



# The Effect of Trust in Suppliers on Loyalty is Influenced by Perceived Value in the Business-To-Business (B2B) Healthcare Industry

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**Abstract.** This study examines the strategic business-to-business (B2B) trust of customers in healthcare equipment suppliers. The study was prompted by the growing prominence of B2B products sold by global manufacturing companies to healthcare service providers through their suppliers. The stimulus-organism-response (SOR) paradigm is used to model the customer's perception and loyalty response. Customer perceived value has been discussed in many literatures; however, empirical studies on perceived value in a B2B context, particularly in the healthcare industry, are very limited. In B2B nowadays, customer perception of value is a primary concern for researchers and practitioners. Customer perceived value is assessed through the SOR approach; the measure will be developed for use in a business repurchase situation and to determine what values drive purchase attitude and behavior. A literature review was used as the research method in this study. The findings of this study led to the conclusion that good perceived value in B2B is critical for maintaining loyalty and repurchase intentions from healthcare service providers to suppliers.

**Keywords:** Business Strategy · B2B · Loyalty · Trust in Supplier · Healthcare · Perceived Value Introduction

## 1 Introduction

Year on year global population has increased especially in Indonesia which 1.25% average population growth in the last 10 years. Healthcare is one of critical factors for public community and government encourages public and private sectors to build more healthcare service infrastructures. During the pandemic of Covid-19, healthcare industry has growth significantly to cover million patients and more healthcare options become available to society. Good service quality will play an integral role as healthcare service providers compete on care outcomes [1]. In response to these growing challenges, healthcare service providers have equipped themselves with advanced healthcare diagnostic equipment to support patients at a higher level, which enables clinicians to analyse

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patient health for proper diagnosis and provide necessary treatment. To improve patient experiences, healthcare providers must personalize their services [2]. Private hospitals involved in healthcare services to support public community and exists to reduce burden of patient load to government hospital and positively contribute into health service improvement [1]. Healthcare sector has serious patient safety and quality is fundamental element in this industry. Private hospitals offer more personalised care and treatment to their patients and have more funds to maintain patients and providing them best service quality than their counterparts [3]. Service quality become important dimension which have close relationship on patient satisfaction and it is addressed by private hospitals to provide tangible aspects of services and responsiveness [4]. Private hospitals must obtain back-to-back commitments from suppliers in order to provide good service quality to patients and maintain good performance [5]. In this metaphor, a private hospital and its supplier are theorized to have a dyadic relationship. Private hospitals and suppliers are part of the healthcare ecosystem, which has been defined as a health service network consisting of health institutions, medical devices, health stakeholders, and other healthcare institutions that contribute to the entire flow of health services in a country [6]. With recent significant growth in private hospitals, there is a great opportunity for global medical device manufacturers to increase market penetration to all countries, particularly the private sector market. Unexpectedly, the growth of the healthcare industry has made the number of suppliers in Indonesia grow faster than the number of hospitals. This phenomenon creates issues among suppliers as medical device providers emerge and fierce competition emerges due to the large number of suppliers.

From above discussion it is demonstrated, it has and remains, indispensably vital in the current competitive business sector, it is the utmost duty of suppliers to build and maintain trust and provide superior quality of services through better understanding of service quality as characterised by private hospitals. This could only be possible if supplier come to know and understand the perception of business customers. In previous researches found various result and findings on relationship between trust in supplier to customer loyalty in B2B. Trust in supplier was seen as factor affecting customer loyalty [7–9], while other researchers have opposite findings on their research result as trust does not correlate with customer loyalty [10, 11]. The current study primarily focuses on how to use an exploratory model based on the stimulus-organism-response (S-O-R) theory [12] to promote B2B loyalty from private hospitals to medical equipment suppliers. S-O-R modelling has wide applicability, and most researchers have modified the S-O-R approach to fit with the research context and various factors like cognitive and affective elements, which are incorporated into the model framework [13], The S-O-R approach is used in this study to model cognitive as a stimulus, affective as an organism, and conative as a response. B2B loyalty as an output has been built through emotional and rational means when a private hospital receives an input from a supplier. One of the inputs provided is supplier trust and perception, which can improve B2B customer loyalty in line with strengthened supplier relationships [14]. In B2B, trust is fundamental layer to build loyalty to supplier. Purchase intention occurs in relate of desire to trust the supplier and awareness of the prices of products and services [15]. Value creation has emerged which will not be described in terms of economic value, but created from a social side such as aspects of close relationships which are very difficult to describe

from an empirical point of view [16]. Several previous studies found customer loyalty as a response and influenced by perceived value as an organism in the context of loyalty measurement under the S-O-R framework [17].

