

CHANNEL CONFLICT AND RESPONSE BEHAVIOR:

A CROSS-CHANNEL ANALYSIS

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Submitted to the Faculty of the Graduate College
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in partial fulfillment of the requirements
for the Degree of
DOCTOR OF PHILOSOPHY
May, 1983



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PREFACE

The subject of this research is a cross-channel examination of the channel relationship. Attention is given to the nature of conflict that occurs between retailers and their suppliers and the manner in which retailers initially attempt to handle these disagreements. It is suggested that members of alternative types of marketing channels will experience different problems and resolve them in different ways.

The author wishes to express his appreciation to his major adviser, Dr. Stephen J. Miller, for his guidance and assistance throughout this study. Appreciation is also expressed to other committee members, Dr. William G. Zikmund, Dr. P. Larry Claypool, and Dr. Joseph M. Jadow, Jr., for their invaluable assistance in the preparation of this manuscript. A note of thanks is also given to Dr. James W. Gentry for his helpful comments and encouragement.

A special thanks is given to the College of Business at Northern Illinois University. The author is indebted to Dr. Richard Brown, Associate Dean, for his invaluable assistance in the collection of the data. Appreciation is also extended to the Department of Marketing for its support of this project.

Finally, special gratitude is expressed to my parents, Raymond and Etta Lou Dilts, for their encouragement and many sacrifices.

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CHAPTER I

INTRODUCTION

Cross-Channel Analysis

The distribution function has always been a fundamental aspect of marketing theory and marketing practice. It will assume a more important role relative to other marketing elements during the eighties in response to changes in the environment. In particular, greater attention will need to be given to the area of channel management on the part of suppliers (Laczniak, Lusch, and Udell 1977).

The environmental changes during the eighties have taken many different forms. Retailers have become more powerful and will place greater demands on suppliers for strategic marketing support. Recent trends in product liability litigation necessitate a clearer specification of responsibilities among channel members since the action of one member may impact upon the potential liability of the others. Economic conditions may require that channel members alter the tasks they perform in order to be more cost efficient. These and other environmental changes will require a reassessment of channel strategy by both suppliers and retailers.

The adaptations to change will likely lead to realignments among member firms as to the tasks each is to perform. Given the differing economic and behavioral characteristics associated with alternative channel arrangements, one might expect the nature of the realignments

to vary across channel types. Thus, a better understanding of the channel relationship, as it varies within and across channels, should be of value to channel members attempting to play coordinator roles and to those firms that may be considering participation within any given channel arrangement.

Much empirical work has been reported on the nature of the channel relationship within a distribution system. However, little research has focused on the type of distribution channel as the primary unit of analysis. Past investigations have typically confined their analysis to a single type of channel within a particular industry (Stern and Reve 1980). The need for further cross-channel analysis has been suggested (Brown 1981). In this regard, Stern and Reve (1980, p. 53) have argued as follows:

Future channel research must focus on making systematic comparisons of different distribution networks within and between various environmental conditions, irrespective of the same industry or across industries.

This research will systematically examine three different types of channel arrangements in the same industry setting.

Objective and Scope

Research Objective

The research reported below is a cross-channel examination of channel conflict. It is concerned with the disagreements that arise between channel members that are vertically adjacent to one another. Specifically, attention is focused upon the nature of conflict that occurs between retailers and their respective suppliers and the manner by which retailers initially attempt to handle these disagreements. It is

suggested that member firms of alternative channel types will experience different problems and resolve them in different ways.

The marketing policies (issues) that contribute to intrachannel conflict are expected to differ across types of channel arrangements. Further, the response to these disagreements are likely to vary by type of channel arrangement and by the nature of the power-dependency relationship perceived. The expectation of differences is based on the assumption that a channel consists of economic and behavioral determinants that interact to affect the nature of channel relations.

As an economic entity, a channel consists of a network of interdependent firms that specialize as to the economic tasks performed. The resulting functional interdependence is viewed as a key characteristic of the channel relationship. This interdependency provides the basis for viewing a channel as a behavioral system in which conflict is an inherent characteristic (Rosenberg and Stern 1970).

Conflict is formally viewed as a form of opponent-centered opposition (Stern, Sternthal, and Craig 1973) that is manifested in the form of verbal or written exchanges of disagreements (Lusch 1976a, b). These disagreements arise out of a situation of interdependence in which one channel member is perceived as interfering with the aims of another (Stern and Gorman 1969).

In this investigation two major categories of hypotheses will be considered with respect to channel conflict. The first is based on the magnitude of conflict that is experienced by retailers across channel types and the types of marketing policies (issues) that contribute to disagreements. The second category will examine the manner in which retailers attempt to initially resolve these disagreements.

The form of response to a conflict situation will be viewed as varying with the nature of the power-dependency relationship that characterizes a given channel arrangement, as well as with the perception of this dependency relationship.

Scope of Research

Attention will be focused upon the relationship that exists between adjacent suppliers and single unit retailers, with retailers serving as the unit of analysis in this investigation. For the retailers, data will be gathered as to the nature of conflict, the level of perceived dependency upon the channel relationship, and the form of response to conflict.

The retailers studied are all involved in the marketing of video and audio home electronic products that are selectively or exclusively distributed. A high degree of functional interdependence is likely to characterize this supplier-dealer arrangement involving limited distribution. If conflict exists, it is more likely to be observed in such a situation since interdependence represents an antecedent condition for conflict (Firat, Tybout, and Stern 1974).

Plan of Study

A literature review will be provided in Chapter II with respect to the current research in the channel field and the research needs regarding channel conflict. Particular attention will be given to the economic and behavioral characteristics of alternative channel types, the nature of channel conflict, and the conditions under which conflict response behavior may vary.

Based on the literature review, specific research questions will be presented in Chapter III. The research procedure to be employed in the testing of the hypotheses will also be discussed.

A presentation of the results of the investigation will be made in Chapter IV. This will include an explanation of the research findings for each of the hypotheses.

In Chapter V, the research study will be summarized. Limitations and managerial implications of the research will be considered along with suggestions for future research.

CHAPTER II

REVIEW OF THE LITERATURE

Introduction

The objective of this chapter is to review the literature relevant to channel conflict. A process model of conflict is employed as a framework for organizing the literature. Of interest in the model will be the nature of the exchange relationship that exists among channel members at a particular point in the process. Special attention is given to the existence of manifest (overt) conflict and conflict response behavior.

A channel of distribution can be viewed as both an economic and a behavioral system. As an economic collectivity consisting of interdependent firms, one considers the economic functions performed and types of alternative vertical channel arrangements. Functional interdependence that results from economic specialization among channel members is viewed as a key characteristic of the channel relationship.

Functional interdependence, itself, provides the basis for viewing a channel as a behavioral system in which conflict is an inherent aspect. Conflict is conceptualized as a process within which episodes reflecting underlying conditions, perceptions, feelings, and behaviors build upon one another. Alternative channel types may be characterized as possessing predominant sentiments and behaviors that are considered as a partial explanation of this process.

Conceptually, the conflict process includes alternative responses to disagreements. Response may take several forms, including threatening or cooperative actions that are designed to modify the behavior of the frustrating party. Alternatively, a channel member may modify his own behavior to accommodate the other party.

The nature of conflict response is predicated by each channel member's dependence upon the channel relationship. The level of this dependency is affected by the nature and importance of the resource base that each channel member commands and the availability of alternative arrangements. Dependency may take either the form of actual economic dependence or of perceived dependency.

Attention now turns to a discussion of the characteristics of alternative channel types and an intensive examination of the channel conflict research.

Channel Characteristics

In order to fully understand the conflict process within channel relationships, one must understand the key aspects of a channel. A marketing channel consists of a set of interdependent institutions (e.g., manufacturers, wholesalers, retailers) who perform the tasks (e.g., production, storage, merchandising) necessary to the delivery of goods and services. In the performance of these tasks, both economic and behavioral forces influence the relationship between the manufacturer and the retailer.¹

¹To maintain consistency throughout this paper the relationship between a retailer and a manufacturer will be considered for illustrative purposes. A similar logic could be developed if the manufacturer was replaced in the channel relationship by a wholesaler or franchisor.

Channels as Economic Systems

As part of any channel arrangements, role (domain) prescriptions may develop as to the economic tasks for which each channel member will be responsible (i.e., the markets served, products or services offered, and activities performed). Such specialization leads to functional interdependence among channel members, since each firm will be dependent upon the other for access to valued resources (e.g., skills, markets, products) necessary to the attainment of their separate goals.

Underlying the channel relationship is the idea of external economies (Alderson 1965). By holding stocks of goods that are available locally to be drawn upon by consumers, a retailer may represent an economical alternative to a manufacturer's attempt to achieve direct exchange with end-users. Thus, the economic benefits derived from functional specialization provides the primary reason for channel formation.

Any channel relationship can be described in terms of its structure (i.e., vertical arrangement) and the processes (i.e., decisional mechanisms) that are employed to determine the terms of exchange and to coordinate activities among channel members. Structurally, channel arrangements may range from a fragmented coalition of independently owned, specialized entities that transact exchange across markets (conventional channel) to vertically integrated, wholly-owned entities that transact exchange among themselves within a hierarchy (corporate vertical marketing system) (Stern and Reve 1980). Coordination is achieved, respectively, by the market mechanism and centralized administrative direction (Etgar 1975).

Conventional Channel. A conventional channel consists of a loosely aligned network of independent suppliers and resellers. Motivated by the profit incentive and the desire to maximize their autonomy, conventional members tend to exhibit little concern for adjacent stages in the distributive sequence (Thompson 1971). Coordination of channel activities is achieved through aggressive bargaining, with the terms of exchange being determined by their interaction as independent buyers and sellers in an intermediary market (Etgar 1976). Economies that are possible through the functional shifting of responsibilities among channel members are impeded by their commitments to established patterns of operations and responsibilities (McCammon 1970; Stern and El-Ansary 1977). As a result, this channel form has been described as being highly vulnerable to other, more centrally programmed channel systems (Thompson 1971).

Vertical Marketing Systems. In response to the inherent weaknesses of conventional channels, vertical marketing systems have emerged as a significant form of channel organization. They consist of a network of establishments, performing activities at different distributive levels (i.e., manufacturing, wholesaling, retailing), that are centrally managed as a system to achieve greater economies and market impact. McCammon (1970) describes this form of distributive mechanism:

. . . vertical marketing systems are rationalized and capital intensive networks designed to achieve technological, managerial, and promotional economies through the integration, coordination, and synchronization of marketing flows from points of production to points of ultimate use (p. 43).

Unlike conventional channels, vertical marketing systems contain a locus of power that enables them to better coordinate marketing activities (Stern and El-Ansary 1977). Major forms of vertical

arrangements include the corporate, the administered, and the contractual systems. Within each system, power is generated by different means: ownership, expertise, and legal contract, respectively.

Corporate marketing systems involves the combination of successive distributive stages for a given product under a single ownership. A typical example includes a manufacturer's forward integration, involving the establishment of its own wholesale and/or retail outlets. Ownership enables power to be concentrated at one channel level. Through corporate directives, maximum control of marketing activities and operating economies are possible (Stern and El-Ansary 1977).

Within an administered system, supplier-developed, tailor-make comprehensive programs are employed to influence the merchandising behavior of vertically adjacent, autonomous firms for a specified line of merchandise (Thompson 1971). Coordination is based upon a supplier's expertise and ability to provide valued resources. Such systems have been described by Stern and El-Ansary (1977, p. 395) as ". . . conventional channels in which the principles of effective interorganizational management have been correctly applied."

Although autonomous, these firms appear to recognize the need for cooperation. Cooperation is reflected in joint efforts that transcend the conventional supplier-reseller relationship. Programmed merchandising agreements are a product of this cooperation, as described below by McCammon (1970):

Programmed merchandising is a 'joint venture' in which a specific retail account and a supplier develop a comprehensive merchandising plan to market the supplier's product line. These plans normally cover a six-month period but some are of longer duration (p. 48).

Contractual marketing systems consist of independent, vertically adjacent channel members, who have combined their resources to achieve

greater operating economies and marketing impact than is achievable through independent action (Thompson 1971). Coordination of marketing activities is achieved through formal, long term contractual agreements that state the rights and obligations of the parties involved. Franchise operations provide a typical example.

Channels as Behavioral Systems

While channel relations may be described in terms of economic considerations, they may also be viewed from a broader, behavioral perspective. Existence of a dependency relationship suggests that if each firm is to attain their separate goals, each must take into account the behavior of the other. Such reasoning has led to the acceptance of a channel of distribution as a behavioral system (Alderson 1965; Rosenberg and Stern 1970; Reve and Stern 1979).

A mixture of both conflict and cooperation is inherent in a behavioral-economic distributive system that is characterized by interdependence (Reve and Stern 1979). Necessary to the accomplishment of distributive tasks is a minimum level of cooperation, without which the channel would be ineffective (Robicheaux and El-Ansary 1975-1976). Conflict, in turn, is the potential outcome of the same dependency relationship (Rosenberg and Stern 1970; Firat, Tybout, and Stern 1974). That is, a retailer's dependency upon a manufacturer creates the opportunity for the manufacturer to interfere with the aims of the former. When interference is perceived, conflict will develop.

Although conflict and cooperation will exist simultaneously in all channels, the nature of the predominant sentiments and behaviors that tend to characterize channel interactions may vary with the type of

vertical economic arrangement employed. Supplier-reseller relationships that are ordered by long-term contracts (i.e., contractual vertical marketing systems, such as franchises) tend to be characterized more by cooperative sentiments (Stern and Reve 1980). Alternatively, autonomous entities, such as conventional channel members, tend to exhibit less cooperative behavior (McCammon 1970).

Conventional Channel Sentiments. Alderson (1965) and McVey (1960) recognized that a channel may be loosely aligned,² consisting of independent and idiosyncratic middlemen--each desiring to maximize their autonomy. Autonomous firms tend to have their own goals which are shaped by managerial preferences and the task environment in which they operate. McVey (1960) suggests that these independent retailers may be more preoccupied with their internal operations than with the channel as a whole. Instead of viewing themselves as a "link" in the channel, as a selling agent for the manufacturer, these retailers consider themselves primarily as purchasing agents for their customers. Therefore, they are not likely to be motivated to provide the level of cooperation desired by manufacturers unless given the economic incentive to do so (McVey 1960; McCammon and Little 1965).

This coalition of isolated and autonomous firms typifies the traditional or conventional marketing channel. Such entities appear to be emotionally committed to the status quo. That is, they tend to have well established ideas as to what activities should be performed by

²The fact that a channel is loosely aligned does not invalidate the view that a channel may be considered an "organized behavioral system" (Stern and Reve 1980; Reve and Stern 1979; Gattorna 1978), to the extent that interdependencies exist between firms.

various parties (McCammon 1970; Stern and El-Ansary 1977). As a result, attempts to realign responsibilities to take advantage of changes in the task environment will often lead to conflict.

Possessing a lower level of commitment to the channel (Stern and El-Ansary 1977), conventional channel members are likely to exhibit a low level of tolerance for conflict. As a result, disagreements are likely to be manifested in terms of more immediate and intense conflict responses (Brown 1980), with those responses being characterized by uncooperative and aggressive behavior.

Contractual Channel Sentiments. In contrast, members of vertical marketing systems are more likely to view themselves as part of the channel and exhibit a relatively higher level of cooperative behavior. Weik (1971), in an empirical study of channel member's attitudes, found vertical system members to be more cooperative and innovative. Unlike their counterparts in conventional arrangements, they tended to identify more with other members in the channel and stress a more integrative planning and decision making mode of behavior.

Compared to the more rigid, traditional attitudes that characterize conventional members, vertical marketing system members tend to exhibit relatively more open and flexible attitudes toward change (McCammon 1970; Etgar 1978). This should serve to facilitate, with less conflict, the functional shifting of responsibilities that may be necessitated by change in the environment. Differences in role perceptions, as described by Etgar (1978) may help explain such behavior:

In conventional channels one can expect that the role perceptions of the channel members are more traditional and reflect well established ideas as to what activities manufacturers, wholesales, and dealers should perform. In contractual channels novel, nontraditional role perceptions can be expected to prevail to a larger extent (p. 52).

Channel interaction between vertical system members may be characterized by conflict of a less intense nature. Weik's (1971) findings suggest that as vertical integration (i.e., level of coordination) increases in a channel, conflict is significantly reduced (Rosson and Sweitzer 1979). Channel participants may be induced to actively reduce conflict when it emerges because the fate of their firm is felt to be linked with others in the channel arrangement. Thus, members of vertical marketing systems may exhibit a greater tolerance for conflict and a more cooperative response to disagreements when they do occur.

Channel Conflict

The concept of conflict was used above as one aspect of the behavioral dimension of channel relationships. This section of the chapter will examine conflict in more detail as a process.

Conflict: An Overview

The concept of conflict is somewhat ambiguous having been referred to in a number of ways within the literature. Within a channel of distribution, conflict has been conceptualized as a process of change (Stern and Gorman 1969), a situation of interdependency (Firat, Tybout, and Stern 1974), perceptual differences as to issues (Rosenberg and Stern 1971), a struggle or clash occasioned by differences in opinions, goals, or attitudes (Pearson 1971), an adversary relationship (Rosenberg and Stern 1970), the frequency of disagreements (Lusch 1976a, b), and as the evolution of incompatible goals (Brown 1978).

Consistent with these diverse views is the conceptualization of conflict as a dynamic process (Brown 1977). Such a view provides a framework by which the various aspects of conflict can be integrated. As a process, conflict consists of a series of episodes that builds upon one another; where the episodes reflect underlying conditions, perceptions, feelings, behaviors and the outcomes of conflict (Pondy 1967; Brown 1978).

This process view, which forms the basis for intrachannel conflict models (Stern and Gorman 1969; Rosenberg and Stern 1970; Firat, Tybout, and Stern 1974; Rosenberg 1974; Brown 1978; Cadotte and Stern 1979; Etgar 1979), was originally described by Pondy (1967) in his model of intraorganizational conflict and was later adapted to the area of distribution by Stern and Gorman (1969). Channel conflict was conceptualized by the latter as a process of change: (1) a change that causes disagreements, and (2) a change in response to disagreements that leads to either constructive or destructive consequences.

A general model of the conflict process is illustrated in Figure 1. It will serve as an organizing framework for the discussion that follows.

