DIFFERENCES BETWEEN INTERNATIONAL AND DOMESTIC

ORGANIZATIONAL SELLING RELATIONSHIPS

UTILIZING THE SATISFACTION CONSTRUCT

By

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The process of getting a Ph.D. and completing a
dissertation should never be considered a solo effort. At
times I have compared this dissertation to a Hero Quest
and the forging of a sword. A key element to the above
comparisons is that the process is not supposed to be
pleasant for the subject. Rest assured, it wasn't. At
least, not all the time. There were times however when it
was quite fun. The main reason that it could become fun
was due to people encountered in the journey. Without the
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All that is gold does not glitter,
    Not all those who wander are lost;
The old that is strong does not wither,
    Deep roots are not touched by the frost.

Roy F. Cabaniss
content at home with wife and family
April 16, 1991

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CHAPTER I

INTRODUCTION

Channels of Distribution

"No Nation was ever ruined by trade."
Benjamin Franklin

The evolution of marketing as an academic discipline
began with questions about physical distribution, and
expanded to include the services accompanying distribution
(Bartels 1976; Maiken et al. 1979; Shaw 1916; Weld 1916).
Understanding this component of marketing, known as the
channels of distribution, is essential to understanding
marketing as a social science (Staude 1987; Mentzer, Gomes
and Krapfel 1989). Marketing is defined as:

> The process of planning and executing the
> conception, pricing, promotion and distribution
> of ideas, goods and services to create exchanges
> that satisfy individual and organizational
> objectives. (American Marketing Association
> 1985, p. 1)

It is clear from this definition that channels of
distribution are an integral part of marketing. However,
prior research has not furnished a clear explanation of
all the phenomena associated with the channels of
distribution.

The essence of a channel of distribution lies in the
provision of place and time utility. The American

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Marketing Association's definition of a distribution
channel (1960) is:

> The structure of intracompany organizational
> units and extracompany agents and dealers,
> wholesale and retail, through which a commodity,
> product, or service is marketed.

Since environmental factors are implicit in this
definition, a discussion of the environment is in order.

As the United States moves into the 1990's, the twin
specters of a budget and trade deficit are adversely
influencing the American economy. A country's standard of
living is determined, at least in part, by its balance of
payments. A trade deficit eventually leads to a lower
standard of living relative to a country's trading
partners (Kreinin 1983). Although a firm cannot directly
alter the budgetary process, it can alter the trade
deficit. Manufacturers alter the trade deficit by
increasing exports, decreasing imports, or both. Since a
higher standard of living is desirable, these actions are
desirable, and a method for achieving these actions is
equally desirable.

A channel of distribution is a universal requirement
for firms which market products. Channel efficiency
affects all firms engaging in international commerce.

International Channels

There are many reasons for a firm to expand into the
international arena. In the last ten years the dollar

value of goods exported from the United States has increased from $1300 billion to $2100 billion (Statistical Abstracts 1977, 1987). This increase has taken place in an environment in which firms with access to foreign markets gain differential advantages. These advantages include: business cycle risk reduction (Madura and Rose 1987), taking advantage of a given level of output or expertise (Terpstra 1983), current profit margin maintenance (Cateora and Hess 1979), current strategy expansion (Cabaniss and Irwin 1989). These advantages are but a few of the potential reasons for exporting.

Few industries today are solely domestic.[1] Most firms have foreign competitors or the ability to outsource materials. International competition is therefore present, whether a firm's business lies solely within a country or on a global basis. When embarking in international business one of the crucial decisions made is the choice of the channel of distribution (Anderson and Coughlan 1987). This decision is particularly difficult when the channel of distribution is radically different from those the firm is using, as occurs with international versus domestic distribution.

There are important differences between the "typical" domestic channel structures and international channels

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[1]   Solely domestic means a firm is unable to cross a national border with either production or sales of their goods.

(Bagozzi 1986, Davies 1983). One of the primary differences lies in the presence and functions of an independent channel intermediary. While independent intermediaries are not used in every transaction, their use is more common in international than in domestic distribution (Davies 1983). For example, Antal (1980) estimated that freight forwarders were involved in 90% of the general merchandise movement worldwide at that time.[2]

In his examination of exporter-importer relationships, Leonidou (1989) found that the achievement of satisfaction with the relationship was more important than meeting monetary goals in international environments (1989). In their study of integrated and independent international channels of distribution, Anderson and Coughlan (1987) reported that service requirements were unimportant in the selection of an international channel. This finding is in direct contradiction to earlier empirical work on domestic channels (Anderson 1985), and was questioned by the authors themselves who stated that the findings could be the result of sampling problems.

International distribution of goods typically begins by exporting through specialized channel intermediaries, commonly freight brokers, customs brokers, or export houses (Beamish et al. 1991; Davies 1983). Channel

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[2] The magnitude of this number may be suspect. The research was gathered at the behest of the international freight forwarders' association from data supplied by them.

intermediaries, henceforth referred to as "brokers," are
likely to have a very short working relationship with an
exporting firm since exporters tend over time to assume
greater involvement in distribution processes. This
conclusion is drawn from a series of focus group
interviews performed in the summer of 1989.

An exporter can use a broker, export directly, sell
directly from the home country, or build a facility in the
foreign country. Each of these channel arrangements has
advantages in certain situations. An unanswered issue
concerns the conditions under which a particular channel
arrangement offers a differential advantage. Robinson
(1978 p. 37) calls the choice of a channel "one of the
critical areas in international business (p. 357)." The
design of the distribution system is an area where
significant savings are possible, and where significant
differences in the ability to satisfy customers are
likely.

Choosing a broker, as opposed to direct exporting,
has many significant advantages over using an integrated
channel of distribution. One of the primary advantages,
at least in a European based culture, lies in the ability
of a manufacturer to change distributors (Klein 1989). If
a current broker is not performing as expected, then the
broker can be replaced with comparative ease. Changing
brokers is almost always easier than changing a company-

owned channel of distribution. Firms with well-established product categories have a particular advantage since the number of brokers willing to replace the existing broker is large (Anderson and Coughlan 1987). Also, many foreign countries require the usage of local means of distribution and limit foreign investment stringently (Anderson and Coughlan 1987; Cateora 1990; Robinson 1978). This requirement imposes outside considerations on a decision that is made internally in a domestic marketing setting.

Few industries today are solely domestic.[3] Most firms have foreign competitors or the ability to outsource materials. International competition is therefore present, whether a firm's business lies solely within a country or on a global basis. When embarking in international business one of the crucial decisions made is the choice of the channel of distribution (Anderson and Coughlan 1987). This decision is particularly difficult when the channel of distribution is radically different from those the firm is using, as occurs with international versus domestic distribution.

While international distribution is critical, the choice of a channel is often made haphazardly, with limited information (Kobrin et al. 1980; Robinson 1978).

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[3]   Solely domestic means a firm is unable to cross a national border with either production or sales of their goods.

Managers know that brokers can be more effective in
certain situations, but the criteria used to evaluate a
broker's performance have not been clearly defined by most
firms. Because the criteria are not clearly defined,
determining when to change distribution structures--or
even brokers--is difficult. Some means of comparing the
domestic and international distribution channels is needed
to aid the potential exporter in evaluating channel
members. Evaluation criteria will also provide
information for rationally selecting alternate channel
structures.

An important question is: What causes an exporting
firm to stop using a broker? Among the possible reasons
are:

1.   The performance requirements of the
      manufacturing firm increase to a level the
      broker cannot meet.

2.   The broker is incapable of doing what the
      manufacturer expected.

3.   The manufacturer's sales/profits grow to a
      point where performing the broker's duties
      in-house becomes economically feasible.

Any of these situations can lead to a decrease in the
exporter's satisfaction with a broker. This in turn can
lead to the exploration of other methods of international
distribution.

Satisfaction as a Variable

Satisfaction is the ultimate dependent variable when considering long term relations between two entities. An organization's functional effectiveness can only be measured by external assessments of distribution effectiveness. These assessments typically take the form of customer satisfaction (Rhea and Shrock 1987a). Both parties must be satisfied, at least to some degree, for the relationship to continue. Relevant dimensions of channel performance vary from firm to firm, but satisfaction with any dimension can incorporate both the firm's expectations and its perception of another entity's performance in relation to those expectations.

The channel satisfaction construct has been widely studied from the perspective of a retailer/wholesaler being satisfied with a manufacturer (Hunt and Nevin 1974; Lusch 1976; Rosenberg and Stern 1971; Ross and Lusch 1982; Wilkinson 1979). This dissertation takes the complementary position, focusing on the satisfaction a manufacturer has with a distributor. The dissertation also addresses the fact that no theoretical framework exists to explain the formation of satisfaction judgments within channels satisfaction literature. The dissertation is an important step in the development of such a framework.

Purpose of Research

The three research questions are:

1. From a manufacturer's perspective, what are the dimensions of satisfaction on which distributors are evaluated?

2. Does the type of target entity, international or domestic distributor, alter the effect of performance on satisfaction?

3. For domestic and international distribution, how well do the dimensions of performance predict a manufacturer's satisfaction with a distributor?

Contributions to Marketing

This dissertation can provide several useful additions to marketing knowledge. Some of these contributions are for the manager, while others focus on theoretical issues.

First, the scales to be used in this project offer a useful tool for further research. Currently there are no measures of a manufacturer's satisfaction with its distributor which can be used across industries. These scales will allow comparison of similar firms using a similar distribution system, and can be used to show where a specific distributor is perceived to be comparatively weak.

Second, this study will serve to highlight the differences in the relevant dimensions of satisfaction between the domestic distributors and international distributors. Knowledge of these dimensions can then serve as a guide for firms seeking to expand internationally. Consequently, by showing the primary concerns of the firms which already distribute internationally, these concerns will form a template for management in firms planning to export in the future. This ability to establish prior criteria for evaluating potential brokers can make international distribution more efficient, especially if the international dimensions are different from the domestic ones.

The third contribution lies in an improvement of relations between brokers and manufacturers. If a manufacturer is dissatisfied with a broker, then the scale can be used to identify which dimension(s) of performance are causing problems. If a broker is neglecting an area (dimension) which is regarded as important by a manufacturer, then an improvement results in a more satisfied customer. Conversely, if an area is seen as satisfactory, distributors need not use resources to change it.

The last contribution lies in the application of a theoretical framework to the formation of channel satisfaction judgments. This theoretical perspective

should serve to integrate channel satisfaction research into a broader field of marketing research, hence improving the nomological validity of the constructs advanced herein.

Structure of the Dissertation

The dissertation focuses on manufacturers and their concerns regarding domestic and international distributors. These concerns are addressed <u>via</u> the satisfaction construct. Satisfaction is examined for its theoretical foundation, first in the channels of distribution literature and then in the consumer behavior literature. The two fields are combined into a theoretical structure. This structure, and the past research on channels satisfaction, suggests a methodological approach and a procedure for using this approach. With the theoretical foundation established, the measures of channel satisfaction were modified and put in a questionnaire. A list of manufacturers engaging in international and domestic distribution was prepared. From this list a random sample will be drawn, the firms contacted, and a survey administered. Based upon the survey, conclusions regarding the dimensionality of satisfaction and relative levels of satisfaction were drawn.

CHAPTER II

THE DISSERTATION WITHIN THE NOMOLOGICAL NET

What is Satisfaction?

Satisfaction is one of the more pervasive ideas within the marketing discipline. Businesses use "quality" in reference to a product, management team, or other aspect of a business. Businesses using the term "quality" in their advertising use customer perceptions as a prominent mechanism for measuring quality (Allaire and Rickard 1989). Satisfaction fits well with this idea, and is used as a proxy for quality (Segalla 1989; Teboul 1988; Parkinson 1989; LeBlanc and Nguyen 1988; Swartz and Brown 1989; Aquilina 1989; Allaire and Rickard 1989). Industry also views quality as being the equivalent of satisfaction. Xerox's "Total Quality" program, for example, focuses on measuring all quality improvements in terms of customer satisfaction (Allaire and Rickard 1989), and Xerox insists that they are improving quality when their measures of customer satisfaction increase. This is additional evidence that, in industry, the line between satisfaction and quality is thin, and often crossed over.

In a marketing strategy context, satisfaction is a proxy for the achievement of corporate goals (Kasper and Schreuder 1985). Satisfaction has been used to measure the success of a firm's strategy in terms of the marketing concept (Heng and Khem 1986; McCullough, Heng and Khem 1986; Tansuhaj, Wong and McCullough 1987; Tinsley 1988). Satisfaction is also a measure of the success of a strategy per se when satisfaction is an objective or goal (Gilly and Hansen 1985).

Another important usage for satisfaction is as a mechanism for determining the specific product and service attributes that are of concern to customers (Andrus 1986; Day, Denton and Hickner 1988; Hood and Walters 1985; Johnson et al. 1987; Pacheco 1989; Schmidt and Kernan 1985; Siegel 1989; Stevens et al. 1987), and as a predictor for future purchase intentions (Woodside and Shinn 1988). Investigations into negotiation processes use satisfaction with an outcome as a measure for the success of the negotiation process (Graham 1986). To understand why satisfaction is applicable, it is necessary to examine the construct as it evolved in the marketing discipline.

History of the Word--Satisfaction

To avoid the problem of using different terms while talking about the same concept, precise definitions are a necessity. Satisfaction is a modification of the Latin

satisfacere, satis (enough) + facere (to do) (Webster 1977), and the common English derivatives in Table One show consistency with this idea.

TABLE 1

SATISFACTION ACCORDING TO WEBSTER 1977

Word	Definition
satisfacere	to do enough
satisfaction	fulfillment of a need or want
satisfy	to carry out the terms of
satisfyingly	to measure up to a set of criteria or requirements

Some key points need development from the definitions given above. First, satisfaction assumes the existence of some prior criteria. Second, **meeting** the criteria yields satisfaction. According to the definitions in Table One, it is not necessary to exceed the pre-existing criteria to attain satisfaction. The dissertation will examine these two key points by considering prior research in marketing.

Consumer Satisfaction

In Chapter One the American Marketing Association's definition of marketing established that the channels of distribution are integral to marketing. However, channels of distribution are not the sole focus of marketing--they are merely a component. At a fundamental level, the focus of marketing is the exchange process (Bagozzi 1975; Hunt 1991; Kotler 1972). If an entity wants another exchange, then both parties must have some amount of satisfaction with the original exchange. Since the crux of marketing is exchange (Bagozzi 1975; Hunt 1991; Kotler 1972), and consumer satisfaction is linked to repeated exchanges, it follows that consumer satisfaction is fundamental to marketing.

Consumer satisfaction is thought of as a multidimensional experience (Oliver 1981), in much the same manner as service satisfaction (Fincham and Wertheimer 1986; Leebov and Afriat 1988). The services associated with a product alter customer satisfaction. Therefore, service satisfaction literature will be considered a subset of customer satisfaction literature.

In 1977 the Academy of Marketing Science sponsored a directed study aimed at consumer satisfaction. This effort to analyze satisfaction, and a directed issue of their journal (1977) demonstrated numerous ways in which satisfaction is clearly of interest to marketing

researchers. To give an overview of definitions of consumer satisfaction, Table Two contains some quotations regarding satisfaction from that special issue.

TABLE 2

THOUGHTS ON CONSUMER SATISFACTION

Andreasen (1977)	"Consumer satisfaction is the degree that needs and wants are met (p. 11)."
Landon (1977)	"Are consumers pleased or displeased with the products in the marketplace."
Miller (1977)	"Consumer satisfaction is the result of the interaction between anticipated performance and the evaluation of the perceived performance (p. 72)."
Rosenberg and Czepiel (1977)	"Consumer satisfaction is a special attitude based upon the consumption experience. The perceptions of that experience are compared with expectations previously formed regarding that experience (pp. 93-94). "
Hempel (1977)	"Studies on consumer satisfaction have focused on the subjective evaluation of the benefits received from the consumption of the product (p.275)."
Hunt (1977)	"Satisfaction is a kind of stepping away from an experience and evaluating it. Satisfaction is the evaluation itself (p. 38)."
Pfaff (1977)	"The inverse of the difference between the ideal and the actual combinations of attributes (p. 39)."
Westbrook and Cote (1980)	"Satisfaction is a special kind of attitude where the object is not a product or brand per se, but rather one's own acquisition and consumption experiences derived from the product or brand (p. 577)."

Notice that satisfaction has two components: expectations and performance. Additionally, some of the consumer satisfaction literature considers satisfaction to be a type of attitude. By combining the various aspects of satisfaction presented in Tables One and Two, we derive the following definition of consumer satisfaction.

> Satisfaction is an attitude that results from the interaction of expected performance and perceived performance.

Because the consumer definitions are not identical to definitions used in the channels literature, the next area to consider is satisfaction in channels of distribution.

Channels Satisfaction Definitions

The recent literature considers satisfaction as a multidimensional construct (Oliver 1980, 1981), but the consumer-based definitions used thus far do not explicitly address the multidimensional nature of satisfaction. Channels of distribution research on satisfaction does explicitly consider the multidimensional nature of satisfaction.

When examining the channels satisfaction literature for definitions addressing this multidimensional construct, two studies stand out. The definitions of channels satisfaction used by Lusch (1979) and Ruekert and Churchill (1984) deserve specific attention when defining

channel satisfaction. Lusch's definition of the domain of satisfaction in a channel of distribution is:

> Franchisee satisfaction, in fact, is based upon a domain of items over which the franchisee could be satisfied or dissatisfied with the franchisor. (p.131, 1979)

Ruekert and Churchill's definition is:

> The domain of all characteristics of the relationship between a channel member (the focal organization) and another institution in the channel (the target organization) that the focal organization finds rewarding, profitable, instrumental, and satisfying or frustrating, problematic, inhibiting, or unsatisfactory. (p. 227, 1984)

Both of these definitions have been used in studies where satisfaction was found to be multidimensional. The dimensions found by Ruekert and Churchill (1984) are product, finance, social interaction, promotional assistance, and other assistance, whereas those used by Lusch are incentive assistance, financial assistance, and advertising assistance. Of the two definitions, the definition used by Ruekert and Churchill is preferred for two reasons. First, in Lusch's definition, "Franchise satisfaction ... dissatisfied or satisfied" defines satisfaction in terms of itself. This is not desirable because a derivative should not be used to explain the term it defines. Second, Ruekert and Churchill's (1984) definition is not limited to franchise satisfaction.

In the definitions of satisfaction, three elements are addressed. First, satisfaction is considered an

attitude in consumer satisfaction research. Second, the origins of the satisfaction judgment are considered. According to Webster, expectations and performance are the source of a satisfaction judgment. Last, and from the channels satisfaction research, the multiple elements that comprise the formation of a single satisfaction judgment are described. The next step is to combine these elements into a formal definition of satisfaction.

Satisfaction Defined

The definition of satisfaction used in this dissertation is:

> Satisfaction is an attitude that results from the interaction of anticipated performance and perceived performance. These performances consist of all characteristics of the relationship between the focal entity and the target entity that the focal entity finds rewarding, profitable, and instrumental or frustrating, problematic, or inhibiting.

Given this definition, the primary difference between the types of satisfaction in the marketing literature now lies in the identity of the entities involved. This being the case, there are good reasons for preferring to conduct satisfaction research using members of a channel of distribution.

Reasons for Utilizing a Channel of Distribution

Some differences become evident when comparing channel satisfaction and customer satisfaction. If an entity in a channel transaction fails to perform properly, the continued survival of both entities is jeopardized. Since survival is at stake, it is logical to assume that expectations are more salient to the parties involved in a channels relationship (Cronin and Morris 1989). Confirmation for this conclusion is rendered by the fact that expectations are often written into contracts that detail the relationship between the firms (Newman 1985). Expectations are therefore established more formally than in a customer satisfaction situation.

Additionally, from a short term perspective, it is to each firm's advantage to have a clear understanding of the other party's expectations. Failure to meet expectations can result in the loss of a profitable portion of a firm's business. To reduce risk, businesses must know the expectations of their trading partners. On both a short-term and long-term basis, expectations are inherently more "explicitly acknowledged" in a channel of distribution than in a customer satisfaction situation.