B2B purchasing behaviour involves multiple actors in the purchase decision, which consists of group purchases rather than individual purchases [18]. Business customer feels level of trust in a supplier over a period of time can lead to source of dependence in relationships. Good relationships that grow further may lead business customer feels dependent on supplier. Buyer is likely to stay with partner because of the good economic benefits [19]. In addition, B2B customer are aware of the costs that may arise if a valuable relationship that has existed for a long period of time is severed and transferred to another supplier [20]. B2B customer loyalty is inseparable from perceived value formed from trust. Trust creates customer perceptions and builds customer loyalty. The most important factor which relate to perceived value in the healthcare industry has an important role in maintaining long-term business relationships. When perceived value is high, customer tend to perform business transactions repeatedly. Perceived value is value formed in customer perceptions from different perspective of image created, both products and services [21].

## 2 Research Method

### 2.1 B2B Loyalty

B2B Loyalty has defined as a customer's commitment to repurchase product in future despite environmental situational influenced which may potentially cause behavioural change [22]. Customer loyalty in business-to-business can be defined as "the psychological attachment and advocacy attitude of the customer towards the supplier" [23]. Loyalty is generally explained through customer satisfaction and company perception [24]. Loyalty is defined as the "willingness of business customers to repurchase services and products from suppliers and to maintain relationships with suppliers," and attitudinal loyalty is defined as "the level of customer psychological attachment and advocacy attitude towards suppliers" [25]. To increase the supplier's competitive advantage in the market, effort must be built into business-to-business customer loyalty. In the B2B context, loyalty can be translated as the customer's commitment to the supplier; the customer will stay with the supplier even if there are other competitive suppliers in the same industry. Loyal customers will recommend suppliers to other colleagues [26]. The specific loyalty to B2B that distinguishes it from B2C relates to decision-making, which is not carried out by individuals in the context of B2B. Employees up to executive leaders will influence B2B decisions as group decision-makers [27].

### 2.2 Trust in Supplier

Trust in suppliers arises due to the reputation built by the supplier's personality. The basic principle of business relationships lies in trust in suppliers from business customers, value creation between customer and supplier, and the commitment built by the supplier [28]. The basis of a good relationship is built on trust with suppliers, and it is an

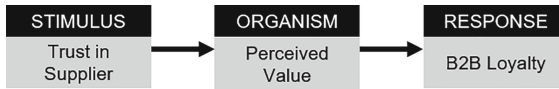
important element of long-term business relationships and successful B2B relationships. As a strategic aspect to gain business customer loyalty, service support will be the key element for suppliers to differentiate themselves from competitors [7]. Trust in supplier has a positive impact on B2B customer loyalty and is found in suppliers with small-scale businesses; however, this is not always the case; it has been discovered that suppliers with larger business scales who can provide good service performance can build customer trust, so trust in supplier plays an important role in business customer loyalty [29]. Customer trust in relationships between businesses is a result of value creation and the brand created by the organization. [9]. Customer and supplier relationships: an established company will strive to build B2B customer trust by providing products as requested within a specified time frame at a competitive cost and maintaining the quality of its products and services. Trust in suppliers has an important influence on the loyal behaviour of business customers [30]. Trust reduces perceived risk, and customers may even recommend the supplier to other business partners [31].

### **2.3 Perceived Value**

Customer perceived value is the value felt by consumers due to an evaluation carried out; it is influenced by the total benefits obtained and felt (total customer benefits) and the total costs incurred (total customer costs). Total customer benefit is the monetary value felt by customers in the product package provided economically, functionally, and psychologically that they expect from the offer of products, services, people, and the impression or image given. Total customer cost is the perception of the package that includes evaluation, how to get product/product purchase, product use, market offer, time, effort, monetary, and psychological costs [32]. The value concept is related to the price that customers are willing to pay for a product offer and the price that customers are willing to pay in relation to a series of perceived and provided benefits to the customer's company [33]. Value in the business market is defined as "perceived value," in terms of monetary value, of a set of economic, technical, service, and social benefits received by the customer enterprise in exchange for the price paid for the product, taking into account the offerings and price provided by other suppliers [34]. Consumers interpreted perceived value based on the cost they provided and the benefits they received [35]. Perceived value is the customer's expression of an assessment of the usefulness of a product or service in the form of things received in the form of benefits and money spent in the form of costs [36]. Customer perceived value results from an evaluation of the benefits and trade-offs associated with a product or service. Evaluation has been debating whether to include cognitive and affective assessments [37].

