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Cross-Cultural Study of Channel Relationship Factors — Antecedents of Satisfaction in a Retail Setting: A Commentary Essay

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ABSTRACT

Channel relationships within and across diverse markets have been investigated for quite some time. Yet findings from these studies over the last forty years or so have been far from conclusive. Channel researchers Runyan, Sternquist, and Chung (2009) investigate interrelationships between the behavioral constructs of role performance, dependence, conflict, satisfaction, and influence strategy in the U.S. and Japanese context. Reading this paper leads credence to the adage, "The more things change, the more they stay the same." Indeed, a review of representative comparative channels research literature from the 1980s and post-2000 brings to surface striking similarities in terms of shaky conceptual frameworks, less than robust construct measures, and insufficient caveats in explaining and applying research findings. For channels research to gain relevance in today's globalized marketplace, greater sophistication is necessary in formulating and implementing comparative studies. An overarching framework is necessary to explain, if not incorporate, similarities and differences in channel interactions around the globe.

Key Words: Channel relationships, culture, power, influence strategy, satisfaction

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1. Introduction

Runyan, Sternquist, and Chung (2009) do an admirable job of integrating previous studies done on the behavioral aspects of distribution channels. They also report on their own research conducted in the U.S. and Japan. The article is valuable in that comparative channels studies are still relatively rare in international marketing research.

Comparative marketing involves "systematic detection, identification, classification, measurement, and interpretation of similarities and differences among entire national systems or part thereof" (Boddewyn, 1969, p.2). Any comparative study has to overcome several methodological challenges such as representative sample selection, survey instrument translation and back-translation, and construct equivalence, to name but a few. Given these difficulties, Runyan, et al. should be applauded for their effort.

Comparative channels research has been around at least since George Wadinambiaratchi's (1965) classic paper on distribution channels in developing economies. Based on the evidence then available, the author concludes that role-task specialization increases with economic development and that the more developed the country, the more the levels within its distribution channels. This determination remained valid until the advent of manufacturers' outlets and the Internet. Today, thanks to technological developments and retailing innovations, such straight-forward generalizations in channels research are no longer possible. Despite greater availability of information and increased cooperation across borders

between researchers, the inherent complexities associated with conducting comparative marketing research render the endeavor quite daunting.

The best discussion on the topic of comparative marketing is Jean Boodewyn's (1981) paper, "Comparative Marketing: The First Twenty-Five Years". Although now almost 30 years old, the key issues, problems, and achievements in comparative marketing discussed in this paper are as germane today as they were when the article was published. Regrettably, very few conceptual or integrative studies on the topic are published these days, thereby making Boddewyn's contribution all the more seminal. My evaluation of Runyan, et al.'s research is based on Boddewyn's (1981) discussion and on my three decades of familiarity with the topic. This evaluation uses four categories: conceptual development, method, scale development, and implications.

2. Conceptual Development

The area of international marketing—and comparative marketing in particular—has suffered from a chronic lack of solid conceptual underpinnings on which to base empirical studies. Taking inventory of comparative research almost thirty years ago, Boddewyn (1981) concludes that studies in comparative marketing are frequently disappointing in terms of theorizing. The same judgment applies to the Runyan et al. study. The premise behind the conceptual framework adopted here is that (differences) in relationships between behavioral constructs in distribution channels arise because of cultural differences and market structural differences. However, the authors do not specifically state what they mean by either cultural differences or structural differences. Doing so would possibly have laid a solid foundation for hypotheses development. While few references to Hofstede (1983) appear in the discussion of culture, no convincing discussion on market structure is evident. Even with regard to Hofstede's cultural dimensions, Runyon et al. only mention

individualism/collectivism and uncertainty avoidance. The dimension of power distance, which should play a significant role in a firm's choice of influence strategies, is conspicuously missing from the discussion (cf. Kale and McIntyre, 1991). On the whole, the authors' treatment of market structure as a construct appears even more casual than their treatment of culture.

A fairly non-technical and useful definition of market structure *Business Dictionary.com* proposes is, "Interconnected characteristics of a market, such as the number and relative strength of buyers and sellers and degree of collusion among them, level and forms of competition, extent of product differentiation, and ease of entry into and exit from the market." Applying the constituents of market structure in this definition to the U.S.-Japan channel contexts, a lot of channel differences between the two countries could be explained. For example, within the retail apparel sector that Runyan, et al. study, the authors state that more buyers occur relative to sellers in Japan than in the U.S. Alternative channel participation opportunities for buyers would therefore not be as plentiful in Japan as they would be in U.S. These differences would translate into aggregate differences in relative power positions between apparel manufacturers and buyers between Japan and the United States, and result in differences in use of influence strategies within the channel dyad. Runyan, et al. do not consider this possibility in their hypotheses development or in the subsequent discussion.

