The impact of the rise in private label brands on supplier-retailer relationships

Abstract

The Australian supermarket industry has long been dominated by two players- Coles and Woolworths. In recent years this dominance has increased significantly and the 'Big 2' have been utilizing their power more effectively, resulting in record growth and financial performance. One of the main changes in recent years has been the ever-increasing number of 'private label' products on supermarket shelves. This study has investigated the wide reaching implications of these products on the relationship between Australian supermarkets and their suppliers. This qualitative study used in-depth, high engagement interviews with a range of suppliers. The findings indicate a highly uncertain future for Australian food suppliers, with the situation likely to continue to worsen further as the supermarkets continue to exercise their power. This research has implications for suppliers, marketers, policy makers, and its main contribution lies in providing a greater understanding of the significance of the impact of private labels on the industry.

Keywords: Private label brands; Supply chain; Food retailers; Relationships;

The impact of the rise in private label brands on supplier-retailer relationships

Introduction

The Australian retail market has traditionally been dominated by two players- Coles and Woolworths, both have vast networks of stores, marketing and distribution channels, which have seen their dominance in the $112 billion grocery market continue to grow (Kruger, 2012). As a result of this dominance, suppliers are highly dependent on them in order to maintain a viable operation, especially due to the lack of other alternatives in the highly isolated Australian market (Ferguson, 2012). Coles and Woolworths are marketed as 'full-service' supermarkets, and therefore stock a full range of premium 'branded' products. Although, increasingly shelf space is being taken up by 'private label' brands, currently accounting for 20-25% of total stock for Coles and Woolworths, with this number expected to rapidly increase (Battersby, 2013).

The growth in private label brands may have long-term implications for the future of the Australian grocery industry, especially if suppliers are unable to effectively counteract their effects. Consumers are currently benefiting from the increased competition, with increasingly higher quality private label products being available at a much lower price than branded products (Greenblat 2013). However private label brand growth has a range of potential negative effects for the Australian food industry, such as discouraging the level of innovation as well as jeopardizing the livelihoods of many smaller, independent suppliers, their families and the communities in which they operate.

Private Label Brands

Private label brands are the supermarkets own products, which are sold exclusively on their premises in direct competition with the established 'branded' products. Historically in the Australian market, these products have been predominantly targeting the lower end of the market, with basic packaging and lower quality, resulting in extremely low prices (Williams, 2011). Due to the perception of low quality attached to these products, they did not pose a significant threat to the 'premium' branded products, and were usually only staples such as flour and sugar. However, private labels have evolved significantly in recent years to target the higher end of the market, with Coles and Woolworths now emphasizing their quality, not just their price (Battersby, 2013).

The logic behind the growth of private label brands is the supermarkets' long-term push for complete control and market dominance (Greenblat 2013). Private labels are a form of backward integration, allowing retailers to control the production, packaging and distribution of the products, and giving them preferential shelf positioning and lower price points relative to their 'competitors'. They are used as a form of bargaining power in negotiations with suppliers with supermarket not only a buyer, but also as a competitor (Dalley & Sheftalovich 2012).

Premium private label brands are a relatively recent phenomenon in Australia, but their origins stem from Europe, particularly the United Kingdom, which has a similarly concentrated grocery industry, where the key players utilize private label brands to exert significant amounts of power over their suppliers (Greenblat 2012). Retailers tend to stock a range of "high-equity umbrella brands and sub-branding with multi-tiered offerings and niche lines" (Falgas, 2008). There is widespread consumer acceptance of such products owing to the wide range of offerings.. Some retailers, such as Marks and Spencer consist of 100% private label products, targeting the higher end market (Greenblat, 2012). Tesco, now the biggest supermarket chain in the UK and one of the biggest retailers in the world, used private labels to turn around its business (Williams, 2011).

The rapid growth of private label brands in Australia can be traced back to several events. In late 2007, then struggling Coles was acquired by Wesfarmers (Kruger, 2012), who immediately sought to aggressively turn around the brand against the dominant Woolworths, hiring a management team with significant experience in the European retail market. In the years since, Coles has seen enormous profit growth, with Woolworths remaining just as dominant, with expectations that the combined market share of the two brands could hit 80% in coming years (Kruger, 2012). The impact of this rapid growth has been felt by the suppliers whose profit margins have been diminished by 6% as the profit is transferred from suppliers to retailers (Kruger, 2012).

An example of the recent 'price war' in private label brands was Coles' well-publicized move in early 2011 to offer private label milk for $1 per litre. This saw almost immediate response by rivals Woolworths, and within a year, branded milk sales had slumped by as much as 26% (Cook, 2012). Even though the supermarkets were previously aware of the power of these private label products, this 'milk war' demonstrated just how much power can be leveraged from them, as dairy producers have no choice but to continue supplying milk to the supermarkets, such is their market dominance (Cook, 2012). Another significant factor in the growing acceptance of private label brands in Australia has been the entry of ALDI into the market, with an almost exclusively private label range (Battersby, 2013).

One of the key methods that the supermarkets utilize to push their private label brands is to give them *preferential shelf space*. This results in increased exposure for the supermarket brand, and less for the branded products, with the long-term aim of familiarizing the customer with their offering (Ritson, 2013). The issues related to this are twofold; firstly greater exposure increases the likelihood of consumers purchasing the private label products, secondly less shelf space for branded products means less is stocked by the supermarkets, thus increasing the relative power of supermarkets over suppliers, who are forced to compete for diminishing shelf space.

Leading suppliers will constantly develop and innovate their products in order to gain or maintain an edge in the market. Due to the low involvement levels of consumer decision making in fast moving consumer goods purchases, product innovation is a way to influence these decisions (Noble, 2011). The incentive to invest in innovation, however, is diminished by the private label brands, which are in most cases, ‘copycat products’ (Olsen, 2012)

Although there has been a significant shift in the dynamics within the supermarket industry largely at the detriment of the suppliers, both supermarkets claim that their supplier relationships have never been better. Coles for example have claimed a “dramatic turnaround in Coles’ favorability with suppliers from a poor position in 2008 to a much stronger position in 2012” (Battersby, 2013). Evidence would suggest the suppliers are struggling in the face of increasingly powerful supermarkets. There is a clear need to look in depth at the relationship between the supermarkets and suppliers to determine the impact on suppliers and identify what actions the suppliers are taking to remain in business.

In light of the above discussion, the central research question for this study was:

To what extent has the growth in private label brands in Australian supermarkets impacted buyer-supplier relationships?

The aim of this research was to explore private label brands and their growth in the Australian market and determine the implications of this for now and into the future.