### **2.4 Stimulus Organism Response (S-O-R)**

The concept of stimulus-organism-response (SOR) is built on stimulus and response theory. This model provides an overview of how individuals respond to environmental or external stimuli. Woodworth's S-O-R theory [38], describes how organisms mediate the relationship between stimulus and response by postulating various mediating mechanisms that operate within the organism. This mediating mechanism converts environmental stimuli into behavioural responses, which are then outputs of processes that



**Fig. 1.** Proposed Framework

are manifested as customer behaviour, such as positive purchase or avoidance of purchase [39]. Mehrabian and Russell in this case provide the concept of the organism into stimuli and responses [12]. Three dimensions of emotional response elicited by the environment: pleasure, arousal, and dominance. The human emotional response conveyed by Mehrabian and Russell to daily situations was found to tend to create positive feelings of pleasure and positive control felt by individuals and groups. [40]. Perceived value (organism) based on what customers want or need, such as utilitarian and hedonistic stimuli triggered by atmospheric stimuli, becomes an outcome such as recommendation, search, and retention [17].

### 3. PROPOSED RESEARCH FRAMEWORK.

Based on the literature and suggests an association between loyalty, perceived value, and trust in the supplier. It is proposed that there is a positive mediation of perceived value between B2B loyalty and trust in suppliers. Figure 1 shows the framework of the study. The framework shows trust in suppliers as independent variables, which have a positive correlation with B2B loyalty and are mediated by perceived value.

## 3 Methodology

The research strategy is based on literature research. The researcher used correlational research as the research design because this study aimed to investigate the correlation between loyalty, perceived value, and trust in suppliers. Many papers on loyalty have been published in the past few years. In the review, we only look at papers that deal with supplier trust and B2B loyalty as a whole. The literature survey has been undertaken using online databases relating to publishers such as Emerald, Elsevier, ScienceDirect, and Springer, as well as some reputed conference proceedings. In this regard, some keywords and sentence strings such as “B2B,” “loyalty,” “trust in supplier,” “healthcare,” “perceived value,” and “industrial marketing” were queried in the above-mentioned databases to acquire a list of papers fitting the research objective. Variables used in building hypotheses based on articles reviewed using keywords. This research is based on the “literature study” or “literature review” method, which is a comprehensive overview of research that has been completed on specific topics to show the readers what has already been known and discussed, as well as further research on specific unknown related matters to seek rationale from the research that has been done for further research ideas [41].

## 4 Result and Discussion

In relation to gap research, it found an inconsistent relationship between trust in suppliers and loyalty, thus requiring the stimulus-organism-response (SOR) concept to be used to model and insert variables to mediate trust in suppliers and B2B loyalty. In the B2B

industry, some researchers have investigated the relationship between supplier trust and perceived value, as well as perceived value and customer loyalty. Trust is the foundation of business relationships, particularly in B2B industries. Customer distrust creates a negative perception, causing the customer to avoid or not repurchase. [42]. Trust is a psychological foundation derived from an existing situation that influences customer purchasing behaviour [43]. In the product base and service industries, customers feel the value of the quality of services provided by organizations from their suppliers, which can lead to a sense of dependence for customers. This is triggered by a sense of trust from customers toward supplier organizations that provide products and services to their customers. The mediating role of the perceived value of customers due to supplier organizations in this industry has a positive impact on the emergence of a sense of loyalty from customers [44]. According to some data, supplier firms that develop relationships with business clients have a significant beneficial impact on perceived value. This may increase customer confidence in the supplier, which affects the perception of a positive view of the supplier [9]. Zang proposes that when customers are confident in the supplier organization's competency and benevolence, they are more likely to process information. Their findings indicated that customers' trusting in the benevolence of the vendor improves customer loyalty and reduces perceptions of purchase risk, which means perceived value created is contributing to loyalty [45]. Therefore, in this study, it is proposed that a relationship between trust and loyalty is mediated by perceived value in the context of B2B.

## 5 Conclusion

Customer loyalty will increase with the existence of trust in supplier and customers perceived value in B2B industry and similar to healthcare sector where relationship and trust could create positive value perception feature that becomes a response to a loyalty. The results of this study can be used as one of the considerations in shaping the market strategy of healthcare industry to increase B2B loyalty. In essence, medical equipment supplier can innovate in encouraging customer trust and build a feel of strong relationship in their business to retain customer loyalty and maintain business sustainability. As a result, suppliers who meet or exceed customer expectations can build loyalty with their business customers. In return customers will make decision to do re-purchases from the same supplier for a longer period of time [46]. This article is primarily conceptual, but it derives the frameworks presented herein from previous empirical studies that have been conducted. Further empirical investigations should be undertaken in the B2B healthcare sector to validate frameworks. Having said that, we consider B2B collaboration and relationships typical of healthcare sectors, featuring common issues of trust, perceived value, and loyalty.

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