Interdependence provides the antecedent or underlying condition for conflict. That is, a reseller's dependence upon a supplier enables the latter to interfere with the aims of the former. Attempts by one channel member to realign functional responsibilities and to take advantage of changes in the task environment may interfere with the attainment of another's goals. When interference is perceived, a sense of frustration and hostile feelings toward one another may develop (i.e., affective conflict) leading to exchanges of verbal or written disagreements (manifest conflict). The level of conflict, as well as

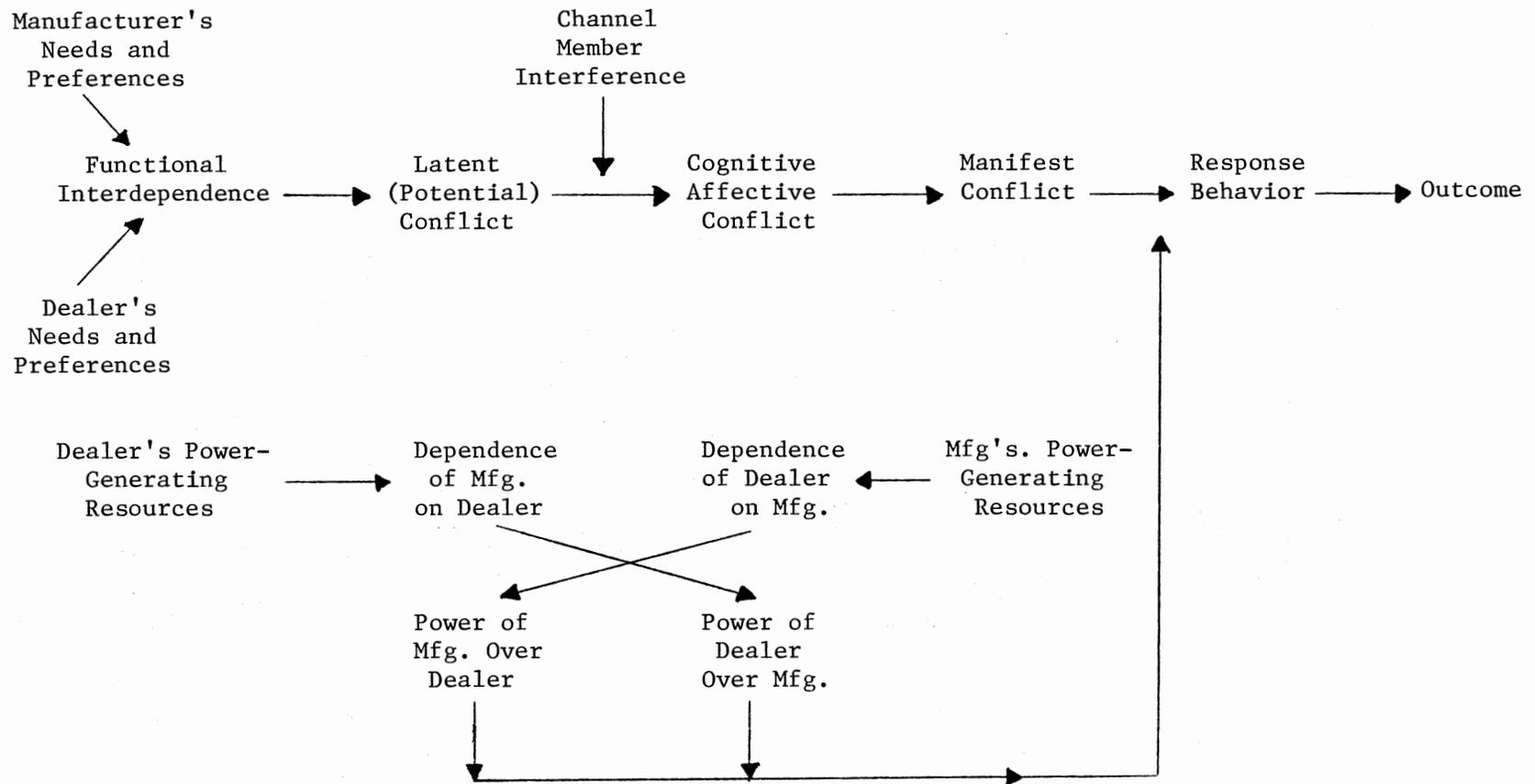


Figure 1. Diagram of Conflict Process: A Framework for Organizing the Literature

how it is handled, may vary with the nature of the power-dependence relationship that characterizes the channel arrangement. This relates to the resources brought to the relationship and their perceived value.

The outcome of conflict may be either destructive or constructive (Rosenbloom 1973; Assael 1969). Destructive (dysfunctional) conflict may take the form of lower channel cooperation, duplication of efforts and resulting diseconomies, and even the eventual disintegration of the channel relationship. Alternatively, conflict may have constructive (functional) consequences, to the extent that channel members are motivated to review and improve the quality of their relationship. Attention now turns to a more in-depth discussion of these conflict components.

Conflict Episodes

Firms operate in a dynamic environment, which has implications for the nature of the channel relationship (Assael 1969; Etgar 1977). Stern and Gorman (1969) consider conflict to be an outcome of changes in the channel or its environment.

Conflict is viewed here as a process of changes-- changes in the task environment, within individual firms in a channel system, and/or in the relationships between the elements of the environment and channel members-- which induce realignments in the relationship between channel system members (p. 157).

As conditions change, channel members may be motivated to take advantage of the situation by altering their goals, in the form of markets served or functions performed. To the extent that these new objectives and role expectations are incompatible with those held by others, the potential for conflict will exist. However, unless this incompatibility is perceived, the conflict process will remain

inactive (Brown 1978). For example, in response to adverse economic conditions, manufacturers have recently attempted to reduce service to retailers. Since retailers would be forced to adapt to this new policy, via internal adjustments in inventory levels and ordering policies, the potential for conflict has been created.

As suppliers attempt to implement new goals, the underlying nature of these objectives may become known to resellers. It is the behavioral influence patterns employed by the supplier in implementing his goals that contribute to an awareness on the part of the retailer. A perceived conflict condition will emerge when the latter perceives the policies (issues) and/or actions of the former as being incompatible (Brown 1978). Thus, procedures employed to implement these new objectives, and not the goals, create the opportunity for interference and conflict. Stern and Gorman (1969) explain:

Goals are not the cause of conflict; it is the behavior patterns pursued to achieve goals that interfere with goal attainment of other system members. It is true that goals produce behavior, but it is behavior, not the goals, which frustrates (p. 163).

Misunderstandings of each others' actual position on channel matters are likely to contribute to a conflictual condition. That is, a retailer's evaluation of the received influence pressures may be mediated by differences in perceptions of the task environment (Rosenberg and Stern 1970), differing channel member motivations (Wittreich 1962), lack of relevant information (Stern and Gorman 1969), differing role expectations (Stern and Heskett 1969), and the use of confusing language (Wittreich 1962). As a result, incompatibility, and thus conflict, may be perceived even when there is no underlying basis for it in reality.

Divergence in goals and perceptions, along with perceptions of the outcomes of past disagreements, are likely to influence the level of tension that is generated. At this stage, conflict may become personalized and hostile feelings develop. Such a condition is referred to as affective conflict (Firat, Tybout, and Stern 1974; Brown 1977). Hostile feelings are likely to remain contained (covert) until some event or incident serves to intensify the situation and trigger an overt response.

Conditions within the channel or the environment may serve to intensify the conflict situation, motivating the firm to respond to perceived (covert) conflict. This flare-up, according to Rosenberg (1974, p. 69), may be triggered by an incident involving ". . . a confrontation between two parties, a reckoning necessitated by some report, or a threshold reached where tension can no longer be contained." Conflict may be manifested in the form of verbal or written exchanges of disagreements (Lusch 1976a, b). These behaviors may range from mild to violent actions.

The level of manifest conflict is likely to depend upon the frequency and intensity of disagreements (Lusch 1976b). However, it will also depend upon the nature of the policies (issues) over which disagreements occur. Brown and Day (1981) point this out as follows:

Even though disagreements over a particular issue may be frequent, the impact of such conflict may be small if the issue is of little or no importance to the parties concerned. In contrast, even a few disagreements over very important issues may create a large amount of conflict (p. 264).

Policies (issues) differ in their ability to impede or facilitate goal attainment, which may reflect the relative importance or stakes attached to each issue. For instance, a reseller may allow a manufacturer to exercise control over product-related issues because of the latter's

engineering and marketing expertise in the product area, yet resist attempts by the manufacturer to extend its influence beyond this area. To the retailer in a conventional channel, issues related to store operations would not normally be associated with the traditional role of the manufacturer. Any attempt to influence this area would likely be regarded as a threat to a retailer's autonomy and would encounter resistance. Alternatively, direct managerial assistance involving store operations may encounter less conflict in a contractual (e.g., franchise) arrangement because it is expected (Etgar 1978).

The intensity of disagreements may also vary across channel types. The predominant sentiments that characterize channel structure may account for this. For instance, contractual members, unlike their conventional counterparts, may exhibit a greater tolerance for conflict. Possessing a relatively greater commitment to the channel arrangement, vertical system members may have learned to better cope with conflict by developing specific methods of dealing with it (Rosenberg 1971). Since conflict may be affected by the outcome of past disagreements and by the stake that one has in the arrangement, this may serve to lessen the intensity of disagreements and the amount of conflict currently experienced in a vertical marketing system.

Conflict has been defined primarily in terms of disagreements that arise out of a process, in which the aims of a channel member are frustrated by changes in the channel or environment. This process may be conceptually expanded to include changes in response to those disagreements (Stern and Gorman 1969). To this end, we now turn our attention to an examination of response behavior to conflict.

Response Behavior

Response to a conflict situation may take various forms. In an attempt to bilaterally resolve disagreements, channel members may employ various bargaining strategies. These are designed to modify the behavior of the frustrating party. Alternatively, channel members may be acquiescent. That is, a firm modifies its own behavior by unilaterally accommodating the other party.

The type of response behavior that is employed will vary with the nature of the dependency relationship that characterizes alternative channel types, as well as by perception's of this relationship. Dependency, in turn, will vary directly with the importance of the channel arrangement and inversely with the availability of alternative arrangements.

Bargaining

Bargaining represents a primary mode of channel interaction (Roering 1977) that underlies conflict response within both conventional and vertical marketing systems (Angelmar and Stern 1978). Although associated primarily with the achievement of coordination in conventional channels (McCammon 1970), Angelmar and Stern (1978) argue below that bargaining may be found in vertically integrated channels.

. . . one may argue that bargaining takes place even in integrated channels, for 'no matter what conflict management mechanism is adopted by policy-makers within a channel, resolution is always the result of bargaining--the making of commitments, offering of rewards, or threatening of punishments of deprivation--between and among members' (p. 93).

Bargaining involves a process whereby channel members interact in the development of possible agreements that may serve to resolve conflict

and guide future behavior. Mixed emotions, consisting of both cooperation and self-interest, are involved in this process (Stern 1971; Dwyer and Walker 1981) and respectively reflect the interdependencies that exist between firms and the individual firm's desire to maintain its autonomy (Reve and Stern 1980).

The simultaneous exercise of power and accommodation is evident in bargaining (Walker 1971). In the belief that a mutually beneficial agreement within an acceptable range of possible solutions may be better than no solution, channel participants may be motivated to cooperate by making some concessions. Yet, at the same time, a channel member will exercise the use of their power to attain competing interests regarding the specific terms of that agreement.

Although the terms "negotiation" and "bargaining" have been used interchangeably in the channel literature, a distinction between them may be made. Negotiation has been referred to as a form of bargaining involving verbal communications. Bargaining has been defined as also including nonverbal actions (Pruitt 1972). While the focus of the channel literature has emphasized verbal communications (Walker 1971; Angelmar and Stern 1978; Roering 1977; Dwyer and Walker 1981), both terms have been used to describe the same thing. Consistent with this practice, both terms will be used interchangeably to describe the same phenomenon.

Bargaining modes will vary in their orientation. That is, the specific actions that are employed initially in response to conflict may be competitive or cooperative in nature. They may vary as to the level of concessions that are made. These alternative response modes are considered below.

Competitive Bargaining Behavior. Competitive behavior tends to be individualistic in nature, focusing upon the satisfaction of one's own interests. Attempts to impose one's views through the use of persuasion, threats, or commands characterize this mode of response (Pruitt and Lewis 1975).

In response to conflict involving a supplier's attempt to alter a dealer's level of inventory, a dealer may employ threatening actions to resolve the disagreement. Possessing scarce and valued resources (e.g., retail floor space), the dealer may attempt to modify the supplier's behavior by threatening to deny the latter access to these resources. The importance of the floor space and the degree to which alternative area dealers are lacking may force the supplier to reconsider its actions.

Attempts to secure the backing of relevant third parties also characterizes this form of behavior. In response to a conflict situation, channel members may look to dealer or trade associations, or even the courts to protect their interests.

Competitive bargaining behavior also tends to be inflexible, reflecting preconceived ideas or commitments (Stern 1971). For example, retailers of multiple brands may jealously safeguard their autonomy by arguing that they are unable to satisfy the expectations of a supplier without earning the displeasure of others. Such behavior represents a commitment to the status quo and a barrier to change (Stern 1971).

Cooperative Bargaining Behavior. Cooperative (integrative) bargaining is characterized by a problem solving approach that attempts to find mutually satisfactory solutions to conflict. Issues are usually

viewed as problems to be solved, rather than as solutions that must be accepted by another. Such views lend themselves to more flexible behavior, in which coercion, such as threats and commands, is avoided (Pruitt 1972).

Dialogue in cooperative bargaining tends to be open and focuses upon the issues and an exploration of possible options. In fact, a number of issues may be considered simultaneously; allowing tradeoffs, in which one firm's concessions on an issue are exchanged for another's concessions on another issue (Pruitt and Lewis 1975). Information tends to be freely and accurately exchanged so that the preferences and needs of the parties may be considered and integrated into a solution that is mutually beneficial (Pruitt 1972; Stern 1971).

As an example of cooperative bargaining, a supplier's request for a speedier payment of a dealer's account may result in disagreement. The dealer may resist, arguing that times are bad and that he is unable to do better. Instead of threatening the dealer, further dialogue may reveal that both are faced with the same problem--slow paying accounts. A dealer's slow payment might be attributable to his own slow paying customers, who tend to use the retailer's store charge account. The supplier may suggest that this credit program be replaced with a bank credit card system. As a result, the dealer's cash flow and associated ability to pay the supplier more quickly might be improved. Thus, the willingness of both parties to discuss the issue and consider each other's viewpoint results in an equitable solution to a problem shared by both.

Acquiescent Response

Rather than attempt to modify the behavior of another, a channel

member may yield completely to the wishes of the frustrating party. Unlike bargaining, acquiescence may be viewed as a form of intrafirm change in which accommodation is complete and unilateral.

Within a contractual channel for automobiles, characterized by an asymmetrical power relationship, acquiescence was often employed by the subordinate channel member as a means of attempting to reduce channel conflict. As Brown (1979) suggests, this may be explained by the nature of power-dependence relationships.

Asymmetries in the balance of power within automobile channels might account for this result. Perhaps dealers feel that the manufacturers' size and expertise enable them to 'know best' how to distribute automobiles. Dealers may also view continuing a disagreement with the manufacturer as being futile. Even worse, they may believe that by continuing a disagreement, the manufacturer might impose sanctions upon them (p. 498).

Determinants of Response

A channel member's choice of response to conflict is likely to vary with his degree of dependence upon the channel relationship. Dependency is associated inversely with the availability of alternative avenues of goal attainment, such as other channel arrangements (El-Ansary and Stern 1972). A retailer with available alternative sources of supply would be expected to bargain more competitively and disruptively. Alternatively, such competitive behavior would be expected to occur less frequently for a dealer that finds himself dependent upon the channel relationship for valued resources (Roering 1977).

In terms of channel structure, members of vertically integrated channels are more likely to view themselves as part of the channel than will members of conventional channels (Thompson 1971). Given the

importance of continuing the relationship, a high level of dependency may be perceived and cooperative bargaining behavior should result. Conventional channel members will commit to their own self-interest and more competitive bargaining should characterize their response behavior.

Structurally-derived power may define the potential for, but not the actual use of influence. As Firat, Tybout, and Stern (1974) suggest, it is perceived relative power, rather than objective power that directs a firm's response to conflict.

Perception of self and other firm power may interact to affect the nature of this response (Firat, Tybout, and Stern 1974). Since dependency may serve as an index of power³ (El-Ansary 1975), the specific nature of a channel member's (reseller's) response is likely to be influenced by the degree to which it perceived itself to be dependent upon another (supplier), as well as by the degree to which the supplier is perceived by the reseller to be dependent upon it for valued resources.

Perceived Asymmetrical Relationship. In a position of unbalanced power where one channel member perceived itself as being more dependent upon the channel arrangement than the other (subordinate position), response to conflict is likely to be characterized by more frequently attempted communications, a higher level of accommodation and attempts to bargain cooperatively. Weaker bargainers may tend to communicate more freely to compensate for their relative lack of power (Dwyer and Walker 1981). Likewise, since they perceive themselves as being more

³Note that the power that a channel member (e.g., supplier) has over another (e.g., reseller) may be viewed as being related to the dependence that the latter (reseller) has upon the former.

dependent upon the relationship, they are likely to bargain more cooperatively (Roering 1977).

Demanding-threatening actions by the weaker party in a channel would not be expected due to the perceived costs involved (Firat, Tybout, and Stern 1974). Since the other party is viewed as being less dependent upon the relationship it will have a higher perceived probability of retaliating in response to threatening moves and so, the weaker member would have to employ a larger proportion of his smaller resource base to subdue possible resistance (Korpi 1974). Further, the subordinate member will tend to enact a greater number of responses or make other changes which the more dominant party desires (Dwyer and Walker 1981; Brown 1979).

In a position of unbalanced power where one channel member perceives another to be more dependent upon the channel arrangement than itself (dominant position), conflict response is likely to be characterized by fewer attempts to bargain cooperatively and greater use of demanding-threatening actions and normative appeals. Dominant channel members tend to employ more demanding means of influence in response to conflict (Wilkinson and Kipnis 1978). Lacking a high level of perceived dependency, less restraint is likely to exist over the use of competitive bargaining behavior (Dwyer and Walker 1981). Further, normative appeals that stress the expectation of "proper" behavior may be employed as a unifying and cooperation-inducing force (Stern and Reve 1980).

Perceived Symmetrical Relationship. In a balanced, high dependency position for both channel members, response to conflict is likely to be of a more cooperative nature. Both firms may tend to avoid demanding-threatening actions that could prompt retaliation (Dwyer and Walker 1981).

This may be due to the high costs, in terms of the resources that would be required to resolve the situation (Korpi 1974).