Theoretical underpinnings

In more traditional economic theory, the underlying focus of a business is assessing costs and risks with the aim of producing the greatest returns (Johanson & Vahlne, 2009). Whilst this remains very important, more recently the importance of networks, and the various relationships associated with a firm have been identified as key to business success. One underlying concept that has been developed by the IMP group since the 1980’s is the interaction approach (Ford, 1998, Blomqvist et al. 2002). This approach takes into account a range of key relationship dynamics such as trust, commitment, power, etc., thus focusing on the early stages of the relationship and how dynamics are established. Previous theories such as the transaction cost approach had emphasized a transaction-based model, which focuses on building value through single transactions, a very short-term perspective (Williamson, 1981). The concept behind the interaction approach is that firms can add value through establishing and building these long-term connections over time. This is key to business success as firms have limited resources, which can only be changed slowly and at significant cost, and so traditionally retailers have kept a close set of suppliers as part of a long and fruitful partnership.

Firms once sought to add value to their business gradually from within, but it has become increasingly clear that through placing great importance on interactions with other firms, there is significant potential to do this more effectively (Johanson & Vahlne, 2009). According to Turnbull, Ford and Cunningham (2002) “surplus value is created through the interaction and mutual efforts of the partners”. And so a collaborative, two way relationship adds value to both partners in the network. However, Hingley (2005) and Cox (1999) argue that while this may be a benefit of a relational focus, each partner is actually inherently driven by selfishness, utilizing power in order to create value for themselves through the most effective means possible.

Buyer-supplier relationships exist in many forms, with differing levels of commitment and cooperation. Supermarket-supplier relationships are highly influenced by the fact that there tend to be a few dominant supermarkets, acting as the 'gate-keeper' between producer and consumer (Lang, 2003). Supermarkets have interactions with a vast range of suppliers, most of whom rely on this business in to remain viable. In line with the IMP interaction approach supermarkets have been injecting significant resources into supporting and maintaining long-term supplier relationships with the underlying aim of achieving maximum efficiency (Merrett & Smith 2013). A category management approach has also been utilized, with the supermarkets maintaining closer ties with fewer partners, creating a simpler supply chain and greater economies of scale (Hingley, 2005, Jarvis & Woolven, 1999).

These relationships are inherently unbalanced, meaning it is inevitable that conflict will arise, with the less dominant party usually forced to make concessions (Huemer, 2004). It is vital to not only observe the dynamics within business relationships and networks and how they are maintained, but also to question what causes the end of such relationships. Gedeon, Fearne & Poole (2008), investigate why and how some relationships remain in place, even when it seems they are unworkable. A number of reasons are offered including the lack of sufficient alternatives, which could particularly apply in Australia to both the retailers and suppliers, due to the small size and concentration of the market. There is also the fear of negative repercussions of ending a relationship, related to switching costs, as well as 'voice', mainly in the form of backlash from other parties such as consumers and supplier groups.

It has been widely accepted that trust is a vitally important factor in all business-to-business relationships, even prior to the interaction and relationship based approaches of recent decades (Hingley, 2005; Rotter, 1967). Trust is defined by Morgan & Hunt (1994)… as "existing when one party has confidence in an exchange partners reliability and integrity." Given that buyer-supplier relationships are more often than not unbalanced, it is increasingly questionable whether or not this exists. Kumar (1996), views trust as something that involves dependence, whereby both parties work in tandem for mutual benefit, with "neither acting without first considering the action's impact on the other" (p95). For supermarkets and their supplier there remains a level of dependence, even in the face of changing levels of power, due to the supermarkets' ongoing demand for reliable and high quality suppliers.

This 'dependence', which forms part of many definitions of trust, is very important in maintaining consistently productive relationships. However, it is important to ensure that this dependence does not lead to opportunistic behavior by the more dominant party in the relationship (Krishnan, Martin & Noorderhaven, 2006). An issue with the study of trust in buyer-supplier relationships is the measurement of trust, as it is largely based on perception (Anderson & Narus, 1990, Nielson, 1998). Even within a particular relationship, there may be different perceptions of trust between the various actors. This relates to the issue of emotion, which is an issue that is often ignored despite the fact that it often plays a significant role, not only at the individual level (Andersen & Kumar, 2006). At a basic level, emotion in networks can vary in frequency in intensity and is relative to the actors' ability to achieve certain goals. Emotions can also have a significant influence on decision-making and negotiation strategies (Carnevale & Isen, 1986, Greenhalgh & Chapman, 1988).

Commitment is another important dynamic in buyer supplier relationships, because at least some level of commitment is necessary for all such relationships to exist. Commitment can come in various forms; from an actor, from investment in time or money, to a willingness to achieve various mutual goals as part of the relationship (Sutton-Brady, 2008). Morgan & Hunt (1994) describe commitment in the context of relationships as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts in maintaining it”. As such, there is a desire to maintain a relationship in the long term, and for it to be as productive and effective as possible (Olsen, 2011, Moorman, Zaltman & Deshpande, 1992). Trust and commitment are highly interrelated concepts, and if together managed effectively, are viewed as extremely beneficial as they are focused far more on a co-operative two way exchange, as opposed to power which is focused on manipulating and “conditioning” of others (Thorelli, 1986, Morgan & Hunt, 1994).

Power has an ever present role in influencing buyer-supplier relationships, regardless of whether this is inherently visible or not, because very few relationships are perfectly power balanced. Beethan (1991)’s definition of power “the ability of some actors to force others to do what they would not themselves choose to do”, encompasses exactly why it is such an important factor in network relationships, and why the power structures of a particular relationship can help or hinder the relevant actors in a significant way. All networks have inherent power structures within them, often balancing the conflicting interests of the actors (Olsen, 2011).

Meehan and Wright (2012) propose a multi-dimensional view of power, whereby power arises from multiple sources within various categories (organizational, individual and relational) and this power is viewed as a ‘property’ of the organization (Cox, 1999, Sanderson, 2004). Organizational takes into account factors such as the market environment and commercial attractiveness. The Australian retail market would be an example of this, with the market situation presenting Coles and Woolworths with significant amounts of organizational power. Individual power includes the knowledge, skills and profile of actors within a particular organization or network, whilst relational power represents the power that can arise through network interactions, for example the level of respect, fairness, confidence and motivation to achieve results. Clearly these different types of power are interrelated in their ability to influence a particular relationship.

