centered on the independent marketers. There are four hundred and fifty independent petroleum marketers in Rivers State (IPMAN Journal, 2015) that carry out both distribution and sale of petroleum products in the oil industry. Relatively large amount of capital is required for this business, and because of its strategic position in the nation's economy, its relationship with vendors and other stakeholders is very important. There is need therefore, for independent petroleum marketers to build and maintain effective vendor relationship; because poor management of this relationship may cause colossal damage to business operations, performance and on a larger scale the economy of the state.

2. Literature review and hypotheses development

Managers in most organizations are seeking ways of creating an integrated supply chain first approach i.e. the suppliers that have demonstrated a track record of on-time delivery, quality and mix flexibility. The modern business environment has almost become borderless thus there is evidence of cutting edge supply chain strategies which have proven to be effective in the management of the whole process. Consequently, today, organizations look at the management of relationships in the supply chain as a means of increasing competitive advantage.

Cheng (2009) acknowledges that "supply chain strategy" is the set of approaches that are utilized to ensure that the supplier is integrated in the chain with manufacturing, warehouses and stores which in the long run, will ensure that goods are produced and distributed at the right quantities, to the right location, at the right time, with an aim of minimizing cost while at the same time satisfying service level requirements. One of the practices that has been identified to ease supply chain inefficiencies as was the case witnessed among many PC manufactures, such as Compaq and Gateway; failure was on delivering on time of products to customer due to delayed shipment of computer components from Taiwan as well as their slowness to respond to this problem is the use of supply chain practices such as strategic collaboration with suppliers (Lambert, 2008). This can be achieved through the selection and development of vendors with similar goals and the willingness to adopt to the needs to their buyers. Through the development of strategic relationships cost is reduced for the organization together with improvement on quality. Vendor relationship management is defined as "a comprehensive approach to manage the activities and interactions with the firm who supplies goods and services" (Maram et al, 2015). Vendor relationship management is the practice of planning, implementing, developing and monitoring company relationship with organizations that provide raw materials for a firm. "Vendor relationships can either make or break an organization's ability to service customers responsibly and reliably while maintaining cost effectiveness and managing their property effectively" (Maram et al, 2015). Suppliers play very important role in the success of organizations, it is germane for oil services organizations effectively manage their relationships with suppliers.

2.1 Vendor Evaluation

Vendor evaluation is the process of assessing the activities of vendors to determine whether they perform according to specified standards. "Vendor evaluation is the quantitative and qualitative assessment of vendor to ensure a portfolio of best in class vendor is available for use" (Justus & Barrack, 2016). It important to assess the abilities of a vendor before embarking on a decision to engage a firm or an individual to supply goods and services or raw materials that will be used in further production. It is also very constructive to develop assessment criteria for existing vendors. Furthermore, "a buyer needs to be reviewing the capability of and risks associated with existing vendors on a regular basis to sustain excellent quality standards, establish opportunities for upgrading and proactively handle arising issues that are likely to affect future" (Završnik, 1998). Buyer organizations are delighted if suppliers take further steps to meet their request. Kiarie (2017) posits that "vendors providing order flexibility generate value to firms by facilitating them with the capacity to grab opportunities or avoid crises as a result of rush hour challenges."

Vendor evaluation is one of the strategies used by organizations to select and maintain best suppliers. Humphreys (2003) posits that "to sustain effective and reliable sources of supplies, buyers should select their suppliers carefully and evaluate them regularly. It is crucial to have vendors that deliver great value parts or materials for an organization. Kiarie (2017) states that vendor evaluations can lead to effective working relationship between the vendor and the buyer. In this regard, "the buyer is capable of providing the supplier a signal when additional supplies may perhaps be needed, prior to the set date and the vendor can gain knowledge of just how the buyer operates and any challenges that might not be severe, and could be gotten rid of to enhance efficiency" (Arsan, 2011).