Since dependence reflects a channel member's commitment to and stake in the relationship (El-Ansary and Stern 1972), this commitment should serve as a restraint on the use of more coercive means of influence (Dwyer and Walker 1981). With their fate perceived as being linked to another, more cooperative behavior should be exhibited.

In a balanced, low dependency position where neither party is highly dependent upon the other, response to conflict is likely to be characterized by competitive bargaining behavior and a low level of cooperation. In fact, retailers may jealously safeguard their autonomy by arguing that they are unable to satisfy the expectations of a supplier without earning the displeasure of other suppliers.

Initial responses may not be as demanding or threatening as that which typifies the unbalanced, dominant situation. This may be explained by the retailer's low perceived ability to successfully exercise power given the other's availability of alternative channel arrangements. If conflict continues, the relationship may eventually be dissolved by the replacement of the present channel member with another.

Determinants of Dependency

It has been stated that the level of perceived dependency is likely to be influenced by the nature and importance of the resource base that each channel member commands. Since a supplier's offering of valued resources provides a means of mediating a retailer's achievement of its economic goals, a closer look at the resource base underlying dependency is merited. These power-generating resources are viewed as emanating

from a channel member's economic strength and position in the channel (Little 1970).

Positional Strength of Manufacturers. Unique to the manufacturer is the power-generating resource that emanates from the firm's positional role in the channel--that of product development. A well differentiated product represents a source which might be employed to increase a retailer's dependency upon the manufacturer (Beier and Stern 1969). Retail accounts may tend to identify with and wish to be associated with such experts, conferring upon the manufacturer the "right" to dictate the manner in which the product should be sold. As Stern and El-Ansary (1977) explain, such a possibility may be a manifestation of a manufacturer's legitimate, referent, and expert power:

The manufacturer with an outstanding product may have, from the perspective of those purchasing it, a 'right' to dictate how it should be sold and consumed, an image with which others seek to identify, and probably a greater assumed knowledge about the market for his product than anyone else (p. 433).

Channel power will be determined by the degree of differentiation that a product possesses. Successful differentiation has the effect of creating a consumer following and a lessening of the substitutability of the product. As a result, the number of acceptable supply sources available to the retailer will be reduced and the retailer's dependence upon the manufacturer will be increased.

There is anecdotal evidence to suggest that a wide, well-differentiated product line that possesses a range of features and price lines would enhance a retailer's dependence upon the supplier. However, gaps within the line would diminish the power base. Retailers may feel vulnerable being dependent upon a single incomplete line while

competing retailers handle another supplier's more complete line (Rosenberg 1971). To remedy this, the retailers may drop the incomplete line or handle other brands.

Although a highly differentiated product and line may enable a manufacturer to extend its domain of power (i.e., the number of middlemen over which it exercises control), the scope of this power (i.e., the issues over which control is successfully exercised) may be limited (Beier and Stern 1969). A manufacturer may exercise control over product-related issues because of its engineering and marketing expertise, yet encounter resistance should it attempt to extend its influence to other issues not associated with the perceived role of the manufacturer (Etgar 1978). Thus, policy areas in which control may be exercised successfully would appear to be limited and be dependent upon the perceived role associated with each member in the channel.

Furthermore, as products mature the exclusiveness of a product would tend to depreciate with the greater availability of substitutes. With less uncertainty surrounding the product, there would be less need for retailers to rely upon the manufacturer's product-related expertise. Hence, the manufacturer's product-related power base would be weakened (Little 1970). A greater reliance upon the firm's economic strength would be needed to offset this loss in positional strength. Given the availability of alternative sources, greater assistances (e.g., attractive price margins, increased promotional effort) would be necessary to keep retailers satisfied.

Positional Strength of Retailers. Retailers have at their disposal a variety of means by which their position may be enhanced (Stern and El-Ansary 1977). Unique to the retailer is the power-generating

resource that emanates from its positional role in the channel--the performance of local merchandising activities. Because of their access to local markets, retailers represent "gatekeepers" as to which brands will obtain the scarce resource--floor space, that they have to offer. Since a store's reputation and image may reflect upon the quality and image of a product (Porter 1974), retailers may be selectively chosen by suppliers upon that basis. The greater the store's reputation, the more valuable will be the floor space that a dealer has to offer and the greater the supplier's dependence upon the retailer.

In the marketing of durable goods, a retailer may represent a proxy for some of the product attributes desired by consumers. Since such purchases may be considered relatively important, consumers will expend effort in comparing products as to a number of characteristics. Consumers not only seek the physical attributes that a product may offer, but also intangibles (e.g., availability of service, credit, delivery) that a retailer may offer that are capable of enhancing the total package of benefits received. By differentiating this package of benefits, through promotion and service, a dealer may be able to establish stronger patronage motives whereby the identity of the store exceeds the importance of the identity of a particular brand within that store (Porter 1974). This would tend to decrease the retailer's dependency upon the supplier's brand.

Although a consumer may have in mind a particular brand, he may consider others. Within a store, a retailer may be able to influence the sale of a particular brand through the information provided in a sales presentation or advice solicited by a consumer. This would serve to reduce the manufacturer's bargaining position and enhance that of the retailer's.

A dealer's power position may be further enhanced by the level of its expertise. Because of their proximity to local markets, retailers may be in a position to more effectively accumulate information concerning the needs and complaints of consumers. Often they may be the first to learn of competitive developments. Communications of such knowledge enables a dealer to mediate the manufacturer's ability to achieve its economic goals.

Bennion (1980) has recently suggested that the scope of a manufacturer's power that emanates from a well-differentiated product may be attenuated by the remainder of that line as it becomes more substitutable. Unless the entire line is well-differentiated it may require extensive dealer support for economic success. To the extent that the more substitutable products are of importance to the producer, dealers may be able to enhance their position by mediating the resources (e.g., floor space) necessary for those products to be a success.

Thus, it would appear that the resource base that each channel members commands plays a role in determining the nature of the power-dependency relationship. Dependency should vary directly with the importance of a channel arrangement and inversely with the availability of alternative, feasible arrangements. The importance of a channel arrangement, and the commitment to and stake in that relationship, may be enhanced by a channel member's ability to mediate values resources.

Research Directions

The general area of channel conflict has received extensive research attention, as is evident from the literature review. However, further cross-channel research is needed.

Past investigations of the channel relationship have typically confined their analysis to a single type of distribution channel within a particular industry (Rosson and Sweitzer 1979). The exceptions are few in number (Weik 1971; Etgar 1976, 1978; Kelly and Peters 1977; Brown 1981). In essence, the investigations represent little more than case studies in which the findings are difficult to generalize beyond the channel type or industry considered.

A single empirical study (Kelly and Peters 1977) has claimed to investigate channel conflict in a cross-channel setting. Although different channel types were identified, only a single type of channel was examined within each industry considered; and these were not held constant across all industries. Without a systematic comparison of differing channel arrangements within the same industry the external validity of the findings may be questioned.

Interchannel differences are likely to be observed with respect to the marketing policies (issues) that are the focal points of the conflict. This is due to the nature of the business customs and role expectations that are associated with alternative channel types (Etgar 1978). Thus, an investigation of the conflict associated with various issues over different channel settings should contribute to knowledge in the field.

How channel members respond to a conflict situation may differ across channels, depending upon the nature of the power-dependency relationship (Firat, Tybout, and Stern 1974). Although response is an important aspect of channel relations, empirical research has largely ignored the handling of conflict among channel members (Brown 1979).

While several studies have examined conflict management methods in experimental settings (Hunger and Stern 1976; Stern, Sternthal, and Craig 1973), only a single study has examined conflict response behavior in an actual channel setting (Brown 1979). However, due to the single channel type considered in Brown's study, generalizations of the findings to other types of channel situations are precluded.

Based on the above observations, a cross-channel analysis of channel conflict and resultant responses of channel members to conflict is warranted. Furthermore, by examining alternative types of distribution channels within a given industry, environmental and product-related factors may be held constant. The latter condition will enable one to examine a clear cross-channel comparison of conflict-related variables.

The study will investigate differing channel types within the same industry. Particular attention will be given to conflict, as it is manifested in the form of verbal or written disagreements, and to the nature of initial responses that are elicited by these disagreements. Based on the previous literature review, hypotheses will be developed and presented in the next chapter together with the methodology employed in the research.

CHAPTER III

RESEARCH DESIGN

Introduction

The purpose of this chapter is to describe the research design that will be employed in this investigation. First, the objective and scope of this research will be discussed. Formal research hypotheses will then be presented based upon the channel conflict literature previously described. Data collection procedures will then be considered. This will be followed by a discussion of the relevant theoretical concepts and their operational measurement definitions. Finally, the method of statistical analysis will be presented.

Objective and Scope

The overall objective of this cross-channel study is to examine the nature of conflict that exists between retailers and their suppliers and the retailers' method of handling these disagreements. Of particular interest is the relationship that (1) exists between an adjacent supplier (e.g., manufacturer, franchisor) and a retailer; where (2) these channel members are involved in the marketing of products that are selectively or exclusively distributed through (3) single unit retailers, in which (4) the product category represents an important or dominant part of that retailer's business. Such distributive arrangements (i.e., limited distribution) are generally characterized by a high degree of

functional interdependence. Since interdependence is the antecedent condition for conflict (Firat, Tybout, and Stern 1974), channel conflict is more likely to be observed in the situation described.

Although the nature of the channel relationship is dyadic, data will be gathered only from the retailer's perspective. That is, the retailer will serve as the unit of analysis. This is consistent with most of the studies in channel research. Budget limitations on the research preclude examining the relationship from both the supplier and retailer's point of view.

Research Hypotheses

Two categories of hypotheses are presented based upon a literature review of the conflict process. The first category deals with the nature of channel conflict, while the second considers the manner in which retailers attempt initially to resolve it.

Conflict will be considered at the manifest stage, whereby the conflict among channel members is expressed in the form of verbal or written disagreements. Here, one might be concerned with the magnitude of conflict that is experienced by dealers across channel types and with the types of issues that contribute to this conflict.

The form of response that is employed by dealers in their attempt initially to resolve disagreements with their suppliers will also be studied. The form of response is likely to be associated with the nature of the power-dependency relationship that characterizes a given channel type, as well as with perceptions of this dependency relationship. These research questions are presented below as formal hypotheses, stated in their alternative form.

Aggregate Conflict

Channel conflict may be expected to vary across channel types. Conventional channel members are likely to exhibit a higher level of conflict in response to changes in the channel and the environment. Committed primarily to their own self-interest, they are more likely to perceive change as a threat to their autonomy. Unlike their counterparts in a vertical marketing system, they possess more of a traditional orientation and have well established ideas as to which channel activities should be performed by various parties (Etgar 1978). This resistance to change should serve to create a greater intensity of disagreements within this type of channel arrangement, thereby contributing to a high level of conflict.

The opposite is true of vertically integrated channel members. Although an asymmetrical system (e.g., franchise) may have the "potential" for conflict (Stern and Reve 1980), and even though member firms may tend to communicate more frequently to compensate for their subordinate position (Dwyer and Walker 1981), the level of actual conflict may be less. Possessing a greater system-wide orientation, these firms may have learned to cope with conflict by developing methods to handle it (Rosenberg 1971). The outcomes of these past disagreements and the high level of commitment to the channel may contribute to less intense future disagreements and a lower level of conflict. Based on this reasoning, the following research hypothesis is suggested:

Hypothesis I: The magnitude of intrachannel conflict perceived by retailers will differ by type of channel structure. Channel members in conventional channel arrangements will tend to perceive a high level of conflict relative to members of alternative structures.

Conflict Issues

The marketing policies (issues) that contribute to intrachannel conflict may differ by type of channel structure. Since aggregate conflict may conceal some interesting interchannel differences, attention will be given to individual and sets of interrelated issues.

Individual Conflict Issues. Individual policies are likely to vary as to their ability to impede or facilitate a dealer's goal attainment, depending upon the channel conditions in which they are found. As mentioned in the previous chapter, a supplier's attempt to influence store operations may be expected and even desired by a franchisee, yet be viewed by a conventional channel member as a threat to its autonomy. When interference with one's aims is perceived, conflict is the result. The role of individual policies in channel conflict is examined in the following hypothesis:

Hypothesis II-A: The magnitude of conflict that is experienced on individual policies will differ among channel types.

Types of Conflict Issues. The set of separate issues may be more parsimoniously summarized into a smaller set of issue types that reflect the same underlying form of conflict. It is likely that conflict will differ across channels with respect to these newly discovered types of issues.

Interchannel differences may be explained by the differences in role expectations, business customs, and levels of vertical coordination that are associated with alternative channel arrangements. The following is suggestive of issue categories that may be observed, and is not intended to be exhaustive.

Consider differences in role expectations and business customs. Conventional channel members are likely to insist upon retaining those activities and decisions that strengthens or maintains their autonomous position, such as record keeping, inventory maintenance, and local and in-store promotion. Since these issues involve store operations and extend beyond the traditional role of a supplier, a greater degree of conflict over them is likely to be observed among conventional members when interference is perceived. The opposite would be true in a contractual channel, where a supplier's involvement with direct management assistance is expected by franchisees (Etgar 1978).

Variations in the levels of channel coordination may contribute to interchannel differences in conflict. Lacking a well-defined locus of control within a conventional channel (Etgar 1976), members may be unable to effectively coordinate promotional activities. Promotional efforts initiated by suppliers may represent a source of frustration for retailers since they may encourage brand switching rather than increasing retail sales. Alternatively, retailer-initiated promotions may be viewed by suppliers as damaging the brand franchise that they have developed. Consequently, hastily devised and uncoordinated promotional programs may serve as a source of conflict among conventional channel members. The opposite should be true in a contractual channel, given the existence of a more well-defined locus of control.

Higher levels of channel coordination, such as that found in franchise systems, may exact a price in the form of greater conflict over product assortment. For the sake of economies in production and distribution, product assortment may be restricted. Product concentration enables more economical production runs, use of uniform packaging, and

standardization of handling procedures in distribution (Etgar 1976). Since franchises are in competition with other channel systems (e.g., conventional retailers) that have access to a larger number of suppliers, greater conflict may result from the inadequacy of the product line in a contractual arrangement.

Based on the above reasoning, this research question may be stated in the form of the following hypothesis:

Hypothesis II-B: Individual policies (issues) will fall into sets of conflict issues that reflect the same underlying construct (conflict type), such that they contribute differently to conflict across channel types.

Response Behavior and Channel Structure

Response to a conflict situation will vary with the nature of channel arrangement. Channel structure can be viewed as a surrogate measure of the power-dependency relationship. This should affect the nature of response. As discussed in the literature review, this may involve cooperative or competitive bargaining behavior or acquiescence.

The type of channel arrangement may determine the nature of the dependency relationship. For instance, a franchise arrangement is likely to involve an asymmetrical power relationship in which a subordinate member is dependent upon a more dominant firm. This dependency will influence the dominant sentiments and response behavior that characterize channel interaction. Cooperative bargaining behavior is likely to vary directly with the level of dependency, while competitive bargaining behavior varies inversely (Roering 1977).

Members of vertical marketing systems (e.g., contractual) do differ from their conventional counterparts in exhibiting more cooperative

sentiments (Stern and Reve 1980) and a more integrative planning mode of behavior (Wiek 1971). The structural nature of the arrangement may account for this. Franchisees, being contractually bound, may have fewer alternative sources of supply than conventional members. Since dependency varies inversely with the availability of alternative supply sources, a franchise dealer would be expected to behave more cooperatively. Alternatively, conventional members will have a greater number of alternative sources and are expected to behave more competitively and yield less to channel pressures. Based on this rationale, the following hypothesis is suggested:

Hypothesis III: Retailer response to intrachannel conflict will differ by type of channel structure. Channel members in conventional channel arrangements will tend to exhibit less acquiescence, less cooperative behavior, and greater competitive behavior relative to members of alternative structures.

Response Behavior and Perceived Dependency

Perception of the dependency relationship may direct a firm's response to conflict (Firat, Tybout, and Stern 1974). Although perceptions are associated with channel structure, within and over channels, individual perception will differ based on channel member characteristics.

The level of cooperative behavior should vary directly with the level of perceived dependency, with the level of competitive behavior varying inversely. Furthermore, the specific nature of a dealer's response should be influenced by the degree to which the dealer perceives itself to be dependent upon the supplier, as well as by the degree to which the supplier is perceived by the dealer to be dependent upon it for valued resources. Formally, this research question may be stated as:

Hypothesis IV: Retailer response to intrachannel conflict will differ according to the perceived channel power-dependency relationship.

Since perception of self and other firm dependency may interact at different levels to affect response, these hypothesized conditions are stated separately.

When the dealer perceives itself to be more dependent upon the channel arrangement than the supplier, a subordinate asymmetrical relationship is assumed. Based on arguments presented in the previous chapter, a subordinate dealer will tend to enact a greater number of responses that are consistent with the desires of the more dominant supplier. This perceived condition may be stated in the form of the following research hypothesis:

Hypothesis IV-A: A retailer's acquiescence to a supplier's wishes should be associated with a high level of perceived dependency upon the supplier and a low level of supplier's dependency upon the retailer.

When the dealer perceives itself to be less dependent upon the channel arrangement than the supplier, a dominant asymmetrical relationship is assumed. A dominant dealer's response is likely to involve a greater number of demanding-threatening actions and relatively less cooperative behavior. Formally, this may be stated as:

Hypothesis IV-B: A retailer's use of competitive behavior in response to conflict should be associated with a low level of perceived dependency upon the supplier and a high level of supplier's dependency upon the retailer.

When both parties are perceived by the dealer as being highly dependent upon each other, a symmetrically high dependency relationship is assumed. Response behavior is likely to be cooperative, rather than demanding or threatening. Commitment to and stake in the channel may serve to generate more cooperation and restrain the use of more

coercive means of influence. This research question may be formally stated as:

Hypothesis IV-C: A retailer's use of cooperative behavior in response to conflict should be associated with a high level of perceived dependency upon the supplier and a high level of supplier's dependency upon the retailer.

When neither party is perceived by the dealer as being highly dependent upon the other, a symmetrically low dependency relationship is assumed. Initial response is likely to be more competitive and less cooperative. However, the level of competitive behavior may not be as demanding or threatening as that which typifies the dominant, asymmetrical relationship (H IV-B). This may be explained by a dealer's low channel commitment and low perceived ability to successfully exercise power. This research question may be stated in the form of the following research hypothesis:

Hypothesis IV-D: A retailer's use of competitive behavior in response to conflict should be associated with a low level of perceived dependency upon the supplier and a low level of supplier's dependency upon the retailer. The level of competitive behavior exhibited should be less compared to that observed under conditions in H IV-B.