In recent literature there has been a greater acknowledgement of the influence of power in buyer-supplier network relationships. It is also widely accepted that power is usually asymmetric (Blois, 1997, Hingley, 2005), however, Hingley argues that this is not necessarily a negative thing in the context of such relationships. Legitimacy and prestige often dictate such relationships, usually helping balance out this imbalance of power (Blois, 1997). There is also the issue of the exercising of power, and what influences whether or not a firm utilizes power that it may possess. Firms with a high relationship marketing orientation, who are focused on maintaining the best interests of both parties, are similarly only likely use power for mutual benefit (Zhuang & Zhuang, 2011). This is likely to be non-coercive, for example using reward or informational power in a positive way (Zhuang & Zhuang, 2011). However, firms with less of a relational focus are more likely to exercise the full extent of their power, and this is likely to be in the coercive form, utilizing bullying tactics and creating significant potential for conflict (Zhuang & Zhuang, 2011).

Dependence also plays a significant role with regards to power in buyer supplier relationships. Dependence can be viewed in the context of resources, with the firm that controls critical resources having significant power over the other party who are dependent on these resources (Sutton-Brady, 2001, Pfeffer, 1978). More simply, Emerson (1962), describes power and dependence as being inherently intertwined; "*power resides implicitly in the other's dependency*". This dependence is influenced by two variables- the motivational investment of one party's goals influenced by the other party, and the availability of those goals outside this relationship. This availability is important to consider, especially in the context of the Australian retail market, where alternatives are often not easy to come by, for both the suppliers and the supermarkets.

Methodology

The aim of this study is to understand the impact of private label brands on the dynamics of the relationships between supermarkets and their suppliers. Given that private label brands are a relatively new phenomenon in the Australian market, there is little prior research in this area. It was therefore decided to utilize a qualitative, exploratory approach, as this allowed more in-depth knowledge to be gathered through interviews with suppliers (Gillman 2000). A flexible qualitative approach was considered most appropriate. As opposed to working with few variables and many cases, which is typical of quantitative research, qualitative cases utilize few cases and many variables (Ragin, 1987, Creswell, 1999).

As part of this study, the objective was to speak to individual suppliers to Coles and/or Woolworths, to gain their insights on the impact of private label brands. The reasons for focusing only on the supplier side and not talking to the supermarkets as well were due to issues accessing new and credible information from the supermarkets with their vast PR networks, as well as to gain full and accurate disclosure from suppliers, many of whom are fearful of negative repercussions of speaking about the supermarkets. It is not uncommon in B2B research to focus on only one side of the dyad. Claycomb and Franwick (2008)'s study into buyer-supplier relationship development is an example of a study from a similar topic area that focuses on one side of the relationship, mainly for cost and timing reasons. That study focuses on buyer perspectives, it is a sophisticated study which results have managerial implications for both buyers and suppliers, noting that there is a significant amount to be drawn out of the study from the supplier perspective. Findings had not been so explicit in the past, due to the vastly different perspectives of the two sides of the dyad, which get tied together in a two-sided study.

The primary form of data collection for our study was through formal, semi-structured interviews with suppliers. The reason for the semi-structured format is the potential to learn things about supplier relationships that may not have been previously considered, but at the same time ensuring that the interview does not move far off topic, and a deep understanding is able to be generated from respondents in relation to the aims and objectives of the study (Holstein & Gubrium, 1997). An in depth interview provides a rigorous and 'thick' understanding of another persons experience, which is important given the relational focus of this study (Kvale, 1983). A range of ideas and techniques has been drawn from the McCracken long interview

(1988), which is a widely used method of gaining in depth insight and information through a qualitative approach. It uses a “more efficient and less obtrusive format” than the unstructured “ethnographic” interview, and this is achieved through developing an open-ended questionnaire, but not requiring a process of prolonged involvement, which is unsuitable due to time constraints associated with this study (McCracken, 1988).

The respondents in this study were 6 major suppliers to both Coles and Woolworths, representative of a cross section of packaged grocery suppliers and food processors. Unfortunately because of the need for confidentiality (because of fear of repercussions) we are unable to identify the companies concerned. Indeed we to provide any further information her would risk the companies being easily identifiable and respondents were given assurances, before they agreed to participate, that in no way could they be identified.

On average interviews were conducted for two hours and recordings were subsequently transcribed for coding. Coding was used to draw out from the vast volumes of information key themes, to be used in the analysis stage. A number of themes were drawn from the literature review; others came out through considering each interview in the context of the others. These patterns, known as ‘global themes’ quickly became apparent after analyzing even a small number of interviews (Kvale, 1983). Once the global themes had been identified, they were evolved by referring back to the interview transcripts to gather further information in relation to the theme (Thompson et al. 1989). The following section will discuss the themes that emerged in this study.

Discussion of Findings

As previously mentioned the catalyst for undertaking this study was the rapid growth in private label products and their ever-increasing presence on supermarket shelves. The interviews reveal more in-depth knowledge on the background of this growth in Australia, as well the effects on suppliers and what is being done in order to respond to this significant issue. The underlying driver has been the constant, relentless pursuit of higher margins from any source. Private label brands offer an opportunity to achieve this, as it allows the supermarket to retain control over the product, and feature the supermarkets own branding on the packaging (Merrett & Smith, 2013). Furthermore, the growth of private labels on supermarket shelves has come almost exclusively at the expense of the existing range of branded products.

"They needed a solution to this brand fuzz, and they realised that one option was to offer brands that offered them higher margin that were their own brands- private label" (Supplier B)

Private label branding has become so sophisticated that many private label products resemble actual branded products in appearance. This is particularly common in the alcohol category, where the supermarkets purchased wineries in order to provide more credibility to their product. In some cases, it can be very difficult to determine whether a certain product is private label or not. This technique can potentially drive more and more consumers to purchase private label products. Overall, there is a belief amongst the suppliers that private labels are going to become more and more prevalent on the shelves in Australian supermarkets, and this is going to make life more and more difficult in an already cut-throat market.

"Whether I'm telling you the truth or not, or whether this is alarmist rubbish- we'd have to come back in 10 years time, but I see the industry totally reshaping as a result of private labels and what supermarkets can do with them" (Supplier C)

Supermarket Tactics used against suppliers

In their negotiations with suppliers, the supermarkets use a number of tactics to gouge further margins or concessions from the suppliers. Although aware of this, there is very little that can be done. One such tactic is 'cliffing', where the supermarkets simply try to push the suppliers as far as they can go, forcing them to constantly negotiate and re-negotiate terms to keep their product on the shelves. Suppliers are living in constant fear of cliffing knowing that the supermarkets could return to negotiate further at any time, even after an agreement had already been reached.

