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**AN INVESTIGATION INTO THE INTERNA-  
TIONAL CHANNEL RELATIONSHIPS OF EX-  
PORTING FIRMS AND THEIR AGENTS AND  
DISTRIBUTORS WITH PARTICULAR REFER-  
ENCE TO THE UK AND WEST GERMANY.**

**RICHARD ANDREW MOORE**

*A thesis submitted in partial fulfilment of the require-  
ments of the Council for National Academic Awards for  
the degree of Doctor of Philosophy.*

**January 1990**

*Middlesex Polytechnic*

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## ABSTRACT

An Investigation into the International Channel Relationships of Exporting Firms and their Agents and Distributors with Particular Reference to the UK and West Germany.

Richard Andrew Moore

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This research investigates the channel relationships of UK exporting manufacturers and West German agents and distributors.

The objective of the research was to explore the behavioural aspects of the intra-channel relationships in the international context, with emphasis on channel conflict, satisfaction and the development states of these channel relationships. A number of hypotheses were tested as follows: the relationship between manifest conflict, channel satisfaction and a number of marketing mix variables was explored. Channel satisfaction and manifest conflict were related to past performance and relationship uncertainty. Finally, the development states of the relationships were explored to identify the development state of each UK manufacturer and of each West German agent and distributor.

The data collection instrument used was the mail questionnaire.

Little empirical work has been conducted into the behavioural aspects of international marketing channels. The contributions made to the knowledge of the subject treated are, firstly, the identification of a 'conflict gap' between UK manufacturers and West German agents and distributors; West German agents and distributors identified higher levels of conflict than the UK manufacturers. Secondly, UK manufacturers identified higher levels of satisfaction with the relationship than the West German agents and distributors. For both UK manufacturers and West German agents and distributors it was found that lower levels of conflict were correlated with higher levels of satisfaction, a more optimistic view of the future of the channel relationship and acceptable levels of performance to the channel participants. Higher levels of conflict for both manufacturers and agents and distributors were correlated with lower levels of satisfaction, a more pessimistic view of the future of the relationship and unacceptable levels of performance.

Finally, channel relationships were found to fall into one of five relationship development states: new, growing, troubled, static or declining.

## PREFACE

The author lived and worked in West Germany during the period 1984-85, and during this time developed an interest in how U.K. companies managed to sell their products in that affluent society. This interest eventually led to the current research.

A taught programme of research methods was completed during the author's MBA (CNAAB) programme at the Middlesex Business School. The author also attended and participated in various research seminar programmes and research conferences held at the Middlesex Business School during the course of the research.

I should like to recognise the valuable help given to me by Dr. William Barnes, who was my original Director of Studies, until his retirement in April, 1989. My thanks also to Dr. Edgar Hibbert, who provided me with much help and encouragement to complete the task.

Thanks are also due to Henry Brown, the Business School Librarian, and his staff. Anna Kyprianou provided much assistance in organising my data for running on the Business School computer.

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Richard Moore

January, 1990.

***PART I***

*Introduction and Survey of Prior Research*

## CHAPTER 1

### INTRODUCTION

Research into the behavioural aspects of international distribution channels has been very limited. Cavusgil and Nevin (1) in a seminal article on the state of the art in international marketing highlighted that:

"...Distribution is an area where very little international research has been conducted. As a starting point, researchers could take the findings from domestic behaviour, and physical distribution and investigate their applicability in an international setting".

More recently the lack of research into the manufacturer-overseas intermediary relationship has also been highlighted (2):

"The extant empirical literature on the selection of foreign market distribution methods, and on the management of distribution relationships overseas, is sparse".

The problems of managing marketing channels in the international context were emphasised by Etgar and Licht (3):

"Problems of channel management are particularly acute in international channels. These are categorized by extensive geographical distances, cultural differences and organizational divergencies which separate channel members .... The very problem of international channel management imply, however, that the pay off of efficient channel organization is especially high".