Data Collection

The data collection procedure is the subject of this section. Attention is given to the population definition, sampling method, sample size, and the nature of the survey instrument.

Definition of Channel Types

Of interest in this research are dealers that are representative of alternative channel types. However, observed vertical arrangements do

not neatly fit the textbook definitions of the channel types previously mentioned (i.e., conventional, administered, and contractual channels). Examples of administered systems, that are often found in the literature and defined as not involving a formal agreement, may actually employ formal contractual arrangements depending upon the strength of the manufacturer. In addition, confusion often exists as to which channel arrangements should be included as franchise systems (Stern and El-Ansary 1977). For our purposes, the alternative channel arrangements are defined below in terms of relevant characteristics that are more readily identified.

Business Format Franchise. A franchise system involves the licensing of an entire business format (store operation) (Stern and El-Ansary 1977). The franchisor (manufacturer or wholesaler) grants tangible or intangible assets (e.g., service, trademarks, expertise) under a long term contract to a number of independent retailers, in return for payment of fees and/or sales of the franchisor's products. This type of channel arrangement will be referred to as a chain or business format franchise. Based on Stern and El-Ansary's definition (1970, p. 406), this arrangement is formally defined as:

Business Format Franchise: Involves the licensing of an entire business format (store operation) where a number of independent retailers (franchisees) market a product or service and engage in a business developed by a firm (franchisor) using the latter's trade names, expertise, and business practices.

Exclusive Dealing, Franchising Agreement. A franchising agreement involves a formal or implied contractual arrangement between independent parties, where a reseller is granted the right to market a supplier's

brand (Stern and El-Ansary 1977). Unlike a franchise system, this agreement is concerned only with the merchandising of a particular product line, and not with the entire store operation (McCammon 1965).

The supplier may agree to sell to only one retailer within the latter's territory, in which case the arrangement is referred to as exclusive franchising. A retailer's reciprocal agreement not to sell competitive lines that may dilute sales effort is referred to as exclusive dealing (Thompson 1971). In this investigation, the focus will be on exclusive dealing, which is formally defined as:

Exclusive Dealing: Involves a formal or implied contractual arrangement between independent parties, that narrowly focuses upon the merchandising of a specific line of products, where a reseller is granted the right to market a supplier's brand and the reseller reciprocally agrees not to handle competitive products within that line.

Conventional Channel. A conventional channel involves an exchange relationship between independent parties. Compared to alternative vertical arrangements little centralized coordination exists. Minimal coordination is achieved through the market mechanism. That is, the terms of exchange (e.g., products handled, level of promotion, level of assistance) are determined by their interaction as independent buyers and sellers in an intermediary market (Etgar 1976).

Unlike exclusive dealing arrangements, retailers merchandise competitive lines. They may very well view themselves as purchasing agents for their customers rather than as selling agents for manufacturers, with product assortment being assembled from a wide number of suppliers. Therefore, product variety is expected to be richer in conventional channels than in more highly coordinated channel arrangements (Etgar 1976). This type of channel arrangement will be defined in terms of multiple brand dealers and is formally defined below as:

Conventional Channel: Involves a relationship between independent parties, in which channel coordination is determined by the market exchange of products, where resellers handle a product assortment that is assembled from more than one supplier.

Population Definition

Sampling will focus on single unit retailers that are involved in the marketing of video and audio home electronic products. The population was selected with respect to (1) the availability of alternative channel types, (2) the incidence of shorter, more direct channel arrangements in which the franchisor or manufacturer served as the immediate supplier, and (3) an established industry in which dealerships of various ages existed.

Since conflict may be directly related to the age of operation and channel relationship (Rosenberg and Stern 1971), possible bias may be minimized by considering an industry in which there is a variation as to operational experience. Furthermore, since channel length (i.e., number of intermediaries) may vary within and across channel types, bias may be reduced by focusing attention upon shorter, more direct channel arrangements.

The population of interest will be limited to dealers located in SMSA's in the states of Illinois, Minnesota, Wisconsin, Iowa, Missouri, Indiana, and Ohio. The population definition has been concentrated geographically to minimize variation in economic conditions, since the perception of conflict may be affected by environmental conditions (Rosenberg 1971; Cadotte and Stern 1979). The yellow pages directory for each area considered will serve as the sampling frame.

Sampling Method

The absence of an adequate sampling frame, that is capable of identifying uniquely each unit (retailer) by channel type, places limitations upon the sampling process. To overcome this problem, identification of relevant units will be achieved by the development of controls that are representative of the characteristics of interest.

The sample will be classified into homogeneous groups (channel types) by the use of the following controls. Tradenames, by which franchise operations can be identified locally, will be determined by employing specialized research directories (e.g., Franchise Opportunities Handbook). Depending upon the number of brands (one versus several) that dealers sell within the home electronic category, non-franchise operations may respectively be classified as exclusive and multiple brand dealerships. Employing these controls, dealers belonging to alternative channel types may be identified within each SMSA by using the yellow pages directory.

Within exclusive and multiple brand dealer groups, subjects will be selected in a systematic random manner. Due to the low number of franchise operations, a complete enumeration of franchises may be required to achieve equivalent numbers of responses across channel groups.

Sample Size

The sample size employed in channel research has varied widely; with a number of studies being limited to small samples of 100 or more because of cost considerations (Rosson and Sweitzer 1979). The sample should be large enough so that when it is divided into major groups (i.e., retailers in alternative vertical channel arrangements) each

group has a sufficient sample size. For a regional study of firms, involving a comparison among a few major groups, a typical sample size might range from 50 to 200 (Sudman 1976, p. 87).

The size of this sample should be sufficient to allow for non-response. A brief review of the channel literature reveals a response rate for mail surveys that ranges from a high of 47 percent (Lusch 1976a, b) to a low of 16 percent (Michie 1978); with medium response levels of 26 percent (Hunt and Nevin 1974) and 21 percent (Brown 1978).

A small sample size may be justified when the sample is stratified and represents a large proportion of the defined population. Since the sample will be stratified by type of channel arrangement, variability of within group response should be minimized by the more homogeneous nature of the respondents, thereby, reducing the size of the sample needed. Limited empirical evidence would seem to support the likelihood of perceptual and behavioral responses that are homogenous within, but heterogeneous among alternative channel types (Weik 1971).

Since equivalent numbers of responses are desired for each channel category in the analysis, the availability of franchise operations will serve as the controlling factor in determining sample size. Given the above considerations, a sample size of 300 retailers that is equally divided among channel types should be adequate.

Survey Instrument

A self-administered mail questionnaire will be employed to gather the data. The survey instrument is designed to obtain perceptual measures on a number of issues salient to the retailer-supplier relationship. Classification information will also be collected, such as the size of retail operations, number of years in operation, and number of

years that a particular channel relationship has existed. Screening questions will also be used to confirm whether the dealers selected were members of a particular channel type.

Contact will involve an initial mailing and two follow-ups. Since anonymity will be guaranteed, all subjects in the sample will be mailed a follow-up questionnaire. Due to cost considerations, the second follow-up will be limited to channel groups with the previously lower response rates. Approximately 40 days will be allowed for responses. Since cooperation of franchise operations is crucial, letters explaining the study will be sent to franchisors. The questionnaire and cover letters are presented in the Appendix.

Measurement

The nature of the concepts employed and their operational definitions are considered below. Attention will be focused upon the examination and measurement of conflict, response behavior and dependency.

Conflict

The empirical nature of conflict is examined in this section. In the measurement of channel conflict, most researchers have employed a somewhat similar procedure (Brown 1977). First, issues over which conflict might occur were identified. Second, subjects were asked to make an estimate of the degree of conflict in a statement or issue (Rosenberg and Stern 1971; Pearson 1971), or estimate the frequency of disagreement over an issue (Lusch 1974a, b). Finally, some form of index was obtained by summing or averaging the response over the issues previously identified. A similar procedure will be employed here.

Conflict Issues. In the development of a measure, salient issues that are representative of conflict in a cross-channel setting must first be specified. Initial attention might be given to Rosenberg's (1974) exploratory, cross-channel study of conflict, in which a number of general issues were identified. A review of trade publications, as well as preliminary discussions with dealers should also serve as sources of relevant issues.

Typical conflict issues might involve the nature of assistances and the level of services that are provided by a supplier. These and other issues are presented in section two of the questionnaire in Appendix A.

Conflict Components. Within a survey of channel conflict, manifest conflict may be best operationalized in terms of the disagreements that occur among channel members (Brown and Day 1981). Various components have been employed in the measurement of this construct, including the frequency and intensity of disagreements and issue importance.

Lusch (1976a, b) formed a composite measure by summing the ratings of recalled frequency of disagreements over a representative set of channel issues. However, a richer construct containing more information about the interaction process might be obtained by including other dimensions.

In an attempt to improve upon the previous construct, channel researchers have considered the perceived relative importance of the conflict issues involved and the intensity of disagreements over these issues. Conceptually, issue importance was considered to be more closely associated with perceived conflict, while intensity was regarded more as a property of manifest conflict (Brown 1978).

Within a recent evaluation of alternative measures of manifest conflict (Brown and Day 1981), several measures which combined these dimensions were found to perform well with respect to reliability and validity. The superior measure combined frequency, intensity, and importance. A second measure, which also performed well, included only the frequency and intensity of disagreements. Both measures combined the dimensions in a multiplicative manner.

Operational Definition. Because of its more parsimonious nature and its conceptual consistency with the phenomenon being measured, manifest conflict will be operationally defined in terms of the frequency and intensity of disagreements. These dimensions will be combined in a multiplicative manner for each issue.

In the testing of hypotheses, both single-item and multi-item measures will be employed. A multi-item index of conflict will be formed by summing the combined dimensions over the relevant issues. Mathematically, this may be expressed as:

$$C_{ij} = \sum F_{ijk} * I_{ijk}$$

where C_{ij} = the overall index of conflict between retailer i and supplier j,

F_{ijk} = the frequency of disagreement between retailer i and supplier j over issue k, and

I_{ijk} = the intensity of typical disagreements between retailer i and supplier j over issue k.

The dimensions will be measured by asking respondents to recall issues over which they had disagreements with their supplier during the past year. Employing an 11-point (0-100 percent) scale, retailers will be requested to estimate the percentage of their discussions regarding an issue in which disagreements were expressed. The intensity

of disagreements experienced on each issue will then be rated on a seven-point (low-high) scale. Examples of the measurement scales are presented in sections two and three of the questionnaire in Appendix A.

In constructing scales, one must always consider the relevant number of response categories to employ. Tull and Albaum (1973, p. 118) suggest that ". . . too few categories leads to loss of much of the respondents' powers of discrimination, while too many may go beyond the respondents' ability to discriminate." The 11-point scale, expressed in percentages, would appear to be easy to understand and use even though a somewhat large number of categories is provided. The seven-point scale complies with research tradition in the field.

The proposed measure is consistent with previous recommendations (Lusch 1976b) and studies that have explored the nature of channel conflict (Brown 1978, 1979). Although these studies have dealt with a franchise channel, the measure employed may be applicable to a variety of channel settings (Brown and Day 1981). Given the predominant sentiments and role expectations held by members of alternative channel arrangements, it is likely that both the frequency and intensity of disagreements will vary across channel types. Information concerning this interaction process is more likely to be captured by the measure suggested.

Response Behavior

Channel members may respond to conflict in a number of ways in an attempt to initially resolve disagreements. Dealers may attempt to cooperate, in the hope of finding a mutually satisfactory solution (cooperative bargaining behavior). They may overtly seek their own self-interest through the use of persuasion or force (competitive

bargaining behavior). Or, they may modify their own behavior by unilaterally accommodating the wishes of the supplier (acquiescence). The operationalization of these alternative forms of response behavior is the focus of this section.

The development of multi-item measures was accomplished by drawing upon the relevant channel (e.g., Angelmar and Stern 1978) and bargaining literature (e.g., Walton and McKersie 1965). Partial inspiration was obtained from a multi-item scale that was developed under conditions of lateral intergroup conflict, in which conflict was simulated between corporate divisions (Ackelsberg and Yuki 1979). Since interorganizational channel conflict was considered to be a special case of this form of conflict (Pruden 1969), and since an attempt had been made to validate the construct, the scale was considered to be suggestive of the type of response items that might be included here.

Domain of Conflict. In the development of a multi-item scale, the domain of the construct must first be considered. That is, the concept must be delineated in terms of the specific actions that are consistent with the definition of the construct.

Recall from the previous chapter that conflict responses may be conceptualized in terms of bargaining behavior. In fact, bargaining may be viewed as a behavioral response to conflict that is found in channel relations regardless of channel type (Angelmar and Stern 1978). It consists of two subprocesses, involving competitive and cooperative response modes (Pondy 1967; Stern 1971).

Competitive bargaining behavior tends to be individualistic in nature, focusing upon the satisfaction only of one's own interests. Manipulation of the other party's behavior and attitudes is attempted

through the use of persuasion, threats, commitments, or commands (Angelmar and Stern 1978). Appeals to third parties may also be employed (Pondy 1967). Alternatively, cooperative bargaining exhibits an integrative problem solving approach. Communication tends to be open, with a focus upon an exploration of possible options that are mutually beneficial (Pruitt and Lewis 1975).

Separate from bargaining is acquiescence, which involves unilateral accommodation. Since bilateral accommodation is a necessary condition for bargaining (Chertkoff and Esser 1976), acquiescence must be considered as a distinct response form.

Operational Definition. Based on the above considerations, measurement of the alternative modes of response behavior should incorporate the following properties. Cooperative behavior should reflect (1) a joint problem solving approach, (2) flexibility in achieving an equitable solution, (3) efforts to better understand the other's viewpoint, and (4) attempts to smooth over differences and emphasize common interests. The measurement of competitive behavior should reflect attempts to modify the behavior of others through the use of (1) coercion, (2) persuasion, and (3) appeals to third parties. Measurement of acquiescence should reflect (1) the modification of intrafirm behavior, (2) the avoidance of arguments, and (3) accommodation without the expectation of a concession being given in return.

Item statements will be developed for each of the above response categories. Respondents will be asked to indicate the frequency with which a particular response was made during the previous year. This will be achieved by using a seven-point scale with end points of "very frequently" and "very infrequently". Responses will then be

summed over the items that reflect each category to form separate indexes of each type of conflict response. The item-statements and scale are presented in section four of the questionnaire in Appendix A.

Dependency

Dependency is a property of the relationship that exists among channel members. It reflects a channel member's commitment to and stake in a given business relationship. Alternatively, it has been considered as an index of power that reflects a channel member's capacity to be influenced by another (El-Ansary 1975).

Conceptual (El-Ansary 1971) and empirical studies (El-Ansary and Stern 1972; El-Ansary 1975) contributed to the measurement of this concept. The concept and its operational definition are considered below.

The Concept. An understanding of the concept is necessary to the development of a multi-item construct. Based on the work of Emerson (1962), El-Ansary (1971) developed a conceptual model of the power-dependency relationship within a channel setting. This model has provided insight into the measurement of dependency (El-Ansary and Stern 1972).

Channel members were viewed as attempting to satisfy economic goals (i.e., net profits). Through the offering or withholding of valued resources, a channel member was able to affect another's achievement of its goals. For instance, a supplier's offering of a high service level, such as prompt delivery, may contribute to a retailer's gross margin return on investment by decreasing the average investment in

retail inventory required. The greater the value of these resources, the greater would be the retailer's commitment to a supplier.

This commitment, defined in terms of the importance of the resources offered, was a necessary, but insufficient condition for dependency. Since other sources of supply might offer resources of a similar value, the level of a retailer's dependency would vary inversely with the number of feasible alternative suppliers. That is, a retailer may be committed to dealing with suppliers that offer certain resources, but exhibit a low level of dependence because any one of a number offer similar resources. Further, since replacement of a channel member might not be without its costs, dependency would vary directly with the difficulty in effort and cost that was associated with an attempt to replace a supplier with another.

Operational Definition. A multi-item measure of dependency will be employed. Based upon the suggestion that a perceptual, rather than an objective measure may be more appropriate (Firat, Tybout, and Stern 1974), a seven-point, summated Likert scale will be employed. Items within the scale will reflect the determinants that were suggested in the above conceptual and empirical studies, including: (1) size of business transacted with another channel member, (2) importance of a channel arrangement in contributing to a channel member's profitability, (3) difficulty and cost of replacing the present arrangement, and (4) the importance of a particular marketing mix program offered by another.

Consistent with previous studies (El-Ansary and Stern 1972; El-Ansary 1975), separate indexes will be formed to measure the self-perceived and attributed level of dependency. That is, retailers will

be asked to indicate their level of perceived dependency upon a supplier and the supplier's level of dependency upon the retailer, as perceived by the retail manager/owner. These measures are presented in section one of the questionnaire in the Appendix A.

Plan of Analysis

A presentation of the proposed plan of analysis is the objective of this section. A number of univariate and multivariate procedures will be employed to examine the hypotheses presented earlier in the chapter. Given the exploratory nature of the study, the null hypothesis will be rejected at a level of significance of .10 and beyond.

Hypothesis I

The magnitude of channel conflict may be expected to vary across channel types. To test this hypothesis, retailers will be asked to indicate the frequency and intensity of recalled disagreements with a supplier over a given issue. These dimensions will be combined in a multiplicative manner for each issue and summed over all issues. This index will then be employed as the dependent variable in a one-way analysis of variance procedure over channel types.

Hypothesis II

Channel policies are likely to contribute differently to conflict across channel types. The hypothesis will be examined in two parts.

Hypothesis II-A. Part A considers the role that individual issues play in contributing to conflict across channel types. As before,

respondents will be asked to indicate the frequency and intensity of recalled disagreements. These dimensions will then be combined multiplicatively to obtain a specific measure of conflict for each issue.

These single-item conflict measures will be employed as dependent variables in a one-way MANOVA procedure over channel types. This will be used to test if the three channel types are significantly different with respect to the separate conflict issues considered simultaneously.

Hypothesis II-B. The set of separate issues may be more parsimoniously summarized into a smaller set of issue types that contribute differently to conflict across channel types. A multi-step procedure will be used to test part B of the hypothesis.

First, a principal components procedure will be employed to examine the underlying components of the total set of conflict issues ($F_{ijk} * I_{ijk}$'s). Consistent with traditional research procedure, the number of factors retained will be based on the following criteria: (1) eigenvalues equal to or greater than one, (2) use of the scree test, and (3) interpretability of the factors (Hair 1979). A varimax rotation will be used to aid in the interpretation of the factors. Only those issues that have a loading of .50 or better will be considered for inclusion in respective factors.