"there's the strategy of cliffing, where they push suppliers to their absolute brink, and that goes on every day" (Supplier C)

"suppliers are asked to stand at the edge of a cliff and agree to certain discounts and if they don't, they are told to look over the cliff and see if they like that better" (Ferguson 2012)

Another tactic is 'ranging', whereby supermarkets threaten to take a pre-determined list of products off the shelves, potentially almost all of a particular brands range, placing them on a possible deletion list, which is used for inventory control. This sends a clear message to suppliers that the supermarkets are serious, forcing them to make concessions immediately or face deletion.

"[In the first few years of life] We didn't have the sword of Damocles around margin and the private label products to be compared to" (Supplier A)

There is also a number of more emotion driven tactics, which the suppliers have experienced in their dealings with suppliers. One is constant changes in the buying team that deals with a particular supplier, to ensure that the two parties do not become too familiar with one another, often from a completely unrelated product area. This aligns with Claycomb & Franwick (2010)'s assertion that uncertainty greatly influences the level of social bond within a relationship.

"They are constantly trying to keep you guessing" (Supplier F)

Another emotion driven tactic the supermarkets use is to put the suppliers on a "relationship roller coaster", where they have one supplier that is on good terms at a certain point in time, which sees a workable relationship and effective negotiations take place. Meanwhile, the other major suppliers are deliberately in the 'dog-house', as they are more likely in this position to make concessions to the supermarkets in order to gain better treatment as one of the preferential suppliers.

"Its just pathetic. Its like a relationship rollercoaster" (Supplier B)

Supplier Consolidation

There is a clear acceptance amongst the suppliers that the supermarkets are looking to consolidate their supplier bases even further into the future. This consolidation aims to increase the supermarkets efficiency through buying a larger volume of stock from a smaller pool of suppliers. One supplier described the supermarkets behavior as “ringbarking”, whereby the two or three core branded products are surrounded by the private label products. Suppliers are constantly being forced to compete for diminishing shelf space, meaning the suppliers that are not market leaders must accept significantly reduced margins in order to remain on the shelves, creating a vicious cycle which is clearly not viable in the long term for most suppliers.

"…all the other brands [outside of 1 and 2] have been road kill" (Supplier B)

“Whoever gives me the lowest price, wins. They basically kicked three brands out and kept two” (Supplier A)

"Fewer suppliers, more focused around core categories, operating globally- because that’s what the retailers are going to force" (Supplier B)

Suppliers expect that, as the supermarkets continue to stamp their dominance on the Australian market, growing private label brands in terms of shelf space as well as in the minds of the consumer, the number of brands will continue to diminish, and the suppliers will be reduced more and more over time, edging closer and closer to the ALDI model. Supermarkets are moving to signing suppliers to exclusive contracts where their product is sold only in their stores. Whilst this can benefit the suppliers through edging out the other suppliers in terms of shelf space, it can result in significant uncertainty and lack of control on behalf of the supplier.

"Their perfect model- they would never admit this, is that a producer is entirely dependent on the one retailer" (Supplier C)

In the face of the growing negative publicity related to supermarket treatment of suppliers, the supermarkets are also signing exclusive agreements with farmers, with the aim of leveraging the marketing potential of this and consolidating its supplier base. Coles has done this through its agreement with the Murray-Goulburn to become their exclusive milk supplier, meaning that Coles purchase and stock their Devondale branded milk and associated dairy products directly from the farmers (Smith, 2013). This can be seen as a positive for these farmers, cutting out the middle man, but also provides more control to the supermarkets over their supply chain. Due to the nature of the Australian dairy market with the $1 milk wars, the farmers’ co-op face very few alternatives to becoming Coles’ exclusive supplier, effectively giving into their demands.

“These milk suppliers are completely stuck between a rock and a hard place” (Supplier B)

"Coles is to cut out foreign-owned suppliers and source milk directly from farmers. The move is partly in response to criticism that Australia's supermarket duopoly has too much pricing power." (Smith 2013)

Supplier Business Model

Australian suppliers have always faced significant issues in maintaining a viable business model, primarily as a result of the significantly higher average cost of labour compared to the majority of economies globally. As a result of this, many suppliers, particularly the larger ones, have made major investments in capital, helping to keep labour requirements to a minimum. However, these large-scale investments are non transferable, and as such, significant volume is required in order to achieve sufficient economies of scale and maintain return on investment. It is vital that suppliers with these significant overheads remain on the shelves of both Coles and Woolworths, otherwise it is nearly impossible to maintain their volumes. The increasing prevalence of private label brands has made this more and more difficult to achieve, as the supermarkets look to remove all but the leading brands. Given many suppliers have virtually no right of reply if the supermarkets choose to delete their products, there is potential for volume to be diminished enormously in a very short space of time if one of the supermarkets chooses to delete a certain branded product line.

"The labor costs here mean we are always going to struggle to remain competitive in the long run" (Supplier F)

Given the lack of alternative buyers in the Australian market, as well as the lack of alternative markets to shift capacity to, suppliers are increasingly finding themselves with very little choice but to utilize excess volume to produce product to be sold in the supermarkets under a private label, in order to achieve adequate return on investment. Larger suppliers will sometimes find themselves with capacity shortfalls, so can benefit from private labels through using them as a short-term solution to make up for this.

"If we have some spare capacity to fill, we have not much choice but to produce private label" (Supplier C)

However, producing private label product is often not simply a matter of making up a capacity shortfall, it is often a make or break decision for suppliers. Some of the smaller suppliers have been given an ultimatum to either divert all production to producing private label stock under the supermarkets own terms, or face complete deletion and thus go out of business.

Power and Dependence

Power emerged as the most significant influence on the changing nature of the supermarket supplier relationships. It is clear that the supermarkets are using, and in many cases abusing their power in order to increase their stranglehold over the Australian grocery market. The term "owning the consumer" was used to describe the supermarkets long-term goal, with the primary victims of this strategy, at least in the short term, the suppliers. What is also clear, in line with Meehan and Wright (2012), is that the supermarkets increasingly view the enormous amounts of power as an organizational ‘property’, which is important to protect and grow through leveraging it as much as possible, particularly in their interactions with suppliers.

"The supermarkets are using private label brands to increase their power and own the consumer" (Supplier D)

However, the power imbalance has taken a significant step forward in recent years, with new buying teams brought in from Europe putting significantly more pressure on the suppliers, with the aim of gouging them to their full potential. These buyers are rewarded by the supermarkets for their ability to squeeze the best possible margins out of the suppliers, meaning that they have individual motivation to use whatever tactics possible to succeed in their negotiations. This is not isolated to the smaller suppliers alone, with even major multinational suppliers being forced to make concessions in order to maintain their presence in the two main supermarkets. This contrasts the argument presented by Blois (1997) that prestige can often help to even out asymmetric buyer-supplier relationships.