Both expectations and performance are evaluated at the attribute level. Because the salient attributes are explicitly noted in the relationship, a channel of distribution should, at a minimum, be the equivalent of a

consumer satisfaction situation. Thus a channel of distribution is a proper place for the investigation of satisfaction.

Satisfaction Theory

Requirements for a Theory of Satisfaction

A theory is: "A systematically related set of statements, including some lawlike generalizations, that is empirically testable (Hunt 1991, p. 149)." The required inclusion of lawlike generalizations imposes additional constraints upon a theory. These constraints are presented in Table Three.

TABLE 3

CHARACTERISTICS OF A LAWLIKE GENERALIZATION

Constraint	Explanation
Generalized Conditional Form	All Lawlike generalizations must have an if-then structure.
Empirical Content	Having reference to the real world.
Nomic Necessity	The relationship described must systematically prevent an accidental generalization.
Systematically Integrated	The lawlike statement must be tied into a body of scientific knowledge in a systematic manner.

Hunt 1991, pp. 107-113

In the following sections, theories used in channels satisfaction and in consumer satisfaction are examined and evaluated. The two fields are then combined into a proposed methodological approach, and a test for this approach is suggested.

Channel Satisfaction is Related
to Consumer Satisfaction

We have already noted that the primary difference between channel satisfaction and consumer satisfaction is the identity of the focal and target entities. The relationship between consumer satisfaction and channel satisfaction is further linked by examining what a manufacturer receives from a distributor. As the producers of goods, manufacturers consume services provided by channel intermediaries, with the intermediaries providing services associated with distribution. Manufacturers are likely to use numerous incentives to influence a distributor to distribute product lines. Therefore, a manufacturer can be considered both a channel member and a consumer of a distributor's products. Fern and Brown (1984) argue that the distinction between organizational behavior and consumer behavior is not supported by empirical evidence. Merely because a channel member is an organization, is insufficient reason to bar the utilization of consumer

satisfaction research. The perspective of the
organization as an organism lends validity to the
utilization of research that focuses on an individual.
Thus both channels and consumer sources for theories of
satisfaction should be considered.

Some Theoretical Approaches to
Satisfaction

The fundamental principles of channels satisfaction
are derived from concepts embedded in organizational
behavior (Ross and Lusch 1982; Schul, Little and Pride
1985) and from the consideration of a channel as a social
system (Stern and Brown 1969). This has led to the
research on channel satisfaction being conducted
independently of research on consumer satisfaction. The
lack of citations from the consumer behavior literature in
the channels satisfaction literature is consistent with
this position.

Possibly because of this separation, the proposed
theoretical foundations for channels satisfaction are not
as explicit as in the consumer satisfaction literature,
and the theories are stated in a different manner. When
examining the channels satisfaction literature it becomes
evident that an explicit theory for the formation of the
satisfaction judgment does not exist. However, there is

an implicit theory which underlies the current channels

satisfaction research.

Performance and Expectations

The implicit theory discussed is that satisfaction is

a function of performance (Hunt and Nevin 1974; Lusch

1976; Rosenberg and Stern 1971; Ross and Lusch 1982;

Ruekert and Churchill 1984; Wilkinson 1979) and is shown

as Equation 1.

$$\text{Satisfaction} = f(\ P\ ) \tag{1}$$
where
    P = perceived performance

Note that this theory of satisfaction does not

explicitly consider expectations, but careful perusal of

the research demonstrates the implicit presence of

expectations. When perceived performance is measured, it

is discussed in terms of higher performance (Lusch 1976)

and a better performance (Ruekert and Churchill 1984).

Obviously, it must be higher and better than some expected

level, so the expectations were implicitly included in the

performance measures. This approach agrees with Carmen

and Hess (1990), who argued for the anchoring of

performance to expectations. The argument for considering

performance in this fashion is summarized below.

1. Performance, as a concept, is meaningless without
   some means of measurement.
2. Performance is perceived in relation to some
   standard.

3. Any time a perceived performance is reported, the standard against which it is to be compared has already been considered when reporting the perceived performance.
4. Therefore counting the expectations twice overemphasizes the importance of the expectations, to the detriment of the perceived performance.
5. Therefore one should measure a perceived performance in terms of expectations. This will be the approach used in the measurement section.

By separating perceived performance into two components, the theory of channel satisfaction is revised to Equations 2 and 3. Equation 2 takes the perspective that satisfaction is a unidimensional construct. Equation 3 expands this perspective to reflect the multidimensional nature of satisfaction.

$$S = f\,(p - e) \tag{2}$$

where:

S = satisfaction as a unidimensional construct
p = subjective performance for the relationship
e = expectations for the relationship

and

$$S = f\,\left\{ \sum_{i=1}^{n} (p_i - e_i) \right\} \tag{3}$$

where:

S = satisfaction as a multidimensional construct
p_i = subjective performance for attribute i of the relationship
e_i = expectations for attribute i of the relationship
n = number of attributes.

This theory of satisfaction has been used in both channels and consumer satisfaction research. There are two primary differences between these two research

streams. The first difference lies in how the theories were systematically integrated into the nomological net. The second difference lies in the methods used to measure satisfaction.

Channels of Distribution

The channels of distribution provide ample integration for the satisfaction construct. One of the key lines of research on interorganizational systems was performed by Robicheaux and El-Ansary (1975), who proposed a comprehensive model of channel member behavior based upon role theory. This theory viewed roles as prescribing certain courses of behavior. Within this model, satisfaction is postulated to be mutually correlated with channel performance and control. The correlation with performance is similar to Equation One, with Robicheaux and El-Ansary (1975, pp 26) postulating a feedback loop to future performance.

There are three other linkages between satisfaction and the nomological net of marketing. The evolution of the construct of channel satisfaction as a separate entity could be said to have begun in 1971 in Rosenberg and Stern's "Conflict Measurement in the Distribution Channel". This coupling of satisfaction, conflict, and performance provides the first link to the nomological net. Satisfaction is proposed to have an inverse

relationship with conflict (Brown and Frazier 1978; Dwyer 1980; Gaski 1989; Rosenberg and Stern 1971; Walker 1972; Wilkinson 1981). A fundamental concept of this line of research is that performance can be measured in terms of satisfaction (Rosenberg and Stern 1971). Rosenbloom (1973) later separated conflict into two types, functional and dysfunctional, with functional conflict leading to increased satisfaction as problem situations are clarified and resolved.

Another connection of satisfaction within the nomological net shows in its association with power. The usage of power in a channel typically demonstrates an inverse relationship with channel satisfaction (Brown and Frazier 1978; Etgar 1976; Gaski 1989; Hunt and Nevin 1974; Walker 1972; Wilkinson 1979; Wilkinson 1981). Additionally, the interaction between the source of power in a channel and satisfaction was investigated (Brown and Frazier 1978; Dwyer 1980; Gaski 1986; Gaski 1989; Gaski and Nevin 1985; Hunt and Nevin 1974; Lusch 1977; Michie 1978; Wilkinson 1981). A coercive power source has its roots in the ability to force an action and typically demonstrates an inverse relationship with channel satisfaction. A non-coercive power source with its roots in some form of persuasion, has a positive relationship with channel satisfaction. The above research leads to the conclusion that channel satisfaction is deeply

embedded within the social system known as a channel of
distribution. Gaski summarized these relationships with
his theory of channel power and conflict (1984), part of
which is reproduced as Figure One.
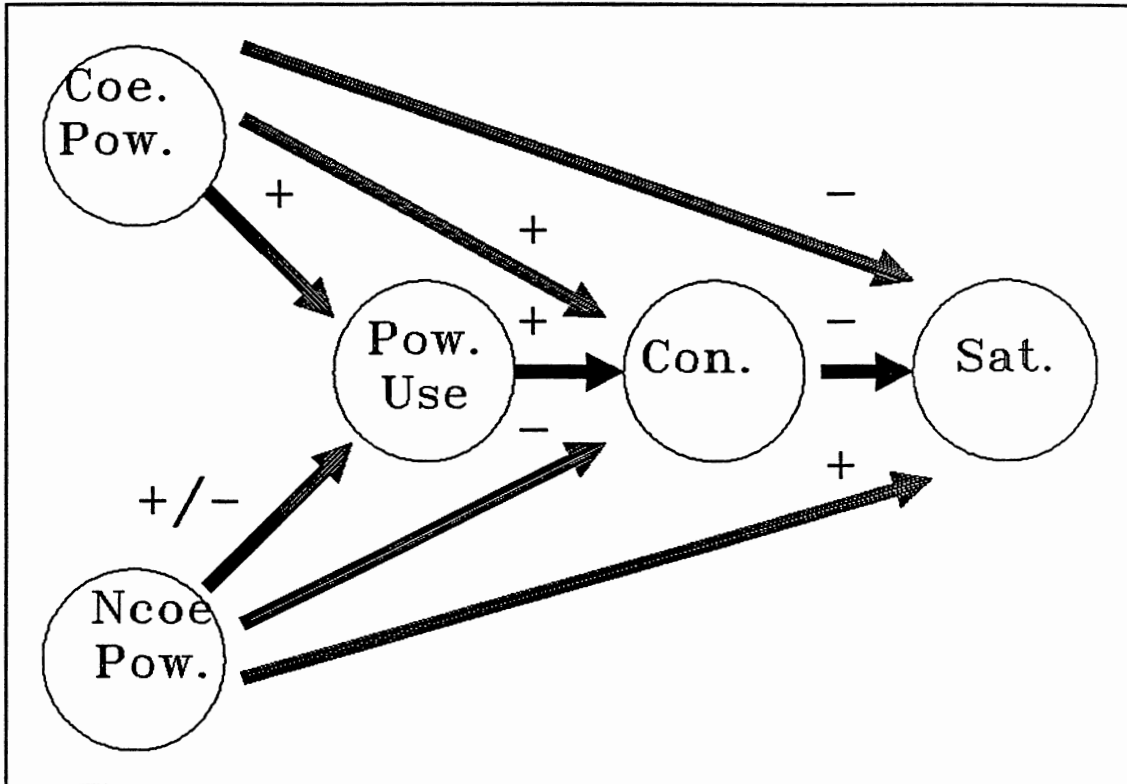
(Gaski 1984)

Coe. Pow.	=	Coercive Power
Ncoe. Pow	=	Noncoercive Power
Pow. Use	=	Power Use
Con.	=	Conflict
Sat.	=	Satisfaction

Figure 1.   Gaski's Theory of Channel Power and
            Satisfaction

Gaski's (1984) theory contains satisfaction as an element, but like other studies it does not focus on how the satisfaction judgment itself is made. Rather, these studies use satisfaction as either a dependent variable (Gaski 1984; Gaski and Nevin 1985; Hunt and Nevin 1974) or as a measure of performance (Rosenberg and Stern 1971).

Other studies address the formulation of satisfaction judgments by a channel member. Each study implicitly relies on Equation 3 as its theoretical foundation, but none measures the expectations of the channel members separately from the performances. Nonetheless, researchers have shown that the satisfaction construct is multidimensional (Lusch 1979; Ruekert and Churchill 1984; Schul, Little and Pride 1985; Westbrook 1981). Their work is addressed in the discussion of measurement.

If there is a weakness in channels research on satisfaction, it lies in the nature of the questions asked and the manner of their asking. The research goes into great detail in discussing <u>how</u> a satisfaction judgment is formed. The question of <u>why</u> a satisfaction judgment is formed is not addressed. To address this element, one must delve into the consumer satisfaction literature.

Consumer Satisfaction

It is desirable to restate the characteristics which the theory of satisfaction must meet. First, because

channels of distribution are multidimensional, the theory must be adaptable to a multi-attribute situation. Second, it must, in some fashion, explicitly consider the values upon which the judgments are based. Last, it must involve a comparison between a prior established standard and a current phenomena. As the theories of consumer satisfaction are considered, two theories meet these criteria: disconfirmation theory and adaptation level theory.

Disconfirmation Theory. The prevalent theory for consumer satisfaction is called disconfirmation theory (Oliver and DeSarbo 1988; Tse and Wilton 1988). Disconfirmation theory started as a form of adaptation level theory (Oliver 1980) and has since evolved into a separate theory of satisfaction. In 1980 and 1981, Oliver examined satisfaction from an adaptation level theory perspective and determined that satisfaction was the sum of the expectations and the disconfirmations of what was being evaluated. Thus a consumer establishes a certain level of expectations for a product, and the perceived difference from these expectations (disconfirmation) plus the original expectations, is satisfaction. Adding performance deviation to expectations, Oliver reformulated Equation 3 into Equation 4:

$$S \quad = \quad \sum_{i=1}^{n} (e_i + d_i) \tag{4}$$

where:

S	=	satisfaction
e_i	=	expectations for attribute i
d_i	=	a perception of the stimulus in relation to the "adaptation level". This adaptation level is a function of the perceptions of the stimulus, context, psychology and physiology of the consumer
n	=	number of attributes.

Within this conceptualization, disconfirmation is independent of the original expectations (Oliver 1980). This presents the first problem with disconfirmation theory. There is empirical evidence that expectations **DO** correlate with disconfirmation (Bearden and Teel 1983; Churchill and Surprenant 1983; Oliver and DeSarbo 1988; Tse and Wilton 1989). Oliver (1980; 1981) measures disconfirmation as the performance being "better than...worse than" expected. This leads to Equation 5 as a representation of disconfirmation:

$$d_i \quad = \quad (p_i - e_i) \tag{5}$$

where

d_i	=	disconfirmation for attribute i
p_i	=	performance for attribute i
e_i	=	expectations for attribute i

The disconfirmation in Equation 4 becomes Equation 6:

$$S \quad = \quad \sum_{i=1}^{n} \{e_i + (p_i - e_i)\} \tag{6}$$

where:

S	=	satisfaction
e_i	=	expectations for attribute i
p_i	=	performance for attribute i
n	=	number of attributes.

In six research publications since the inception of disconfirmation theory in 1980, Oliver has not made an effort to measure disconfirmation according to his proposed theoretical structure. Table Four presents three potential reasons for this (page 34).

TABLE 4

RATIONALE FOR **NOT** MEASURING DISCONFIRMATION

1.   The additional elements of disconfirmation: the perceptions of the stimulus, context, psychology and physiology of the consumer, are viewed as unimportant.

2.   The benefit from their measurement is likely to be limited due to their situational nature.

3.   The perception among researchers is that the problems with measuring the additional elements outweigh the benefits.

If satisfaction is in the form of Equation 6 then perceived performance, when measured in terms of expectations, becomes satisfaction (Equation 7). That is, when expectations are considered a part of the perceived performance, the expectation terms disappear.

$$S = \sum_{i=1}^{n} p_i \qquad (7)$$

where:

S   =   satisfaction

p_i =   performance for attribute i measured in
term of expectations.

n   =   number of attributes.

This now leaves measuring perceived performance in terms of expectations to arrive at a measure of satisfaction. This approach to measuring disconfirmation, and thereby satisfaction, has been followed in both consumer satisfaction research (Bitner 1990; Oliver and Bearden 1985; Oliver and Swan 1989), and the channels satisfaction research (Michie and Sibley 1990). In each instance this perceived performance/disconfirmation was a significant predictor of satisfaction. The methods for measuring perceived performance have now converged from consumer behavior satisfaction research and channels research. The method is used in this dissertation, measuring performance in terms of expectations.

If perceived performance is to be measured in terms of expectations, then the source of the expectations becomes of interest. The question of why we form expectations and a theory for why satisfaction judgments are formed will be addressed by examining the other consumer behavior satisfaction theory of interest, adaptation level theory.

Adaptation Level Theory. The disconfirmation theory
of satisfaction is derived from adaptation level theory
(Oliver 1980). Harry Helson's (1964; 1959; 1948) proposed
theory is the foundation for later consumer satisfaction
theories. The theory is called adaptation level theory
because the organism is purported to adapt to the
environment, both on a physiological and a psychological
basis. While the theory originated in the biological
sciences, Helson focused on the behavioral aspects of
adaptation. He proposed that the adaptation level
consisted of three types of stimuli: focal, background,
and residual. Adaptation level itself is the
psychological basis for comparison. Focal stimuli are
those stimuli that go directly from the source to the
recipient. The residual stimulus acts to adjust the
adaptation level in accordance with a past performance.
The background stimuli are all stimuli other than the
specific focal stimulus and the residual stimulus
(Equation 8).

$$A = \overline{X}^p B^q R^r \tag{8}$$
where:
    A = Adaptation Level

    $\overline{X}$ = geometric mean of the focal stimulus
    B = background stimuli
    R = residual stimulus
and
    p+q+r = 1

Helson also said that the division of the stimuli
between background and focal stimuli was "largely a matter

of convenience (p. 59)" and "the particular class to which stimuli are referred is far less important than is the determination of the contribution made by stimuli to level" (p. 59). Thus, the adaptation level is more important than the composition of its components or how they are classified. Additionally, the residual component of the stimuli is not easily interchanged with the other two.

The adaptation level has analogues in the satisfaction literature. An adaptation level is the comparison standard for a stimulus. This is equivalent to the role that expectations play in Equations 7 or 3. The expectations in these equations are a focus of comparison for the performance, leading to the eventual satisfaction judgment. The other components of the adaptation level also have counterparts within the marketing literature. The background stimuli are all stimuli other than the specific focal stimulus and the residual stimulus. One potential source for background stimuli would then be the norms as proposed by Woodruff et. al (1983). Norms are preexisting standards, environmentally based, which are not specific to a consumption experience. Within a channel of distribution, norms of behavior exist. For example, a distributor is assumed to be able to fulfill the terms of delivery as a normal part of business operations. As an additional linkage between norms and

adaptation level theory, Woodruff, Cadotte and Jenkins (1983) state that norms are derived from the consumers' experiences with similar situations and brands and are postulated to have an associated "zone of indifference" (Cadotte, Woodruff and Jenkins 1987). This zone of indifference links norms with assimilation contrast theory, a later derivative of adaptation level theory (Parducci and Marshall 1962). Norms then become a feasible input to the expectations within a channel of distribution and as such are a feasible component for the adaptation level.

The focal stimulus would simply be the specific expectations about a specific consumption experience. These expectations are situation specific and are thus linked to a specific proposed consumption experience. According to Helson (1964) different individuals may perceive the same stimulus as either a focal or background stimulus.

The feedback mechanism for the adaptation level is known as the residual stimulus. The residual stimulus acts to adjust the adaptation level by a past performance. A logical parallel to this process is to let past satisfaction influence current expectations.

This gives cause for the formation of satisfaction judgments. A satisfaction judgment is formed to have a residual stimulus for the formation of the next adaptation

level. Because the residual stimulus is the influence of the past, for learning to take place residual stimuli must be formed. Therefore satisfaction, the influence of the past, is a mechanism by which competitive advantages are gained. Because satisfaction leads to competitive advantages, entities that form such judgments have an increased probability of survival. Therefore the formation of satisfaction judgments is a characteristic favorable to species and individual survival. Because these judgments enhance survivability, our possession of the ability to make these judgments is the result of evolutionary pressure. The more accurate the judgment, the greater the benefit the individual gains.

We have shown that the components of an adaptation level have their counterparts within the consumer satisfaction literature. The adaptation level itself is a counterpart to the expectations of a performance expectations model of satisfaction. An adaptation level theory perspective on satisfaction follows:

Theory of Satisfaction. The expectations function as an adaptation level for any given stimulus or attribute. These expectations are composed of prior satisfaction with the attribute (residual), current norms for the attribute (background), and consumption specific expectations regarding the attribute (focal). The perceived performance is compared to the expectations, deriving a

current level of satisfaction. This current level of satisfaction will become the residual component for the next adaptation level/consumption experience.