For each factor retained, separate indices will be constructed that reflect the differing types of conflict issues. The multi-item measure will be obtained by adding the original item conflict values ($F_{ijk} * I_{ijk}$'s) for each of the variables (issues) that load at .50 or better on a given factor, and dividing that sum by the relevant

number of variables. This final step will be taken to allow for differential factor sizes regarding the number of issues included.

These newly created indices will then be introduced as dependent variables in a one-way MANOVA. This procedure will be used to test if the three channel types are significantly different with respect to the issue types considered simultaneously.

Hypothesis III

Treating channel structure as a surrogate measure of the dependency relationship, Hypothesis III will examine the differences in conflict response that may be attributed to alternative channel types. To test this assumption, dealers will be asked to indicate how frequently they have employed various methods initially to handle disagreements with their supplier during the past year. The frequency with which a given response was employed will be indicated on a seven-point scale with end points of "very frequently" and "very infrequently". Response items will be summed over the issues associated with acquiescence, cooperative and competitive behavior respectively to obtain three separate multi-item measures of response modes. As an internal check, factor analysis will be performed to confirm the internal consistency and validity of the measures.

The three response mode measures will be introduced as dependent variables in a one-way MANOVA. This procedure will be employed to test if the three channel types are significantly different with respect to the mean response exhibited on each of the three constructs considered simultaneously.

Hypothesis IV

To determine if dealer response to conflict differs according to perceived dependency, a factorial arrangement will be employed in the context of a completely randomized design. A multi-step procedure will be involved in the examination of this hypothesis.

Dealers will be asked to indicate their level of perceived dependency upon a supplier (self dependency) and the supplier's dependency upon the dealer, as perceived by the dealer (supplier dependency). Separate multi-item indexes will be formed to measure self and supplier dependency, using the measurement instrument previously discussed in this chapter.

These measures will be employed as independent variables in a 2x2 factorial arrangement: Self-perceived dependency (low-high) x Supplier dependency (low-high). Respondents will be divided into two groups, using the median response to the first variable (self dependency). Both of these groups will then be further divided by using the median response to the second variable (supplier dependency).

The factorial arrangement will enable one to evaluate both the main and interaction effects of the two independent variables upon a dependent variable (conflict response). Since multiple responses are involved, a one-way MANOVA will be employed to examine the effect of dependency on the three response modes considered simultaneously.

Summary

A discussion of the proposed research design was the objective of this chapter. Based upon a review of the channel literature, a number of research questions regarding channel conflict were considered and

were presented as formal hypotheses to be tested. The nature of the sampling procedure and survey instrument were then considered. This was followed by a discussion of the theoretical concepts and their operational definitions. The plan of analysis was then provided. The findings of this investigation are presented and evaluated in the next chapter.

CHAPTER IV

RESEARCH FINDINGS

Introduction

A presentation of the research findings is the focus of this chapter. The nature of the data and collection procedures are initially considered. This is followed by a discussion of the findings. Attention is given to two groups of hypotheses dealing with (1) the nature of channel conflict and (2) the retailer response to the conflict situation.

The Data

Sample

A sample of video and audio electronic retailers was selected from the Yellow Pages Directory for selected SMSA's located in Illinois, Minnesota, Wisconsin, Iowa, Missouri, Indiana, and Ohio. The sample was stratified by alternative business arrangements. Since equivalent numbers of responses were desired for each channel type in the analysis, the availability of franchise operations served as the controlling factor in determining sample size. SMSA's sampled were limited to those in which all three channel types were represented.

During the Spring of 1982 a mail questionnaire was sent to 350 single unit retailers. Due to frame error (i.e., incorrect addresses,

firms out of business, firms not independently owned), the operational sample was reduced to 318. Of this, 83 dealers or 26 percent responded. Included were 20 franchise operations, 23 exclusive dealerships, and 40 multiple brand dealers. Because of omission of questionnaire items, the usable response was reduced to 24.5 percent. This response rate is comparable to the typical response rates obtained in survey research involving channel studies.

Collection Procedure

The survey instrument included two versions: one tailored to franchise and the other to non-franchise operations. The versions differed only with respect to the screening question and several classification items. In the main body of the questionnaire, respondents were asked to indicate (1) the frequency and intensity of recalled disagreements expressed over a given issue with an adjacent supplier, (2) the frequency with which alternative responses to conflict were made, (3) their perceived level of dependency upon the supplier, (4) the supplier's level of dependency upon the retailer as perceived by the retailer, and (5) various overall feelings of conflict, tensions, and satisfaction regarding the channel relationship in general.

An initial mailing and two follow-ups were sent to dealers during the months of May and June at approximately two week intervals. The final mailing (200) was limited to the groups having the previously lower response rates (i.e., franchisees and exclusive dealerships). Since cooperation of franchise operations was crucial, letters explaining the study were mailed to the franchisors. The three mailings respectively accounted for 58 percent, 36 percent, and 6 percent of the response.

Characteristics of Respondents

A summary of respondent characteristics is provided in Table I. It indicates a diversity with respect to store size, age of operation, and length of relationship with the supplier.

Represented in the sample were small, medium, and large-sized operations, that ranged from 600 to 80,000 square feet and averaged 8,000 square feet. Both new and well-established firms were present, with variations from 1 to 75 years in business and an average of 22 years. Length of the relationship with the supplier ranged from 1 to 45 years, with an average relationship of 14 years.

Wide variability in respondent characteristics among channel types raised the question of the effect of these extraneous variables upon the dependent variables. This issue was addressed by correlating store size, age of operation, and length of channel relationship with each of the dependent variables employed in later hypotheses. No significant relationship was observed at the .10 level.

Nature of Channel Conflict

The nature of conflict in the home electronic industry was the subject of the first group of hypotheses. Of interest was the magnitude of conflict that was experienced by retailers across channel types and the types of issues that contributed to this conflict.

Measurement

Conflict was measured as a form of opponent-centered opposition that is manifested in the form of verbal or written exchanges of disagreements between parties. The construct was operationalized as a

TABLE I
CHARACTERISTICS OF RESPONDENTS

Variable	Franchise ^a	Exclusive Dealership ^b	Multiple Brand Dealer ^c
<u>Store Size (Sq. Ft.)</u>			
Average	2,335	7,738	11,003
Range	600 - 5,600	1,500 - 40,110	1,000 - 80,000
<u>Years in Operation</u>			
Average	9.2	22.3	29.9
Range	1 - 32	2 - 75	6 - 70
<u>Years with Supplier</u>			
Average	10.3	14.2	16.8
Range	1 - 30	2 - 45	2 - 35

^aFranchise operations included Team Electronics, Radio Shack, Video Connection, Video Movie Center, and Video Station.

^bExclusive dealerships dealt with manufacturers, including Magnavox, General Electric, and Curtis Mathis.

^cMultiple brand dealers dealt with both manufacturers and wholesalers. In terms of the brand identified and referred to in the questionnaire, these firms dealt primarily with the manufacturer.

composite of the frequency and intensity of recalled disagreements with a particular supplier concerning a given policy (issue). The manner in which a store operates or the amount and type of inventory a dealer is expected to carry illustrate typical issues over which disagreements might occur.

The following measurement procedure was employed, based on the discussion presented in the previous chapter. Respondents were asked to recall interactions with their suppliers concerning issues over which disagreements had occurred during the past 12 months. Retailers were then requested to indicate the frequency and intensity of these disagreements. These dimensions were combined in a multiplicative manner for each issue. Mathematically, conflict on each issue was expressed as:

$$c_{ijk} = F_{ijk} * I_{ijk}$$

where c_{ijk} = conflict between retailer i and supplier j on a given issue k ,

F_{ijk} = the frequency of disagreement between retailer i and supplier j over issue k , and

I_{ijk} = the intensity of typical disagreements between retailer i and supplier j over issue k .

In total, 19 issues were considered. As a preliminary check upon the ability of each issue to explain conflict in the channel relationship, each issue was correlated with a single item measure of overall conflict. The latter was measured on a seven-point scale, having end points of "no conflict at all" and "constant conflict". All 19 issues were significantly related to the univariate measure of conflict ($p \leq .10$), with 17 issues significant at the .05 level and beyond.

The level of conflict experienced by all dealers on each of the 19 issues is presented in Table II. Supplier's price was the major source of conflict. This reflected a concern among all dealers as to the adequacy of retail profit margins. Also indicating a high level of conflict was promotional-related issues (adequacy of promotional allowances and supplier's advertising) and the supplier's policy regarding unsold merchandise (return policy). Alternatively, the manner in which the store was operated (store operations) and the supplier's replacement and repair of defective merchandise (warranty policy) accounted for the lowest level of conflict for the industry.

Aggregate Conflict Across Channels

When dealers are classified as to the nature of their channel arrangement, aggregate conflict may be expected to vary across channel types. Opportunistic tendencies that contribute to conflict in conventional channels may be mitigated by contractually derived coordination of activities and the establishment of shared goals among vertically integrated channel members. Based on this rationale, it was anticipated in Hypothesis I that a higher level of conflict would be experienced by conventional channel members. In alternative form, the hypothesis is stated below:

Hypothesis I: The magnitude of intrachannel conflict perceived by retailers will differ by type of channel structure. Channel members in conventional channel arrangements will tend to perceive a high level of conflict relative to members of alternative structures.

To test the hypothesis, conflict was operationalized as a multi-item index. That is, the previously mentioned dimensions for each issue were summed over all 19 issues. Mathematically, this procedure was expressed as:

TABLE II
 LEVEL OF CONFLICT EXPERIENCED^a ON INDIVIDUAL ISSUES BY ALL DEALERS

Issue	Mean	Standard Deviation	Maximum Value
Supplier's Price	23.6	22.7	77
Promotional Allowances	17.8	19.7	77
Return Policy	17.5	21.6	77
Supplier Advertising	17.2	18.5	77
Sales Training Assistances	16.4	19.1	77
Sales Promotion	14.7	17.4	77
Billing Errors	14.5	19.1	77
Inventory Financing	14.2	20.3	70
Store Management Assistances	12.9	16.1	77
Promptness of Delivery	12.8	12.1	54
Product Assortment	12.7	11.8	54
New Products	12.6	14.0	70
Inventory Requirements	12.5	14.7	70
Terms of Sale	12.1	13.8	63
Retail Ad Flexibility	12.1	14.9	77
Rebate Programs	11.9	16.5	77
Complete Product Line	11.0	13.2	77
Warranty Policy	8.0	10.0	54
Store Operations	5.6	7.6	32

^aPossible levels of conflict ranged from a minimum of zero to a maximum of 77.

$$C_{ij} = \sum_{k=1}^{19} F_{ijk} * I_{ijk}$$

where C_{ij} = the overall index of conflict between retailer i and supplier j .

As an internal check of the measure, tests of reliability and validity were conducted. The internal consistency of the conflict index was assessed by coefficient alpha, which for the 19 item scale was .90. Evidence of convergent validity was provided by correlating the multi-item construct with the previously mentioned univariate measure of overall conflict. The correlation between the two measures was statistically significant ($r = .55$, $p = .0001$).

Further evidence of validity is provided to the extent that a construct operates in expected ways as suggested by an existing body of knowledge (Brown 1981). The multi-item index was found to be significantly related in the expected direction with a single item measure of tensions between channel members ($r = .51$, $p = .0001$) and satisfaction with the relationship ($r = -.49$, $p = .0001$).

The multi-item index was employed as the response variable in an analysis of the average levels of conflict over alternative channel types. The statistical results are presented in Table III.

TABLE III
DIFFERENCES IN AGGREGATE CONFLICT AMONG CHANNEL TYPES

Channel Types	Mean	ANOVA Results
Exclusive Dealership	318.8	F(2,73) = 1.53 p = .22
Multiple Brand Dealer	246.4	
Franchise Operation	220.7	

As anticipated, franchise operations exhibited the lowest average level of conflict. However, exclusive dealerships, and not multiple brand dealers (i.e., conventional channel members), experienced the highest average level of conflict. Although channel types varied as to the average level of conflict recalled, the difference was not statistically significant ($p = .22$) using the one-way analysis of variance. While the observed difference between exclusive dealerships and franchise operations appeared to be significant, a post hoc t-test indicated that it was not statistically significant. Given the outcomes observed, the directional nature of the latter half of the hypothesis was not examined.

Conflict Issues

Channel policies (issues) may differ in their ability to contribute to conflict across channel types. As a result, the composite index may conceal interchannel differences. Therefore, attention was given to individual issues. Hypothesis II-A is examined as follows:

Hypothesis II-A: The magnitude of conflict that is experienced on individual policies (issues) will differ among channel types.

A one-way MANOVA was employed to test if the three channel types were significantly different with respect to the average level of conflict experienced over individual issues. This procedure made it unnecessary to make a priori decisions regarding which conflict issues contributed most to interchannel differences. Furthermore, since multiple responses from the same respondent may be correlated, any correlation was accounted for by the simultaneous testing of all issues (Redinger 1977; Hair 1979).

The statistical results are summarized in Table IV. A significant global difference between channel types was found. The F-statistic computed from Wilks' lambda was significant at the .086 level, with $F(38,110) = 1.41$. The strength of the effect was estimated by the generalized Eta squared (Redinger 1977). Fifty-five percent of the variation in the dependent variables (conflict issues) was accounted for by channel type.

Given a statistically significant difference among the three channel types, one would like to know which conflict issues contributed to the difference. A series of univariate F tests were run on each of the individual issues in order to ascertain prominent conflict issues. It should be noted that the univariate tests ignore possible correlations among the response variables and may result in a higher probability of a type I error than that which is stated (Redinger 1977). However, insights to the data are provided. Results of the univariate tests and the average level of conflict experienced on each issue across channel types are also presented in Table IV along with the multivariate results.

Five prominent issues were identified as significant at the .10 level and beyond. These included inventory requirements, promotional allowances, rebate programs, store operations, and retail ad flexibility.

All five issues appear to impact upon the flexibility with which a dealership may be operated. Inventory requirements and store operations respectively deal with the amount and type of inventory that a dealer is expected to carry and the manner in which the store is expected to be operated. Ad flexibility and promotional allowances involve a store's ability to run specials unrestricted and the adequacy of financial

TABLE IV

DIFFERENCES IN AVERAGE CONFLICT EXPERIENCED ON INDIVIDUAL ISSUES BY CHANNEL TYPE

Conflict Issue	Franchise Operation	Exclusive Dealership	Multiple Brand Dealer	Univariate F Value	Multivariate Results
Inventory Requirements	9.4	22.1	8.5	7.71 ^a	Wilks' lambda = .4519
Terms of Sale	10.8	15.9	10.3	1.20 _b	
Rebate Programs	8.2	20.2	8.9	3.95 ^b	
Promptness of Delivery	16.7	13.1	10.7	1.56	F(38,110) = 1.41
Product Assortment	14.4	14.5	10.4	1.12	
Store Management Assistances	13.6	13.1	12.3	0.04	
Sales Training Assistances	13.8	18.7	16.8	0.32	
Supplier's Price	15.7	24.1	26.5	1.51	
Return Policy	10.4	18.1	19.7	1.29	p = .08
Warranty Policy	7.9	7.6	8.5	0.06	
Sales Promotion	12.2	18.4	14.5	0.64	Eta ² = .548
Retail Ad Flexibility	7.1	17.6	11.8	2.58 ^c	
Promotional Allowances	8.7	27.1	17.4	4.82 ^a	
Supplier Advertising	11.2	21.2	17.5	1.55 _b	
Store Operations	3.8	9.3	4.6	3.54 ^b	
Billing Errors	13.0	19.2	13.2	0.75	
Complete Product Line	12.6	10.9	10.1	0.23	
New Products	14.4	12.2	12.2	0.18	
Inventory Financing	16.8	15.3	12.6	0.30	

^ap < .01.^bp < .05.^cp < .10.

support for local promotional effort. The fifth issue involved a store's required participation in supplier-initiated rebate programs.

Post hoc analysis using Duncan's multiple range test indicated that exclusive dealerships differed significantly from their channel counterparts, exhibiting the highest average level of conflict on all five issues. This may be explained by a dealer's concern for its autonomy. Although highly dependent upon the channel relationship, these independent dealers may resent supplier interference with the operation of their stores.

Franchise operations experienced the lowest average level of conflict on four of the five issues. However, these dealers did not differ significantly from their conventional channel counterparts (i.e., multiple brand dealers). Several explanations for the observed low level of conflict may be offered. Given the availability of alternative sources of supply, multiple brand dealers may simply ignore a supplier's request. Alternatively, suppliers may refrain from such influence attempts in light of increased brand competition for the retailer's limited floor space. As for franchisees, they may expect and prefer a supplier's input because of the latter's expertise regarding store operations.

Types of Conflict Issues

Within the data, clusters of interrelated issues may be found that contribute differently to conflict across alternative channel arrangements. Based on this rationale, Hypothesis II-B is presented below in its alternative form:

Hypothesis II-B: Individual policies will fall into sets of conflict issues that reflect the same underlying construct (conflict type), such that they contribute differently to conflict across channel types.

In the investigation of this hypothesis, a multi-step procedure was employed. First, the 19 issues were submitted to factor analysis to determine if they could be summarized into a smaller set of components, each reflecting the same underlying type of conflict. Second, based on this analysis, "specialized" indices were formed that reflected differing types of conflict. Third, a one-way MANOVA was employed to test if channel types differed significantly with respect to the newly created set of indices.

Construct Identification. A principal components procedure was employed on the 19 conflict items ($F_{ijk} * I_{ijk}$'s) over all respondents to examine the clusters of issues that interrelated with one another. Using the factor cutoff criteria of eigenvalues equal to or greater than one, four factors accounting for 66.7 percent of the variance were obtained. A fifth factor was suggested by the scree test; however, it was not retained because of its failure to enhance factor interpretation. The factor loadings for the four factors are provided in Table V based on a varimax rotation.