“Perhaps the retailers are sensing weakness now that they are willing to publicly call to account major suppliers such as Coca-Cola and Unilever “(Whyte 2013)

This ability to exercise this power over even the largest of suppliers has come about as the supermarkets have realized what a unique situation the Australian market is in due to the heavy concentration of the market, and this could be used to make already extremely profitable businesses even more profitable and dominant. In 2009, Coles brought in a completely new management team led by Ian McLeod . It was formed mainly of managers from the UK, who had previously been involved in the transformation of that market. This is highlighted by the rapid growth of Tescos, which has primarily utilized a private label strategy to become the biggest grocery retailer in the UK. They have been able to fine tune their negotiation strategy to use techniques which have proven successful in more developed markets, which combined with their existing market position has enabled them unprecedented levels of power in their interactions with suppliers.

“I don't think they're behaving any differently to how anyone would behave if they had that level of power and ability to negotiate" (Supplier A)

"They are basically the most profitable supermarkets in the world" (Supplier B)

The power position has ultimately led to a dependence of the suppliers on the two major supermarkets. The suppliers cannot afford to lose the business of either one of the retailers. This dependency has an enormous influence on the respective parties levels of power, causing the disparity to widen further and further, with this increasingly apparent in negotiations with the supermarkets forcing suppliers to make larger concessions. This is in line with Emerson (1962)’s view that power and dependency are inherently intertwined, with one of the variables influencing this being the availability of alternatives (in this case alternative buyers outside the relationship).

"You just can’t afford to lose either of them" (Supplier E)

Trust

Trust is acknowledged widely as one of the most important factors in facilitating business relationships. With regard to Australian supermarket-supplier relationships, there is a universal agreement amongst suppliers that this trust landscape has changed dramatically. In the past, although most suppliers were still wary of the power of the supermarkets and skeptical of their commitment, there was a mutual understanding that both parties wanted to achieve a positive outcome. However, with the growth in supermarket power as well as the growing consumer acceptance of private label brands, there is no longer the same mutual benefit to the supermarkets of maintaining balanced relationships with the suppliers, and this has occurred at the expense of trust.

"Previously the supermarkets were reasonable- if the brand was performing crap then they would drop it" (Supplier D)

The result of this shift has meant the supermarkets are increasingly unpredictable in their behavior towards the suppliers, who in return do not trust them. The relationship has changed to the point where suppliers no longer have any trust in the supermarkets, and even expect that previously agreed terms may change with no input from them. If the suppliers sense that the supermarkets are going to attempt to renegotiate, they attempt to put off this conversation for as long as possible. On the other hand, in the eyes of the supplier, the supermarkets no longer value trust in their relationships and so are able to use their power to achieve an outcome far superior than when they were working collaboratively with the suppliers.

"They are going to keep coming back to gouge you further because they know they can get away with it" (Supplier C)

Universally, the suppliers consider the actions of the supermarkets to be "unconscionable conduct" in breach of the law, however, such is the power of the supermarkets in these negotiation situations, through market share, the skill of the buyers and the threat of growing their private label brands, that the suppliers often have no choice but to submit to these last minute demands. The Australian Consumer and Consumer Commission has recently addressed concern regarding this behavior, and it is currently under investigation (ACCC 2013).

"First, a concern that the major supermarkets may have engaged in unconscionable conduct in their dealings with their suppliers including, for example, by unilaterally deducting amounts due to suppliers, contrary to the relevant supply contracts" (ACCC 2013)

Commitment

It has also become clear that the commitment landscape has evolved to the point where the suppliers no longer feel the supermarkets have any commitment to the relationship. Morgan & Hunt (1994)'s definition describing commitment as where "an exchange partner believes that an ongoing relationship with another is so important as to warrant maximum efforts in maintaining it", clearly no longer applies in the eyes of the supplier, with the supermarkets seemingly going to no effort whatsoever to maintain productive relationships. Moorman et al. (1993) emphasize a long-term outlook from both parties as an integral aspect of commitment. With the supermarkets looking to renegotiate contracts constantly, they no longer have any long-term commitment, and are far more willing to drop brands without any concern for the supplier.

"It was a partnership, but is no longer a partnership" (Supplier D)

With regard to the different types of commitment as discussed by Sharma et al. (2001), the most prevalent factor in Australian supermarket-supplier relationships has been cognitive, where commitment is formed based on financial gains or losses associated with continuing the relationship or ending it. The supermarkets are now in a position both in terms of market power and financial standing where they can afford to cut suppliers and switch to others on the basis of the best offer that they receive. The only way suppliers are able to receive any form of significant commitment from the supermarkets is through making additional concessions.

"You scratch my back, ill scratch yours" (Supplier B)

Political-Legal

It is widely accepted that the supermarkets behavior of making demands outside of their pre-existing agreement is unethical, however its' legal standing has long been debated. There have been a number of ACCC investigations into the conduct of supermarkets in recent years, most notably the 2008 report, which found that "*the level of concentration in the Australian market, although not optimal, is not an uncompetitive level*". Many suppliers see this as the missed opportunity to curb supermarket power in Australia.

"ACCC missed the $100 million case- the supermarkets should have been stopped at 30% market share each" (Supplier D)

The ACCC, in the wake of the recent 'milk wars', has reopened its' investigation, seeking suppliers to come forward and make statements regarding their dealings with the supermarkets. However, suppliers are so fearful of negative repercussions and potentially losing business that they are unlikely to express their grievances to anyone, including the ACCC or supermarket management. This lack of action from suppliers in speaking out means government intervention is unlikely in the near future. Furthermore, the supermarkets also have legal teams with enormous resources to fight any challenge that may arise from a supplier, ruling this out as a means of fighting back as well.

"Suppliers are treading very carefully in going public about the supermarkets- its just too risky" (Supplier F)

"I don't have any faith whatsoever that the regulators will control the behaviors in supermarkets at all" (Supplier C)

There are also significant worries in the supplier community regarding the Australian government, and its lack of action in the past decade, allowing the retail sector to become so heavily dominated by the two major players. There is a common belief amongst suppliers that the only way to stop the "*death roll of the Australian food industry*" (Supplier D), is for the government to intervene, and force a divestiture by the supermarkets to around 25-30% market share. The obvious impact of this would result in about half of the Australian market opening up to new players, which would change the face of supplier relationships completely. Despite the widely shared belief that the supermarkets market share is getting out of control, it is also widely accepted that no action will be undertaken in the near future, primarily due to that this is not a populist issue.