2.2 Concept of Business Performance

Organizations in today's worldwide competitive environment, must be able to evaluate their objectives such as unit cost, profit, subjective (e.g. quality, satisfaction) performances and setup appropriate strategies to reach their goals. A business process is a set of activities performed in order to reach common goals based on well-defined company objectives (Keung & Kawalek, 1997). These processes contribute towards the achievement of aims and necessary objectives. Magretta and Stone (2002) stated that indicators and performance measurement were critical elements in translating an organization's mission or strategy, into reality. Indicators and strategy are tightly and inevitably linked to each other. Strategy without indicators is useless and also indicators without a strategy are meaningless. Edwards and Thomas (2005) argued that KPIs were compilations of information used to measure an assess performance. In addition, they indicate the final mark of a company's efficiency and effectiveness. Vucomanovic, Radujkovic and Nahod (2010) state that, KPIs represent the basis for measuring business and project success. They enable the measurements of performance within firms, industry, and to initiate benchmarking. In addition, KPIs are implemented as a means of communication within stakeholders to inform them about improvement of endeavors constantly. Parmenterg (2007) noted that KPIs should have characteristics such as: nonfinancial measure, frequently measured, acted by the CEO (Chef Information Officer) and the senior management team, understood by all employees, ties responsibility to the individual or team, and significant and positive impact.

2.2.1 Profitability

Profit is the monetary earning a business firm achieves after all costs associated with the operations of the firm have been deducted. Such costs may include salaries, wages, expenses and other operating costs (Nickels, McHugh, & McHugh, 2011). Profitability is thus the ability of a business undertaking to make profit or the degree to which a business is profitable. Profitability is a quantitative and financial metric often used to assess a firm's ability to generate earning in excess of the combination of all the expenses it incurred on a given investment during a specific accounting period.

Profitability is a very important concept in business; and has caught the interest of managers, shareholders and academic researchers alike (Ejoh & Iwara, 2014) since the dawn of commerce. Also of interest to businesses, are the factors that determine profitability (Athanasoglou, Sophocles, & Matthaios, 2005). Profitability is no doubt a fundamental goal of business ventures; because the long term survival of a business concern is closely tied to its ability and capacity to make profit. Though managers often resort to profitability as the most common measure of company performance, it is relevant to note that company performance that results in enhanced profit is determined by quantitative and non-quantitative indices.

2.2.2 Market Share

In order to ascertain the business health of a firm, core measures are identified; and these core measures include profitability and market share (Gunasekaran, Williams, & McCanghey, 2005). While profitability is the ability of a firm to earn profit; market share is the quotient of a total market that a firm is able to capture and serve (Nwokah & Gladson-Nwokah, 2015; Bell, Keeney, & little, 2008). Gunasekaran et al (2005) suggests that market share assesses how well consumers patronize a given product in the marketplace. Market share is also used to denote the market position of a firm in relation to other firms in an industry. A bigger market share means better organizational health (Ateke & Nwulu, 2017). Market share is a prominent metric of marketing used by firms to assess the effectiveness of any revenue generating effort, including marketing campaigns, branding initiatives and customer relationship management programmes. The reason being that, market share shows how a firm is faring compared to its competitors and also allow the firm to quantify the outcome of its strategies and tactical maneuvers on marketing wellness. In addition, market share indicates enables executives to monitor total market growth or decline, identify key trends in buyer behaviour and identify market potentials and opportunities.

2.2.3 Customer Satisfaction

Customer satisfaction is "the extent to which a product's perceived performance matches a buyer's experience" (Kotler & Armstrong, 2008). The customer will be satisfied if the performance of the product meets the expectation of the customer; the customer will be delighted if the performance of the products exceeds the customer's expectation (Kotler & Armstrong, 2008). Fornell, Johnson, Anderson, Cha and Bryant (1996) define customer satisfaction as the overall bases for which total purchase and consumption experience are evaluated with the good or service over time. It is therefore important for firms to identify information that could be useful in making customer satisfied in their relationship with firm (Oliver, 1999.). Customer satisfaction, retention and product repurchase area crucial component of a business strategy that will enable firms to achieve the profit objective. For example, customers will buy a car after taking a closer look at it such as how is the engine, what is its model, how many kilometers it has been traveling, and if there is any cracks or not; so that they will not feel disappointed after purchasing it. Otherwise, if the company uses only their sell and build method, customers might expect that the car is exactly the same as what they see in the pictures or during the exhibition, and later on if they discover that there are significant differences; this will make the company to receive complaint as a result of that discrepancy. Therefore, firms should understand that customers do not want to experience shortfall in the performance of the product. Customer experience with a product performance determines the customer's future purchase decision. As stated by Hill, Roche and Allen (2007) "customer satisfaction is a barometer that predicts the future customer behavior."