This adaptation level perspective of satisfaction can explain <u>why</u> a satisfaction judgment is formed. A subject becomes dis/satisfied as a part of the process of providing the next adaptation level. For learning to take place, an entity must form the residual component (satisfaction) for the next adaptation level.

Adaptation levels are both physically and psychologically based, and their presence can be regarded as universal (Helson p. 37). Therefore, adaptation level theory is an appropriate theory of satisfaction, acting through the mechanism proposed in Equation 7. This theoretical basis for the formation of the satisfaction judgment establishes that the attributes (dimensions) on which the judgment is based are of paramount importance.

Dimensions of Satisfaction

The dimensions of satisfaction are fundamental to the purpose of this dissertation. Table Five presents the research questions again.

TABLE 5

RESEARCH QUESTIONS

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1   From a manufacturer's perspective, what are the dimensions of satisfaction upon which the distributor is evaluated?

2   Does the type of target entity, international or domestic distributor, alter the effect of performance on satisfaction?

3   For domestic and international distribution, how well do the dimensions of performance predict a manufacturer's satisfaction with a distributor?

It is obvious that the ability to answer these research questions is dependent on knowledge of the appropriate dimensions of satisfaction. But, as we have already noted, no scales in the current literature are designed for measuring satisfaction from the perspective of the manufacturer. There is also no proposed dimensional structure for measuring satisfaction from the perspective of the manufacturer. Therefore, this research into the dimensionality of a manufacturers' channel

satisfaction is exploratory in nature. The dimensions
suggested by the literature reviews, focus groups, and
industry interviews are likely to be present but the
verification of this presence awaits empirical evidence.
This leads to hypothesis 1.

<u>Hypothesis One</u>

> H.1 When examining satisfaction from the perspective
> of the manufacturer, satisfaction is
> multidimensional.

While the above hypothesis is general in nature, it
cannot, at this time, be made more specific. Having
identified the task as exploratory research, if the
hypothesis were more specific, it could potentially
restrict the investigation prematurely.

By identifying the domain of channel satisfaction,
the definition set forth earlier provides an appropriate
starting point for identifying the dimensions of
satisfaction.

> Satisfaction is an attitude that results from
> the interaction of anticipated performance and
> perceived performance. These performances
> consist of all characteristics of the
> relationship between the focal entity and the
> target entity that the focal entity finds
> rewarding, profitable, instrumental, and
> satisfying or frustrating, problematic,
> inhibiting, or unsatisfactory.

The second sentence of the definition sets the outer
bounds for the domain of satisfaction. This being the
case, the first step towards identifying the relevant

dimensions for a channel of distribution is to examine the channels literature and the comments of people in the industry (Churchill 1979). Identification of potential dimensions of channel satisfaction begins with a review of the channels literature. After a review of the dimensions proposed by the literature, the dissertation will include the results of focus group studies and industry interviews.

Satisfaction as a Unidimensional Construct

The early investigations into channel behavior conceptualized satisfaction as a unidimensional construct. Originally channel satisfaction was assumed to be one of many characteristics on which a channel was measured. A common definition in this period was that channel satisfaction was overall satisfaction with other channel members. Most measures of satisfaction in early channels research were global in nature, asking one question to encompass the entirety of the satisfaction experience. Items which have been used to measure satisfaction in a global manner are presented in Table Six (page 42).

TABLE 6

GLOBAL ITEMS USED TO MEASURE SATISFACTION

Authors	Items
Rosenberg and Stern 1971	Overall satisfaction with the other firm Desire to change a given quantity of the other firm's policies.
Hunt and Nevin 1974	Willingness to enter into the relationship again.
Wilkinson 1979	Are you satisfied with their performance?

While global unidimensional measures are simple to conceptualize, the question of whether they fully capture the essence of a construct has to be addressed. Reliability determination of global measures is problematic (Churchill 1979), and reliability is a necessary, but not sufficient, condition for validity (Carmines and Zeller 1979). Perhaps because of this, recent literature focuses on multidimensional measures of channel satisfaction.

Satisfaction as a Multidimensional Construct

As has already been mentioned, no scales exist to measure a manufacturer's satisfaction with a distributor. The domains and scales appearing in Tables Six and Seven were created to determine the satisfaction of a retailer or wholesaler with a manufacturer or supplier. Ruekert

and Churchill (1984) addressed the universality of these dimensions by developing a multi-item measure to investigate channel satisfaction felt by a wholesaler or retailer towards a manufacturer. The authors identified a significant research need:

> Some additional conceptual and empirical devel-
> opment is needed in at least one area, namely
> further development of the underlying dimension-
> ality of the channel member satisfaction con-
> struct. . . It is feasible, for example, that
> the primary dimensions underlying the satisfac-
> tion of a wholesaler with a manufacturer differ
> considerably from those underlying the satisfac-
> tion of a retailer with a broker... pp 232.

This suggests that the dimensions of channel satisfaction reported in multidimensional channels satisfaction research may not be applicable outside the context for which they were designed. Ruekert and Churchill do **not** say that the dimensions are different-- they do say that researchers currently do not know if the dimensions are different.

There is a rationale for the dimensions to be the same. Every channel member has a vested interest in the proper performance of the tasks which must be done in a channel of distribution. Because of this, every task or dimension is of interest to each channel member.

Another argument for universal dimensions of channel satisfaction stems from the concept of marketing flows. The essence of a channel of distribution lies in the provision of place and time utility. The tasks which

provide these utilities are shown as the "marketing flows" between channel members in Figure Two on page 45 (Vaile, Grether and Cox 1952).

Each marketing flow is of concern to each channel member, although responsibility for performing the flow may vary. This is an argument for the universal nature of the dimensions of channel performance. Since each member of the channel has a vested interest in the proper performance of a flow, every flow is a characteristic that a channel member could find satisfying.

PRODUCERS		WHOLESALERS		RETAILERS		CONSUMERS
	Physical Possession →		Physical Possession →		Physical Possession →	
	Ownership →		Ownership →		Ownership →	
	Promotion →		Promotion →		Promotion →	
	← Negotiation →		← Negotiation →		← Negotiation →	
	← Financing →		← Financing →		← Financing →	
	← Risking →		← Risking →		← Risking →	
	← Ordering		← Ordering		← Ordering	
	← Payment		← Payment		← Payment	

Commercial Channel Subsystem
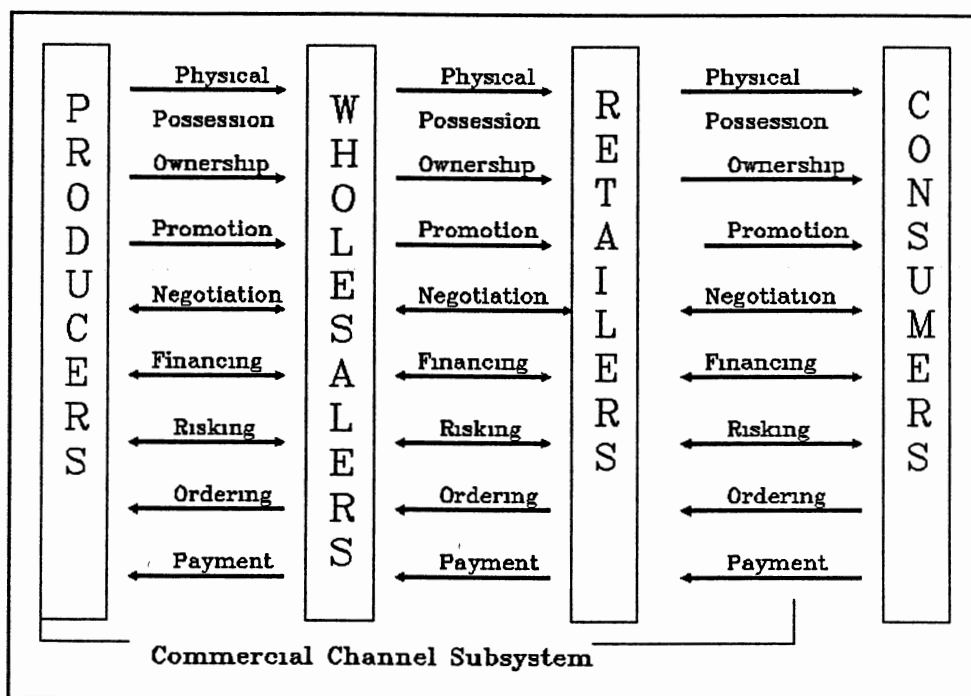
(Vaile, Grether and Cox 1952)

Figure 2. Marketing Flows

Existence of the pervasiveness of multiple flows has been recognized in recent research. The mid 1970's saw channels satisfaction research begin to use multidimensional scales. Various sets of dimensions for satisfaction were proposed, each contingent on a particular situation. One significant aspect of these investigations was that each used multiple items for each dimension and that the items were worded to reflect the perceived performance on that particular dimension/item. Some of these multidimensional scales are presented in Table Seven.

TABLE 7

DIMENSIONS USED IN CHANNELS SATISFACTION RESEARCH

Author	Dimensions
Lusch 1976	Incentive assistance, financial assistance, and advertising assistance.
Lusch 1979; Yavas and Habib 1987	Coercion, Product Servicing, Training assistance, Incentives assistance, Financial assistance, Advertising assistance
Dwyer 1980	Self control over decision areas, Cooperativeness, Power relationships
Westbrook 1981	Product, Salespeople, Merchandising Practices, Service Orientation, Products, Clientele, Value of Goods, Sales
Ross and Lusch 1982	Promotional efforts, Logistical support
Ruekert and Churchill 1984	Business relationships, Product, Financial, Promotional support, other support
Schul, Little and Pride 1985	Franchise administrations, Service support, Reward structure, Fee structure

Of the research presented in Table Seven, Ruekert and Churchill (1984) were the only authors to follow the procedures recommended by Churchill (1979) for evaluating the reliability and validity of the domain and measures.

Ruekert and Churchill 1984

In 1984, Ruekert and Churchill developed two separate scales to measure channel satisfaction: an indirect satisfaction measure (Appendix 1) and a direct measure (Appendix 2).

These two scales can be viewed from the perspective of a means-end-chain model. The indirect scale is more concrete, with the distributor being asked how the manufacturer is performing. Therefore the indirect scale, as used by Ruekert and Churchill, occupies levels one and two of a means-end-chain model. In contrast to the indirect scale, the direct scale deals with the terminal state of a distributor's satisfaction. Hence, it is clearly more abstract than the direct measures of performance, and probably occupies level six of a means-end-chain model. Since the indirect scale is associated with concrete attributes, it will be discussed first.

Ruekert and Churchill's Indirect Scale. The indirect scales used by Ruekert and Churchill have an implicit reliance upon the performance expectations model of satisfaction. These items make a direct statement about

an aspect of the manufacturer's performance and have the respondent's indicate their degree of agreement with the statement.[4] Because of the anchors and the way that the items are phrased, the items do not explicitly address the relationship between the expectations and the perceived performance. Consequently, the indirect scale from Ruekert and Churchill (1984) cannot be used in this dissertation without modification.

Two modifications are necessary to use the indirect scale from Ruekert and Churchill (1984). First, the items must be reworded to reflect this dissertation's concentration upon the manufacturer. The second modification is required by our explicit acknowledgement of the relationship between performance and expectations. Specifically, the items are reworded until they measure performance **in terms of** expectations (Appendix 4).

Ruekert and Churchill's Direct Scale. The direct scale used by Ruekert and Churchill (1984) does not rely upon a performance expectations model of satisfaction. Instead, the purpose of this scale is to measure the satisfaction a retailer/wholesaler has with a manufacturer upon each of the dimensions of satisfaction. This is accomplished by the items addressing the elements of

_____

[4]   For example:
"My manufacturer's sales representative is helpful."
strongly agree 1 2 3 4 5 strongly disagree
(Ruekert and Churchill 1984).

performance in each dimension, in terms of the respondent's being: very dissatisfied...very satisfied. This scale also needs to be reworded in accordance with this dissertation's focus upon the manufacturer, but the anchors will remain the same.

Both of these scales represent the same dimensions of channel satisfaction and were derived from discussions with retailers, wholesalers, and entities within a channel. The dimensions utilized by Ruekert and Churchill (1984) consist of product, finance, social interactions, promotional assistance, and other assistance.

Product

The product dimension from the Ruekert and Churchill scale is assumed to reflect the "demand for, awareness of, and quality of the manufacturer's products (1984, p. 227)." A product is a collection of attributes. The set of attributes which comprise the service provided by the distributor is the distributor's product. The manufacturer receives a service from a distributor. Therefore, the service provided by the distributor is the product the manufacturer is evaluating. Since a manufacturer does use these services, the product that the distributor offers will be of interest to the manufacturer, and it is feasible that channel satisfaction will have a product dimension.

If there is a product dimension to channel satisfaction, the second research question addresses the problem of differentiation between international and domestic distribution, henceforth known as the "target entity". The literature does not suggest that the target entity will alter the performance-satisfaction linkage for this dimension. Therefore the dissertation assumes that the target entity will not influence the relationship between performance and satisfaction, leading to hypothesis 2a.

> Hypothesis 2a: For the product dimension, there is no significant interaction between the target entity and the performance - satisfaction linkage.

Finance

The financial dimension is proposed by Ruekert and Churchill to "capture the attractiveness of the arrangement with respect to such matters as intermediary margins and return on investment (1984, p. 227)." There is no reason to suppose that manufacturers are oblivious to financial matters. How a distributor compares financially with its peers would appear to have an impact on the satisfaction a manufacturer has with a distributor. This could be because a manufacturer feels that a financially stable distributor is one who has "taken care

of business" with other clients before, thereby reducing the risk inherent in dealing with another firm. This makes it feasible that channel satisfaction will have a financial dimension.

Assuming a finance dimension to channel satisfaction, the second research question addresses the problem of differentiation between international and domestic distribution. The research by Leonidou (1989) suggests the financial aspects of this channel relationship are not as important for the international distributor as the overall satisfaction. Based on the assumption that the target entity influences the relationship between performance and satisfaction, the following hypothesis is proposed.

> Hypothesis 2b: For the finance dimension, there
> is a significant interaction between the target
> entity and the performance - satisfaction
> linkage.

Social Interactions

The social interactions dimension proposed by Ruekert and Churchill is to "reflect how satisfactorily the interactions between intermediary and manufacturer are handled, primarily through the sales representative servicing the account (1984, p. 227)." The social interaction dimension from Ruekert and Churchill (1984)

appears to represent the usefulness of the manufacturer's personnel. The personnel of the manufacturer do interact with the personnel of the broker, therefore it is feasible that channel satisfaction will have a social interaction dimension.

If there is a social interaction dimension to channel satisfaction, the second research question addresses the problem of differentiation between international and domestic distribution, henceforth known as the "target entity". The literature does not suggest that the target entity will alter the performance - satisfaction linkage for this dimension. Therefore, one can assume that the target entity will not influence the relationship between performance and satisfaction, leading to Hypothesis 2c.

> Hypothesis 2c: For the social interaction dimension, there is no significant interaction between the target entity and the performance - satisfaction linkage.

Promotion

Ruekert and Churchill originally proposed an assistance dimension to "assess how well the manufacturer supports the intermediary with such aids as cooperative advertising and point-of-purchase displays (1984, p. 227)." However, analysis showed that this single proposed dimension split into two components, cooperative

advertising and other promotional assistance. From the manufacturers' perspective, these two elements will probably be unified. While the cooperative advertising may loom quite large to the retailer, it is only a portion of the manufacturers' promotional efforts. From the perspective of the manufacturer, promotional assistance may be the wrong term to describe what makes a manufacturer satisfied with a channel member. It is more likely that the distributors' effective utilization of the manufacturer's promotions is the key to the manufacturer's being satisfied with a channel member. Distributors do utilize the promotions that a manufacturer makes available; therefore it is feasible that channel satisfaction will have a promotion dimension.

If there is a promotion dimension to channel satisfaction, the second research question addresses the problem of differentiation between international and domestic distribution, henceforth known as the "target entity". The literature does not suggest that the target entity will alter the performance-satisfaction linkage for this dimension, so this dissertation assumes that the target entity will not influence the relationship between performance and satisfaction, leading to Hypothesis 2d.

Hypothesis 2d: For the promotion dimension, there is no significant interaction between the target entity and the performance - satisfaction linkage.

Interviews

To provide additional confirmation for the dimensions developed by Ruekert and Churchill (1984), the author interviewed several executives from both the transportation industry and manufacturers. The result of this process is a general confirmation of the applicability of the dimensions used by Ruekert and Churchill (1984).

Interviews with freight forwarders and exporting manufacturers show three elements of concern when discussing international distribution. These three elements are the solvency of the distributor, responsiveness of the distributor and the importance of keeping to an agreed on time schedule. The consensus of the internationally involved firms is that these elements are the items that served to distinguish between the good and bad brokers.

Solvency

A matter of particular concern to exporting manufacturers is whether the international distributor

would be in business on a long term basis. Another

concern voiced by exporters is the potential for not being

paid by an international distributor. Both of these

concerns are also matters which are of interest to a

manufacturer using a domestic distributor, so it is

feasible that channel satisfaction will have a solvency

dimension.

If a solvency dimension to channel satisfaction is

found, the second research question addresses the problem

of differentiation between international and domestic

distribution. While the literature does not contain any

indication that the target entity will alter the

performance-satisfaction relationship, this dimension

originally arose as the result of discussions about

international distribution. Therefore, a reasonable

conjecture is that the target entity will influence the

relationship between performance and satisfaction, leading

to Hypothesis 2e.

Hypothesis 2e: For the solvency dimension,

there is an interaction between the target

entity and the performance - satisfaction

linkage.

Responsiveness

Because of the uncertainty associated with international distribution, the ability to adapt to change was mentioned as a desirable characteristic for an international distributor. This is analogous to the responsiveness construct used in the investigations into service quality by Parasuraman, Zeithaml and Barry (1988). The SERVQUAL scale used by Parasuraman, Zeithaml and Barry is reproduced in Appendix 3. The similarities between quality and satisfaction make it reasonable to include a dimension having its foundation in the quality literature. Because of the concern voiced by manufacturers which distribute internationally, and the agreement that responsiveness is a valuable characteristic in a domestic distributor, it is feasible that responsiveness is a dimension of channel satisfaction. Because the product under discussion is a service, it is possible that this dimension will merge with the product dimension during scale development.

If there is a responsiveness dimension to channel satisfaction, the second research question addresses the problem of differentiation between international and domestic distribution. Although the literature does not contain any indication that the target entity will alter the performance-satisfaction relationship, this dimension originally arose as the result of discussions about

international distribution. Therefore the dissertation assumes that the target entity will influence the relationship between performance and satisfaction, leading to Hypothesis 2f.

Hypothesis 2f: For the responsiveness dimension, there is an interaction between the target entity and the performance - satisfaction linkage.

Reliability

The last concern voiced about international distribution during the interviews is that the distributor be reliable. This concern appears linked with on time delivery and the ability to keep to a schedule. These items are also of concern to domestic distribution. They could be considered part of the normal product mix that the domestic manufacturer receives from a distributor. The reason for having reliability as a separate dimension for satisfaction is the manufacturer's comments as to its rarity in international distribution. Because the product being purchased is a service it is distinctly possible that this dimension will merge with the product dimension during the scale development phase of this dissertation.

If there is a reliability dimension to channel satisfaction, the second research question addresses the problem of differentiation between international and

domestic distribution. The literature does not contain any indication that the target entity will alter the performance-satisfaction relationship, and this dimension originally arose as the result of executives discussions about international distribution. It is a reasonable conjecture that the target entity will influence the relationship between performance and satisfaction, leading to Hypothesis 2g.

> Hypothesis 2g: For the reliability dimension, there is an interaction between the target entity and the performance - satisfaction linkage.

Summary

In this chapter satisfaction is defined as:

Satisfaction is an attitude that results from the interaction of anticipated performance and perceived performance. These performances consist of all characteristics of the relationship between the focal entity and the target entity that the focal entity finds rewarding, profitable, and instrumental or frustrating, problematic, and inhibiting.