"The only way to resolve this situation is for the government to intervene and force divestiture, but the government doesn't have the balls" (Supplier D)

Whilst consumers benefit from the current situation in terms of lower prices, they do not see the significant issue with the supermarket duopoly at the present time, several of the suppliers interviewed believe that in 5 to 10 years, the greater impact of the supermarkets strategy will be more evident, when the Australian food industry 'collapses' and the wider reaching effects are felt.

"*My view is, unless we realize that we need unique regulation that reflects our unique geography and market structure, things will get much worse for everyone" (Supplier B)*

Private Label Dominance

Another issue where some suppliers believe government intervention should occur is in response to the sheer volume of private label stock on supermarket shelves.. Outside the vast impact this has on the suppliers, it can also be seen as limiting consumer choice, especially because Coles and Woolworths are the only two full service supermarket chains. This issue was considered in the 2008 ACCC but it found that there was an underlying benefit to consumers as a result of private label products.

"The ACCC considers that the introduction of a private label product at a lower price point to existing comparable proprietary brands offers consumers additional choice and is pro-competitive, all other things being equal" (ACCC 2008)

In the years since this report was published, the situation has clearly evolved significantly, predominantly to the detriment of suppliers. The ACCC is investigating this once again as part of their ongoing investigation of the supermarkets. However, there are a number of obstacles blocking reform. Most significantly, the presence of ALDI, who have been allowed to enter the Australian market with nearly a 100% private label product range, thus setting a precedent for other market players to follow.

"The government can't introduce any cap on private labels, due to the presence of ALDI, which is nearly 100% private label" (Supplier D)

Innovation

A significant recurring theme that came from the interviews is the impact that the behavior of the supermarkets, specifically related to private label products is having on the level of innovation in the Australian market. In the past, innovation was key to maintaining successful business with the supermarkets, as the primary negotiated term between the two parties was sales performance, meaning a strong performing product was unlikely to be deleted from the shelves. In the present climate, some suppliers, particularly the less mature ones are still making efforts to innovate. They are fearful of being copied completely by the supermarkets, sometimes before the original product has even made it to the shelves. This is an issue that some suppliers have raised with the ACCC, however it is a very difficult issue to control and enforce, meaning more suppliers are taking the conservative option of scaling back innovation in the Australian market.

"But its an interesting dynamic at the moment, because as we bring new products to the market, the retailers are copying them and putting in their own private label" (Supplier A)

In the future, the only source of innovation in Australian supermarkets may be from the larger multinational suppliers who are able to develop new products and technologies in markets where it remains viable to do so. As such, at least in the short term, the consumer will still benefit, however the lack of development and growth from the Australian food suppliers will have longer term flow on effects.

"Overseas companies are able to innovate overseas and bring to Australia, so will be ok" (Supplier D)

Conclusions, implications and future research

The results support the proposition that the intense level of concentration in the Australian supermarket industry has wide ranging effects on supplier-retailer relationships. Furthermore, the sheer geographical size of Australia means that in some product categories it is simply not possible to produce in one area and distribute for sale in another area, for example milk, which faces significant logistical challenges not relevant in smaller and less geographically diverse countries such as the UK. The other significant geographic issue, which makes the Australian supermarket landscape unique is its' isolation, meaning that there are a lack of alternative markets for suppliers as well as consumers to turn to. As such, whilst some European countries have a high concentration of supermarket players, suppliers have the option to enter countless other neighboring countries to seek a better deal, or simply to achieve greater economies of scale. There is not such a dependence on the major players in ones own country.

A notable finding of this study has been that Australian suppliers are constantly trying to find ways to reduce their labor costs, which are extremely high on a global scale, often making significant long-term investments in capital, which automate production, as much as possible. However, this has lead to the issue whereby suppliers are stuck with these long-term capital investments, with capacity that must be filled in the Australian market. Furthermore, the geographic isolation already discussed makes it impossible to feasibly produce in another country nearby where labor costs are lower, which is possible in Europe. The lack of transferability of this capital, as well as the lack of ability to adapt to demand means that the major supermarkets are able force them to take smaller margins and produce private label stock in order to fill their capacity and achieve economies of scale.

A key contribution of this study has been to highlight the ability of supermarket chains to increase existing dominance by utilising their ever-increasing private label brand portfolio. Having established themselves as dominant players in the market, they have been able to use the private label brands to grow their power further. This is inline with what occurred in the UK and Europe ten years prior, however the uniqueness of the Australian market has meant the effect of this has been far greater. The underlying dependence of suppliers on the two main supermarkets has meant that Coles and Woolworths are able to use private labels as a threat to gain concessions, with the suppliers forced to give in, as there is no viable alternative. Clearly, the supermarkets have utilised the suppliers' dependence on them to engage in 'opportunistic behaviour', which is seen by Krishnan et al. (2006) as an impediment to workable relationships where some level of dependence exists. As such, private labels, while not the direct cause of supermarket growth and increasingly dominant market position, are allowing the supermarkets to operate a more efficient and profitable business. This dominance is allowing them to increasingly exercise their power over suppliers at the negotiating table.

A further contribution of this study is the extent to which private labels have changed these relationships to a point where there is barely any trust or commitment between the two parties. What was once a somewhat unbalanced but effective relationship dynamic, in line with those discussed by Kumar (1996) and Olsen (2011), has become a one-way street with the supermarkets abusing their power, completely eliminating any workable relationship that may have previously existed. This complete lack of trust, with neither party willing to share any genuine information with the other supports Huemer (2004) and Zaheer et al. (1998) view that mutual understanding is required for trust to be maintained in a relationship.

A vital contribution of this paper is the fact that without political intervention, the situation is highly unlikely to ever improve. Australia's political situation has been unstable for a number of years now, with changes in government and party leaders. Although the recent change of government should create some stability, the three year political cycle means that it can be extremely difficult for significant legislation to be implemented. Australian consumers, at least for the time being, are experiencing lower prices and are not suffering at the hands of the supermarkets, meaning that any political challenge against the supermarkets is unlikely to gain the populist vote. Furthermore, the supermarkets have become such powerful players that it is unlikely a politician would be willing to stand up against them, given the influence that they have over so many areas of the Australian economy. The supermarkets power is at such a point that they are able to influence even the government in their behavior, which is the underlying definition of power, according to Beethan (1991).