Structural differences across markets give rise to differential sources of power (French and Raven, 1957), and could explain variations in the exercise of power through influence strategies (Frazier, Gill, and Kale, 1989; Kale, 1986). A review of literature in social psychology and marketing over the last fifty years suggests that while structural factors within a market shape the relative power position of channel partners, the means of utilizing the power (i.e., influence strategy) is determined by both structural as well as cultural factors.

Probing culture and market structure at this level of abstraction informs a framework that can incorporate both similarities as well as differences in channel relationships across two or more countries, thus more fully accomplishing the objectives of comparative marketing studies. Figure 1 shows a framework to illustrate the kind of conceptualization needed to advance the area of comparative channels research.

Figure 1 about here.

Distribution channel studies comprise of two broad categories: those dealing with structural dimensions (such as number of levels between manufacturer and the end-consumer, wholesale and retail mark-up, inter-channel and intra-channel competition, and so on), and behavioral dimensions dealing overall, with the initiation, implementation and review phases of a channel relationship (cf. Frazier, 1983).

Socio-cultural factors, the economic environment (which shapes market structure), and the nature of marketing activities within a society together determine the specific structural characteristics as well as the behavioral aspects of channel relationships. All three classes of variables impact, and are in turn impacted, by the others, thus making causal inferences between them very difficult to negotiate. Regardless, these variables offer logical explanations for observed differences—both structural and behavioral—in distribution channels across societies.

Higher or even middle-range conceptualizations such as the one portrayed in Figure 1 add immensely to the explanatory and integrative capability of comparative empirical research. The Runyan, et al. study could certainly have benefitted from a broader and more comprehensive conceptual treatment. Unfortunately, most comparative studies in management and marketing suffer from myopic conceptualization (see Negandhi, 1974).

The power-influence process in distribution channels has now been studied for around fifty years. Despite this long tenure, a few theoretical issues remain to be resolved. For example, channels researchers do not seem to agree on whether there exist *two groups* of influence strategies (as suggested by Runyan, et al.) or a *continuum* of coercion ranging from the most non-coercive (information exchange) to the most coercive (threats). Also, scholars in marketing have differing opinions on whether the promise strategy should be deemed as being coercive or non-coercive. To overcome this latter conundrum, I would suggest that channels researchers move away from the coercion/non-coercion terminology and adopt the term "pressure" instead.

Runyan, et al. cite the parent-child analogy when discussing the impact of Japanese culture on channel relationships in Japan. They write, "Just as a more dependent child is more demanding and nagging in family relations, more dependent retailers are likely to use more coercive influence strategies in their relations with suppliers than less dependent retailers do." Elsewhere, relying on the self-same Japanese culture, the authors argue that the preference for use of coercion by firms in Japan would be significantly tempered by the cultural desire for harmony (or pseudo-harmony). Thus, on the one hand the authors suggest that they expect use of coercion by dependent buyers thanks to the cultural milieu; on the other they expect scant use of coercion in Japanese distribution channels, again attributable to cultural reasons. In essence, the parent-child analogy used in the research falters badly and the lack of empirical support for hypothesis $H5_{jap}$ — where a positive relationship between retailer dependence and retailers' use of coercion was postulated — may have been a result of convoluted theoretical reasoning.

3. Method

Runyan, et al. start out their method section with, "Before conducting this empirical

study one of the authors conducted 10 years of depth interviews in Japan. During these interviews various dimensions of the buyer-supplier relationships were explored. The constructs included in this survey reflect the major issues identified in the interviews." I do not intend to question this author's familiarity with the Japanese market, but the statement that the constructs included in their study reflect the issues identified over ten years of depth research appears like a vaunted claim. Had the theoretical issues discussed in the current article been mulled over for over a decade, surely a more substantive conceptual framework would have emerged.