Factors in the analysis were interpreted based on variables loading at .50 or better on each factor. Eighteen of the 19 variables fell within one of the four factors. The variables loading heavily on each factor and a subjective label assigned to each factor are given in Table VI. Respectively, the four factors reflect disagreements over (1) the level and appropriateness of promotional assistances, (2) the

TABLE V

FACTOR ANALYSIS OF CONFLICT ($F_{ijk} * I_{ijk}$) ISSUES, PRINCIPAL
COMPONENTS PROCEDURE WITH VARIMAX ROTATION

Conflict Issue	Factor I Loadings	Factor II Loadings	Factor III Loadings	Factor IV Loadings
Inventory Requirements	.26	.16	-.20	.68
Terms of Sale	.29	.01	.12	.75
Rebate Programs	.59	-.04	.19	.30
Promptness of Delivery	-.07	.69	.24	.15
Product Assortment	.13	.05	.83	.11
Store Management Assistances	.44	.45	.24	.30
Sales Training Assistances	.82	.09	-.01	-.02
Supplier's Price	.74	.23	.32	.04
Return Policy	.73	.43	-.07	-.08
Warranty Policy	.26	.74	.25	-.04
Sales Promotion	.83	.10	.15	.15
Retail Ad Flexibility	.76	-.11	.26	.17
Promotional Allowances	.79	.08	.06	.30
Supplier Advertising	.74	.03	.22	.17
Store Operations	.02	.07	.24	.73
Billing Errors	.06	.83	-.01	.07
Complete Product Line	.29	.16	.82	.04
New Products	.18	.30	.79	.07
Inventory Financing	.66	.07	.11	.18

TABLE VI

INTERPRETATION OF FACTOR ANALYSIS OF CONFLICT ISSUES

Promotional Related Issues	Supplier's Customer Service	Product Assortment	Supplier's Operating Policy
Sales Promotion Sales Training Assistances Promotional Allowances Retail Ad Flexibility Supplier's Price Supplier Advertising Return Policy Inventory Financing Rebate Programs	Billing Errors Warranty Policy Promptness of Delivery	Product Assortment Complete Product Line New Products	Term of Sale Store Operations Inventory Requirements

quality of service, (3) the adequacy of the product assortment, and (4) the supplier's expectations regarding operating policies.

Utilizing the factor analysis results, four new indices (conflict categories) were calculated for each respondent. These were obtained by adding the individual conflict values ($F_{ijk} * I_{ijk}$'s) for the variables that loaded highly on a given factor and dividing that sum by the number of these variables. The averaging step was taken to allow comparisons over factors with different numbers of loadings. Mathematically, the procedure was expressed as:

$$C_{ijc} = \frac{\sum_{k=1}^{n_c} F_{ijk} * I_{ijk}}{n_c}$$

where C_{ijc} = the index of conflict between retailer i and supplier j over issue category c ,

n_c = the number of issues that are associated with category c ,

F_{ijk} = the frequency of disagreement between retailer i and supplier j over issue k that is associated with category c , and

I_{ijk} = the intensity of typical disagreements between retailer i and supplier j over issue k that is associated with category c .

As an internal check on the validity of the factor indices, the indices were correlated with the single-item overall measure of conflict. The correlations between each index and overall conflict were statistically significant at the .01 level and beyond, thereby providing evidence of convergent validity. As expected, the magnitude of correlations were low ($.30 \leq r \leq .52$). This reflects the diversity of the domain of conflict and the need for alternative dimensions to measure it. Further evidence of validity was found when the indices correlated positively with an item measure of tensions ($.25 \leq r \leq .54$,

$p \leq .03$) and negatively with channel satisfaction ($-.42 \leq r \leq -.23$, $p \leq .04$).

Interchannel Differences. The newly created indices were introduced as dependent variables in a MANOVA to test the null hypothesis of no difference over channel types as to conflict types. The multivariate and univariate statistical results are provided in Table VII. A significant global difference between channel types was found. The F-statistic computed from Wilks' lambda was significant at the .05 level, with $F(8,140) = 2.00$.

In a follow-up analysis, univariate F tests were employed to determine the cause of the global difference. Only one index, supplier's operating policy, was found to be significant ($p = .0033$). Duncan's multiple range test indicated that exclusive dealerships differed significantly from their channel counterparts by exhibiting the highest average level of conflict. Unlike the previous univariate analysis, this set of interrelated issues focused more narrowly on store operations, in terms of the supplier's expectations regarding the amount and type of inventory carried and the manner of payment.

Conflict Response

The second group of hypotheses dealt with the manner in which retailers initially handled conflict. The manner in which they responded was expected to vary with the nature of the power-dependency structure that characterized a given channel type, as well as by dealers' perceptions of the dependency relationship.

TABLE VII

DIFFERENCES IN AVERAGE CONFLICT AMONG CHANNEL TYPES CONCERNING ISSUE CATEGORIES

Issue Category	Franchise Operation	Exclusive Dealership	Multiple Brand Dealer	Univariate F Values	Multivariate Results
Promotion	11.6	20.1	16.2	1.70	
Supplier's Customer Service	12.5	13.3	10.8	0.35	Wilks' lambda = .8051
Product Assortment	13.8	12.6	10.9	0.43	F(8,140) = 2.00
Supplier's Operating Policy	8.0	15.8	7.8	6.17 ^a	p = .05 Eta ² = .195

^ap < .01.

Response Modes

Three modes of response were suggested. Retailers could respond cooperatively by attempting to understand the problem and seeking mutually beneficial solutions (cooperative response). They could overtly seek their self-interest through the use of persuasion, threats, or the use of third parties (competitive response). Or, they could unilaterally accommodate the wishes of the other party (acquiescence).

Each mode of response was delineated in terms of specific actions that respondents might take in response to a conflict situation. Respondents were asked to indicate on a seven-point scale how frequently they employed these specific responses to handle disagreements with the supplier during the past 12 months. Acquiescence, cooperative and competitive responses were developed as multi-item measures by summing items responses that were associated respectively with each form of behavior. Three items were incorporated in each mode of response, as is indicated in Appendix D.

To verify that the a priori selection of items for each response mode were internally consistent and independent of one another, a factor analysis of individual response items was performed as an internal check. Three factors were obtained, each with eigenvalues of greater than one. Collectively, they accounted for 58 percent of the variance in the data. The three variables with the highest loadings on each factor (loadings of .50 or better) were examined, with the results indicating that the constructs were independent and consisted of the items previously suggested. Consequently, empirical evidence of discriminant validity was provided.

The multi-item indices were employed as dependent variables in the testing of Hypotheses III and IV. Since a respondent might employ a variety of responses over time, it was expected that more than one type of response could appear over the relevant period of time.

Structurally-Derived Dependency

The nature of response to a conflict situation is likely to vary with a retailer's dependency upon the channel relationship. In Hypothesis III, channel structure was viewed as a surrogate measure of this power-dependency relationship. Based on the reasoning stated in the previous chapter, the hypothesis is presented below in its alternative form:

Hypothesis III: Retailer response to intrachannel conflict will differ by type of channel structure. Channel members in conventional channel arrangements will tend to exhibit less acquiescence, less cooperative bargaining behavior, and greater competitive bargaining behavior relative to members of alternative channel structures.

A one-way MANOVA was employed to test if the three channel types were significantly different with respect to the three response modes considered simultaneously. The statistical findings are summarized in Table VIII. No significant global difference was found, $F(6,144) = .82$. Since the observed differences were not statistically significant, the directional nature of the latter half of the hypothesis was not examined.

The preceding hypothesis was based on the traditional view from the literature that interdependence would be lowest among conventional members and, as argued previously in Chapter III, would affect the nature of response behavior. While average interdependence may vary over channel types, perceptions of the power-dependency relationship are likely to vary among member firms for each given channel type.

TABLE VIII
DIFFERENCES IN RESPONSE TO CONFLICT ACROSS CHANNEL TYPES

Nature of Response	Franchise Operation	Exclusive Dealerships	Multiple Brand Dealer	Univariate F Values	Multivariate Results
Acquiescence (Unilateral Accommodation)	11.0	12.1	10.2	1.44 ^a	Wilks' lambda = .9353
Competitive Mode	11.4	9.7	10.4	0.90 ^a	F(6,144) = .82
Cooperative Mode	15.0	15.0	14.8	0.04 ^a	p = .55

^ap \geq .24.

Consequently, the effects of interchannel differences may have been concealed by intrachannel differences. The nature of the relationship between response behavior and perceived dependency is examined below.

Perceived Dependency

Perceived dependency is viewed as directing a retailer's response to channel conflict. Although perceptions are associated with channel structure, within and over channels, individual perception will differ based on channel member characteristics, such as size of operation and number of years with the supplier.

The level of cooperative behavior and acquiescence should vary directly with the level of perceived dependency, while the level of competitive behavior varies inversely. Furthermore, a dealer's perception of self and other firm dependency should interact at different levels to affect the nature of response to a conflict situation. Based on this rationale and arguments presented in the previous chapter, Hypothesis IV is stated below in its alternative form:

Hypothesis IV: Retailer response to intrachannel conflict will differ according to the perceived channel power-dependency relationship:

- (a) A retailer's acquiescence to a supplier's wishes should be associated with a high level of perceived dependency upon the supplier and a low level of supplier's dependency upon the retailer.
- (b) A retailer's use of competitive behavior in response to conflict should be associated with a low level of perceived dependency upon the supplier and a high level of supplier's dependency upon the retailer.
- (c) A retailer's use of cooperative behavior in response to conflict should be associated with a high level of perceived dependency upon the supplier and a high level of supplier's dependency upon the retailer.

- (d) A retailer's use of competitive behavior in response to conflict should be associated with a low level of perceived dependency upon the supplier and a low level of supplier's dependency upon the retailer. The level of competitive behavior exhibited should be less compared to that observed under conditions H IV-B.

In the investigation of this group of hypotheses, retailers were asked to indicate their level of perceived dependency upon an adjacent supplier (Self-Perceived Dependency) and the supplier's dependency upon the retailer, as perceived by them (Attributed or Supplier Dependency). Dependency was measured by multi-item Likert scales that considered the amount of sales and profit contributed by a given arrangement and the availability of suitable alternative arrangements.

As a check on the measures, coefficient alpha was computed to determine the internal consistency of each multi-item measure. The self-perceived and supplier indices respectively had reliability levels of .68 and .59.

To test hypotheses on responses as related to perceived dependency, a 2x2 factorial arrangement was employed in the context of a completely randomized design: Self-Perceived Dependency (low-high) x Supplier Dependency (low-high). This allowed for the examination of the individual and combined effects of the independent variables. Respondents were divided into two groups (low-high) using the median measure for the first variable (Self-Perceived Dependency). Each of these groups was then further divided by using the median measure for the second variable (Supplier Dependency). This assignment method led to unequal cell sizes and was accounted for in the statistical analysis by using the GLM procedure in SAS. Since responses could be in three modes, the statistical analysis incorporated a one-way MANOVA procedure.

The mean values for alternative response modes over the levels of dependency (Self and Supplier) are given in Table IX. The statistical findings are reported in Table X. Using the MANOVA procedure, self-dependency was found to have a significant effect upon the response modes at the .03 level. Neither supplier or interaction effects were noted.

A lack of a significant supplier effect may be explained by dealer uncertainty in estimating supplier dependency. Under perception of other-firm dependency, the dealer would have less accurate information regarding the importance of the channel relationship to the supplier than about the importance that it places upon the arrangement. Given the relative uncertainty of these estimates, less variability would be expected in supplier than self dependency. This was confirmed by the data. Consequently, the risks associated with a miscalculation of a supplier's dependency may account for the lack of a statistical difference in response behavior.

Alternative responses were considered separately, as shown in Table X utilizing a 2x2 factorial arrangement in the context of a completely randomized design. Only competitive behavior showed a strongly significant effect. The self-perceived main effect and interaction effect were respectively significant at the .01 and .08 levels. The rest of the findings, although not statistically significant, were for the most part in the directions predicted by the sub-sections of Hypothesis IV.

As expected, the interaction effect of self and supplier dependency had a significant impact upon the level of competitive behavior. Figure 2 shows a plot of average responses for supplier dependency at low and

TABLE IX.

MEAN RESPONSES FOR ALTERNATIVE DEPENDENCY CONDITIONS

		Self-Dependency						Main Effect Supplier Dependency		
		Low			High			Competitive	Cooperative	Acquiescence
		Competitive	Cooperative	Acquiescence	Competitive	Cooperative	Acquiescence			
Supplier	Low:	10.9	14.5	9.9	10.2	15.4	11.3	10.7	14.8	10.3
Dependency	High:	12.9	14.4	11.3	8.7	15.4	11.5	9.9	15.1	11.5
Main Effect	Self-Dependency	11.5	14.5	10.3	9.2	15.4	11.5			

high levels of self dependency. The non-parallel lines representing low and high self dependency illustrates a moderately significant level of interaction.

TABLE X
ANALYSIS OF VARIANCE TABLE--EFFECTS OF DEPENDENCY ON RESPONSE

Dependent Variables	Response Pattern		
	Source	F Values	P > F
Multivariate:	Self-Dependency	3.08	.03*
	Supplier Dependency	0.26	.86
	Interaction	1.22	.31
Competitive:	Self-Dependency	6.83	.01*
	Supplier Dependency	0.05	.81
	Interaction	3.18	.08*
Cooperation:	Self-Dependency	1.09	.30
	Supplier Dependency	0.00	.95
	Interaction	0.00	.96
Acquiescence:	Self-Dependency	0.54	.46
	Supplier Dependency	0.63	.43
	Interaction	0.39	.54

* Significant findings.

This finding indicates that retailer use of competitive actions will be at a maximum when they perceive their supplier to be more dependent upon the arrangement than themselves (i.e., low self and high supplier dependency). Given their perceived dominance, the risks of employing aggressive behavior may have been lower. Dominant members

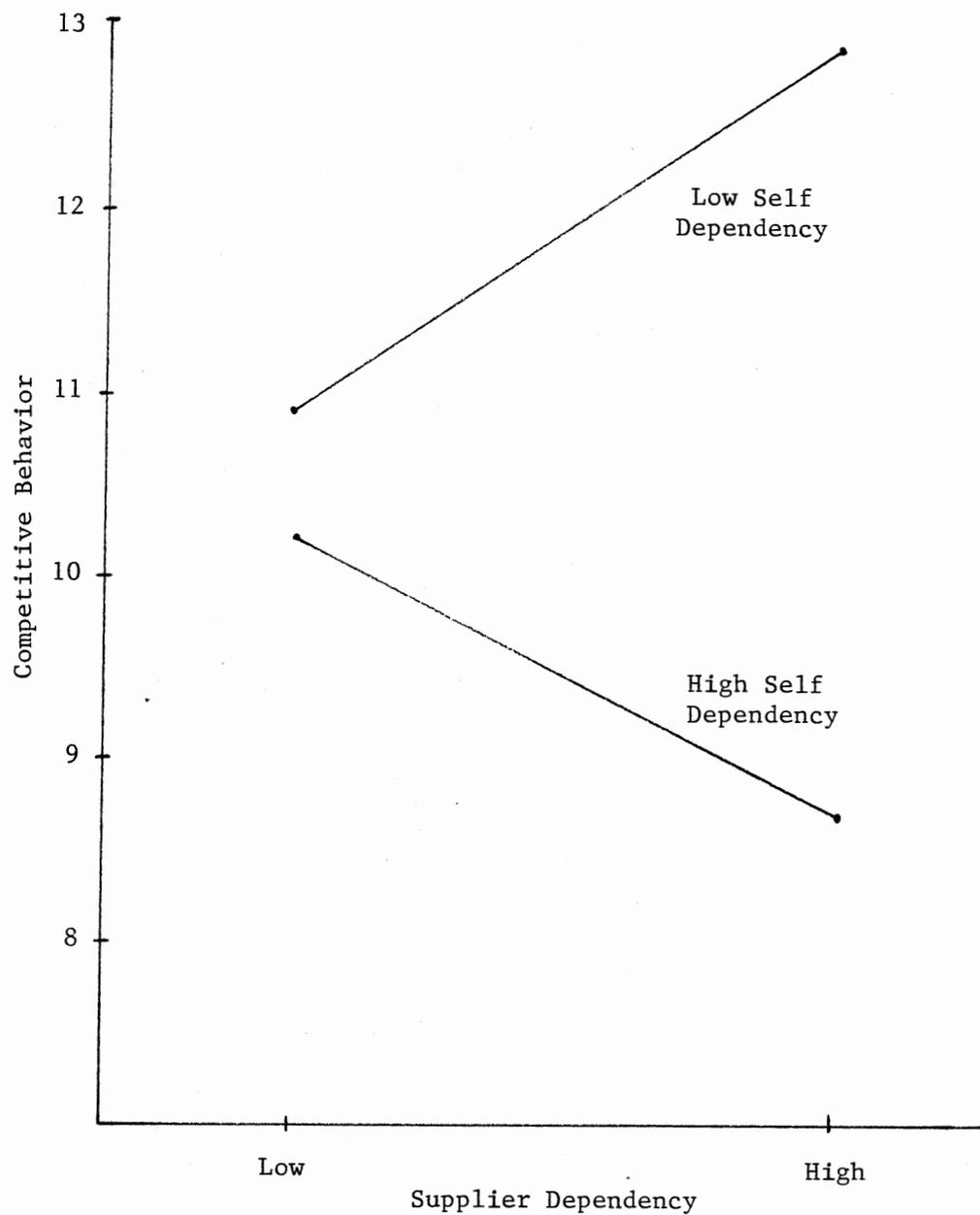


Figure 2. Plot of Interaction Effect--Average Competitive Responses for Supplier Dependency at Low and High Levels of Self Dependency

will tend to devalue the contribution of subordinate members and employ more demanding means of influence in response to conflict (Wilkinson and Kipnis 1978).

Alternatively, when retailers perceived a symmetrically higher dependence upon the relationship, the use of competitive behavior was at its minimum. A high commitment to the other party may have served to restrain the use of more coercive means of influence.

Competitive behavior varied inversely with self dependency, as expected. As was illustrated in Figure 2, the significant main effect was not confounded by the presence of the other independent variable. That is, across all levels of supplier dependency, a greater use of demanding-threatening actions was associated with a low level of retailer dependence upon the supplier. The opposite was true for the high level of self dependency.

The use of more coercive means of influence may be explained by a low level of commitment to the channel arrangement. This level of commitment is likely to vary directly with the supplier's ability to contribute significantly to a dealer's economic goals and inversely with the availability of suitable alternative sources of supply.

Proportional Use of Response Modes

Although the nature of responses may be issue specific, channel members will exhibit a variety of responses in their dealings over time. To provide insights as to the relative use of alternative modes, the proportional use of responses was examined under each perceived combination of self and supplier dependency. The percentage of time in which dealers employed a given response to disagreements with their supplier during the previous year is reported in Table XI.