Based on this definition we have established a theoretical framework for satisfaction. The theoretical framework has two components. The first of these components comes from the channels of distribution literature and explains **how** the satisfaction judgment is formed. This component, called the performance

expectations model, says that satisfaction is the result of the difference between performance and expectations (Hunt and Nevin 1974; Lusch 1976; Ross and Lusch 1982; Rosenberg and Stern 1971; Ruekert and Churchill 1984; Wilkinson 1979). This model is in accordance with the definition. The second component of the theoretical framework is from the consumer behavior literature and adds an explanation for the source of the expectations and **why** the satisfaction judgment is formed. This explanation, called adaptation level theory, says that an entity perceives a stimulus in terms of a prior established adaptation level (Helson 1964). This adaptation level is composed of three parts, with the residual part being analogous to satisfaction. The adaptation level itself can be viewed as the current expectations. An organism needs an adaptation level to provide a basis of comparison for a stimulus. The prior experiences are necessary for the formation of the adaptation level, therefore satisfaction is necessary to an organism. With adaptation level providing the "why", and performance expectations providing the "how", the dissertation has a theoretical basis for the formation of the satisfaction judgment.

Churchill's paradigm (1979) provides the plan for the measurement of channel satisfaction. The definition of

satisfaction provides the domain for satisfaction. This domain is:

> all characteristics of the relationship between the focal entity and the target entity that the focal entity finds rewarding, profitable, and instrumental or frustrating, problematic, and inhibiting.

In accordance with Churchill's paradigm the literature has been examined for dimensions of satisfaction. Four dimensions are taken from Ruekert and Churchill (1984): product, finance, social interaction, and assistance. There are also three potential dimensions taken from interviews and focus groups: dependability, responsiveness, solvency/longevity. For each of the potential dimensions except solvency/longevity, there are scales which already have been purified via Churchill's paradigm. A set of items to represent the solvency/longevity dimension has been written for the first pretest and will be included with the scales for the other dimensions.

The literature review has given the necessary theory and the components of the construct. Chapter Three will explain what will be tested and how.

CHAPTER III

METHOD

Introduction

This chapter outlines the nature of the problem, the research design, and discusses the construct measurement. The sampling technique and the data collection are explained. Lastly, the details of the data analysis techniques for each research problem are described. Table Eight restates the research questions.

TABLE 8

RESEARCH QUESTIONS

1	From a manufacturer's perspective, what are the dimensions of satisfaction upon which the distributor is evaluated?
2	Does the type of target entity, international or domestic distributor, alter the effect of performance on satisfaction?
3	For domestic and international distribution, how well do the dimensions of performance predict a manufacturer's satisfaction with a distributor?

Research Design

Research Question One

The marketing literature and interviews with industry executives suggested seven potential dimensions for a manufacturer's channel satisfaction. These dimensions are: product, finance, assistance, social interaction, reliability, responsiveness, and solvency. As already noted, there are no scales in the current literature that are designed for measuring satisfaction from the perspective of the manufacturer, nor is there a proposed dimensional structure for this particular aspect of channels research. Therefore, this research into the dimensionality of a manufacturer's channel satisfaction is exploratory in nature. The dimensions suggested by the literature reviews, focus groups, and industry interviews might be present, but the verification of this presence awaits empirical evidence. This evidence is generated by conducting an exploratory factor analysis utilizing the items described in the Churchill's Paradigm section of this chapter.

Research Question Two

The hypotheses on the second research question are all attempts to further refine our knowledge of a channel member's satisfaction and as such are descriptive research. Research question two deals with the interaction between the target entity and the performance-satisfaction relationship for a manufacturer.[5] A performance dimension and the type of target entity are assumed to be significantly related to the manufacturer's satisfaction. The question is whether the type of target entity, international or domestic, interacts with the performance dimension to significantly alter the dimension's influence upon the manufacturer's satisfaction.

There are three ways one could answer this question. The more traditional method would be a factorial design with a random assignment to measure either domestic or international satisfaction. There are two disadvantages attached to this procedure. The first disadvantage is that each treatment would have a smaller sample size. If each respondent only provided information about one type of target entity then, necessarily, the information gathered from each respondent would only be applicable for that target entity. The second disadvantage lies in the

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[5] In this instance, a "target entity" refers to whether the distributor is domestic or international.

nature of the subject's responses to sampling. If a factorial design is chosen, then it becomes difficult to control for the differences between subjects. This creates a potential for bias in the respondent which will be difficult to counteract. In the least, it would entail comparing the two sets of respondents, those who evaluate their international distributor and the domestic distributor evaluators, to the population to determine whether the respondents were different from the population. Since this entails comparing two groups of respondents to the population this doubles the probability that a group of respondents will be different from the population.

Another experimental design which could answer this question is a single factor design with repeated measures on the same elements. Since this design deliberately pays attention to the variability within a subject, it can eliminate the differences between subjects (Winer 1971, pp 261-273). Therefore, it would only be necessary to compare one group of respondents to the population. Additionally, a repeated measures design will allow a direct test of the hypotheses. The hypotheses examine whether the type of target entity significantly alters the relationship between performance and satisfaction. The impact of the target entity would be a result of the repeated measures analysis.

A third method of analysis requires another look at the model of satisfaction and a typical hypothesis. The underlying model of satisfaction is that satisfaction depends on the distributor's performance for a particular performance dimension. Implicit within this model is the use of regression as the primary method of analysis, with satisfaction as the dependent variable and a performance dimension as the independent variable. The second research question asks whether the type of target entity, international or domestic, interacts with the performance dimension to alter the dimension's influence upon the manufacturer's satisfaction. This is the equivalent of saying that slopes of the two regression equations are not the same. I.e., a domestic regression equation utilizing domestic satisfaction and a domestic performance dimension could not be used to predict international satisfaction using the international performance dimension.

Using the product dimension as an example, a procedure to test this hypothesis would start with two separate regressions:

    domestic satisfaction = domestic product
        (DOMSAT)   (DPROD)
and

    international satisfaction = international product
        (INTLSAT)   (IPROD)[6]

----

[6]   Variable names in parentheses.

Use of the international product value with the regression coefficient and intercept from the regression equation for domestic satisfaction will yield an estimated international satisfaction for each case. The estimated international satisfaction is compared to the actual international satisfaction with a paired T-Test. If the estimated INTLSAT is **NOT** significantly different from the actual INTLSAT, then the slope of the two regression equations are probably the same. If a significant difference exists, then the type of target entity obviously influences the relationship between a performance dimension and satisfaction.

Research Question Three

The third research question is an attempt to further refine our knowledge of international and domestic channels. One of the goals of this dissertation is to see how the components of a manufacturer's satisfaction differ when the manufacturer evaluates a different target entity.

This research question requires that the two types of distribution target entities, international and domestic channels, be considered separately. To ensure the comparability of the scales, the performance dimensions will be standardized. Satisfaction with a type of distribution will be the dependent variable and the

independent variables will be the standardized performance dimensions.   This leads to Hypothesis 3.

    <u>Hypothesis 3</u>:   The relative impact of the dimensions of channel satisfaction is different when comparing the target entities.

<div align="center">

Churchill's Paradigm Applied

to Satisfaction Measurement

</div>

Churchill (1979) presents a procedure "for developing measures of marketing constructs (p. 67)."   This procedure, known as Churchill's Paradigm, is an eight stage process with the eventual goal of developing reliable and valid measures, and is reproduced in Table Nine.

TABLE 9

CHURCHILL'S PARADIGM (1979)

Step	Action
Specify domain of construct	Literature Search
Generate sample of items	Literature search, Focus groups, Interviews, Critical Incidents
Collect Data	Pretest
Purify Measure	Cronbach's Alpha, Factor analysis
Collect data	Survey
Assess reliability	Cronbach's alpha
Assess Validity	Multitrait multimethod matrix, criterion validity
Develop Norms	Statistics summarizing distribution of scores

The Domain of Satisfaction

In accordance with Churchill's (1979) paradigm, the literature provided the first items for the domain of satisfaction: product, finance, social interaction, and assistance (Ruekert and Churchill 1984). Interviews and focus groups added three potential dimensions: dependability, responsiveness, solvency/longevity.

Generate Items

For these potential dimensions, except for
solvency/longevity, scales exist which have already been
purified via Churchill's paradigm (Appendices 1, 2, and
3). The sources for the pre-established items to measure
the six listed dimensions are presented in Table Ten.

TABLE 10

SOURCES OF ITEMS FOR THE DIMENSIONS

Dimension	Source
Product	Ruekert and Churchill 1984
Finance	Ruekert and Churchill 1984
Social Interaction	Ruekert and Churchill 1984
Assistance	Ruekert and Churchill 1984
Responsiveness	Parasuraman, Zeithaml and Barry 1988
Reliability	Parasuraman, Zeithaml and Barry 1988

A set of items to represent the solvency/longevity
dimension was written for the first pretest and was
included with the scales for the other dimensions. Based
on interviews, four items were written to reflect
different aspects of this dimension. These four items,
plus the scales listed in Table Ten, formed the basis for
the pretest questionnaire.

In addition to the proposed dimensions, eight items were included which were scaled in the same fashion as Ruekert and Churchill's SATDIR scale. These items directly ask the manufacturer how satisfied the manufacturer is with a particular aspect of the relationship with the distributor. Assuming reliability, the SATDIR items that are related to a particular dimension can be averaged. These averages can be totaled for use as a dependent variable, so that no dimension will have an inordinate influence upon the measures of the overall satisfaction. The survey is included as Appendix 4.

Pretest and Purification of Sample Items

This dissertation is concerned with the reactions of entities in a channel of distribution. Thus, a student sample is not an appropriate source of data. The initial pretest consisted of a mailing to 250 manufacturers within the state of Oklahoma. This parallel population was randomly selected by the Oklahoma Department of Commerce from a list of Oklahoma manufacturers. There was no duplication between the list of firms for the pretest and the primary sample frame. Fourteen firms responded to the pretest mailing of 250 firms. Due to this low response rate, a second mailing list was compiled which consisted of a list of 300 manufacturers from the <u>Oklahoma Directory</u>

of Manufacturers and 75 manufacturers from the Kentucky
Directory of Manufacturers. These firms were called and
the surveys delivered. Ninety three (93) firms responded
to this second wave, giving a total of one hundred seven
(107) responses to the pretest. These one hundred seven
responses were used in examining the dimensionality of the
satisfaction construct.

Factor Analysis

One purpose of the dissertation is to examine the
underlying dimensionality of the satisfaction construct.
The primary choice when considering a factor analysis is
the type of analysis to be done. A principle components
analysis is used when the researcher desires to minimize
the number of factors for use in further analysis, with
the variance of the items residing in the first factor as
much as possible. A common factor analysis only considers
the variance of the variables in deriving its factor
solution, and is used to identify underlying dimensions by
spreading the variance of the items among the factors. To
do this, a maximum likelihood factor analysis was
conducted using the Factor procedure from SAS (SAS 1985)
with a Promax rotation of the factors. Because the
purpose of this factor analysis is to determine the
underlying dimensions, a maximum likelihood factor
analysis is the technique that was used in this

dissertation (Hair, Anderson and Tatham 1987, pp. 241-254). A reason for performing a factor analysis is to reduce the number of items necessary to represent a particular dimension or construct. This goal of parsimony necessitates criteria for the elimination of items from further analysis. Items were deleted from further analysis if: (1) an item did not have a factor loading greater than an absolute value of .3 upon **some** factor (Hair, Anderson and Tatham 1987, p. 241), or (2) an item loaded significantly on more than one factor with loadings within .03 of each other. This iterative item deletion process resulted in the retention of nineteen items.

Hypothesis One--Results of the Factor Analysis. With the number of items reduced by the aforementioned procedure, the pretest data was factor analyzed. The criteria used for determination of the factor structure were: (1) each factor must have an eigenvalue greater than one, (2) each factor must be interpretable, and (3) the factor pattern matrix should be simple in structure. The resultant three factor solution, with an oblique rotation applied, is presented in Figure Three.

Promax Rotation
(Std Reg Coefs)

	F1	F2	F3
Factor 1: Finance			
D36: Speed of Payment	.86	-.19	.11
D34: Time between billing and receipt	.74	-.08	.23
D35: Filling orders accurately	.60	.01	.18
D1 : Damaged merchandise	.53	.43	.18
D37: Will dist. be in business later	.52	.21	.01
D3 : Terms of payment	.51	.28	.03
D31: Will the dist. pay	.43	.10	.34
Factor 2: Product			
D2 : Quality of service	.53	.46	.18
D5 : Dist's. personnel helpfulness	.03	.67	.02
D23: Meeting performance deadlines	-.01	.67	.03
D16: Knowledge of firms services	-.07	.64	.21
D13: Dist's. speed of response	-.03	.51	.26
D24: Communication about services	-.01	.51	.27
D27: How organized are the dist's people	.19	.35	.29
Factor 3: Promotion			
D9 : Support for promotion	.11	.12	.65
D15: Point of purchase promotions	.10	.00	.60
D4 : Participation in customer promo	-.01	.15	.52
D19: Space dist. allocates to prod	.16	.28	.41
D26: Cooperative advertising	-.04	.32	.36
Percent of Variance Explained	43%	31%	26%
Eigenvalue	15.19	2.88	1.83

Figure 3. Factor Analysis of the Pretest

Factor 1, labeled Finance, contains questions from Ruekert and Churchill's Financial and Social Interaction scales (1984), and from the solvency scale of the focus group interviews. An examination of this factor reveals that each question is related in some fashion to the financial aspects of the manufacturer's distributor

relationship. Table Eleven contains the questions which comprise this **FINANCE** dimension.

TABLE 11

FINANCE DIMENSION ITEMS

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36. When you compare your distributor to the rest of the industry, the speed of payment is:

34. The time between billing and receipt of payment is:

35. Your distributor's ability to fill orders accurately is:

1. How effectively does your distributor's staff deal with damaged merchandise problems?

37. What is the probability that the distributor will be in business five years from now?

3. The terms of payment between your firm and your distributor are:

31. The probability that your distributor will pay you is:

Factor 2, labeled Product, contains questions from Ruekert and Churchill's (1984) Social Interactions scale, their Product scale, and the Reliability and Responsiveness scales of Parasuraman, Zeithaml and Barry (1979). These four dimensions were originally postulated to be separate. In the prior discussion of the reliability and responsiveness dimensions the observation

was made that these potential dimensions were key elements of the product offering when the product was a service. Additionally, it is difficult to separate the actions of the people from the services rendered. In a very real sense then, the people, responsiveness, and reliability are an integral part of the service rendered. Because the service rendered is the product, this gives the rationale for naming this dimension the **Product** dimension, the items for which are displayed in Table Twelve.

TABLE 12

PRODUCT DIMENSION ITEMS

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2. The quality of the service provided by your distributor is:

5. How helpful are the people who work for your distributor?

23. How effectively does your distributor meet performance deadlines?

16. Considering the people working for your distributor: their knowledge of their firm's services is:

13. The speed with which your distributor responds to your needs is:

24. Your distributor's communication regarding when services will be performed is:

27. When you consider their work, how organized are the people that work for your distributor?

When examining the factor loadings a judgment must be made regarding the first item (number 2) in the second factor. As noted in Figure Three this item loads highly upon both the first and second factors with a higher loading upon the first factor. Quality is associated with receiving a good value (cost benefit ratio). What probably occurred was that those respondents whose answers resulted in the item loading high upon the first factor may have been focusing upon the cost aspect of quality, whereas the respondents whose answers resulted in the item's loading highly upon the second factor were focusing upon the benefits received. The product dimension from the Ruekert and Churchill scale is assumed to reflect the "demand for, awareness of, and quality of the manufacturer's products (1984, p. 227)." Note that within this definition of the original Product dimension, quality is assumed to be an innate characteristic of a product offering. To maintain consistency with prior research and because the item does not directly mention financial matters, it will be analyzed with the product dimension.

Factor 3, labeled Promotion, contains questions from Ruekert and Churchill's (1984) Promotion, Cooperative Advertising, and Financial scales. On the whole, these items appear to reflect a manufacturer's concern with the utilization of promotional efforts. Therefore, this

dimension was called **Promotion**, with Table Thirteen

containing the items of the dimension.

TABLE 13

PROMOTION DIMENSION ITEMS

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9. Your distributor's support for the promotions of your products is:

15. Your distributor's emphasis of your point-of-purchase promotions is:

4. Your distributor's participation in your customer promotions is:

19. The space your distributor allocates to your products is:

26. Your distributor's participation in your cooperative advertising program is:

Additional evidence for the existence of three

factors is given by the factor correlation matrix (Table

Fifteen). The fact that no factor is correlated with a

different factor at greater than a .48 indicates that the

three distinct factors are related, but not highly.

TABLE 15

FACTOR CORRELATION MATRIX

	FINANCE	PRODUCT	PROMOTION
FINANCE			
PRODUCT	.48		
PROMOTION	.47	.40	

To fulfill the goal of parsimoniously representing the factor structure and the underlying dimensionality, three factor based scales have been derived. These scales reflect an underlying dimensional structure which consists of three elements: Finance, Product, and Promotion. Following the procedure detailed in the section devoted to the proposed scales, these factor based scales were examined for reliability utilizing Cronbach's α.

Assess Reliability

The purpose of a pretest is twofold: to see if the respondent has problems with the items and to examine the measures for reliability. Interviews with two of the pretest respondents indicated there were no problems in the interpretation of the items. Since each item retained can be associated with a dimension, each item can be evaluated as part of a proposed scale. The evaluation process consists of utilizing Cronbach's reliability

coefficient alpha, henceforth referred to as Cronbach's α. The primary reason for using Cronbach's α is that the square root of the reliability coefficient is the estimated correlation with the true scores (Churchill 1979; Nunnally 1978, p. 198). Additionally, Cronbach's α equals the mean of all possible split half reliability estimates (Cronbach 1951), thereby encompassing the other primary means of reliability estimation. Table Fourteen reports the Cronbach's α's for each of the proposed scales.

TABLE 14

CRONBACH'S α'S FOR THE PRETEST

Finance	.82
Product	.86
Promotion	.77

As is evident from Table Fourteen, the reliability of the factor based scales is adequate for the basic research with which this dissertation is concerned (Nunnally 1978, p. 245). Indeed, the proposed factor based scales have coefficient alphas above the minimum values necessary for descriptive research (Nunnally 1978).

Each of these scales is considered a part of the construct of satisfaction and will be used to form a linear combination later. Therefore, the reliability of the linear combination of these scales is also to be estimated. This estimation is done using the formula for the reliability of a linear combination, as is shown in Equation 9 (Nunnally 1978, p. 248).

$$r_{yy} = 1 - \frac{\Sigma\sigma^2_1 - \Sigma r_{11}\sigma^2_1}{\sigma^2_y} \qquad (9)$$

where

r_{yy}	=	the reliability of the linear combination
$\Sigma\sigma^2_1$	=	the sum of the variances of the scales
$\Sigma r_{11}\sigma^2_1$	=	the sum of the variance times the reliability of each separate scale
σ^2_y	=	the variance of the linear combination

Based upon the pretest, the reliability of the linear combination of the scales is .92. This estimation of reliability is "an extension of the domain sampling model to a multiple domain sampling model" (Nunnally 1978) and its usage is suggested by Churchill (1979) when combining multiple scales.

These nineteen items were considered the primary variables of interest for the next stage of analysis. This process is in accordance with the work of Ruekert (1981) and Ruekert and Churchill (1984). In their work, the items that were not used in a later analysis were left

in the questionnaire. This is in accordance with Churchill (1979) where he states:

> Second, factor analysis sometimes suggests that dimensions which were conceptualized as independent clearly overlap. In this case, the items which have pure loadings on the new factor **can be retained** and a new alpha calculated. [emphasis supplied]

Note that Churchill does not state that the items which do not load significantly upon the new factors are to be deleted from the next incarnation of the questionnaire. Indeed, in published research by Churchill (Ruekert and Churchill 1984), such items were not deleted.