The major thrust of much of the previous research into export marketing has been to attempt to identify the factors underlying export success. This work has led to the listing of numerous factors which are related to export success. However, there has been little work in attempting to look at the behavioural aspects of marketing channel relationships in the international setting. Much work, however, has been conducted in the USA to investigate and understand the behavioural aspects of domestic marketing channels. As stated above, little work has been done to relate this body of knowledge to the international channel setting with almost no work at all having been conducted in the United Kingdom.

There are two practical ways of achieving export distribution on a significant scale in most market sectors. The first is for the exporter to appoint an overseas intermediary in each market, and the second is to establish a local subsidiary or joint venture in each market. There are a number of other alternatives (eg piggy backing) but these are unlikely to be used in the first instance i.e. when the exporter is starting to export. It appears that in the U.K. the principal export channel strategy is to use overseas agents or distributors (4). This high use of agents or distributors by U.K. exporters would suggest that the way agents and distributors are selected, and managed thereafter, would be a key factor to ensure success of the channel relationship. It should be noted that some exporting firms provide , direct, on-the-spot company representation to their overseas intermediaries to promote the firm's interests, ensure that the intermediary is giving appropriate priority to the principal's products and provides some training and motivation (5).

In the first instance a manufacturer about to embark on exporting as a business strategy has the difficult task of finding an intermediary in the export market that he plans to break into. There is little empirical research into the finding and appointment of overseas intermediaries; the extant literature being primarily of a descriptive nature.

This research attempts to identify the process used by UK exporting manufacturers to find a suitable overseas intermediary, and the significant factors influencing channel members' conflict and/or satisfaction.

The principal type of overseas intermediaries can be categorized as agents and distributors. An agent is a person or company that is employed by the principal (exporting manufacturer) to bring the principal into a contractual relationship with third parties. There are several different types of agents which are briefly summarised as follows:

(a) Commission Agent

The commission agent does not hold stocks of the product but passes orders on to his principal who delivers the goods direct to the customer. The agent receives commission on each sale as his remuneration.

(b) Stocking Agent

The agent stocks the product but does not take title to the goods. He receives a commission on sales plus a fixed sum to cover storage and handling.

(c) Del Credere Agent

The del credere agent accepts the credit risk of defaulting customers. If a customer defaults on payment, the agent reimburses the principal. This agent usually charges a higher commission to cover the higher risk.

Distributors are customers who have been granted exclusive or preferential rights to purchase goods from a principal and then to resell them in specific geographic areas or markets. The distributor's remuneration arises from the difference in the purchase price and the resale price and not from any commission arrangements (6).

This research centres on the relationship between U.K. exporting manufacturers and West German agents and distributors. The principal intermediary types in West Germany are the commission agent and the distributor(7).

Manufacturer-distributor relationships were hypothesised to fall into one of five relationship development states: new, growing, troubled, static or inert (8). This research extends the Ford and Rosson (9) model to the UK exporting manufacturer - West German agent and distributor marketing channel.

There is much literature on the behavioural aspects of domestic marketing channels in the USA, particularly on the concepts of conflict and satisfaction. This research focuses, therefore, on conflict and satisfaction in the international marketing channel, and in particular, on the channel consisting of UK exporting manufacturers and their West German agents and distributors.



## CHAPTER 2

### SURVEY OF PRIOR RESEARCH

This chapter provides a survey of prior research in the areas of the overseas intermediary selection process, manufacturer-overseas intermediary relationships, conflict and satisfaction in marketing channels. The first two sub-sections (overseas intermediary selection and manufacturer-overseas intermediary relationships) are concerned directly with the view of a marketing channel from an international marketing viewpoint. Little empirical work has been done on marketing channel conflict and satisfaction in the international context, so the two sub-sections concerned with the conceptual and empirical developments of marketing channel conflict and satisfaction concentrate primarily on a domestic perspective.

#### 2.1 The Selection and Motivation of an Overseas Intermediary

##### The Use of Agents and Distributors by Exporting Firms

A number of contributors to the exporting literature have highlighted the importance of the agent or distributor to the exporting firm. Tookey (1), in a study of the UK hosiery industry, found that many firms used agents when alternatives such as buyers based in the UK or export merchants, were not available. Cunningham and Spigel (2) showed that overseas agents were employed by 44 of the 48 companies they surveyed; the smaller firms committing more of their export sales to agents than did the larger firms.

