

# **Buyer and Seller Relationships in Malaysia's Dairy Industry**

by

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This thesis is submitted in fulfilment of  
the requirements for the degree of  
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## **Dedication**

*This thesis is dedicated to my family: To my wife, Doreen who has been continually supportive and who has encouraged me throughout my years of study and to my children: Dawson, Daniel and Bridget, who have given me the inspiration to write and to finish this thesis.*

## **Acknowledgement**

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## **Declaration:**

I, Bonaventure Boniface, hereby declare that this thesis contains no material which has been accepted for the award of any other degree in any university or other tertiary institution. This work contains no material previously published or written by another person, except where due reference has been made in the text and is completely written by me.

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### List of publications:

- a) Bonaventure Boniface, Amos Gyau, Randy Stringer and Wendy Umberger. (2010). Building producer loyalty in Malaysia's fresh milk supply chain, *Australasian Agribusiness Review*, Vol 18, 5, pp. 66-84.
- b) Bonaventure Boniface, Amos Gyau and Randy Stinger. (2012). Linking price satisfaction and business performance in Malaysia's dairy industry, *Asia Pacific Journal of Marketing and Logistic*, Vol.24, No.2, pp. 288-304.

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**Abstract:**

This thesis examines buyer and seller relationships between dairy producers and milk buyers in Malaysia. The study investigates the determinants of long-term relationships. While relationship marketing has received considerable attention in many other industry sectors, few studies have addressed the food industry. The existing agri-food studies emphasize long-term relationships, investigating variables such as trust, relationship quality and guanxi networks.

This thesis addresses how buyers and sellers interact and what influences them to engage in longer-term relationships to improve their business performance. The specific research objectives are to investigate: (i) the determinants of relationship quality and its influence towards long-term relationships; (ii) the determinants of trust and its influence towards supplier loyalty; (iii) the influence of price satisfaction dimensions towards loyalty and business performance; (iv) segmentation of producer perceptions of the relationships; and (v) consumers' preferences and consumption of dairy products.

The study develops and tests a long-term relationship measure of loyalty and relationship commitment. The thesis identifies commitment and loyalty as the essential measures of long-term relationships. Data was collected from 133 dairy producers through face-to-face interviews in Malaysia in June and July 2009. The random sample of producers came from the Department of Veterinary Services database. The data are representative of dairy farm operations throughout Malaysia, providing representative examples of the marketing channels, contracting methods and memorandum of understanding used between producers and buyers. The various scales of operation in Malaysia are also represented.

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## **List of Acronyms**

AVE	Average Variance Extracted
B2B	Business-to-Business
B2C	Business-to-Customer
CF	Contract Farming
CFI	Comparative Fit Index
DPS	Dairy Project Scheme
DVS	Department of Veterinary Services
ECR	Efficient Consumer Response
FDI	Foreign Direct Investment
FFV	Fresh Fruit Vegetables
JIT	Just In Time
KMO-MSA	Kaiser-Meyer-Olkin Measure of Sampling
LTR	Long-Term Relationships
MBRT	Methylene Blue dye Reduction test
MCC	Milk Collecting Centre
MDG	Market Driven Group
MYR	Malaysian Ringgit
PCA	Principal Component Analysis
PGFI	Parsimony Goodness Of Fit Index
PLS	Partial Least Squares
QR	Quick Response
RM	Relationship Marketing

RMSEA	Root Mean Square Error of Approximation Index
RG	Relationship Group
RQ	Relationship Quality
SEM	Structural Equation Modelling
SCM	Supply Chain Management
STATA	Data Analysis and Statistical Software
TLI	Tucker-Lewis Index
TPC	Total Plate Count
UHT	Ultra High Temperature
USD	United States Dollar