Translation of the survey instrument into Japanese and its back-translation into English is a major methodological strength of this research; back-translation is crucial to ensure concept and measure equivalence. It would have been interesting to know what discrepancies were observed between the original and the back-translated versions of the survey instrument, and how they were addressed. Doing so would assist other scholars pursuing comparative marketing research. Perhaps, the authors will discuss this in future publications emanating from this database.

4. Scale Development

What is intriguing in this study is that Runyan, et al. use close to the same measures for the various behavioral constructs as Frazier, Gill, and Kale (1989). Does this imply that no other studies in the channels area over the last two decades have come up with improved and modified measures of power, influence strategy, satisfaction, and conflict? Given the importance of channel relationships in marketing theory, this is indeed a sobering thought.

In discussing construct measurement, the authors state, "Because supplier role performance and retailers' and suppliers' use of coercive influence strategies were measured on formative scales (Frazier, et al., 1989), reliability was not tested for these constructs and

they were summed to yield a summative index for each of these constructs." The researchers could still have measured convergent validity of the use of coercion—independent of confirmatory factor analysis (CFA)—by seeking respondents' level of agreement to the question, "I/My supplier's representatives frequently use high-pressure tactics to change my supplier's (my) behavior or decision-making." Using CFA for assessing convergent validity of key constructs introduces an element of doubt about the reliability and validity of the measures used.

A matter of great concern in this study is the single-item indicator used to assess retailer satisfaction, the most important construct under investigation (as evidenced by the title of the article). The authors write, "Multiple-item indicators were used for all constructs except satisfaction, which was measured using a single item indicator. This is the approach used by the Frazier, et al. study." This is indeed *not* the approach used by Frazier, et al. In fact, Frazier, et al. (1989, pp. 60-61) write, "Distributor satisfaction was measured by *two* statements: (1) "I am generally satisfied with my dealership's overall relationship with the manufacturer" and (2) "On the whole, I am happy about my firm's relationship with the manufacturer." They go on to explain, "A 7-point scale ranging from "strongly disagree" (1) to"strongly agree" (7) was used in each case. The split-half reliability coefficient after full scale adjustment was .80 for the two items." Clearly, in this instance, Runyan, et al. misunderstand (or misrepresent) the Frazier, et al. (1989) article.

Even if Frazier, et al. (1989) had used a single-item measure of satisfaction, the construct of satisfaction was not pivotal in their research. The key strength of the research by Kale (1986) and Frazier, et al. (1989) was that the data collection was done in India and a theory was developed to challenge the generalizability of previous findings regarding channel relationships (based on U.S. data), particularly with regard to the relationship between a source firm's power and its choice of coercive/non-coercive influence strategies. Runyan, et

al.'s decision to use a single-item measure for satisfaction—the central construct of their investigation—is certainly bemusing.

5. Implications

Runyan, et al. report that channel conflict has a negative impact on target firm's satisfaction in the U.S. context but has no such impact in the Japanese context. This finding is interesting as it runs counter to all previous studies regardless of their context (cf. Frazier, et al., 1989; Kale, 1986; Palmatier, Dant, Grewal, and Evans, 2006). All previous literature consistently reports a negative relationship between perceived conflict and a channel member's satisfaction with the relationship. Runyan, et al.'s explanation of the lack of relationship between satisfaction and conflict among Japanese buyers is far from convincing. They write, "Because Japanese retailers have long-term relationships with their suppliers, it appears that they are more tolerant of conflicts than U.S. retailers and accordingly, their satisfaction is enduring in situations of conflict." Alternative explanations are available. For one, the authors' use of a single-item measure for satisfaction may have resulted in misleading findings. Second, the lack of relationship could result from the relatively low power of Japanese retail buyers in relation to their suppliers (as reflected in the sales figures for buyer firms in Japan and the United States). If the buyer firms are small in size and derive most of their sales from the focal supplier's products, they will, for reasons of cognitive consistency, not allow conflict to significantly impact their satisfaction with the relationship. Given these possibilities, the authors should exercise restraint in making any managerial inferences from this particular finding.

Seeing Runyan, et al. clearly spell out the limitations of their research would be heartening. While they do cite the lack of generalizability due to the single industry as a weakness, other limitations are equally critical. Since the respondents across the two countries were so different with regard to gender (99% male in Japan vs. 46% in U.S.), work

experience, and education, these characteristics should have been used as control variables in the analysis. Not doing so reduces the credibility of findings reported in the study.