2.3. Environmental Sustainability

Resources abound in the environment for the wellbeing of mankind. Exploiting these resources for our benefit without using them up completely of destroying them is the thrust of environmental sustainability. Sustainability is the renewable and continuity of a behaviour on source. Day (2014) defines environmental sustainability as the renewal or maintenance of the natural assets or resources which can be used by present generation without compromising their use by future generations. Day (2014) posits that, for renewable resources, the rate of harvest should not exceed the rate of generation (sustainable yield); for pollution, the rate of waste generation from projects should not exceed the assimilative capacity of the environment." It is worthy of note that, not all resources are renewable. Thus, it is germane to provide substitutes for depleted nonrenewable resources. Day (2014) articulate that, the focal point of environmental sustainability is to ensure that there is quality of life; clean, safe and healthy environment; good economic wellbeing of the community; and appreciable of social satisfaction. As organizations exploit the depositions by nature, concerted effort should be made to ensure that this exploratory activity does not bring destruction on the environment, but should be done a sustainable basis so that future generations can meet these resources and use for their own wellbeing. Adebambo (2016) opine that "the duty of preservation of our environment must be a corporate responsibility, it must never be delegated, and we must take both individual and corporate responsibilities for the preservation of our environment."

2.3.1 Vendor Evaluation and Business Performance

It important to assess the abilities of a vendor before embarking on a decision to engage a firm or an individual to supply goods and services or raw materials that will be used in further production. It is also very constructive to develop assessment criteria for existing vendors. Timothy (2016) investigated the "antecedents and consequences of supplier performance evaluation efficacy in USA." Partial Least Squares (PLS) and Structural Equation Modeling (SEM) were used to test the relationships between supplier performance evaluation and firm's performance. Results of the analysis show that there is a positive relationship between the variables. Again, Justus and Barrack (2016) examined the "effects of supplier evaluation on procurement performance of public universities in Kenya." The data were analyzed with regression analysis. The findings of the study revealed "that suppliers' quality commitment, suppliers' financial capacity and suppliers' competence have significant effect on performance of procurement of procurement function of public universities campuses in Kericho County" (Justus & Barrack, 2016). In view of the above, we are hypothesizing that:

H01: There is no significant relationship between vendor evaluation and profitability.

H02: There is no significant relationship vendor evaluation and market share.

H03: There is no significant relationship between vendor evaluation and customers' satisfaction.

H04: There is no significant relationship between vendor evaluation and environmental sustainability.

2.4 Methodology

This study adopted the cross-sectional survey research design. This research design enabled the researcher to collect unbiased data from the study targets and describe the relationship between the variables. The population of this study consists of the four hundred and fifty (450) independent petroleum marketers in Rivers State (IPMAN Journal, 2015).

The sample size of this study was drawn from the four hundred and fifty (450) independent petroleum marketers in Rivers State. The sample size of this study was determined with the use of Yamane (1967) formula for sample size determination. This method was adopted to generate an appropriate sample size for the study from which generalization can be made on the entire population because the population is large. Thus, two hundred and twelve (212) independent marketers or their managers constituted the respondents of the study. The respondents include directors, station managers, station supervisors and depot representatives. This study made use of both descriptive and inferential statistics to analyze the data. Thus, univariate descriptive statistics such as the mean, standard deviation, frequency distribution, percentages, and bar chart were used to analyze the data. Furthermore, bivariate inferential statistics of Pearson Product Moment Correlation (PPMC) was used to test the hypotheses stated in the study. More so, multivariate inferential statistics of Partial Correlation was adopted to determine the moderating influence of competition on the relationship between vendor relationship management and business performance. These analyses were done with the help of the Statistical Package for Social Sciences (SPSS Version 22.0).