Data Collection

An examination of the three research problems leads to the conclusion that the dissertation is to combine exploratory and descriptive research. Because the descriptive research undertaken is concerned with the attitudes of entities, "the self report is the most valid approach currently available (Nunnally 1978, p. 591)." Therefore, the dissertation uses a survey method to ask questions about the constructs of interest. With the pretest having established the variables of interest, administration of the main survey was the next stage of the research process.

Sampling

The dissertation is primarily concerned with the components of a manufacturer's satisfaction in a channel of distribution. A secondary concern is whether these components differ when comparing a domestic and an international channel. This necessitates the use of a key informant within each firm. By selecting individuals occupying identical positions in the unit of analysis (manufacturers), these informants are assumed to have similar access to information and perspectives (Seidler 1974). Additionally, research by Phillips (1981) on key informant measurement error points out that the error appears to surface when the informants are used to measure **multiple** constructs and/or make complex social judgments. This dissertation measures one construct, using scales that are not asking for social judgments.

Population and Sampling Frame

To be included in the population a firm must be a manufacturer. Second, the firms must be engaged in both domestic and international distribution. Public records using the Disclosure database (1989) were used to compile a list of 1,783 firms with the following characteristics:

1. The firm is a manufacturer.
2. The firm has both domestic and international sales.
3. The firm has assets of over five million dollars (necessary for inclusion in the database).
4. No prior restrictions are made as to industry.
5. No prior restrictions are made as to geographic location.
6. The firm is a publicly owned corporation.

Using a large range of firms offers the advantage of generalizable results. The researcher imposed no prior screening based on the size of the firm, sales, type of international distribution used, or international market served. This list of firms is the sampling frame used in the dissertation.

Sample Selection

Because a random sample selection "enables a researcher to make inferences about the population (Alreck and Settle 1985, p. 69)" it was chosen as the appropriate sample selection method for this dissertation. The sampling frame of 1,783 firms was entered into a database. Using the UNIFORM function from SPSSPC (SPSS 1990, p. B-30), a random number was assigned to each firm. The firms were then sorted according to the assigned random number. Six hundred thirteen (613) firms were then taken from the sampling frame in the order of their random number.

The large size of the sample, approximately one-third of the sampling frame, reduces the potential for sampling error (Alreck and Settle 1985, p. 68). As an additional

benefit, this sample selection procedure avoids the biases associated with non-probability sampling such as order bias, visibility bias, and accessibility bias.

To demonstrate the comparability of the sample with the rest of the sampling frame, a series of t-tests were examined. Table Fifteen demonstrates there was no significant difference between the sample and the non-selected members of the sampling frame.

TABLE 15

T-TESTS COMPARING THE SAMPLE TO THE SAMPLING FRAME

Variable	Mean (Std. Dev.)		t-value	2-tailed p-value
	Sample	Remainder		
Common Shares Outstanding	33.129M (8.393M) (n=612)	28.412M (4.001M) (n=1118)	1.35	.177
Sales	1.432M (5.569M) (n=608)	1.152M (5.424M) (n=1108)	1.01	.311
Employees	8,288 (25,033) (n=602)	7,607 (30,954) (n=1085)	.46	.644
Net Income	37,999 (114,634) (n=612)	38,533 (121,793) (n=1116)	-.09	.929

Note: M = millions

Initially the firms selected were contacted by telephone. This contact was to identify the key informant

within the firm, secure his/her participation, and verify the mailing address. The caller made every effort to determine that the contact person within the firm was the person responsible for choosing and evaluating the manufacturer's distributors, both domestic and international. While the disadvantages of using a key informant are recognized, the information gained is judged to be superior to using a comparatively uninformed person within the firm (Seidler 1974). A three page mail survey was then sent directly to the pre-identified person. Included with the survey letter was a postage paid return envelope and a cover letter from Oklahoma State University explaining the purpose of the survey (Appendix 4).

Three weeks after the initial telephone contact, a second survey and return envelope were mailed to all firms that had not yet responded. Attached to the survey was a pre-printed "Post-it" note with the following message stamped on it.[7]

> About three weeks ago I called you and your firm
> and asked for help with a survey. As of June 5,
> I have not received your response. Fearing that
> the Post Awful has struck I am sending you
> another copy of the survey. Because I only sent
> the survey to firms that said they would fill
> one out, everyone who got one is crucial.
> Please take a moment, fill it out, and mail it
> back. Thank you for your help.   Roy F.
> Cabaniss

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[7]   The preprinting was one of two commercially available messages. Either "I Need Your Help!" or "JUST A tiny itsy bitsy little FAVOR" on a pink or blue "Post-it".

Gather Data

As described in the sample selection portion of this dissertation, data was assembled for analysis. Six hundred thirteen (613) surveys were sent out and one hundred sixty six (166) were returned for a 27% response rate.

One point which deserves further consideration and research lies in the nature of the unusable responses, of which there were fifty. Evidently some confusion exists in the field as to what distribution is. This research process entailed calling the firm to ascertain the name of the person in charge of distribution. In most cases, callers actually talked with the respondent and verified both that the firm is a manufacturer, and that the contact person was in charge of the distribution. Even so, a comparatively large number of responses were returned which indicate that distribution is something that other firms do. It is not perceived as indigenous to the company that sent the response back. However, all of these firms do make products and somehow get them to their customers. This attitude towards distribution deserves future research. Table Sixteen gives some of the comments that were returned, attached to an empty questionnaire.

TABLE 16

COMMENTS FROM NONRESPONDING RESPONDENTS

"We make computers and sell them to OEM's (original equipment manufacturers), we don't do any marketing.

"Our company manufacturers and distributes direct both domestically and internationally, therefore our responses are not applicable.

"Your survey doesn't apply because we send our products to warehouses."

"We are a small company so we did not fill out the survey."

"We do not have products! We sell what we make to a manufacturer who sells it to someone else."

"This survey does not apply to our business, we use freight lines to deliver our products."

"We distribute our product ourselves so we cannot participate."

"We use a freight broker here in the US and an export trading house internationally, therefore we do no distribution."

Characteristics of the Respondents: With one hundred twelve usable questionnaires returned, the respondents were compared to the nonrespondents by t-tests to assess the nonresponse bias. If the respondents are significantly different from the nonrespondents, then the ability to draw inferences from the sample to the population is greatly curtailed. Table Seventeen demonstrates that when examining sales, number of

employees, and net income there are no significant differences between the firms that responded to the survey and those that did not. The rationale for the difference that exists in the common shares outstanding could be traced to the size of the firms involved. With a larger firm, finding the single person within the firm that was responsible for distribution becomes more difficult. Additionally, with an older firm,[8] the potential for additional layers of bureaucracy and internal rules against disseminating potentially sensitive information is increased.

This is not as serious as it first appears. In addition to the variables already mentioned, there is no significant difference between the respondents and the nonrespondents when earnings per share is examined (Table Seventeen).

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[8]   Assuming that an older firm has more shares of common stock outstanding.

TABLE 17

T-TESTS COMPARING THE RESPONDENTS TO THE NONRESPONDENTS

Variable	Mean (Std. Dev.)		t-value	2-tailed p-value
	Respond	Remainder		
Sales	676,379 (1.70M) (n=111)	1.009M (2.960M) (n=1650)	-1.17	.24
Employees	6,460 (16,971) (n=107)	7,293 (27,028) (n=1624)	-.31	.75
Net Income	32,199 (108,614) (n=112)	48,954 (200,169) (n=1662)	-.88	.38
Common Shares Outstanding	16.82M (25.01M) (n=112)	29.23M (63.12M) (n=1665)	-2.07	.04
Earnings per Share	.94 (3.05) (n=109)	.75 (3.82) (n=1660)	.49	.62

Note: M = millions

In addition to the database information, the survey contained questions regarding the characteristics of the individual respondents. The length of time a firm was associated with a distributor could be an indicator of the firm's degree of satisfaction. The respondents indicated a business relationship with this particular domestic distributor lasts for an average of 14 years, while the average duration of the relationship with the international distributor is for 7 years. Additionally,

the respondents' exports average approximately 24 percent
of their sales.

Another piece of information about the respondents
is the job title, as reported by the key informant.
Although thirteen different responses were received,
Figure Four illustrates that the job titles are
concentrated into six areas.

Job Titles

Job Title	Percentage
VP Mktg.	13
Traffic Mgr.	33
Sales Mgr.	4
PD/MM Mgr	21
Warehouse Mgr	6
Mktg. Mgr.	9
All others	13

Percentages
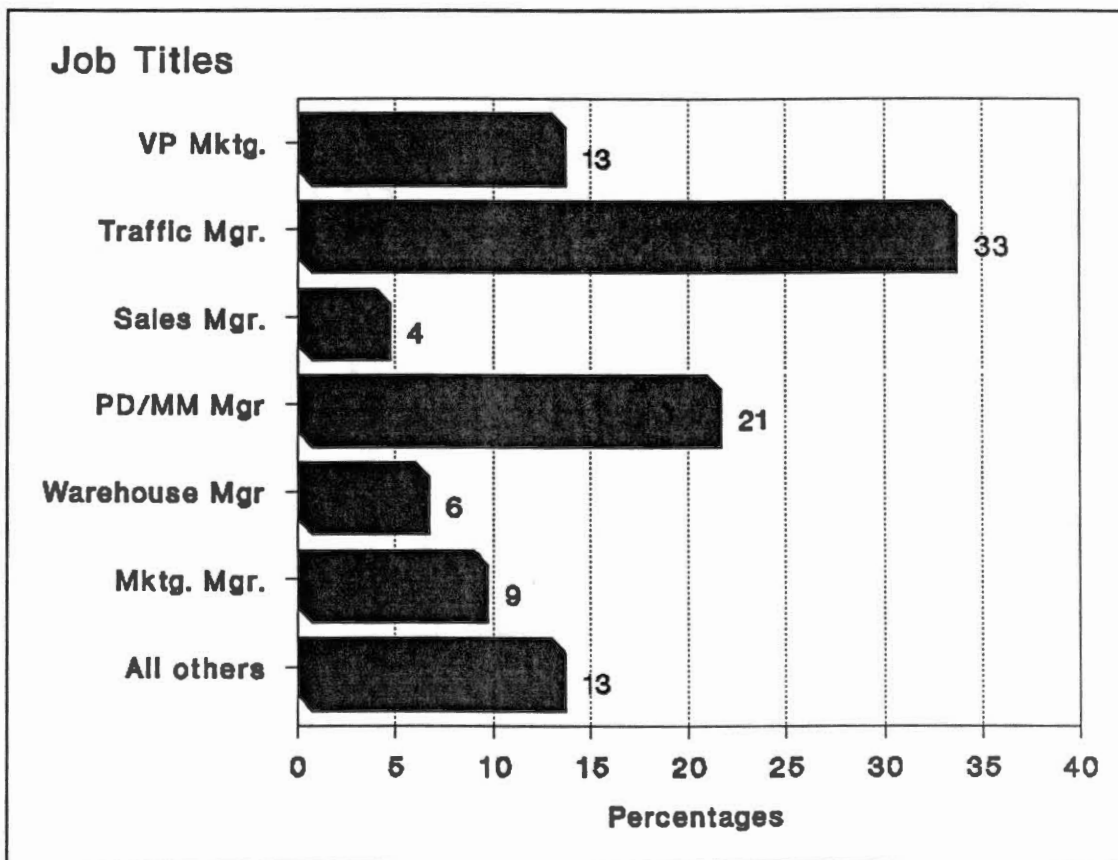
Figure 4. Job Titles of the Respondents

The survey also requested that the key informant
provide information concerning the type of distributor
used. The results of this inquiry are reported on both a
domestic and international basis in Figure Five. Note
that the distributors reported in Figure Five consist of
both "traditional" channel members and "facilitators".
This does not preclude comparing the two groups of channel
members since these facilitators perform many of the
channel functions associated with traditional channel
members, especially when the facilitators are used in
international distribution.
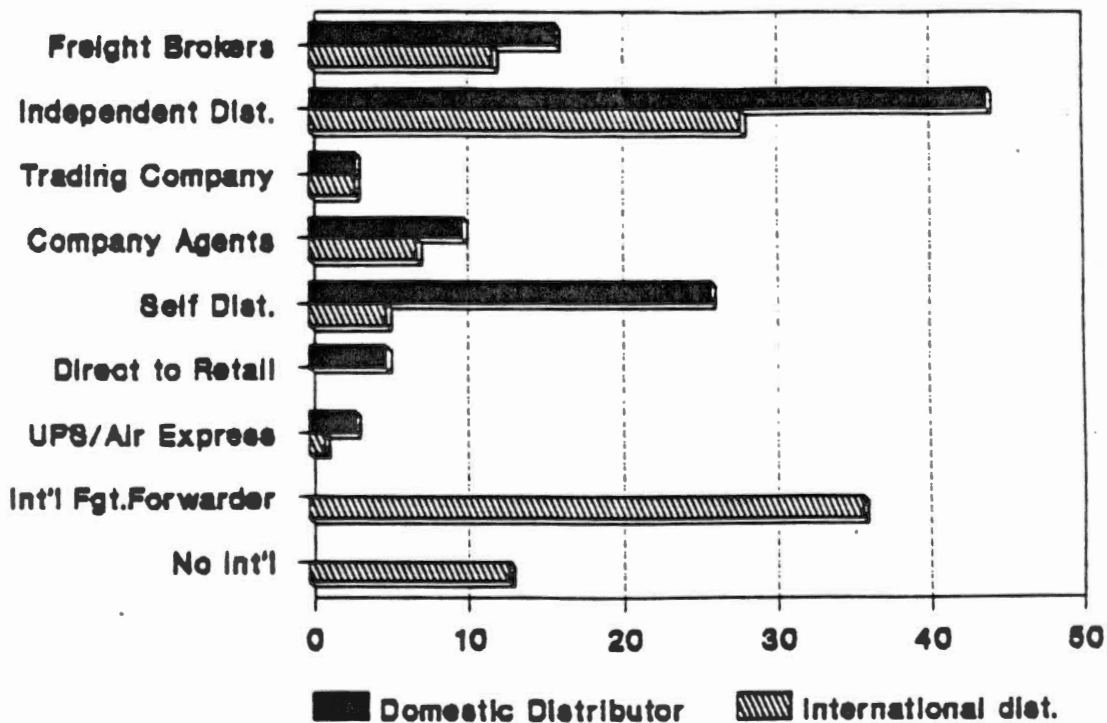
Figure 5. Types of Distributors Used by the Respondents

The prior section illustrates some of the characteristics of the respondents. The data used to prepare the charts and t-tests is either publicly available secondary data or information provided by the respondents themselves. The next step in this process is to examine and evaluate the data used in testing the hypotheses.

Assess Reliability

The initial task after the surveys were returned was to estimate scale reliability. Table Eighteen presents the Cronbach α values of all the summed variables in the analysis.

TABLE 18

CRONBACH'S ALPHAS FOR THE FACTOR BASED SCALES

SCALE	ALPHA
DOMESTIC FINANCE	.82
DOMESTIC PRODUCT	.88
DOMESTIC PROMOTION	.77
INTERNATIONAL FINANCE	.84
INTERNATIONAL PRODUCT	.89
INTERNATIONAL PROMOTION	.77
DOMESTIC SATISFACTION	.87
INTERNATIONAL SATISFACTION	.91

As seen in Table Eighteen, the reliability of the scales is adequate (Nunnally 1978, p. 245). Indeed, the scales have coefficient alpha's above the minimum values necessary for descriptive research (Nunnally 1978).

Domestic Factor Analysis

In addition to reliability, another concern was whether the items were associated with the same dimensions when using the main survey data. Figure Six presents the results of a factor analysis using the domestic items in the main survey.

Some observations about the factor analysis are in order. First, on an unrestricted factor analysis, only three factors had an eigenvalue greater than one. Therefore, the number of factors to be extracted was again restricted to three. This is in accordance with the results of the pretest, which also had a three factor structure. Second, because the purpose of the factor analysis was to "determine theoretically meaningful constructs", an oblique rotation was used (Hair, Anderson and Tatham 1987, p. 238). Third, while the order in which the variables loaded and the loadings themselves are different, the overall factor structure is very similar to that of the pretest.

FIGURE 6

FACTOR ANALYSIS OF THE DOMESTIC ITEMS ON THE MAIN SURVEY
PROMAX ROTATION (Std Reg Coefs)

	F1	F2	F3
Factor 1: Product			
D23: Meeting performance deadlines	.78	-.06	.06
D5 : Dist's. personnel helpfulness	.73	.18	-.14
D24: Communication about services	.70	-.02	.04
D2 : Quality of service	.67	-.15	.18
D13: Dist's. speed of response	.63	.09	.06
D16: Knowledge of firms services	.58	.30	-.11
D27: How organized are the dist's people	.53	.17	.13
D35: Filling orders accurately	.42	.38	.03
Factor 2: Promotion			
D26: Cooperative advertising	-.10	.89	.00
D4 : Participation in customer prom	.02	.57	.07
D15: Point of purchase promotions	.05	.65	.02
D9 : Support for promotion	.14	.50	.27
D19: Space dist. allocates to prod	.31	.43	-.01
Factor 3: Finance			
D34: Time between billing and rcpt	-.11	.10	.82
D31: Will the dist. pay	.08	.03	.69
D36: Speed of Payment	.07	-.02	.67
D3 : Terms of payment	.08	.03	.57
D37: Will dist. be in business later	.51	-.05	.34
D1 : Damaged merchandise	.24	.03	.30
Percent of Variance Explained	78%	12%	10%
Eigenvalue	16.83	2.57	2.30

The only variable which did not load significantly
upon its proposed factor was D35, filling orders
accurately. In the pretest this item loaded with the
financial variables. In the main survey it loaded highly
on the product and promotion dimensions, and not on the
financial dimension.

The reason for this difference may lie in the difference between the pretest population and the population for the main survey. Only twenty firms in the pretest distributed goods internationally, whereas all members of the main survey use international distributors. If a distributor does not fill a domestic order accurately it is a relatively simple process for the manufacturer to correct. Virtually any place within the United States is within four days shipping for most goods. On the other hand, international business inherently has a greater time lag involved in the filling of orders. Therefore, if a distributor makes a mistake in filling an order, it will take longer for the manufacturer to correct the problem. Additionally, a large percentage of international business is conducted using an irrevocable letter of credit. These letters of credit state the characteristics of the goods shipped. If the distributor makes a misorder, it is difficult for the manufacturer to ship the correct items and quantities because the means of payment specify the incorrect items. On the other hand, this does not explain why this item would load significantly upon the promotion dimension. This item does not discriminate enough to warrant its retention, as evidenced by the factor loadings being within .04 for the product and promotion factors. Because item thirty five does not discriminate between the product and promotion dimensions, and because it does not

load significantly upon the finance dimension where it was initially postulated to be, all later analysis will exclude item thirty five.

International Factor Analysis

Of additional concern was whether the international items would be associated with the same dimensions when using the main survey data. Figure Seven presents the results of a factor analysis using the international items in the main survey.

Some observations about this factor analysis are in order. First, on an unrestricted factor analysis only three factors had an eigenvalue greater than one. Therefore, the number of factors to be extracted was again restricted to three. This is in accordance with the results of both the pretest and the main survey domestic factor analysis, each of which also had a three factor structure. Second, an oblique rotation was again used. Third, while the order in which the variables loaded and the loadings themselves are different, the overall factor structure is very similar to that of both the pretest and the main survey domestic factor analysis.