Despite the shortcomings, Runyan, Sternquist, and Chung deserve considerable credit for the time and effort in this comparative research. The article is thought-provoking. Comparative studies in marketing need considerable effort toward developing conceptual frameworks capable of explaining hypothesized relationships, while also allowing for alternative possibilities. If scholars continue to falter in this regard, the discipline of comparative marketing will suffer the same fate as the early days of cross-cultural management—“too many conclusions, not enough conceptualization” (Negandhi, 1974).

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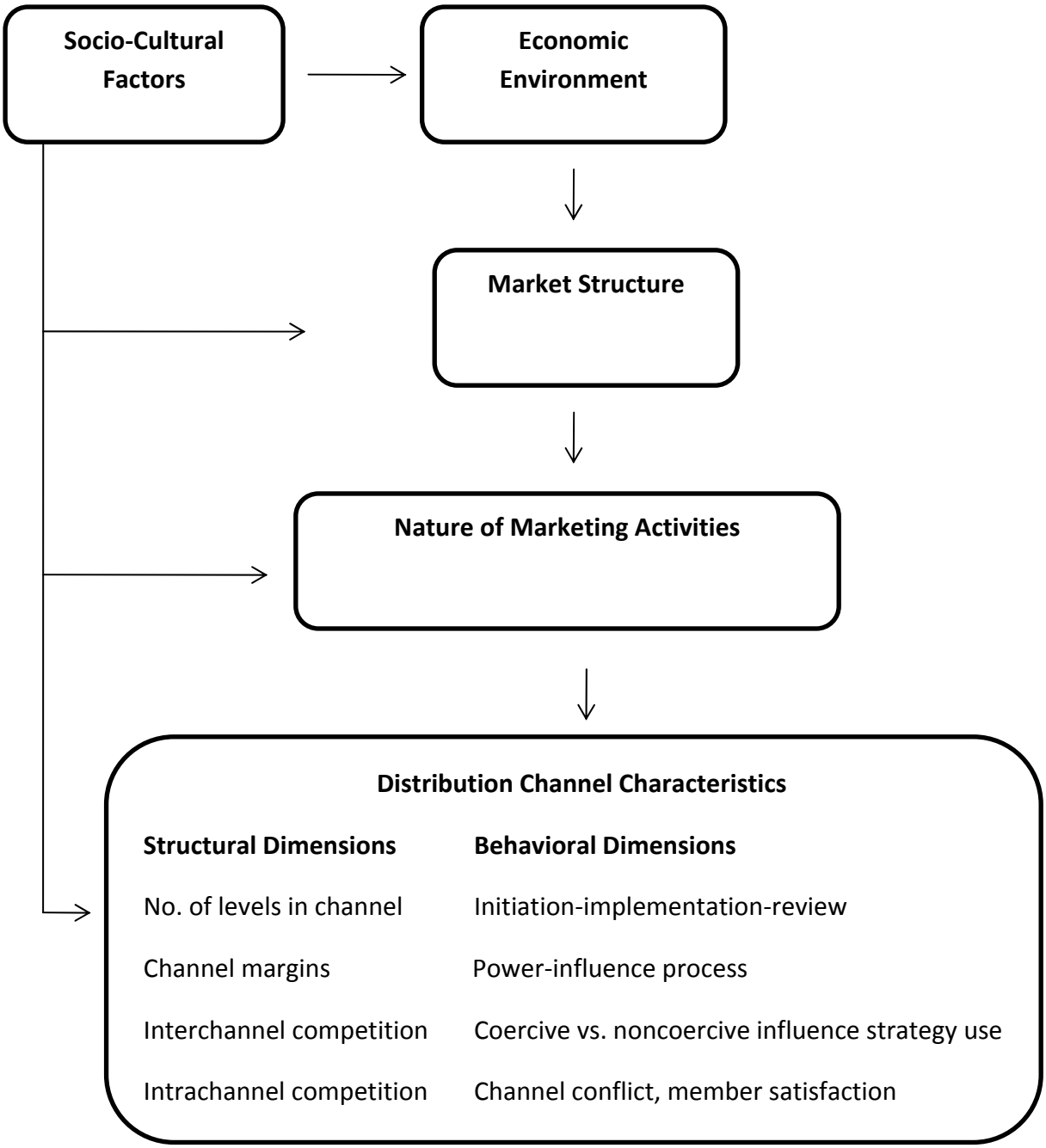

Figure 1

A Conceptual Framework to Guide Comparative Channels