Table 1: Summary of Reliability Analysis

S/n	Variables	Number of Items	Cronbach's Alpha Coefficients
1.	Vendor Evaluation	4	0.835
2.	Profitability	4	0.877
3.	Market Share	4	0.982
4.	Customer Satisfaction	4	0.975
5.	Environmental Sustainability	4	0. 959

Source: SPSS Output form Survey Questionnaire

2.4.1 Results and Discussion

Table 2: Correlation between Vendor Evaluation and Profitability

		Vendor Evaluation	Profitability
Vendor Evaluation	Pearson Correlation	1	.770**
	Sig. (2-tailed)		.000
	N	192	192
Profitability	Pearson Correlation	.770**	1
	Sig. (2-tailed)	.000	
	N	192	192

**. Correlation is significant at the 0.01 level (2-tailed).

From the results of the SPSS output on table 2, it can be seen that there is a strong, positive relationship between vendor evaluation and profitability. This is indicated in the correlation coefficient; which is 0.770. Again, the probability value is less than the critical value; i.e. 0.000 < 0.05. Therefore, we reject the null hypothesis that there is no significant relationship between vendor evaluation and profitability.

Table 3: Correlation between Vendor Evaluation and Market Share

		Vendor Evaluation	Market Share
Vendor Evaluation	Pearson Correlation	1	.699**
	Sig. (2-tailed)		.000
	N	192	192
Market Share	Pearson Correlation	.699**	1
	Sig. (2-tailed)	.000	
	N	192	192

**. Correlation is significant at the 0.01 level (2-tailed).

As shown from the SPSS output on table 3, it can be seen that there is a strong, positive relationship between vendor evaluation and market share. This is indicated in the correlation coefficient of 0.699. Again, the probability value of 0.000 is less than the critical value of 0.05; i.e. 0.000 < 0.05.

Therefore, we reject the null hypothesis that there is no significant relationship between vendor evaluation and market share.

Table 4: Correlation between Vendor Evaluation and Customer Satisfaction

		Vendor Evaluation	Customer Satisfaction
Vendor Evaluation	Pearson Correlation	1	.701**
	Sig. (2-tailed)		.000
	N	192	192
Customer Satisfaction	Pearson Correlation	.701**	1
	Sig. (2-tailed)	.000	
	N	192	192

**. Correlation is significant at the 0.01 level (2-tailed).

From the SPSS output on table 4, it can be seen that there is a strong, positive relationship between vendor evaluation and customers' satisfaction. This is indicated in the correlation coefficient of 0.701. Again, the probability value of 0.000 is less than the critical value of 0.05; i.e. 0.000 < 0.05. Therefore, we reject the null hypothesis that there is no significant relationship between vendor evaluation and customers' satisfaction.

Table 5: Correlation between Vendor Evaluation and Environmental Sustainability

		Vendor Evaluation	Environmental Sustainability
Vendor Evaluation	Pearson Correlation	1	.764**
	Sig. (2-tailed)		.000
	N	192	192
Environmental Sustainability	Pearson Correlation	.764**	1
	Sig. (2-tailed)	.000	
	N	192	192

**. Correlation is significant at the 0.01 level (2-tailed).

From the results of the SPSS output on table 5, it can be seen that there is a strong, positive relationship between vendor evaluation and environmental sustainability. This is indicated in the correlation coefficient; which is 0.764. Again, the probability value is less than the critical value; i.e. 0.000 < 0.05. Therefore, we reject the null hypothesis that there is no significant relationship between vendor evaluation and environmental sustainability.

2.5 Conclusion and recommendations

Based on the findings of this study and the overwhelming consistency with results of similar previous studies, we conclude that vendor relationship management is very important for achieving business performance of independent petroleum marketers in Rivers State. Furthermore, competition among marketers in the industry strongly influences their drive in creating and maintaining effective relationship with vendors so that they can provide superior value for business performance. The study recommended that Independent petroleum marketers in Rivers State should properly identify and choose among the plethora of vendors those that have the capacity to deliver the quality of products at the right time and price.