FIGURE 7

FACTOR ANALYSIS OF THE INTERNATIONAL
ITEMS ON THE MAIN SURVEY

PROMAX ROTATION (Std Reg Coefs)

	F1	F2	F3
Factor 1: Product			
I16: Knowledge of firms services	.86	-.08	-.06
I5 : Dist's. personnel helpfulness	.72	.17	-.07
I24: Communication about services	.70	-.03	.18
I23: Meeting performance deadlines	.63	.04	.16
I13: Dist's. speed of response	.60	-.01	.25
I27: How organized are the dist's people	.46	.31	-.03
I35: Filling orders accurately	.36	.20	.17
Factor 2: Promotion			
I4 : Participation in customer prom	.03	.83	-.04
I1 : Damaged merchandise	-.17	.50	.25
I15: Point of purchase promotions	.01	.48	.19
I26: Cooperative advertising	.20	.44	-.04
I19: Space dist. allocates to prod	.30	.44	-.04
I9 : Support for promotion	.13	.43	.07
I2 : Quality of service	.35	.41	-.01
Factor 3: Finance			
I34: Time between billing and rcpt	.07	-.07	.85
I31: Will the dist. pay	.00	-.01	.80
I36: Speed of Payment	.02	.19	.62
I3 : Terms of payment	.07	.29	.41
I37: Will dist. be in business later	.26	.21	.37
Percent of Variance Explained	79%	13%	8%
Eigenvalue	17.55	2.78	1.88

Two variables did not load significantly upon their
proposed factors, number one and number thirty five. The
comments regarding item thirty five in the domestic factor
analysis section are equally applicable to the
international factor analysis. Again, the item did not
load significantly with its proposed dimension. As the

decision has already been made to exclude item thirty five
from further analysis, the results of the international
factor analysis provides confirmation that this decision
was correct.

Item number one relates to how effectively the staff
deals with damaged merchandise problems. In both the
pretest and the main survey's domestic factor analysis,
this item loaded with the financial variables, whereas in
the international portion of the main survey it loaded
significantly on the promotion dimension. The reason for
this difference may lie in the difference between the
pretest population and the population for the main survey.
Only twenty firms in the pretest distributed their goods
internationally, whereas all members of the main survey
were thought to use international distributors. If a
distributor has trouble handling damaged merchandise on a
domestic basis, it is a relatively simple process for the
manufacturer to correct the problem. Reverse channels are
established and a replacement can easily be sent to the
customer. When one compares a domestic reverse channel to
that of an international distributor, the additional
complications become immediately evident. These
complications can include such things as customs, an
additional time lag in shipping, storage overseas and
increased pilferage.

Another reason for this difference in the loading may be due to the rarity of acceptable damaged merchandise handling on an international basis. If a distributor does a good job on this aspect of the manufacturer-distributor relationship, it may well be that the distributor utilizes this information extensively in promotional efforts. In the international factor analysis, the damaged merchandise item loaded with the promotion dimension (.50) but has a loading of .25 on the finance dimension. In the pretest and the domestic factor analysis, the damaged merchandise item loaded with the finance dimension. To ensure comparability in later analysis, the damaged merchandise item will be left in the finance dimension and used in the finance scales, both on a domestic basis and on an international basis.

Assess Validity

A multitrait-multimethod matrix as proposed by Campbell and Fiske (1959), is suggested when attempting to assess the validity of the measures (Churchill 1979). Two types of validity are evaluated when using a multitrait-multimethod matrix: convergent and discriminant. "Convergent validity is the degree to which a set of measures agree with other measures of the same construct. Discriminant validity is the extent to which a measure is

novel and not a reflection of some other variable."
(Churchill 1979, pp. 70-71)

A multitrait multimethod matrix allows a researcher
to examine measures for validity by examining sources of
variance. Traits and methods were the two sources of
variance which Campbell and Fiske (1959) addressed, but
different traits and methods are not the only sources of
variance between which measures should be able to
discriminate. For example, Davis (1971) uses a
multirespondent multimethod matrix in his investigation
into consumer purchase decisions. Other examples include
the use of such things as a multitrait multicontext matrix
(Robertson and Myers 1969) and a multiitem multiproduct
matrix (Silk 1971). Even more to the point for this
research, in his work on "Attitudes and the Prediction of
Behavior" Fishbein makes the point:

> Thus, in contrast to our usual validation
> technique of correlating some pencil and paper
> measure of attitude with one or more behavioral
> criteria, we should, **at a minimum**, be obtaining
> measures of attitude toward at least two
> stimulus objects and measuring the subjects
> behavior toward each of them (Fishbein 1967,
> emphasis in the original).

Additionally, Heeler and Ray (1972) argue that
multiple products, markets, segments and time periods "can
be used to establish validation, meaning and the long-
range usefulness of marketing research procedures (p.
187)." Thus, to gain evidence of convergent and
discriminant validity, more than just multiple traits and

methods apply. Researchers in the past have used multiple traits, methods, objects, contexts, items, and respondents to gain such evidence (Davis 1971; Robertson and Myers 1969; Ruekert 1982; Ruekert and Churchill 1984; Silk 1971).

A more suitable title for this type of research tool might be a "Convergent-Discriminant Matrix." The key to this tool lies in the attempt to discern how measures converge on similarities and discriminate on differences.

Convergent Discriminant Matrix

When working with a convergent discriminant matrix the first elements to be established are the traits. Simply speaking, a trait is a variable or concept of concern within research. The traits are the fundamental building blocks of a convergent discriminant matrix, and correlations between them are found within the matrix.

A purpose of this research is to examine the various dimensions (traits) of a manufacturer's satisfaction with a distributor. The factor analysis resulted in three dimensions of performance being proposed: product, finance and promotion. These dimensions are characteristics, or traits, of satisfaction with a distributor, so it is appropriate to use the measures of these dimensions as the units of analysis for the convergent discriminant matrix. Because multiple traits are expressed within this

research, they provide the first point between which the measures can converge and discriminate.

The second level of comparison to be used within the convergent discriminant matrix lies in the methods by which the dimensions were measured. One method by which the dimensions were measured was discussed in the scale development portion of this dissertation. This method entailed the use of multi-item scales for each dimension. Another method by which the dimensions were measured was the use of single item global questions which related to the performance for each dimension. While these methods are not "maximally different" in accordance with Campbell and Fiske (1959), they are different. Global items have been used before in investigations into the convergent and discriminant validity of multiitem scales (Hunt and Nevin 1974; Ruekert and Churchill 1984) and such usage is appropriate here. This is particularly true, since this research is a partial replication of Ruekert and Churchill's work. Therefore, the two different types of scales provide the second point of differentiation within the convergent discriminant matrix. The second level of comparison is with the usage of multiple methods.

The third type of comparison within the convergent discriminant matrix is the usage of multiple objects, as called for by Fishbein (1967). Each of the traits was measured using each method, upon two separate objects.

These objects were the manufacturer's international distributor and his/her domestic distributor. This examination of two objects within the research leads to the third point of differentiation within the convergent discriminant matrix. This third level of comparison is with the usage of multiple objects.

The convergent discriminant matrix used by this research consists of multiple traits, multiple methods, and multiple objects. Twelve measures were used for the convergent discriminant matrix in this dissertation. In the matrix, the measures are grouped first according to their method of measurement and second by their object (domestic or international). Domestic multi-item scales are together, as are the domestic global items. Likewise, the international multi-item scales are together, as are the international global items. Table Nineteen presents an overview of how the scales were measured and how the scales were computed.

TABLE 19

CONVERGENT DISCRIMINANT MATRIX COMPONENTS

Methods of Measurement	How the scales are computed
One multi-item scale for each dimension of performance, measured domestically. Each measure starts with a **MD,** as its first two letters.	Each scale is the average of all items relating to that domestic performance dimension. For example, the product scale is the average of the 7 items that grouped together in the first factor in figure 6.
A global item for each domestic performance dimension. Each measure starts with a **GD** as its first two letters.	A single item for each domestic performance dimension.
One multi-item scale for each dimension of performance, measured internationally. Each measure starts with a **MI** as its first two letters.	Each scale is the average of all items relating to that international performance dimension.
A global item for each international performance dimension. Each measure starts with a **GI** as its first two letters.	A single item for each international performance dimension.

* The first letter of each trait give its type of scale (multi-item or global) and the second letter its object.

Figure Eight presents a convergent discriminant matrix using the data gathered for this study. The list of traits down the side of Figure Eight is broken into four groups (methods) of three scales (traits). Additionally, the correlations between the satisfaction

scales and the traits are provided at the bottom of the convergent discriminant matrix.

When examining a convergent discriminant matrix, four criteria are suggested by Campbell and Fiske (1959) as evidence for convergent and discriminant validity. The first criterion is to gain evidence of convergent validity. "The validity diagonal must be large and significant (1959)." A validity diagonal exists where a trait is correlated with itself. This correlation coefficient is not going to be equal to one, because there will be at least one "difference" between the two measures. In the convergent discriminant matrix presented in Figure Eight, the validity diagonal presents the correlations of the same trait, measured using different methods or measured using a different object. An example of a validity diagonal in Figure Eight is the upper multitrait multimethod block and is comprised of the intersections of (MDPROD * GDPROD), (MDFIN * GDFIN), and (MDPROM * GDPROM). Each multitrait multimethod block and multitrait multiobject block contains a validity diagonal. The convergent discriminant matrix provides evidence for convergent validity because the correlation coefficients in the validity diagonals are large and significant.

FIGURE 6

CONVERGENT DISCRIMINANT MATRIX FOR THE MEASURES

TRAITS	DOMESTIC MULTI-ITEM			DOMESTIC GLOBAL			INTERNATIONAL MULTI-ITEM			INTERNATIONAL GLOBAL		
	MDPROD	MDFIN	MDPROM	GDPROD	GDFIN	GDPROM	MIPROD	MIFIN	MIPROM	GIPROD	GIFIN	GIPROM
MDPROD	(88)											
MDFIN	64	(82)										
MDPROM	65	57	(77)									
GDPROD	75	58	54	1 00								
GDFIN	59	72	44	64	1 00							
GDPROM	39	42	72	35	34	1 00						
MIPROD	61	42	42	44	44	26	(89)					
MIFIN	46	74	43	42	53	38	67	(84)				
MIPRO	36	34	64	29	29	42	68	60	(77)			
GIPROD	38	32	30	40	36	16	72	58	56	1 00		
GIFIN	38	53	41	31	57	30	56	70	50	47	1 00	
GIPROM	29	34	53	25	26	67	53	52	67	50	48	1 00
DSAT	61	51	44	58	57	44	36	40	28	30	23	26
ISAT	28	21	18	21	20	19	70	56	52	65	47	55

(Left vertical labels: D O M E S T I C for the DOMESTIC block rows; I N T R N A T L for the INTERNATIONAL block rows)

RELIABILITY FOR EACH SCALE IS IN PARENTHESES

SCALE INFORMATION

MDPROD	= DOMESTIC PRODUCT SCALE (7 items)	MIPROD	= INTERNATIONAL PRODUCT SCALE (7 items)
MDFIN	= DOMESTIC FINANCE SCALE (6 items)	MIFIN	= INTERNATIONAL FINANCE SCALE (6 items)
MDPROM	= DOMESTIC PROMOTION SCALE (5 items)	MIPROM	= INTERNATIONAL PROMOTION SCALE (5 items)
GDPROD	= A GLOBAL ITEM RELATING TO THE DOMESTIC PRODUCT	GIPROD	= A GLOBAL ITEM RELATING TO THE INTERNATIONAL PRODUCT
GDFIN	= A GLOBAL ITEM RELATING TO THE DOMESTIC FINANCE	GIFIN	= A GLOBAL ITEM RELATING TO THE INTERNATIONAL FINANCE
GDPROM	= A GLOBAL ITEM RELATING TO THE DOMESTIC PROMO	GIPROM	= A GLOBAL ITEM RELATING TO THE INTERNATIONAL PROMO

Analysis blocks

+ + + + + + + + + + + + +
+ Multi-trait Multi-method +
+ + + + + + + + + + + + +

****
* Multi-trait Multi-object *
****

= = = = = = = = = = = = = = = =
= Multi-trait Multi-method Multi-object
= = = = = = = = = = = = = = = =

All correlations are significant at p < 05

The second criterion proposed by Campbell and Fiske examines the relationship between the traits when the traits are measured using a different method. "A validity diagonal should be larger than its associated columns and rows (1959)." A convergent discriminant matrix, as used within this research, examines more than just traits and methods, it also examines traits across objects. Just as the correlation between a trait and itself, when measured using two different methods, is expected to be higher than the correlation between two different traits[9], so too should a trait correlate higher with itself than with other traits when the object is the point of difference. This means that both the multitrait multimethod blocks and the multitrait multiobject blocks should be examined for evidence of discriminant validity in this second step. The nine correlation coefficients that occupy the intersection of two methods or objects can be said to comprise a "block". The correlation coefficient reported in a validity diagonal should be the largest number in its columns and rows in that block. Using the upper multitrait multimethod block as an example, the correlation should be higher between two measures of domestic product[10] than the correlations in the

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[9] also measured using two different methods

[10] The intersection of MDPROD and GDPROD, which is .75.

appropriate column[11] or row[12]. An examination of the
multitrait multimethod blocks and the multitrait
multiobject blocks provides evidence of discriminant
validity for the second criterion. The appropriate
pattern of correlations exists in this dissertation.

The third criterion is also associated with the
comparison of a validity diagonal to different traits.
Campbell and Fiske state this criterion as, "A variable
correlates higher with other measures of the same trait
than it does with different traits using the same method
(1959)." The correlations in the validity diagonals
should be larger than the correlations of the items that
only share the method in common. Campbell and Fiske
(1959) propose that the correlation between a trait should
be higher than the other correlations within a monomethod
block.[13] The multitrait multiobject blocks provide
another opportunity for this type of examination. Since
the methods used to measure the traits are the same within
these blocks, the validity diagonal should be compared to
the off diagonal elements within the block. The validity

[11]   As in the correlations between MDPROD and GDFIN
(.59) and MDPROD and GDPROM (.39).

[12]   Remember that GDPROD is a global measure of the
product dimension, when evaluating a domestic distributor.
The row under discussion are the correlations between
GDPROD and DFIN (.58) and GDPROD and DPROM (.54).

[13]   A monomethod block is actually the triangle of
correlations which share the same method (either multiitem
or global) and object (either domestic or international).

diagonal should have the highest correlations within the block. An examination of the convergent discriminant matrix shows that this is the case. Again evidence is provided for the presence of discriminant validity.

The fourth criterion involves comparing the patterns of the correlations in the heterotrait triangles. Campbell and Fiske state: "The traits relate to each other in the same fashion (1959)." This involves a comparison of the off diagonals of the analysis blocks to observe whether the same patterns of relationships exist among the various traits. One clear pattern which emerges from an examination of the heterotrait triangles is that the correlations between product and finance are normally the highest set of correlations. This pattern exists in five of the six analysis blocks. Another pattern in five of the six analysis blocks is that a product-promotion correlation is the lowest value. This consistency satisfies the fourth criterion, as set forth by Campbell and Fiske (1959).

The convergent discriminant matrix makes it evident that both convergent and discriminant validity are present. There is evidence that the measures are both reliable and valid. The next step of Churchill's Paradigm is to develop norms.

<u>Develop Norms</u>

After establishing the reliability and validity of the measures, the next step according to Churchill's paradigm is to establish norms. These norms which are to be established are overviews of the respondent's answers.

First, the respondents felt the domestic distributor performed better than the international distributor. Generally the international distributors performed as expected while the domestic distributors performed better than expected. A logical consequence of the domestic distributor's relative performance would be the manufacturer's being more satisfied with the domestic distributor, and this was found to be the case.

Other relationships exist among the variables; however, the goal of developing extensive sets of norms is not called for in all situations. As an example, Churchill said, "Note that norms need not be developed if one wants only to compare salespersons i and j to determine who is more satisfied... (1979, p. 72)." This statement makes it obvious that, once the reliability and validity have been evaluated and found acceptable, the scales are ready for use. This leads to the testing of the hypotheses in the results portion of this dissertation.

CHAPTER IV

RESEARCH RESULTS

Research Question One

Research question one is: From a manufacturer's
perspective, what are the dimensions of satisfaction upon
which the distributor is evaluated? Taking the items
generated in the domain search process, a factor analysis
was done with the pretest to extract the underlying
dimensions. This resulted in a three factor solution,
these factors appearing to embody the concepts of product,
finance and promotion. Figures Six and Seven are the
factor analyses performed on the main survey data. From
these factor analyses, this study clearly shows that
channel satisfaction is indeed multidimensional.
Domestically, each of the factors represent at least ten
percent of the variance of the items, and the items load
relatively cleanly with little crossover into the other
factors.

In fact, if the factor structures are compared
between the pretest, main survey domestic oblique
rotations, main survey international oblique rotations,

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main survey domestic orthogonal rotations, and main survey international orthogonal rotations, the same items loaded significantly together to form the same dimensions under each method. It would appear the three dimensions which were formed from the pretest are both reliable and robust with regard to differences in rotation and type of distributor.[14]

Research Question Two

The second research question is: Does the type of target entity, international or domestic distributor, alter the effect of a performance dimension on satisfaction? There were seven hypotheses, one for each initially postulated dimension. Because the exploratory factor analysis resulted in only three dimensions, only three of the initially postulated seven hypotheses are to be tested. For these three hypotheses, the test procedure remains the same.

1. From the reliable and valid scales, create an average of the raw scores for each dimension and for domestic and international satisfaction.

2. Using the measure of domestic satisfaction as the dependent variable, perform a linear regression with domestic performance as the predictor variable.

[14] Either international or domestic

3. Take the resultant domestic regression equation and use the number (averaged scale) from the international performance dimension with the regression coefficient and intercept. This will yield an estimated international satisfaction for each case.

4. Compare the estimated international satisfaction to the actual international satisfaction using a paired t-test.

5. Since the actual values for international satisfaction and domestic satisfaction are different ($t=2.97$, $p=.0039$), if the estimated international satisfaction is not significantly different from the actual international satisfaction, then the slope of the two regression equations must be the same.

A Paired T-Test Comparing Domestic and International Satisfaction

Before testing the variables for an interaction, a determination of whether the type of target entity makes a difference by itself is essential. Using the Univariate procedure from SAS, a paired t-test was performed, comparing domestic and international satisfaction. The results of the t-test demonstrate that manufacturers are significantly more satisfied with their domestic

distributor's than with their international distributor's
(t=2.97, p=.0039). On a scale of one to five, with one
being "very dissatisfied" and five being "very satisfied",
the average satisfaction with a domestic distributor was
3.82, whereas the average satisfaction with the
international distributor was 3.64.[15] Both averages are
closer to "satisfied" than "neutral" on the scale, with a
significant difference between the two (F=4.68, p=.0318).
Having determined that the dependent variable differs
according to whether the domestic or international
distributor is being discussed, the task remains to answer
research question two.

Hypothesis 2a

   H2a is: for the product dimension, there is no
significant interaction between the target entity and the
performance - satisfaction linkage.

   Following the outlined procedure (pp. 113-4), inter-
national satisfaction was estimated using the domestic
satisfaction-product regression equation. When comparing
the estimated international satisfaction (μ=3.70) to the
actual international satisfaction (μ=3.64), no significant
difference was observed (t=-1.10, p=.27). As a check upon

_____

[15]   On this scale, a four equals satisfied while a
three is neutral. This being the case, the manufacturers
are closer to being satisfied than being neutral in their
evaluations of their distributors.

this result, the procedure was repeated using the regression equation of international satisfaction as dependent upon international product performance. When comparing the estimated domestic satisfaction (μ=3.75) to the actual domestic satisfaction (μ=3.82), no significant difference was observed (t=1.35, p=.18).

These findings of no significant difference indicate that the slopes of the regression equations are the same: therefore, H2a is supported.

Hypothesis 2b

H2b is: For the finance dimension, there is a significant interaction between the target entity and the performance - satisfaction linkage.

When comparing the estimated international satisfaction (μ=3.73) to the actual international satisfaction (μ=3.64), no significant difference was observed (t=-1.61, p=.11). As a check upon this result, the procedure was repeated using the regression equation of international satisfaction as dependent upon international financial performance. When comparing the estimated domestic satisfaction (μ=3.75) to the actual domestic satisfaction (μ=3.82), no significant difference was observed (t=1.49, p=.14).