TABLE XI

PROPORTIONAL USE OF RESPONSE MODES CLASSIFIED BY PERCEIVED CONDITIONS

Supplier's Dependency (Attributed)	Self-Perceived Dependency on Supplier					
	Low			High		
	Competitive	Cooperative	Acquiescence	Competitive	Cooperative	Acquiescence
Low	31.0%	41.0%	27.9%	27.5%	41.8%	30.7%
High	33.3%	37.3%	29.4%	24.4%	43.3%	32.3%

When both parties were perceived by the retailer as being highly dependent upon the channel relationship (i.e., high self and high supplier dependence), the proportional use of cooperative behavior was at its maximum, while the use of competitive behavior was at its minimum for all combinations. Commitment to the relationship may have served to generate more cooperation and restrained the use of coercive means of influence.

While these observations were expected, the maximum level of acquiescence was somewhat greater than expected. Retailers may unilaterally accommodate the wishes of the supplier on a number of issues because of the trust that they have in the supplier and the expertise that is attributed to him.

Although acquiescence varied directly in the expected direction with self dependency, it was assumed to be associated more with an asymmetrical, subordinate position (i.e., high self and low supplier dependence). Subordinate dealers were expected to enact a greater number of responses desired by a more dominant supplier. In addition, response behavior was likely to be more cooperative and less competitive in nature, given the dealer's weaker position and stake in the arrangement. With the exception of a slightly lower relative use of acquiescence, such behavior was observed.

Perhaps subordinate dealers may have held the view that disagreements were futile and were more likely to cause repercussions. Alternatively, suppliers may have been perceived as having a legitimate right to expect cooperation because of their expertise. Judging from the observed level of overall satisfaction that was associated with this perceived condition, the latter explanation is more plausible.

When a retailer perceived itself to be less dependent upon the channel relationship than the supplier (i.e., low self and high supplier dependence), a dominant, asymmetrical condition was assumed. As expected, the proportional use of competitive behavior was at its maximum, while cooperative behavior was at its minimum for all combinations. Consistent with a dominant position, the use of acquiescence was relatively low. As was previously mentioned, dominant dealers tend to devalue the contributions of subordinate suppliers and will employ more demanding actions in response to disagreements.

When neither party is perceived as being highly dependent upon the other (i.e., low self and low supplier dependence), the proportional use of competitive behavior should be high relative to other combinations; although not as high as that observed under the dominant condition. Such was the case here. This may be explained by a low commitment to the relationship and a dealer's low perceived ability to successfully exercise its influence. Consistent with low self dependency, the proportional use of acquiescence was observed at its minimum.

Interestingly, when self dependency was low across both levels of supplier dependency, the proportional use of cooperative behavior was greater than the use of competitive behavior. This suggests that a minimum level of cooperation and understanding is necessary if the channel relationship is to survive and function effectively.

Summary

The objective of this chapter was a presentation of the research findings. The cross-channel study was undertaken to examine the nature

of channel conflict in the home electronic industry and the manner in which these retailers handled disagreements with their suppliers.

The collection procedure, along with a profile of respondents, were first considered. Results of the investigation for each of the major hypotheses were then presented and evaluated.

CHAPTER V

SUMMARY AND CONCLUSION

Introduction

A summary of the research study is presented in this final chapter. Limitations of the research are considered so that the findings may be placed in their proper perspective. Finally, implications for managerial action are presented, along with suggestions for future research.

Research Summary

The subject of this research was a cross-channel examination of conflict between retailers and their suppliers in the home electronics industry. Single unit retailers within alternative types of distribution channels represented the unit of analysis.

The major hypotheses investigated pertained to: (1) the magnitude of conflict and type of issues that contributed to disagreements across channel types and (2) the nature of response behavior that was initially employed by dealers in resolving these disagreements. The findings with respect to the hypotheses are summarized in Table XII.

In Hypothesis I, no significant differences in conflict was noted. Contrary to expectations, the magnitude of conflict experienced by retailers in alternative channel types does not appear to be statistically different.

TABLE XII
SUMMARY OF RESEARCH FINDINGS

Hypotheses	Results
I. The magnitude of intrachannel conflict perceived by retailers will differ by type of channel structure. Channel members in conventional channel arrangements will tend to perceive a high level of conflict relative to members of alternative structures.	Not Statistically Supported
II-A. The magnitude of conflict that is experienced on individual policies will differ among channel types.	Statistically Supported
II-B. Individual policies (issues) will fall into sets of conflict issues that reflect the same underlying construct (conflict type), such that they contribute differently to conflict across channel types.	Statistically Supported
III. Retailer response to intrachannel conflict will differ by type of channel structure. Channel members in conventional channel arrangements will tend to exhibit less acquiescence, less cooperative behavior, and greater competitive behavior relative to members of alternative channel structures.	Not Statistically Supported
IV. Retailer response to intrachannel conflict will differ according to the perceived channel power-dependency relationship.	Statistically Supported in Part

The findings of Hypothesis II revealed that the basis for conflict over channel types varies by channel policies (issues) when considered individually and as separate clusters of interrelated issues. Exclusive dealerships differed significantly from their channel counterparts, exhibiting a higher level of conflict on issues related to store operations. Supplier interference regarding these issues may have been perceived as a threat to dealer autonomy. This may be explained by channel members' differences in role expectations and business customs, both individually and over alternative channel types.

It was expected that the manner in which retailers respond to disagreements would vary with the nature of the power-dependency relationship. Assumed structurally-derived dependency had been suggested as affecting the nature of response behavior and was the basis for Hypothesis III. However, no statistically significant differences in response were noted over channel structures.

It was hypothesized in Hypothesis IV that the nature of response behavior would be affected by the retailer's perception of the dependency relationship. A retailer's perception of its dependence upon a supplier (self dependency) was found to have a significant effect when all three response modes were considered simultaneously. Neither supplier or interaction effects were noted in the multivariate case.

When the alternative response forms were considered separately, a significant effect was observed for one dependent variable, competitive behavior. A moderate interaction effect and a strong self-dependency effect were noted with respect to the use of this response mode. The use of demanding-threatenning actions was at its maximum level when the retailer perceived the supplier to be more dependent

upon the channel arrangement than themselves. This finding provides empirical support for an observation made by Wilkinson and Kipnis (1978) that dominant members employ more coercive means of influence in response to conflict.

The rest of the findings, although not statistically significant, were in the direction suggested by Hypothesis IV. The lack of a significant difference with respect to cooperative behavior may be explained by the research focus on initial response behavior. Since initial responses may tend to be more cooperative, it is likely that a significant difference across perceived dependency conditions would be observed for subsequent actions in an unresolved conflict situation.

Unlike most channel studies, this research involved a comparative examination of the channel relationship. The findings revealed that channel policies do contribute differently to intrachannel conflict across alternative types of distribution channels. Likewise, these problems were resolved differently as a function of perceived dependency.

Research Limitations

To place the findings of this study in their proper perspective, limitations of the research must be considered. Given the focus on a single industry, generalizability of the results to other industries may be precluded. There may be differences among industries with respect to business customs and dealer experiences. Also, since the research was confined to the upper mid-west, the findings may be limited to the area investigated. Economic conditions, that differ across regions, may influence the nature of conflict that is observed.

The sample selected is not representative of all video and audio dealers. Attention was given to the shorter, more direct channel arrangements in which the manufacturer or franchisor served as the immediate supplier to the single unit retailer. This controlled for possible bias and lack of information that would have occurred given wholesalers as intermediaries. However, given their relative size, power, and position in the channel, manufacturers and franchisors are likely to differ from wholesalers with respect to their impact on conflict and response behavior.

Further limitations pertain to the small response rate. Although the overall response was comparable with that obtained in channel research, more meaningful results might have been obtained had cell responses been larger. This is particularly true with respect to the examination of response behavior, when unequal cell sizes were obtained after classifying respondents as to perceived dependency.

Managerial Implications

Retailers in alternative types of channels experience different problems and, depending upon the perceived nature of the channel relationship, resolve them differently. These findings have a number of managerial implications for suppliers.

In the selection of distribution arrangements and the employment of marketing policies within and across these arrangements, suppliers must be cognizant of issues that contribute differently to conflict across channels. Often, marketing policies are hastily devised and ignore the circumstances in which they are to be implemented. Policies that may be desired because they facilitate a dealer's goal attainment

in one type of arrangement may be perceived as a source of interference in another. By focusing attention upon various issues and the conditions under which they are likely to develop into disagreements, a better understanding of the channel relationship may be obtained. This knowledge would enable suppliers to take steps that would reduce the potential for future conflict.

Channel relations may be improved by the identification, development, and offering of valued resources that are necessary to the achievement of a dealer's goal. This would serve to enhance the importance of the relationship to the dealer; thereby, increasing the dealer's dependence upon the supplier. Associated with a high level of dependence is the high proportional use of cooperative response behavior, in which channel members attempt to find mutually beneficial solutions.

Future Research

A cross-sectional design was employed in this investigation, in which respondents were asked to recollect disagreements and each respondent's initial response behavior that occurred during the past year. This ignored changes in the nature of conflict over time as well as responses as the conflict relationship matured. The lack of a statistically significant difference in the use of cooperative responses may be explained by the research focus on the initial stage of response behavior. Subsequent response behavior in an unresolved conflict situation is likely to differ significantly across levels of perceived dependency. Consequently, a better understanding of channel conflict would be obtained from a longitudinal study that enabled conflict to be traced through the various stages of channel interaction.

Response behavior varied with perceived dependency. If this finding is to have practical applications suppliers must be able to classify retailers in terms of characteristics that are more readily identifiable. It is likely that variations in perceived dependency may be explained by differences in member characteristics, such as the level of experience and size of financial resources. Therefore, future research should examine the relationship between perceived dependency and various retailer characteristics.

Future research should also examine the nature of channel behavior across industries to determine the external validity of these findings. Interindustry differences are likely to be observed given industry variations in the level of growth and technology. However, by systematically investigating alternative channels within and across industries, a better understanding of the channel relationship and the conditions under which it varies may be obtained.

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APPENDIXES

APPENDIX A

QUESTIONNAIRE: FRANCHISE VERSION

SURVEY: HOME VIDEO/AUDIO PRODUCT DEALERS¹

This survey is concerned with the nature of supplier-related issues that affiliated (franchise) dealers currently experience in the merchandising of video or audio electronic products. Information collected will be held strictly confidential and not identified with your operation in any way.

Here, we would like to determine if your establishment is affiliated with a franchise operation. Please note the definition below before responding.

FRANCHISE OPERATION: Involves the licensing of an entire business format (store operation) where a number of independent retailers (franchisee) market a product or service and engage in a business developed by a firm (franchisor) using the latter's trade names, trademarks, knowhow, and methods of doing business.

(1) IS YOUR FIRM AFFILIATED WITH A FRANCHISE OPERATION? (Please Check)

No (If your firm is not an affiliated (franchisee) dealer, please indicate your store's name and address and return the questionnaire in the enclosed envelope. Thank you for your assistance.)

Yes

***IMPORTANT:** IF YOU ANSWERED "YES" PLEASE REFER TO THE FRANCHISOR WHEN RESPONDING TO QUESTIONS CONCERNING THE SUPPLIER BELOW.

SECTION ONE

The following section is concerned with your firm's overall relationship with the supplier of home electronic products.

Please **CIRCLE** the appropriate response that best represents your level of agreement or disagreement with each of the statements below.

	Very Strongly Agree						Very Strongly Disagree
1. My firm relies heavily upon the supplier as a source of supply for home electronic products.	7	6	5	4	3	2	1
2. My firm contributes significantly to the profitability that the supplier experiences from home electronic products sold in the trade area.	7	6	5	4	3	2	1
3. The quality and level of local support that my store provides is very appropriate for the needs of the supplier.	7	6	5	4	3	2	1
4. The supplier contributes significantly to the profitability that my firm experiences in home electronic products.	7	6	5	4	3	2	1
5. Other supply sources of alternative brands are readily available to my firm.	7	6	5	4	3	2	1
6. The supplier relies heavily upon my store as a source of sales for home electronic products in the trade area.	7	6	5	4	3	2	1
7. Many potential retail firms are readily available to represent the supplier in the trade area.	7	6	5	4	3	2	1
8. The cost of my switching to another supply source of alternative brands would be greater than the benefit achieved.	7	6	5	4	3	2	1

¹ Sections two and three are adapted from Brown (1978).

	Very Strongly Agree						Very Strongly Disagree
9. The quality and level of assistance offered by the supplier is very appropriate for the needs of my store.	7	6	5	4	3	2	1
10. The cost to the supplier would be greater than the benefits achieved in switching from my store to an alternative retail firm for local representation.	7	6	5	4	3	2	1

SECTION TWO

Disagreements between dealers and their suppliers may occur. We are interested in the nature of the disagreements that your store experienced with the supplier.

Think about all of the discussions over each of the following topics that your store had with the supplier during the past twelve months. Please CIRCLE the number that best indicates the percent of these discussions when your store and the supplier expressed disagreements (REGARDLESS OF THE LEVEL OF DISAGREEMENT). If an issue was not discussed during the past year circle the not discussed "ND" response.

There are no right or wrong answers since we are only interested in your feelings as to the frequency with which disagreements occurred.

EXAMPLE	PERCENT											
	Never Disagree										Always Disagree	Not Discussed
Customer Relations	0	10	20	30	40	50	60	70	80	90	100	ND
Physical Facility	0	10	20	30	40	50	60	70	80	90	100	ND
Community Relations	0	10	20	30	40	50	60	70	80	90	100	ND

This store manager discussed customer relations with the supplier last year and disagreed during 30 percent of these discussions. Physical Facility was not discussed last year, therefore, the "ND" not discussed response was circled. Community Relations was discussed last year but there was no disagreement over this issue.

	PERCENT											
	Never Disagree										Always Disagree	Not Discussed
INVENTORY REQUIREMENTS: the amount or type of inventory that supplier expects you to carry.	0	10	20	30	40	50	60	70	80	90	100	ND
TERMS OF SALE: supplier's policy regarding length of payment period, discounts offered.	0	10	20	30	40	50	60	70	80	90	100	ND
REBATE PROGRAMS: your participation in supplier-initiated rebate programs.	0	10	20	30	40	50	60	70	80	90	100	ND
PROMPTNESS OF DELIVERY: obtaining merchandise from the supplier in a reasonable time after placement of the order.	0	10	20	30	40	50	60	70	80	90	100	ND

	PERCENT											
	Never Disagree										Always Disagree	Not Discussed
PRODUCT ASSORTMENT: availability of desired product models, styles, colors, etc., in sufficient quantities.	0	10	20	30	40	50	60	70	80	90	100	ND
STORE MANAGEMENT ASSISTANCES: appropriateness of assistances involving inventory control.	0	10	20	30	40	50	60	70	80	90	100	ND
SALES TRAINING ASSISTANCES: appropriateness of assistances offered by supplier involving training of store personnel, sales manuals.	0	10	20	30	40	50	60	70	80	90	100	ND
SUPPLIER'S PRICE: supplier's price levels permit adequate profits.	0	10	20	30	40	50	60	70	80	90	100	ND
RETURN POLICY: supplier's policy regarding return of unsold goods or shipments of unordered merchandise.	0	10	20	30	40	50	60	70	80	90	100	ND
WARRANTY POLICY: supplier's policy regarding replacement or repair of defective merchandise.	0	10	20	30	40	50	60	70	80	90	100	ND
SALES PROMOTION: appropriateness of in-store promotional assistances.	0	10	20	30	40	50	60	70	80	90	100	ND
RETAIL AD FLEXIBILITY: your store's flexibility to advertise locally, run specials.	0	10	20	30	40	50	60	70	80	90	100	ND
PROMOTIONAL ALLOWANCES: adequacy of allowances given to your store for local promotional effort.	0	10	20	30	40	50	60	70	80	90	100	ND
SUPPLIER ADVERTISING: the amount and appropriateness of national, regional, and local advertising provided by supplier.	0	10	20	30	40	50	60	70	80	90	100	ND
STORE OPERATIONS: manner in which your store is operated.	0	10	20	30	40	50	60	70	80	90	100	ND
BILLING ERRORS: manner in which errors are handled.	0	10	20	30	40	50	60	70	80	90	100	ND
COMPLETE PRODUCT LINE: extent to which supplier's line contains an adequate number of products that possess a range of features and price lines.	0	10	20	30	40	50	60	70	80	90	100	ND
NEW PRODUCTS: availability of new products.	0	10	20	30	40	50	60	70	80	90	100	ND
INVENTORY FINANCING: adequacy of assistances in financing inventory.	0	10	20	30	40	50	60	70	80	90	100	ND

SECTION THREE

Disagreements may vary in their intensity. For example, a store manager may disagree with the way the supplier handles its customer relations. When the manager jokingly asks, "When is the supplier going to clean up its customer relations problem?" the supplier jokingly responds "What problem?" This is an example of a VERY LOW level of disagreement. An example of a VERY HIGH level of disagreement would be when the parties have a very heated argument, with both losing their tempers and calling each other names.

Recall the previous issues over which you had disagreements. Please indicate the typical LEVEL of disagreement that you experienced on each of the issues, regardless of whether the disagreements were settled or not.

	Level of Disagreements						
	VERY LOW						VERY HIGH
INVENTORY REQUIREMENTS	1	2	3	4	5	6	7
TERMS OF SALE	1	2	3	4	5	6	7
REBATE PROGRAMS	1	2	3	4	5	6	7
PROMPTNESS OF DELIVERY	1	2	3	4	5	6	7
PRODUCT ASSORTMENT	1	2	3	4	5	6	7
STORE MANAGEMENT ASSISTANCES	1	2	3	4	5	6	7
SALES TRAINING ASSISTANCES	1	2	3	4	5	6	7
SUPPLIER'S PRICE	1	2	3	4	5	6	7
RETURN POLICY	1	2	3	4	5	6	7
WARRANTY POLICY	1	2	3	4	5	6	7
SALES PROMOTION	1	2	3	4	5	6	7
RETAIL AD FLEXIBILITY	1	2	3	4	5	6	7
PROMOTIONAL ALLOWANCES	1	2	3	4	5	6	7
SUPPLIER ADVERTISING	1	2	3	4	5	6	7
STORE OPERATIONS	1	2	3	4	5	6	7
BILLING ERRORS	1	2	3	4	5	6	7
COMPLETE PRODUCT LINE	1	2	3	4	5	6	7
NEW PRODUCTS	1	2	3	4	5	6	7
INVENTORY FINANCING	1	2	3	4	5	6	7

SECTION FOUR

When disagreements do arise between your firm and the supplier, we are interested in the manner by which they are initially handled. Naturally, they may be resolved differently at a later time.