The immediate implication of these findings is the realization that the suppliers will continue to be gouged, being forced to make concessions in order for their products to not be replaced by private brands. There is already some acceptance of this situation with some suppliers electing to submit and become exclusive private label suppliers, some fighting tooth and nail to maintain some form of a competitive position in the face of the private labels, and others who have effectively given up on the Australian market and are looking overseas. The number of Australian food suppliers will continue to diminish, as most have very few options if they lose the business of the Big 2 supermarkets. In the long term, many suppliers believe that if the supermarkets are allowed to emulate what has occurred in the UK and Europe, this will represent the death of the Australian food industry. Innovation will continue to diminish and will solely come about from multinational suppliers who have innovated for another market overseas. Even these multinational suppliers will be placed under significant pressure, particularly in product areas where they are not the market leader, as the supermarkets continue to consolidate to only a small selection of core branded products.

Limitations and Future Directions

One of the most significant limitations of this study has been its one-sided nature, with only the suppliers interviewed. This was necessary due to the difficulty in accessing the supermarkets, and the perceived lack of insight that they would provide with regards to their dealings with suppliers. The assurance that we were not speaking to the supermarkets ensured that suppliers interviewed were more willing to talk and disclose insightful information. Confidentiality was essential in gaining in depth and genuine insight, and is again related to the fear of repercussions from the supermarkets.

There are a number of potential areas for future research based on the outcomes of this research. A study with less time constraints could look into the other side of the relationship, considering the supermarket perspective. However, given the market situation and power of the supermarkets, gaining accurate and in depth information may be difficult. With the increasing prevalence of suppliers being dedicated private label producers, a study speaking to a range of these suppliers may result in significant insight. A comparative study into different product areas to determine if significant differences exist in supplier relationships with supermarkets could also be carried out.

Furthermore, this is a topic area that is constantly evolving, with new developments becoming public in the press every few days. As such, a study looking at the supermarkets foray into different business areas in the Australian market, for example pharmacies, which are expected to be the next target of Coles and Woolworths, could be carried out (Whyte 2013). Finally, as the market share and profitability of the Australian supermarkets continues to grow into the future, there is potential that, should exchange rates fall, a dominant multinational retailer such as Wal-Mart or Carrefour could purchase one of the chains. This is a significant area for future research as this has the potential to completely change the industry landscape once again, as it would give the retailers a global supply network with which to leverage to their advantage.

References

Australian Competition and Consumer Commission (2008). *Report of the ACCC inquiry into the competitiveness of retail prices for standard groceries*. Canberra: Commonwealth of Australia, July. <http://www.accc.gov.au/publications/report-of-the-accc-inquiry-into-the-competitiveness-of-retail-prices-for-standard-groceries-july-2008

Andersen, P & Kumar, R. (2006) Emotions, trust and relationship development in business relationships: A conceptual model for buyer-seller dyads. *Industrial Marketing Management*, 35, 522-535.

Anderson, J & Narus, J. (1990) A model of distributor firms and manufacturer firm working partnerships. *Journal of Marketing*, 54, 42-58.

Battersby, L. (2013) Suppliers rate Aldi above Coles and Woolworths. Sydney Morning Herald, 5 March < http://www.smh.com.au/business/suppliers-rate-aldi-above-woolworths-and-coles-20130305-2fidz.html>

Beethan, D (1991) *The Legitimation of Power.* Macmillan, London

Blois, K. (1997) Are Business-to-business relationships inherently unstable? *Journal of Marketing Management*, 12, 5, 367-382.

Blois, K. (2008) *The Legitimation of Power in Business-to-Business relationships.* University of Oxford, June.

Blomqvist, K, Tikkanen, J & Moller, K. (2002) *Partnering in the High-Velocity Environment- Is the Interaction Theory Valid Approach?* 18th Annual IMP Conference, at Dijon, 5 September.

Carnevale, P & Isen, A. (1986) The influence of positive affect and visual access on the discovery of integrative solutions in bilateral negotiations. *Organizational Behaviour and Human Decision Processes*, 37, 1-13.

Claycomb, C & Franwick, G. (2008) Buyer's perspectives of buyer-seller relationship development. *Industrial Marketing Management*, 39, 252-263

Cook, H (2012) Skimming the Dairy Farmer dry. S*ydney Morning Herald*, 21 January < http://www.smh.com.au/business/skimming-the-dairy-farmer-dry-20120120-1qach.html>

Cox, A (1999) Power, value and supply chain management. *Supply Chain Management: An International Journal*, 4, 4, 167-175.

Creswell, J. (1998) *Qualitative Inquiry and Research Design: Choosing Among Five* Traditions. Sage, Thousand Oaks.

Dalley, E & Sheftalovich, Z. (2012) Choice Supermarket Special. *CHOICE*, 6 July < http://www.choice.com.au/reviews-and-tests/food-and-health/food-and-drink/supermarkets/supermarket-private-labels-and-homebrand-products.aspx>

Emerson, R. (1962) Power-Dependence Relations. *American Sociological Association*, 27, 1, 31-41.

Falgas, P. (2008) *Branded and private label trends in European grocery markets.* Report on 4th Annual Symposium on Retail Competition, at Oxford, 20 May

Ferguson, A. (2012) The all-consuming market for markets *The Ag*e, 28 July < http://www.theage.com.au/business/the-allconsuming-market-for-markets-20120727-22zz6.html>

Ford, D. (1998) Two Decades of Interaction, Relationships and Networks. In: *Network Dynamics in International Marketing*, Naude, Ṕ and Turnbull, P, Pergamon, Oxford.

Gedeon, I, Fearne, A & Poole, N. (2008) *Business Relationship Dissolution: Empirical Insights from UK Supermarket Supply Chains***.** 24th Annual IMP Conference, at Uppsala, 4 September.

Gillman, B. (2000) *The Research interview.* Continuum, London

Greenblat, E (2012a) Coles defends rise in private labels. *Sydney Morning Herald*, 30 May < http://www.smh.com.au/business/coles-defends-rise-in-private-labels-20120530-1zj4s.html>

Greenblat, E. (2012b) Tesco boss warns locals of limits to private labels. *Sydney Morning Herald*, 1 June < http://www.smh.com.au/business/tesco-boss-warns-locals-of-limits-to-private-labels-20120531-1zksd.html#>

Greenblat, E (2013a) Customers before suppliers, says Woolies boss. *Sydney Morning Herald*, 28 February http://www.smh.com.au/business/retail/customers-before-suppliers-says-woolies-boss-20130228-2f7z0.html

Greenblat, E. (2013b) Woolworths goes local to blunt supplier critics. T*he Age*, 16 September < http://www.theage.com.au/business/woolworths-goes-local-to-blunt-supplier-critics-20130915-2tsrq.html>

Greenblat, E & Battersby, L. (2013c) Predatory Behaviour? Investigation at Coles. S*ydney Morning Herald*, 14 February http://www.smh.com.au/business/predatory-behaviour-investigation-at-coles-20130214-2eev4.html

Greenhalgh, L & Chapmen, D. (1998) Negotiator relationships: Construct measurement and demonstration of their impact on the process and outcomes of negotiation. *Group Decision and Negotiatio*n, 7, 6, 465-489.