These findings of no significant difference indicate that the slopes of the regression equations are the same.

This hypothesis was originally formulated with the concept that the financial aspects of a manufacturer-distributor relationship would be more important domestically than internationally. This hypothesis is not supported by the evidence. The evidence against H2b leads to the conclusion that the relationship between financial performance and satisfaction is the same, regardless of whether an international distributor or a domestic distributor is being examined.

Hypothesis 2d

H2d: For the promotion dimension, there is no significant interaction between the target entity and the performance - satisfaction linkage.

International satisfaction was estimated using the domestic satisfaction-promotion regression equation. When comparing the estimated international satisfaction ($\mu=3.75$) to the actual international satisfaction ($\mu=3.64$), a significant difference was observed ($t=-2.07$, $p=.04$). As a check upon this result, the procedure was repeated using the regression equation of international satisfaction being dependent upon international promotion performance. When comparing the estimated domestic satisfaction ($\mu=3.72$) to the actual domestic satisfaction ($\mu=3.82$), a significant difference was again observed ($t=2.01$, $p=.05$).

These findings of a significant difference indicate that the slopes of the regression equations are not the same. This hypothesis was originally formulated with the concept that the promotional aspects of a manufacturer-distributor relationship would be the same, regardless of the type of distributor (international or domestic). This hypothesis is not supported by the evidence. The evidence against H2d leads to the conclusion that the relationship between promotional performance and satisfaction is not the same for an international distributor as it is for a domestic distributor. This analysis presents evidence of a significant interaction between the type of target entity and the promotion dimension.

With a significant interaction present between the type of target entity and promotion, it might be useful to determine what makes promotion so different. Table Twenty presents the R-squares which resulted from the six different regression equations used to test hypothesis two.

TABLE 20

VARIANCE COMPARISON OF THE REGRESSION EQUATIONS

Variable	Domestic R^2*	International R^2*
Product	.26	.36
Finance	.19	.26
Promotion	.29	.30

* Adjusted

Table Twenty illustrates the improved efficiency of the
predictive measures when used to predict the
manufacturer's satisfaction with an international
distributor. The distinction here is that promotion does
not predict international satisfaction much better than it
does the domestic satisfaction, whereas the product and
finance dimensions do. With the exception of promotion
the variables have more variance internationally than they
do domestically. Since promotion does not vary as
drastically, it shows that the relationship between
promotion and satisfaction is different when considering
international and domestic distributors, when promotion is
compared to the other performance dimensions. Table
Twenty One provides the variances of the variables for
comparative purposes.

TABLE 21

VARIANCES OF THE VARIABLES

Variable	Domestic	International
Product	.38	.42
Finance	.34	.39
Promotion	.32	.23
Satisfaction	.32	.42

A closer examination of the promotion dimension illustrates the interaction between the type of target entity and the promotion dimension. Three of the components of the promotion dimension have a significant difference in their values when domestic and international distribution are compared. These components are: the distributor's participation in customer promotions, the distributor's support for customer promotions and the distributor's utilization of point of purchase promotions. With each of these items the manufacturer perceived significantly lower performance from the international distributor than from the domestic one. The rest of the items which make up the promotion dimension were not significantly altered by the target entity. Table Twenty-Two presents the findings of the paired t-tests on the promotion dimension.

TABLE 22

PAIRED T-TESTS COMPARING
DOMESTIC AND INTERNATIONAL PROMOTION

Variable	Mean (Std. Dev.)		t-value	2-tailed p-value
	DOMESTIC	INT'L		
Participation in customer promotions	3.22 (.79) (n=106)	3.01 (.70) (n=93)	3.22	.00
Support for promotion	3.21 (.80) (n=106)	3.10 (.76) (n=92)	2.04	.05
Point of Purchase promotions	3.18 (.60) (n=104)	3.03 (.53) (n=91)	2.40	.02
Space allocated	3.28 (.77) (n=106)	3.25 (.75) (n=92)	1.12	.26
Cooperative advertising	3.14 (.76) (n=104)	3.06 (.67) (n=93)	.79	.43

(standard deviation in parentheses)

Since two of the five items which make up the promotion dimension were not significantly influenced by the target entity, this allows the target entity to continue to be significantly related to satisfaction. In contrast to the other two dimensions, the promotion dimension does not mask the influence of the target entity. In other words, satisfaction is lower for the international distributor, but all of the elements of promotion are not lower for the international distributor.

Research Question Three

The third research question is: For domestic and international distribution, how well do the dimensions of performance predict a manufacturer's satisfaction with a distributor? This research question required that the two types of distribution, international and domestic, be considered separately. To ensure the comparability of the scales within the regression equation, the performance dimensions were standardized. It is assumed that independent variables are correlated with each other. Because of this assumption, multicollinearity between the measures must be considered. An examination of the pattern of correlations between the independent variables suggests that each dimension is assessing separate aspects of channel satisfaction. Therefore none of the traditional remedies for multicollinearity, such as the usage of factor scores in the regressions, were used. For this analysis, satisfaction with a type of distribution was the dependent variable and the independent variables were the standardized performance dimensions for each type of distribution. Table Twenty-Three presents the results of this multiple regression.

TABLE 23

MULTIPLE REGRESSION FOR HYPOTHESIS THREE

Dependent Variable	Model F-Value	Adj. R^2	Independent Variables		
			Product	Finance	Promote
Domestic Satisfaction	18.82 (.0001)	.34	.25 (.03)	.14 (.19)	.30 (.01)
International Satisfaction	26.96 (.0001)	.46	.35 (.00)	.19 (.08)	.25 (.03)

* Notes: regression coefficients are standardized
p-values are in parentheses
df for domestic satisfaction 3, 99
df for international satisfaction 3, 87

As can be seen from the regression results, in both cases the independent variables act as significant predictors of satisfaction. Even more interesting are the differences in the interrelationships between the variables. When evaluating a domestic distributor, promotion was the most important variable, followed by product. Finance was not significant at the 10% level.

On the other hand, when an international distributor was evaluated the product offering became the most important predictor of satisfaction, followed by promotion. Finance was now significant at the 10% level. The regression will be discussed further in the conclusions chapter.

CHAPTER V

DISCUSSION, CONCLUSIONS, AND IMPLICATIONS

The objective of this chapter is to discuss the results, present limitations, contributions to marketing, and suggestions for future research.

Review of the Main Issues

The dissertation deals with satisfaction in a channel of distribution. Specifically, we are concerned with the satisfaction a manufacturer has with a distributor. The general model of satisfaction which was used can be derived both from studies of consumer satisfaction (Helson 1948, 1959, 1964; Oliver 1980) and channel satisfaction (Hunt and Nevin 1974; Lusch 1976; Rosenberg and Stern 1971; Ross and Lusch 1982; Ruekert and Churchill 1984; Wilkinson 1979). This model presents satisfaction as a function of performance when performance is measured in terms of expectations. This definition, and the model of satisfaction that was used, led to the concept that satisfaction could be assessed by examining a distributor's performance in terms of a manufacturer's expectations.

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After establishing a general approach to measurement, the literature was examined for existing scales that could be adapted to this study. These were found in the channel satisfaction scales of Ruekert and Churchill (1984), the SERVQUAL scales of Parasuraman, Zeithaml and Barry (1988) and a scale developed as a result of interviews with manufacturers. The scales were pretested and the number of items used in further analysis was reduced from thirty seven to nineteen. Items were eliminated if they did not load significantly (above $|.30|$) upon a factor or if they loaded significantly upon more than one factor.

A sample of six hundred thirteen manufacturers was selected, and one hundred twelve responded to the survey. The respondents were not significantly different from the sampling frame of 1783 firms in sales, number of employees, earnings per share or other characteristics. Therefore, the views of the respondents were considered to be representative of the sample frame.

Three dimensions of performance emerged from the scale development phase of the research. These dimensions were named according to the salient characteristics of their components. These dimensions were titled: Product, Finance and Promotion. Each of these dimensions had an analogue with Ruekert and Churchill's (1984) scales. The scales were examined for convergent and discriminant validity using a convergent discriminant matrix. Each set

of scales was reliable and valid. The scales were then judged acceptable for use in further analysis.

Summary of the Major Findings

The discussion of the major findings is divided into three sections. The first part addresses the impact the type of distributor has upon the manufacturer's satisfaction. The second reports the relationship each of the dimensions of performance has with satisfaction. The final section discusses the interrelationships between the performance dimensions.

Impact of the Type of Distributor

One of the primary goals of this research was to examine the impact the target entity had upon the satisfaction relationship. Because there are two target entities, domestic and international, the paired t-test (reported on page 114) was performed to determine whether a significant difference existed between the two. There was a significant difference, with international satisfaction averaging lower than the domestic satisfaction.   To explain where this difference comes from, we must examine how the respective distributors performed.

The Performance Dimensions and Satisfaction

In the process of performing the paired t-tests, the type of target entity was shown to be significantly related to satisfaction. However, when a performance dimension was included in the analysis as a regressor, the variance explained by the model was significant and sizeable. In fact, with each regression every performance dimension was significantly related to satisfaction. Therefore, each of the performance dimensions (product, finance and promotion), can serve as a predictor of satisfaction. This finding is in accordance with Ruekert and Churchill (1984), which showed the same types of dimensions being significantly related to satisfaction.

Product and Finance Dimensions

The product and finance dimensions are combined in this discussion because of their similar reactions in the analysis. For each of these dimensions, the type of target entity does not alter the satisfaction-performance relationship. The performance dimension masked the effect of the target entity.

This masking may have occurred because the performance dimensions were measured upon both a domestic and an international basis. Therefore, part of the performance dimension's fluctuations were due to the specific target entity being evaluated. The target entity

was a prior condition in effect for both the independent and dependent variables. With these two performance measures, the type of target entity did not alter the independent variable without a consequent change in the dependent variable. Another way of stating this result is: These variables account for the variance which comes from the target entity.

This lack of a significant interaction between the target entity and the product and finance dimensions illustrates the applicability for these two dimensions. The dimensions apply to satisfaction, regardless of whether the target entity is international or domestic. That is, product and finance were always important; the relative levels of importance will be discussed in a later section.

Promotion Dimension

Promotion did not display the masking effect discussed above. In the paired t-test with the promotion dimension the type of target entity stayed significant, staying below a probability of .05. On both a domestic and international basis, the relationship was significant, with adjusted R^2's of .29 or larger and probability values less than .0001. This is not to say that the measures for the promotion dimension are inadequate for the task of

predicting satisfaction. It does say that a difference exists.

Why did the promotion dimension exhibit this behavior? The easiest explanation is that no significant differences exist between international and domestic distribution when talking about promotion. Insofar as portions of the promotion scale are concerned, there were no differences between domestic and international distributors. The dependent variable, satisfaction, **was** influenced by the type of target entity. The significant interaction demonstrated that the promotion dimension alone did not adequately capture the impact that different target entities have upon the satisfaction scale. This is in contrast to the other two dimensions of performance.

An examination of the satisfaction scale revealed that the portion of the satisfaction scale reflecting promotion is, itself, not altered by the type of target entity (t=.55, p = .59). Therefore, the promotion scale probably reflected the actual perceptions of the manufacturers. This being the case, and because the promotion scale was significantly related to both domestic and international satisfaction, the promotion scale can be used for the analysis of satisfaction within a target entity. The _caveat_ is that the promotion dimension, by itself, cannot adequately capture the impact of the type of target entity.

Analysis of Satisfaction Within Target Entities

All three scales were first used in separate analyses before being combined. The next step, combination, was necessary to determine their relative predictive capability. The proper technique to determine the relative importance of the performance dimensions in predicting satisfaction was a multiple regression using standardized measures (Hair, Anderson and Tatham 1987).

Domestic Satisfaction

The multiple regression shown on page 120 is the basis for this discussion. There was a significant relationship between the performance dimensions and domestic satisfaction (F=18.82, p=.0001). Thirty-four percent of the variance of satisfaction can be explained by the performance dimensions.

Two performance dimensions, product and promotion, were significantly related to satisfaction. Of these two, promotion had a slightly stronger relationship with a standardized regression coefficient of .30, in contrast to the product dimension, with a standardized regression coefficient of .25.

Why did promotion have more impact upon satisfaction than either the financial aspects of the relationship or the product offering? In the comparatively homogeneous domestic market, both the product offering and the

financial arrangements would be relatively standardized between competitors. This being the case, a prime point of differentiation apparently fell in the distributor's ability to utilize the manufacturer's promotional efforts.

Possible reasons for the low significance of finance came from two sources. First, due to the nature of the intense competition among distributors, competition based solely upon price may be limited. If a distributor deviates too far from the "normal" rates for a given service the distributor can be easily replaced by another firm. This is very similar to a "pure competition" market model. Another possible reason came from the nature of the competition between distributors. Non-price competition among distributors has been increasing in recent years. This increased non-price competition lessens the relative importance of the financial arrangements.

Whatever the reason, the financial arrangements are not the major predictors of domestic satisfaction. Promotion and product share that spotlight, but neither promotion nor product **dominate** the relationship. They appear to reign as coequal regents.

International Satisfaction

The multiple regression on page 116 is the basis for this discussion. There was a significant relationship

between the performance dimensions and domestic satisfaction (F=29.96, p=.0001). Forty-six percent of the variance of satisfaction can be explained by the performance dimensions. When an international distributor was evaluated, the product offering became the most important predictor of satisfaction with a standardized regression coefficient of .35, followed by the promotion dimension with a regression coefficient of .25. Finance was now significant at the 10% level with a regression coefficient of .19. Therefore, all three performance dimensions played a significant role in the determination of satisfaction with an international distributor.

Comparing Domestic and International Satisfaction

When comparing the performance dimensions and their respective satisfaction measures across types of target entities, the first result of note was that performance dimensions worked better for the international distributor. That is, the performance dimensions explained twelve percent more of the variance of international satisfaction than of domestic satisfaction.

The source of this increased explanatory capability probably is in the increased significance of the finance dimension. Four of the six items in the finance scale were taken from the originally proposed solvency scale used in the pretest. As described in the measurement

portion of this dissertation, the solvency scale arose from manufacturer's concerns about the international distributor. Therefore, over half of this scale is the result of financial concerns raised by manufacturers about their international distribution. Evidently these concerns manifested themselves in an increased predictive capacity in international distribution.

What could explain the differences between the international and domestic regressions? The primary concern is in the heterogeneity of the international market. The international market included a greater variation in both the services offered and the methods of payment, thereby increasing the importance of these variables in the regression equation. If there is a greater variation in both the satisfaction and performance and they covary, then the performance dimensions would explain more of the variance of international satisfaction.

It should also be noted that the average level of satisfaction with an international distributor was significantly lower than the average satisfaction with a domestic distributor (p. 113). This lower level of satisfaction was also reflected in the measures of performance, with international performance measures being lower than the domestic ones.

Having made the above observations, a conclusion can
still be drawn about the effectiveness of these scales.
The scales used in this study are effective. A tool that
can explain thirty-four and forty-six percent of the
variance of satisfaction is a tool that can be used
effectively. When used together, the scales worked as
designed. Additionally, the components of the scales
contain useful information which can be used to compare
distributors. This is particularly the case regarding the
components of the finance dimension, which was not
significant domestically, although it was significant
internationally.

Limitations of the Study

Even though this dissertation is an advance in the
field of channels research, it does have some limitations.
The measures used in this research were derived from those
used by Ruekert and Churchill (1984). Because the types
of firms being evaluated were different, the measures were
not identical to that earlier work. Therefore this
research was not a pure replication of Ruekert and
Churchill's (1984) work in the channels of distribution.
Additionally, an exploratory factor analysis was a major
determinant of the eventual scales. Interpretation of
factor analysis is always, to a degree, a subjective
process. The decision of when to stop eliminating items

and how to interpret the final factor structure are open
to discussion as to process and conclusions. Nonetheless,
both the reliability and validity of the measures used in
this research were examined and both were found to be
acceptable. Furthermore, the resultant factors are
similar in content and concept to Ruekert and Churchill's
(1984) work, thereby giving additional support for the end
product.

The sample frame consisted of publicly traded firms
with more than five million dollars in assets. Because of
this, the research is not generalizable to private or
smaller firms. Although private and small firms were used
in the pretest, they were not randomly selected from a
nationwide sample and were from a relatively restricted
geographic area (Oklahoma and Kentucky). Therefore, it
would be inappropriate to generalize to smaller firms from
this study.

A mail survey was used to collect data. This mail
survey relied upon a key informant within a firm. This
informant verbally confirmed that s/he was the person
within the firm who was responsible for evaluating the
firm's distributors. It is possible that the key
informant did not represent the position of all managers
within the firm with regard to the distributor.
Additionally, the mail survey is subject to self selection
bias. Many of the respondents requested an executive copy

of the results for their information. This self selection
may have served to increase the awareness of the salient
issues in the relationships with their distributors.

A final limitation relates to the type of firms the
informants identified as distributors. Many functions
performed domestically by wholesale distributors are
performed internationally by foreign freight forwarders,
who are actually facilitating channel members. Informants
view the freight forwarders as key international
distributors, even though the forwarders do not fit the
domestic view of distributors. The narrow view of
distribution adopted by some respondents (Table 16) may
have resulted in the evaluation of firms which do not
claim to be, or intend to be, concerned with reselling
issues.

Contributions of the Study

The first contribution to the marketing discipline
lies in the fact that this research is a partial
replication and extension of an earlier work.
Replications have value, serving to give evidence about
prior research. This dissertation generally confirms the
findings of Ruekert and Churchill (1984). The scales were
not exact duplicates, but the general concepts embodied in
the scales remained consistent. These concepts are: that
the product being evaluated (both intangible and tangible

elements), the financial aspects of the relationship, and the promotional efforts are important in determining channel satisfaction. This study, in combination with Ruekert and Churchill (1984), has found the concepts to be applicable for every stage of a channel of distribution including manufacturers, wholesalers, retailers, brokers, freight forwarders and other intermediaries. When a product moves, these three things are relevant. This being the case, any firm considering product movement should pay attention to these three elements. Whatever the other elements of the arrangement are, these three items will eventually become important.

The scales developed and used in this research are the second contribution. The research used concepts from earlier research and applied the scales to a different unit of analysis, that of the distributor. These scales, in aggregate, provide a basis for comparison with other firms. In other words, a manufacturer could ask key personnel to complete the scales, and compare their opinions of their distributor to other manufacturer's opinions of their distributors. For example, if a manufacturer's staff feel that their domestic distributor is not doing a good job with damaged merchandise, they might be interested in knowing that other manufacturers have the same problem, and that the problem is even more serious when international distributors are involved.

This could enable a manufacturer to concentrate efforts for distributor improvement on areas the distributor can control. As a further example, the manufacturers feel that the worst performance for domestic distributors lies in the use of cooperative advertising while the worst performance for international distributors is the length of time between billing and receipt of payment. Therefore, finding a distributor who is good in these areas is a viable tactic for a manufacturer, to attain a competitive advantage.

Additionally, the components of the scales also give guidance for manufacturers considering international distribution. While it is true that in most areas of comparison the domestic distributor is perceived as doing a better job than the international distributor, the specifics of the differences provide valuable information for a manufacturer. The exceptions to the performance differential are in cooperative advertising, the space allocated to the manufacturer's products, the organization of the distributor, and the manufacturer's expectations of the distributor's likelihood of remaining in business. A manufacturer can expect an international distributor to be as good as the domestic distributor in these areas. Importantly, the financial aspects of the relationship become more important when international distribution is evaluated, so a manufacturer should not assume that there

is parity in financial matters for international distributors. This means that comparing international distributors on the financial aspects of the relationship is very critical. Finance is one of the things that separates the good from the bad in international distribution.

Because a distributor provides a service, these scales are probably directly applicable in measuring the satisfaction with other service industries. A researcher might try evaluating other services using a portion of the scales used in the dissertation. This will allow a direct comparison between differing services using a generic set of characteristics. A reliable, valid set of scales for measuring satisfaction with a service would be a sizeable contribution to the marketing discipline.