REFERENCES

Ateke, B. W., & Nwulu, C. S. (2017). Brand value and marketing wellness of deposit money banks. *European Journal of Management and Marketing Studies*, 2(2), 87-102.

Athanasoglou, P. P., Sophocles, N. B., & Matthaios D. D. (2005). Bank-specific, industry-specific and macroeconomic determinants of bank profitability. *Bank of Greece Working Paper*, No. 25.

Bell, D. E., Keeney, R. L., & little, J. D. C. (2008). A Market share theorem. *Journal of Marketing Research*, 12(2), 10-17.

Cheng, Z. (2009). *Value-based management of supplier*. Lohmar: BoD – Books on Demand.

Day, E. H. (2014). Towards some operational principles of sustainable development. *Ecology Economics, 2(4), 1-6.*

Fornell, C., Johnson, D.M., Anderson, W. E., Cha, J., & Bryant, E. B. (2017). The American customer satisfaction index: Nature, purpose, and findings. *Journal of Marketing*, 4.

Gunasekaran, A. H., Williams, J., & McCanghey, R. E. (2005). Performance measurement and costing system in new enterprise. *Technovation*, 25(5), 523-534.

Hill, N., Brierley, J., & MacDougall, R. (2003). *How to measure customer satisfaction?* USA: Gower Publishing Ltd.

Humphreys. (2003). The impact of supplier development on buyer–supplier performance. *International Journal of Management Science, 32, 131-143.*

Justus, K. M. & Barrack, O. (2016). Effects of supplier evaluation on procurement performance of public universities in Kenya. *International Journal of Economics, Finance and Management Sciences*, 4(3), 98-106.

Kiarie, J. W. (2017). *The Influence of supplier relationship management practices on operational performance of large manufacturing organizations in Kenya.* (Published Masters Dissertation), Strathmore University.

Kim, W., & Mauborgne, R. (2005). *Blue ocean strategy: How to create uncontested* *market space and make the competition irrelevant*. Boston, Massachusetts: Harvard Business School Press.

Kotler, P. & Armstong, G.(2008). Principles of Marketing 14th edition. Edinburgh Gate, Harlow, Essex CM20 2JE England: Pearson Education Limited.

Kurniawan, S., & Septiadi, P. (2016). The influence of business partnership and competitive strategy on business performance of Recreation Park services industry in West Java, Indonesia. *International Journal of Scientific & Technology Research,* 5(2), 109 – 115.

Lee, C. W., Kwon, I. G. & Severance, D. (2007). Relationship between supply chain performance and degree of linkage among supplier, internal integration and customer. *Supply Chain Management International Journal*, *12, 444-452.*

Maram, R., Merihan, M., Sarah, H., Sara, E., & Lobna, H. (2015). Investigating the impact of suppliers relationship management on firms' performance: A multiple case study approach on manufacturing companies in Egypt. *Proceedings of the 2015 International Conference on Operations Excellence and Service Engineering Orlando, Florida, USA.*

Matopoulos, A., Vlachopoulou, M. & Manthou, V. (2009). Electronic integration of supply chain operations: context, evolution and practices. In Dwivedi, A. & Butcher, T. (Eds), *Supply Chain Management and Knowledge Management: Integrating Critical Perspectives in Theory and Practices*, (pp. 217-31). Palgrave Macmillan, London.

Nickels, G., McHugh, J.M., & McHugh, S. M. (2011). *Understanding business*. 9th Edition. New York: Irwin McGraw-Hill.

Nwokah, N. G., & Gladson-Nwokah, J. (2015). Impact of social network on customer acquisition in the banking industry in Nigeria. *Information and Knowledge Management, 5(5), 150-163.*

Oliver, R.L. (1999). Whence consumer loyalty. *Journal of Marketing*. 63, 33-44

Reicheld, Z., & Sasser, N. (2010). Enhancing customer retention through relationship marketing. *Journal of Marketing,* 6 (11), 121-126.

Richard, D. (2009). Measuring organizational performance: Toward methodological best practice. *Journal of Management*, 4(2), 19-28.

Yamane, T. (1967). *Statistics: An introductory analysis, 2nd edition*. New York: Harper and Row.