Please CIRCLE how frequently you employed the following methods to initially handle disagreements with the supplier during the last twelve months.

	VERY FREQUENTLY			VERY INFREQUENTLY			
1. I try to work with the supplier to solve any disagreements.	7	6	5	4	3	2	1
2. I accommodate the supplier's position without the expectation of a concession being given in return.	7	6	5	4	3	2	1
3. I attempt to resolve the disagreement immediately, even if feelings are likely to get hurt.	7	6	5	4	3	2	1
4. I use third parties, such as dealer or trade associations, to support my view.	7	6	5	4	3	2	1
5. I refrain from argument, by modifying my behavior to accommodate the supplier's viewpoint.	7	6	5	4	3	2	1
6. I attempt to find a mutually satisfactory solution, even though it may require some adjustments on my part.	7	6	5	4	3	2	1
7. I attempt to understand the supplier's viewpoint fully before taking any kind of action.	7	6	5	4	3	2	1
8. I live with the supplier's wishes.	7	6	5	4	3	2	1
9. I use whatever power that I have to win acceptance of my point of view.	7	6	5	4	3	2	1
10. I play down the differences between my store and the supplier and emphasize common interests.	7	6	5	4	3	2	1
11. I attempt, through the use of arguments, to persuade the supplier that my point of view has more merit than theirs.	7	6	5	4	3	2	1

SECTION FIVE

In this section, we would like to get some of your overall feelings regarding a number of issues. Please CIRCLE the appropriate response.

1. In general, how would you describe the amount of conflict between your store and the supplier?

No Conflict At All				Moderate Conflict			Constant Conflict
1	2	3	4	5	6	7	

2. In general, to what extent is there tension between your store and the supplier?

No Tension At All				Moderate Tension			Extremely High Tension
1	2	3	4	5	6	7	

3. How satisfied are you with your firm's overall relationship with the supplier?

Very Dissatisfied				Neither			Very Satisfied
1	2	3	4	5	6	7	

SECTION SIX

In this last section, we would like to collect some routine statistical information about your retail establishment and trade area.

1. What was the approximate unemployment rate for your city or trade area during the last twelve months? (PLEASE CHECK)

_____ less than 4%	_____ 10 - 12%
_____ 4 - 6%	_____ 13 - 15%
_____ 7 - 9%	_____ greater than 15%

2. How long has your retail establishment been in business?

_____ years in operation

3. How long has the relationship with the franchisor existed?

_____ years relationship with franchisor.

4. What is the approximate size of your store?

_____ square footage

5. Please indicate the tradename under which the franchise operates.

APPENDIX B

QUESTIONNAIRE: NON-FRANCHISE VERSION

SURVEY: VIDEO HOME ELECTRONICS RETAILERS

This survey is concerned with the nature of supplier-related issues that retail establishments, such as your own, currently experience. Information collected will be held strictly confidential and not identified with your operation in any way.

Although your establishment may sell different categories of products, we ask that you focus your attention upon the VIDEO HOME ELECTRONIC CATEGORY (TV's, video cassette recorders, etc.) in responding to the survey.

Please identify in your mind a BRAND of video electronic products in which you have had the MOST DEALINGS WITH A MANUFACTURER, rather than with a distributor or buying group.

IMPORTANT: Please refer to this MANUFACTURER when answering questions regarding the SUPPLIER below.

SECTION ONE

The following section is concerned with your firm's overall relationship with the supplier of home electronic products.

Please CIRCLE the appropriate response that best represents your level of agreement or disagreement with each of the statements below.

	Very Strongly Agree					Very Strongly Disagree		
1. My firm relies heavily upon the supplier as a source of supply for home electronic products.	7	6	5	4	3	2	1	
2. My firm contributes significantly to the profitability that the supplier experiences from home electronic products sold in the trade area.	7	6	5	4	3	2	1	
3. The quality and level of local support that my store provides is very appropriate for the needs of the supplier.	7	6	5	4	3	2	1	
4. The supplier contributes significantly to the profitability that my firm experiences in home electronic products.	7	6	5	4	3	2	1	
5. Other supply sources of alternative brands are readily available to my firm.	7	6	5	4	3	2	1	
6. The supplier relies heavily upon my store as a source of sales for home electronic products in the trade area.	7	6	5	4	3	2	1	
7. Many potential retail firms are readily available to represent the supplier in the trade area.	7	6	5	4	3	2	1	
8. The cost of my switching to another supply source of alternative brands would be greater than the benefit achieved.	7	6	5	4	3	2	1	

¹Sections two and three are adapted from Brown (1978).

	Very Strongly Agree					Very Strongly Disagree	
9. The quality and level of assistance offered by the supplier is very appropriate for the needs of my store.	7	6	5	4	3	2	1
10. The cost to the supplier would be greater than the benefits achieved in switching from my store to an alternative retail firm for local representation.	7	6	5	4	3	2	1

SECTION TWO

Disagreements between dealers and their suppliers may occur. We are interested in the nature of the disagreements that your store experienced with the supplier.

Think about all of the discussions over each of the following topics that your store had with the supplier during the past twelve months. Please CIRCLE the number that best indicates the percent of these discussions when your store and the supplier expressed disagreements (REGARDLESS OF THE LEVEL OF DISAGREEMENT). If an issue was not discussed during the past year circle the not discussed "ND" response.

There are no right or wrong answers since we are only interested in your feelings as to the frequency with which disagreements occurred.

EXAMPLE	PERCENT											
	Never Disagree									Always Disagree		Not Discussed
Customer Relations	0	10	20	30	40	50	60	70	80	90	100	ND
Physical Facility	0	10	20	30	40	50	60	70	80	90	100	ND
Community Relations	0	10	20	30	40	50	60	70	80	90	100	ND

This store manager discussed customer relations with the supplier last year and disagreed during 30 percent of these discussions. Physical Facility was not discussed last year, therefore, the "ND" not discussed response was circled. Community Relations was discussed last year but there was no disagreement over this issue.

	PERCENT											
	Never Disagree									Always Disagree		Not Discussed
INVENTORY REQUIREMENTS: the amount or type of inventory that supplier expects you to carry.	0	10	20	30	40	50	60	70	80	90	100	ND
TERMS OF SALE: supplier's policy regarding length of payment period, discounts offered.	0	10	20	30	40	50	60	70	80	90	100	ND
REBATE PROGRAMS: your participation in supplier-initiated rebate programs.	0	10	20	30	40	50	60	70	80	90	100	ND
PROMPTNESS OF DELIVERY: obtaining merchandise from the supplier in a reasonable time after placement of the order.	0	10	20	30	40	50	60	70	80	90	100	ND

	PERCENT												
	Never Disagree												Always Disagree
PRODUCT ASSORTMENT: availability of desired product models, styles, colors, etc., in sufficient quantities.	0	10	20	30	40	50	60	70	80	90	100		ND
STORE MANAGEMENT ASSISTANCES: appropriateness of assistances involving inventory control.	0	10	20	30	40	50	60	70	80	90	100		ND
SALES TRAINING ASSISTANCES: appropriateness of assistances offered by supplier involving training of store personnel, sales manuals.	0	10	20	30	40	50	60	70	80	90	100		ND
SUPPLIER'S PRICE: supplier's price levels permit adequate profits.	0	10	20	30	40	50	60	70	80	90	100		ND
RETURN POLICY: supplier's policy regarding return of unsold goods or shipments of unordered merchandise.	0	10	20	30	40	50	60	70	80	90	100		ND
WARRANTY POLICY: supplier's policy regarding replacement or repair of defective merchandise.	0	10	20	30	40	50	60	70	80	90	100		ND
SALES PROMOTION: appropriateness of in-store promotional assistances.	0	10	20	30	40	50	60	70	80	90	100		ND
RETAIL AD FLEXIBILITY: your store's flexibility to advertise locally, run specials.	0	10	20	30	40	50	60	70	80	90	100		ND
PROMOTIONAL ALLOWANCES: adequacy of allowances given to your store for local promotional effort.	0	10	20	30	40	50	60	70	80	90	100		ND
SUPPLIER ADVERTISING: the amount and appropriateness of national, regional, and local advertising provided by supplier.	0	10	20	30	40	50	60	70	80	90	100		ND
STORE OPERATIONS: manner in which your store is operated.	0	10	20	30	40	50	60	70	80	90	100		ND
BILLING ERRORS: manner in which errors are handled.	0	10	20	30	40	50	60	70	80	90	100		ND
COMPLETE PRODUCT LINE: extent to which supplier's line contains an adequate number of products that possess a range of features and price lines.	0	10	20	30	40	50	60	70	80	90	100		ND
NEW PRODUCTS: availability of new products.	0	10	20	30	40	50	60	70	80	90	100		ND
INVENTORY FINANCING: adequacy of assistances in financing inventory.	0	10	20	30	40	50	60	70	80	90	100		ND

SECTION THREE

Disagreements may vary in their intensity. For example, a store manager may disagree with the way the supplier handles its customer relations. When the manager jokingly asks, "When is the supplier going to clean up its customer relations problem?" the supplier jokingly responds "What problem?" This is an example of a VERY LOW level of disagreement. An example of a VERY HIGH level of disagreement would be when the parties have a very heated argument, with both losing their tempers and calling each other names.

Recall the previous issues over which you had disagreements. Please indicate the typical LEVEL of disagreement that you experienced on each of the issues, regardless of whether the disagreements were settled or not.

	Level of Disagreements						
	VERY LOW						VERY HIGH
INVENTORY REQUIREMENTS	1	2	3	4	5	6	7
TERMS OF SALE	1	2	3	4	5	6	7
REBATE PROGRAMS	1	2	3	4	5	6	7
PROMPTNESS OF DELIVERY	1	2	3	4	5	6	7
PRODUCT ASSORTMENT	1	2	3	4	5	6	7
STORE MANAGEMENT ASSISTANCES	1	2	3	4	5	6	7
SALES TRAINING ASSISTANCES	1	2	3	4	5	6	7
SUPPLIER'S PRICE	1	2	3	4	5	6	7
RETURN POLICY	1	2	3	4	5	6	7
WARRANTY POLICY	1	2	3	4	5	6	7
SALES PROMOTION	1	2	3	4	5	6	7
RETAIL AD FLEXIBILITY	1	2	3	4	5	6	7
PROMOTIONAL ALLOWANCES	1	2	3	4	5	6	7
SUPPLIER ADVERTISING	1	2	3	4	5	6	7
STORE OPERATIONS	1	2	3	4	5	6	7
BILLING ERRORS	1	2	3	4	5	6	7
COMPLETE PRODUCT LINE	1	2	3	4	5	6	7
NEW PRODUCTS	1	2	3	4	5	6	7
INVENTORY FINANCING	1	2	3	4	5	6	7

SECTION FOUR

When disagreements do arise between your firm and the supplier, we are interested in the manner by which they are initially handled. Naturally, they may be resolved differently at a later time.

Please CIRCLE how frequently you employed the following methods to initially handle disagreements with the supplier during the last twelve months.

	VERY FREQUENTLY					VERY INFREQUENTLY		
1. I try to work with the supplier to solve any disagreements.	7	6	5	4	3	2	1	
2. I accommodate the supplier's position without the expectation of a concession being given in return.	7	6	5	4	3	2	1	
3. I attempt to resolve the disagreement immediately, even if feelings are likely to get hurt.	7	6	5	4	3	2	1	
4. I use third parties, such as dealer or trade associations, to support my view.	7	6	5	4	3	2	1	
5. I refrain from argument, by modifying my behavior to accommodate the supplier's viewpoint.	7	6	5	4	3	2	1	
6. I attempt to find a mutually satisfactory solution, even though it may require some adjustments on my part.	7	6	5	4	3	2	1	
7. I attempt to understand the supplier's viewpoint fully before taking any kind of action.	7	6	5	4	3	2	1	
8. I live with the supplier's wishes.	7	6	5	4	3	2	1	
9. I use whatever power that I have to win acceptance of my point of view.	7	6	5	4	3	2	1	
10. I play down the differences between my store and the supplier and emphasize common interests.	7	6	5	4	3	2	1	
11. I attempt, through the use of arguments, to persuade the supplier that my point of view has more merit than theirs.	7	6	5	4	3	2	1	

SECTION FIVE

In this section, we would like to get some of your overall feelings regarding a number of issues. Please CIRCLE the appropriate response.

1. In general, how would you describe the amount of conflict between your store and the supplier?

No Conflict At All				Moderate Conflict				Constant Conflict
1	2	3	4	5	6	7		

2. In general, to what extent is there tension between your store and the supplier?

No Tension At All				Moderate Tension				Extremely High Tension
1	2	3	4	5	6	7		

3. How satisfied are you with your firm's overall relationship with the supplier?

Very Dissatisfied				Neither				Very Satisfied
1	2	3	4	5	6	7		

SECTION SIX

In this last section, we would like to collect some routine statistical information about your retail establishment and trade area.

1. What was the approximate unemployment rate for your city or trade area during the last twelve months? (PLEASE CHECK)

_____ less than 4%	_____ 7 - 9%	_____ 13 - 15%
_____ 4 - 6%	_____ 10 - 12%	_____ greater than 15%

2. How long has your retail establishment been in business?

_____ years in operation

3. How long has the relationship with the previously identified supplier existed?

_____ years relationship with supplier

4. What is the approximate size of your store?

_____ square footage

5. How many manufacturers' brands do you carry within the video electronic product line? (PLEASE CHECK)

_____ one manufacturer's brand exclusively
 _____ brands from two or more manufacturers

6. If you carried two or more manufacturers brands, approximately what percentage of your total video electronic sales did the previously identified brand account for?

_____ % of total video electronic sales

7. Of your total dealings involving the previously identified brand, approximately what percent of these dealings involved the manufacturer, rather than a distributor or buying group?

_____ % of total dealings with manufacturer

APPENDIX C

COVER AND FOLLOW-UP LETTERS

Northern Illinois University 
DeKalb, Illinois 60115

Department of Marketing
815 753 1140

May, 1982

Dear Midwest Retailer:

As a faculty member at Northern Illinois University, I am conducting a study of retailers that merchandise various types of home electronic products. The survey is concerned with the nature of supplier-related issues that establishments, such as your own, currently experience.

Your cooperation is requested in completing the enclosed questionnaire. The questionnaire has been designed so that it can be completed quickly. Please note that there are no right or wrong answers, since I am interested only in your feelings regarding a number of issues.

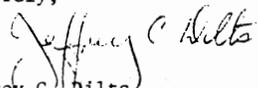
Your answers will not be identified with you or your firm. They will only be used in combined statistical form.

By examining the supplier-retailer relationship, it is hoped that a better understanding will be achieved regarding the nature of the problems and issues that are currently experienced by your industry. A summary report, that collectively summarizes the feelings of fellow dealers, will be made available upon completion of the study. If you would like a copy, please jot your name and address on the enclosed questionnaire or indicate by separate post card or letter.

Your participation is vital to the success of this study. A postage-paid return envelope has been enclosed for your convenience.

Thank you for your time and assistance.

Sincerely,



Jeffrey C. Dilts
Assistant Professor, Marketing

Enclosure
JCD:klt

Northern Illinois University 
DeKalb, Illinois 60115

Department of Marketing
815 753 1140

May 27, 1982

Dear Midwest Retailer:

Recently I mailed you a questionnaire asking for your participation in a survey of supplier-dealer relations.

If you have already returned the questionnaire, please consider this letter a "thank you" for your valuable help.

If you have not had a chance to do so yet, may I ask you to return the completed form? Your participation is vital to the success of this study. A copy of the questionnaire and a postage-paid return envelope is enclosed for your convenience.

In return for your assistance, I will send you a summary of industry responses that highlights the views of fellow dealers. If you would like a copy, please include your name and address or indicate by separate post card or letter.

Thank you for your time and assistance.

Sincerely,


Jeffrey C. Dilts
Assistant Professor of Marketing

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Enc.

Northern Illinois University
DeKalb, Illinois 60115

Department of Marketing
815 753 1140

June 16, 1982

Dear Midwest Retailer:

Recently a questionnaire was mailed to you asking for your participation in a survey of supplier-dealer relations.

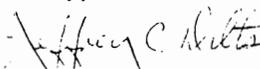
If you have already returned the questionnaire, please consider this letter a "thank you" for your valuable help.

If you have not had a chance to do so yet, may I ask you to return the completed form? Your participation is vital to the success of this study.

In return for your assistance, I will send you a summary of industry responses that highlights the views of fellow dealers. If you would like a copy, please include your name and address or indicate by separate post card or letter.

Thank you for your time and assistance.

Sincerely,


Jeffrey C. Dilts
Assistant Professor of Marketing

APPENDIX D

RESPONSE ITEMS

Response Items

Competitive Mode

1. I use whatever power that I have to win acceptance of my point of view.
2. I attempt, through the use of arguments, to persuade the supplier that my point of view has more merit than theirs.
3. I use third parties, such as dealer or trade associations, to support my view.

Cooperative Mode

1. I attempt to find a mutually satisfactory solution, even though it may require some adjustments on my part.
2. I attempt to understand the supplier's viewpoint fully before taking any kind of action.
3. I play down the differences between my store and the supplier and emphasize common interests.

Acquiescence (Unilateral Accommodation)

1. I accommodate the supplier's position without the expectation of a concession being given in return.
2. I refrain from argument, by modifying my behavior to accommodate the supplier's viewpoint.
3. I live with the supplier's wishes.

VITA ²

Jeffrey Charles Dilts

Candidate for the Degree of

Doctor of Philosophy

Thesis: CHANNEL CONFLICT AND RESPONSE BEHAVIOR: A CROSS-CHANNEL ANALYSIS

Major Field: Business Administration

Biographical:

Personal Data: Born in Long Beach, California, May 25, 1944, the son of Mr. and Mrs. Raymond L. Dilts.

Education: Graduated from Central High School, St. Joseph, Missouri, in June, 1962; received Bachelor of Arts degree in Economics from the University of Missouri--Columbia in 1967; received Master of Arts in Business Administration from Northwest Missouri State University in 1970; post-Master's work taken at the University of Missouri--Columbia, Fall, 1970; enrolled in doctoral program at the University of Nebraska--Lincoln, 1973-1974; completed requirements for the Doctor of Philosophy degree at Oklahoma State University in May, 1983.

Professional Experience: Instructor of Business, Peru State College, 1971-1972; Instructor of Marketing, Pittsburg State University, 1972-1976; Teaching Associate, Oklahoma State University, 1976-1980; Consortium Fellow, American Marketing Association's Doctoral Student Consortium, 1978; Assistant Professor, Northern Illinois University, 1980-1982.