Another contribution lies in the direct comparison of international and domestic distributors. This comparison adds further knowledge regarding the expectations and perceived performances of firms involved in international distribution. As has already been mentioned, domestic distributors were typically viewed as performing better than their international counterparts. This should not be viewed as a denigration of the international distributors; they, on the average, met expectations. It simply means that the domestic distributors exceeded expectations more often. Manufacturers should have realistic expectations

of their international distributors. This may entail closer performance measurement, longer time allowances, and careful consideration towards bringing critical functions in-house.

Another contribution lies in the use of a nationwide random sample for this research. Previous channels research has typically sampled one firm and its associates (Gaski 1986). Generalizing from one firm and its associates is akin to generalizing from a convenience sample or measuring a multidimensional construct with a single global item. It is easy to mistake nuances of the relationship for generalizable traits, and the reliability across industries is suspect. Because this sample was random and not significantly different from the sampling frame, it is reasonable to assume that the results are much more generalizable than the prior research (Alreck and Settle 1985). Comparability across industries is much stronger in this study than in previous work, so more manufacturers can apply this research and the scales involved.

Another contribution lies in the applicability of the scales by channel members other than the manufacturer. Distributors could use this research to assess and improve their own performance. They could also adapt the scales to determine the manufacturer's perceptions, thereby

allocating resources to the most critically perceived problems.

Future Research

As is normal with a large research project, the questions raised by the research project always exceed the questions answered. One question that arose from the responses received is: "What do the firms think that distribution is?". Responses included about fifty in the vein of those reported in table eighteen (p. 88). This means there were at least fifty firms that distributed a good, yet thought they did no distribution. The question raised here is: What do these manufacturers think they are doing? If this activity is not distribution, what do they call it?

Another research question lies in the scales that were developed. Since a distributor offers a service, are the scales developed for this dissertation applicable to other services? Another research project would be required to determine whether these scales can be generalized to other types of services. If the scales do apply, then the question of the generalizability of the scales to other situations and relationships should be raised.

The sample selected and used in this research consisted of large public firms. It is unknown, at the

moment, whether these scales are applicable for private or smaller firms. Smaller firms represent a sizeable percentage of the manufacturers in the United States, presenting another direction for future research in the application of these scales to other sizes and types of firms.

This dissertation dealt primarily with aggregate responses. However, information is available within the data regarding specific behaviors which are different, depending upon the type of target entity. For example, a manufacturer can expect both international and domestic distributors to utilize their cooperative advertising equally well. An interesting piece of future research would be to determine the areas where the type of target entity makes a difference in a specific behavior.

The overall theoretical structure of the performance satisfaction relationship needs to be tested. Using structural equations modeling, the underlying theoretical model should be evaluated. This will result in generating additional information regarding the validity of the scales.

One significant piece of information which this research contains is the type of distributor being evaluated. While the type of distributor was not used in the analysis for this dissertation, it certainly is important to the firms being evaluated. There are many

questions which knowledge of the type of distributor can answer. Among these questions are:

Does the type of distributor significantly alter the relationship between the performance dimensions and satisfaction? This question could be answered by doing an ANCOVA with the type of distributor as the independent variable and the performance dimensions as the covariates. The answer to this question could give information as to which are the best types of distributors.

Another research question related to the type of distributor would delve into the elements of the performance dimensions to determine which type of distributor is best with which performance component. If a certain type of distributor is perceived by manufacturers as utilizing promotion better, the manufacturer will use that type of distributor if promotion is of primary importance. This could lead to a better match of capabilities and desires between distributors and manufacturers.

Clearly the number of issues to be pursued is challenging. Current research interest in long-term channel relationships indicates that research such as this dissertation is likely to have an important place in the marketing discipline. As long as goods go from point to point this type of research will have a place.

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APPENDIX A

RUEKERT AND CHURCHILL'S SATIND SCALE

Social Interaction

My manufacturers sales representative isn't well organized
My manufacturers sales representative doesn't know his products very well.
My manufacturers sales representative is helpful.
My manufacturers sales representative have my best interests
in mind when they make a suggestion.
My manufacturers sales representative is always willing to
help me if I get into a tight spot.

Product

Manufacturers products are asked for by our customers.
Manufacturers products are a good growth opportunity for my firm
Manufacturers products are not well known by my customers
My customers are willing to pay more for manufacturers products
I would have a difficult time replacing manufacturers
products with similar products.
Manufacturers products perform much better than their competitors

Financial

Manufacturers everyday margins are lower than the industry margins
Manufacturer provides very competitive margins on their products
There is a poor return for the amount of space I devote to manufacturers
products.
Some of the manufacturers products are not worth carrying because their
margins are too small
I am very happy with the margins I receive on manufacturers products

Cooperative Advertising Support

Manufacturer should have a better cooperative advertising program
Manufacturer should provide better cooperative advertising allowances

Other Assistance

Manufacturer conducts excellent customer promotions
Manufacturer provides adequate promotional support for their products
Manufacturer provides excellent point-of-purchase displays

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APPENDIX B

RUEKERT AND CHURCHILL'S SATDIR SCALE

Social Interaction
Personal dealings with manufacturers sales representatives.
Assistance in managing your inventory of manufacturers
    products.
Order handling by manufacturer.
Manufacturers handling of damaged merchandise.

Product
The quality of manufacturers products.
How promotional payments are made.

Financial
Income received from the sale of manufacturers products.
Everyday margins on manufacturers products.
Manufacturer credit policies.

Promotional Support
Manufacturers national advertising support.
Manufacturers cooperative advertising support.
Consumer promotion support by manufacturer (coupons,
    rebates, displays)
Off-invoice promotional allowances.

Other Assistance
Order handling by manufacturer.
Level of back orders of manufacturers products.
Speed of delivery of manufacturers products.

APPENDIX C

SERVQUAL SCALE ITEMS

Reliability
When XYZ promises to do something at a certain time, it
happens.
When you have problems, XYZ is sympathetic and reassuring.
XYZ is dependable.
XYZ provides its services at the time it promises to do so.
XYZ keeps its records accurately.

Responsiveness
XYZ does not tell customers exactly when services will be
performed.
You do not receive prompt service from XYTZ's employees.
Employees of XYZ are not always willing to help customers.
Employees of XYZ are too busy to respond to customer
requests promptly.

APPENDIX D

QUESTIONNAIRE

⬜⬛⬜

Oklahoma State University

COLLEGE OF BUSINESS ADMINISTRATION

STILLWATER OKLAHOMA 74078-0555
BUSINESS _01
405-744-5064
FAX 405-744-5180

To help American firms compete in world markets, a study is being conducted which focuses on the working relationships between American manufacturers and their domestic and international distributors.

Only two groups of people can tell what's happening between manufacturers and their distributors: the firms themselves, and the distributors. Having worked in the wholesaling and trucking industries for several years, I know that there were times when my firm had mistaken ideas about what the firm that hired us really wanted Now, as a researcher, I'm asking you what's happening in your distribution channels today. If anyone knows what's happening, you do.

You have received this questionnaire because your firm was randomly chosen from a nationwide list of manufacturers. Your answers will be combined with those from other firms, and the results will be reported in terms of the entire group. No individual information will be reported from any firm, and all answers you give will be held in strict confidentiality.

Place a check mark here _____ and put a business card in the return envelope if you would like a copy of the results of this study An executive summary will be sent to all respondents who request one.

Because a limited number of firms are being contacted **YOUR** response is critical. If you are responsible for the domestic and international distribution of your products, your response will be deeply appreciated. If someone else in your firm holds this responsibility, would you please pass the survey on to that person?

Thank you very much for your help:

Roy F Cabaniss
Department of Marketing

CENTENNIAL
1890 - 1990

Celebrating the Past   Preparing for the Future

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This survey is designed to measure your attitudes about the firm that moves your goods from you to the consumer In these questions, distributor stands for any independent firm that manages the exchange of goods from you and facilitates their delivery or marketing to your customers

If any of your products are marketed within the United States please consider your **primary** domestic distributor Which category best describes your **primary domestic distributor?**

_____Freight broker _____Independent distributor _____Trading Company _____Company Agents _____We distribute

_____Direct to retailers Other (Please Specify)_____

If any of your products are marketed internationally, please consider your **primary international distributor** Which category best describes your **primary international distributor?**

_____No International _____Freight broker _____Independent distributor _____Trading Company _____Company Agents

_____We distribute _____Int'l Freight Forwarder Other (Please Specify)_____

If your domestic and international distributor are the same entities, please evaluate those two aspects of their business separately and place a check mark here _____

PLEASE REMEMBER TO RATE BOTH YOUR DOMESTIC AND INTERNATIONAL DISTRIBUTORS '''

For the items that follow please circle the number that corresponds with **YOUR OPINION** of the firm in question

The first series of questions deal with your opinions about how your domestic and international distributors are performing For these questions the scales are

1 = Much Worse   2 = Worse Than   3 = As Expected   4 = Better Than   5 = Much Better
   than Expected   Expected   Expected   than Expected

Remember to evaluate your domestic distributor first, then your international distributor	Domestic	International
How effectively does your distributor's staff deal with damaged merchandise problems?	1 2 3 4 5	1 2 3 4 5
The quality of the service provided by your distributor is	1 2 3 4 5	1 2 3 4 5
The terms of payment between your firm and your distributor are	1 2 3 4 5	1 2 3 4 5
Your distributor's participation in your customer promotions is	1 2 3 4 5	1 2 3 4 5
How helpful are the people who work for your distributor?	1 2 3 4 5	1 2 3 4 5
Assuming your firm desires growth, how effective is your distributor in helping you grow?	1 2 3 4 5	1 2 3 4 5
How effectively does your distributor manage paperwork?	1 2 3 4 5	1 2 3 4 5
How reasonable are the fees charged by your distributor?	1 2 3 4 5	1 2 3 4 5
Your distributor's support for the promotions of your products is	1 2 3 4 5	1 2 3 4 5
How accurately do your distributor's employees process orders for your products?	1 2 3 4 5	1 2 3 4 5
Compared to your distributor's competitors the job s/he does is	1 2 3 4 5	1 2 3 4 5
Your distributor s compliance with your damaged merchandise return program is	1 2 3 4 5	1 2 3 4 5
The speed with with your distributor responds to your needs is	1 2 3 4 5	1 2 3 4 5
How do the fees charged by your distributor compare with the rest of the industry?	1 2 3 4 5	1 2 3 4 5
Your distributor's emphasis of your point-of-purchase promotions is	1 2 3 4 5	1 2 3 4 5
Considering the people working for your distributor their knowledge of their firm's services is	1 2 3 4 5	1 2 3 4 5

{ Scale   1 = Much Worse than Expected   5 = Much Better than Expected }   Domestic | International

	Domestic	International
The quantity of merchandise damaged by your distributor is	1 2 3 4 5	1 2 3 4 5
Your distributor's fulfillment of the promises concerning service time is	1 2 3 4 5	1 2 3 4 5
The space your distributor allocates to your products is	1 2 3 4 5	1 2 3 4 5
Your distributor's demands for off-invoice money are	1 2 3 4 5	1 2 3 4 5
In the management of your inventory, the assistance given by your distributor's employees is	1 2 3 4 5	1 2 3 4 5
The value (cost compared to the service rendered) of your distributor's service is . .	1 2 3 4 5	1 2 3 4 5
How effectively does your distributor meet performance deadlines? ...	1 2 3 4 5	1 2 3 4 5
Your distributor's communication regarding when services will be performed is	1 2 3 4 5	1 2 3 4 5
The number of your product lines carried by your distributor is	1 2 3 4 5	1 2 3 4 5
Your distributor's participation in your cooperative advertising program is .	1 2 3 4 5	1 2 3 4 5
When you consider their work, how organized are the people that work for your distributor?	1 2 3 4 5	1 2 3 4 5
How effectively does your distributor inform you of the available services? .	1 2 3 4 5	1 2 3 4 5
How accurate are your distributor's records of your business? . .	1 2 3 4 5	1 2 3 4 5
The number of times service is delayed is .	1 2 3 4 5	1 2 3 4 5
The probability that your distributor will pay you is	1 2 3 4 5	1 2 3 4 5
The willingness of your distributor's staff to help you in an emergency is	1 2 3 4 5	1 2 3 4 5
Your distributor's order handling is	1 2 3 4 5	1 2 3 4 5
The time between billing and receipt of payment is	1 2 3 4 5	1 2 3 4 5
Your distributor's ability to fill orders accurately is .	1 2 3 4 5	1 2 3 4 5
When you compare your distributor to the rest of the industry, the speed of payment is	1 2 3 4 5	1 2 3 4 5
What is the probability that the distributor will be in business five years from now?	1 2 3 4 5	1 2 3 4 5
The speed with which your distributor moves your products is	1 2 3 4 5	1 2 3 4 5
Overall, the people who work for your distributor are	1 2 3 4 5	1 2 3 4 5
Overall, the job done by your distributor is	1 2 3 4 5	1 2 3 4 5
Overall how dependable is your distributor?	1 2 3 4 5	1 2 3 4 5
Overall how responsive to your needs is your distributor?	1 2 3 4 5	1 2 3 4 5
Overall, how solvent is your distributor?	1 2 3 4 5	1 2 3 4 5
Overall, the financial aspects of your relationship with your distributor are	1 2 3 4 5	1 2 3 4 5
Overall, how does your distributor use your promotional efforts?	1 2 3 4 5	1 2 3 4 5
Overall how does your distributor perform?	1 2 3 4 5	1 2 3 4 5

How many years has your firm done business with the domestic distributor described above?_____

How many years has your firm done business with the international distributor described above? _____

The next items ask how you feel about aspects of the relationship with your distributors For these items the scales are

1 = Strongly Disagree   2 = Disagree   3 = Neutral   4 = Agree   5 = Strongly Agree

Remember to evaluate your domestic distributor first, then your international distributor	Domestic	International
I feel certain about how much authority I have with this distributor	1 2 3 4 5	1 2 3 4 5
I have clear planned goals and objectives for this distributor	1 2 3 4 5	1 2 3 4 5
I know that I have divided my time properly while performing the tasks connected with this distributor	1 2 3 4 5	1 2 3 4 5
I know what my responsibilities are with this distributor	1 2 3 4 5	1 2 3 4 5
I know exactly what is expected of me by this distributor	1 2 3 4 5	1 2 3 4 5
I receive clear explanations of what has to be done by this distributor .	1 2 3 4 5	1 2 3 4 5

The next items ask how satisfied you are aspects of your relations with the distributors For these items the scales are

VD = Very Dissatisfied   D = Dissatisfied   N = Neutral   S = Satisfied   VS = Very Satisfied

Remember to evaluate both the domestic distributor and the international distributor	Domestic	International
How do you feel about the dependability of your distributor?	VD D N S VS	VD D N S VS
How do you feel about the financial stability of your distributor?	VD D N S VS	VD D N S VS
How do you feel about the services offered by your distributor?	VD D N S VS	VD D N S VS
How do you feel about the people employed by your distributor?	VD D N S VS	VD D N S VS
How do you feel about the financial aspects of your distributor relationship?	VD D N S VS	VD D N S VS
How do you feel about the way your distributor uses your promotions?	VD D N S VS	VD D N S VS
How do you feel about your distributor's ability to cope with your emergencies?	VD D N S VS	VD D N S VS
Overall how do you feel about your relationship with your distributor?	VD D N S VS	VD D N S VS

The format for the questions will now change   the next questions ask that you directly compare your international distributor to your domestic distributors on several characteristics   If both firms perform at about the same level circle 0 (about equal) If the domestic firm has an advantage, circle a number to the left of 0   If the international firm has an advantage in an area, circle a number to the right of 0

	Domestic is much better					About Equal					International is much better
	5	4	3	2	1	0	1	2	3	4	5
Financial stability	5	4	3	2	1	0	1	2	3	4	5
Employees of the distributor	5	4	3	2	1	0	1	2	3	4	5
On time deliveries	5	4	3	2	1	0	1	2	3	4	5
Job done by the distributor	5	4	3	2	1	0	1	2	3	4	5
Use of co-op advertising	5	4	3	2	1	0	1	2	3	4	5
Use of direct promotional support	5	4	3	2	1	0	1	2	3	4	5
Responsiveness	5	4	3	2	1	0	1	2	3	4	5
Dependability	5	4	3	2	1	0	1	2	3	4	5
Accuracy of paperwork	5	4	3	2	1	0	1	2	3	4	5

The next questions pertain to you and the part of your firm that you work in If you are responsible for the distribution of a part of the firm/division then we only want the characteristics of that part If you are responsible for the whole firm then please respond for the firm. All responses are CONFIDENTIAL and will NOT be reported separately to anyone

For how many years has your firm been exporting? _____

Last year what percent of your firms sales were exports from the US? _____

What is your job title? _____

Thank you for your help If you would like a copy of the results please enclose one of your business cards Please mail this questionnaire in the return envelope provided Postage has been provided

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$\mathcal{V}$

VITA

ROY F CABANISS

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DISSERTATION   DIFFERENCES BETWEEN INTERNATIONAL AND DOMESTIC
   ORGANIZATIONAL SELLING RELATIONSHIPS UTILIZING THE SATISFACTION
   CONSTRUCT

MAJOR FIELD Business Administration

EDUCATION

   August 88 - May 1992 Doctor of Philosophy, Oklahoma State University, Stillwater, Okla

   June 87 - July 89 Masters of Business Administration, Jacksonville State University,
      Jacksonville, Alabama

   September 71 - December 85 Bachelors of Science in Agricultural Economics, Oklahoma
      State University, Stillwater, Oklahoma 74075

ORGANIZATIONAL AFFILIATIONS
   American Marketing Association
   Academy of Marketing Science
   Association for Global Business
   Association for Business Simulations and Experiential Learning
   Southern Marketing Association

PROFESSIONAL DEVELOPMENT

Oct 90 Designed a game to simulate a futures market using political candidates as the contracts of interest This game has two purposes First, it is to aid in teaching price theory The second purpose is to serve as a predictive tool for political contests

March 89 Designed software I have designed a currency simulation to be used in the teaching of international business courses The software is currently being used by the American Association of Certified Public Accountants

Nov 87 Test Evaluation and Writing, Ft McClellan, Alabama

May 87 US Army Instructor Training Course, Ft McClellan, Alabama

WORK HISTORY

August 91 - Western Kentucky University Assistant Professor teaching Marketing Research and Basic Marketing Full course responsibility for all of the above courses Supervised Marketing Research Projects for Desa International, National Dust Control, Lifeskills, Draco, Smith's Funeral Home, Bowling Green Pipe and Tobacco

August 89 - July 91 Cameron University Temporary Instructor teaching Business Research Methods (Graduate), Marketing Research (Undergraduate), Business Concepts (Graduate), Advertising, Principles of Marketing, and International Marketing Full course responsibility for all of the above courses

July 89 Worked with Dr B Curtis Hamm on a consultation project for a Savings and Loan in Northern Oklahoma Performed market analysis, market plan and feasibility study

June 89 - Worked for Dr Josh Weiner performing data analysis on various research projects

August 88 - May 89 Oklahoma State University Taught Channels of Distribution and Logistics

January 86-July 88 US Army Taught Nuclear and Chemical warfare at the US Army Chemical School Designed the NBC Reconnaissance Scout program Wrote the Department of Defense NBC Recon Scout program, manual, and criteria for certifying the recipients

February 84 - January 86 US Army

May 82 - February 84 Roy's Tobbaccos Owned and managed a retail tobacco store in Killeen Texas

May 78 - May 82 US Army

May 76 - May 78 Roy's Freight Surplus Owned and managed a wholesale operation in Oklahoma City Opened a retail outlet after six months and managed it With contacts directly with the freight industry, I bought merchandise which was damaged in transit, then sold it on either a wholesale or retail basis Sold the business in 1978 for family reasons