Hingley, M. (2005) Power to all our friends? Living with imbalance in supplier-retailer relationships. *Industrial Marketing Management*, 34,848-858.

Holstein, J & Gubrium, J. (1997) *The New Language of Qualitative Method.* Oxford University Press, London

Huemer, L (2004) Balancing between stability and variety: Identity and trust trade-offs in networks. *Industrial Marketing Management*, 33, 251-259.

Jarvis, M & Woolven, J. (1999) *Category Management in Action*. IGD Business Publications, Watford.

Johanson, J & Vahlne, J. (2009) The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40, 1411-1431.

Krishnan, R, Martin, X & Noorderhaven, N. (2006) When does trust matter to alliance performance? *The Academy of Management Journa*l, 49, 894-917.

Kruger, C. (2012) Coles, Woolies turn screw on competitors. *Sydney Morning Herald,* 3 November < http://www.smh.com.au/business/coles-woolies-turn-the-screw-on-competitors-20121102-28p7p.html>

Kruger, C & Greenblat, E. (2012) Suppliers count the cost as Woolies and Coles shoot it out over prices. S*ydney Morning Herald*, 21 April < http://www.smh.com.au/business/suppliers-count-the-cost-as-woolies-and-coles-shoot-it-out-over-prices-20120420-1xcfl.html>

Kumar, N (1996) The Power of Trust in Manufacturer-Retailer relationships. *Harvard Business Review*, 74, 92-106.

Kvale, S. (1983) The qualitative research interview: A phenomenological and a hermeneutical mode of understanding. *Journal of Phenomenological Psychology*, 14, 171-196.

Lang, T (2003) Food industrialization and food power: Implications for food governance. *Development Policy Review*, 21, 5-6, 555-568.

McCracken, G. (1988) *The Long Interview*, Sage, London.

Merrett, A & Smith, R. (2013) *The Australian Grocery Sector: Structurally Irredeemable?* Supermarket Power in Australia Symposium, at Melbourne, 1 August.

Moorman, C, Deshpande, R & Zaltman, G. (1993) Factors affecting trust in market research relationships. *Journal of Marketing*,57, 81-101.

Morgan, R & Hunt, S. (1994) The Commitment-Trust Theory of Relationship Marketing. *American Marketing Association,* 58, 3, 20-38.

Nielson, C. (1998) An empirical examination of the role of "closeness" in industrial buyer–seller relationships. *European Journal of Marketing*, 32, 5/6, 441-463.

Noble, R. (2011)*The Economic Benefits of Private Labels*. Report on 7th Annual Symposium on Retail Competition, at Oxford, 3 June

Olsen, P. (2011) Knowledge, Transparency and Power in Business Networks. *The IMP Journal*, 5, 2, 94-106.

Pfeffer, J. (1978) *The external control of organizations: A resource dependence perspective*, Harper & Row, New York.

Ragin, C. (1987) *The Comparative Method: Moving beyond qualitative and quantitative strategies.* University of California Press

Ritson, M. (2013) Fonterra sacrifices brands to survive in the private label slaughterhouse. *Business Review Weekly*, 3 April <http://www.smh.com.au/business/coles-woolies-turn-the-screw-on-competitors-20121102-28p7p.html>

Rotter, J. (1967) A new scale for the measurement of interpersonal trust. *Journal of Personality and Social Psychology*, 35, 651-667.

Sanderson, J. (2004) Opportunity and constraint in business-to-business relationships: Insights from strategic choice and zones of manoeuvre. *Supply Chain Management: An International Journal*, 9, 5, 392-401.

Sharma, N, Young, L & Wilkinson, I. (2001) *The Structure of Relationship Commitment in Interfirm Relationships*, 17th Annual IMP Conference, at Oslo

Smith, M. (2013) Cold comfort for retailers as polls loom. *Australian Financial Review*, 15 June <http://www.afr.com/p/business/chanticleer/cold_comfort_for_retailers_as_polls_ltkKNbVuEGPqnhA3PXuIRL

Sutton-Brady, C. (2001) A study of relationship atmosphere in International interfirm relationships. *Unpublished PHD Thesis*.

Sutton-Brady, C. (2008) As time goes by: Examining the paradox of stability and change in business networks. *Journal of Business Research*, 61:9, 968-73

Thompson, C, Locander, W, & Pollio, H. (1989) Putting consumer experience back into consumer research: The philosophy and method of existential phenomenology. *Journal of Consumer Research*, 16, 33-146

Thorelli, H. (1986) Networks: Between markets and hierarchies. *Strategic Management Journal*, 7,1,35-51

Turnbull, P, Ford, D & Cunningham, M. (2002) Interaction, relation- ships and networks in business markets: An evolving perspective. in Ford, D (Ed.) *Understanding business marketing and purchasing*, International Thomson Business Press, London

Whyte, J. (2013a) A Giant food fight breaks out. *Australian Financial Review*, 11 May http://www.afr.com/p/business/sunday/giant_food_fight_breaks_out_XomnEnZxnQnoGLhQlPLmiK

Whyte, S. (2013b) Pharmacies next target of big two, say analysts. *Sydney Morning Herald*, 28 September < http://www.smh.com.au/data-point/pharmacies-next-target-of-big-two-say-analysts-20130927-2ujm0.html>

Williams, R. (2011) Brand Slam: the rise of the generics S*ydney Morning Herald*, 10 April < http://www.smh.com.au/national/brand-slam-the-rise-of-the-generics-20110409-1d8pm.html>

Williamson, O. (1981) The Economics of Organization: The Transaction Cost Approach. *The American Journal of Sociology*, 87, 3, 548-577

Zhuang, G & Zhuang, X. (2011). Impact of Relationship Marketing Orientation on the Exercise of Interfirm Power and Relational Governance in Marketing Channels: Empirical Evidence From China. *Journal of Marketing Channels*, 18, 4, 279-302.