Cavusgil and Kaynak (3) in an empirical analysis of the success factors in export marketing found that foreign distributors and agents played a critical role in export marketing.

The majority of exporting firms in their study used foreign distributors and agents in preference to establishing their own sales/service branches overseas. Philpot's (4) study also identified that the most popular method of distribution for exporting companies was the overseas agent/distributor method (used by 90 per cent of the companies in his survey). Baker and Abou-Zeid (5) found that overseas agents were the most frequently mentioned methods of selling overseas. Amine and Cavusgil (6), in a study of firms in the British clothing industry, found that the local agency approach to export distribution was the most common method. A study of small Italian manufacturing firms found that seventy per cent of the respondents used the agent/distributor method (7). In a study of Canadian exporting firms, Munro and Beamish (8) found that few firms sampled used a single distribution channel; the principal method used was through commissioned agents and distributors. A BOTB report (9) highlighted that new exporters predominantly used agents or distributors. The report highlighted the difficulty of finding the right agent or distributor in the early stages of exporting.

## Finding an Overseas Agent or Distributor

The literature on finding a suitable overseas agent or distributor is mainly descriptive with little empirical research in the area.

Hunt and Hovell (10), in a study of UK engineering firms, found that firms were continually being approached by individuals offering to act as sole agent in a particular market. Tessler (11) stated that the only ways of choosing an agent was for the principal to know the overseas market, knowing the country and knowing the agents from among whom it was possible to make a choice.

In a study of agents and distributors in the Middle East, Dunn (12) identified four important selection criteria: (i) financial strength, (ii) good connections, (iii) other obligations (such as a representative handling direct competitors) and (iv) personnel, facilities and equipment. The crucial importance of making the right choice of agent was confirmed by Duguid and Jacques (13). They suggested that since a manufacturer is almost inevitably unfamiliar with the market when he appoints an agent for the first time, it is worth his while seeking advice and information. Requirements for an agent naturally vary for each company, however there was a consensus that one of the most crucial factors was that the agent should need a principal's business.

A study of British manufacturing companies during 1974 identified that when selecting agents British companies tend to look first and foremost for sound financial status, secondly for adequate technical qualifications, and thirdly for a good distribution network (14).

Joyner and Lurie (15) recommend that a firm establishes a profile of the ideal agent against which potential agents can be measured. Such a profile would include size of agent, number of competing lines the agency carries, the financial implications, the degree of know-how required and physical facilities available (warehouse, branch office) for stocking and distributing goods.

This profile approach was also recommended by Walsh (16) and Damon (17). Hibbert (18) suggested that a principal could shortlist potential agents from contacts at trade fairs, on overseas visits, export directories, banks or direct advertising. Grant (19) recommends that an exporting firm should check on potential distributors' facilities, financial strength, sales personnel and communication facilities. Deschampsneufs (20) recommended that the first step was likely to be an approach to the British Overseas Trade Board. He also recommended looking in trade magazines for adverts placed by overseas agents and distributors.

A checklist of seventeen items for choosing agents was developed by Ward (21). This list provided a guide to establish the suitability of potential agents and could be summarised under the following points: (i) ability to cover the territory, (ii) staffing levels to market the product effectively, (iii) business reputation, and (iv) effective organization.

The checklist approach was also recommended by Katz (22) as a starting point for selection. Key criteria for agent selection were: (i) contacts in the market place, (ii) knowledge of the market, (iii) good reputation, (iv) financially sound organization, (v) other agencies held, and (vi) technical competence. Methods of finding an agent were given as: personal contact, recommendations, advertisements in the trade press, BOTB and Chambers of Commerce.

Once a number of potential agents have been identified Berlew (23) recommends that the principal should meet each candidate to enable him to make adequate comparisons between them. It is also recommended that market territory allocation is clearly defined to ensure that potential agents or distributors do not exceed their grasp in terms of market knowledge and contacts, facilities and personnel.

Companies have difficulty in proceeding once a list of potential agents has been established (24). The task of securing a good agent is often perceived as daunting by export executives, and requires persistence and tenacity to actually find the right agent.

Identifying a key man who would take the product to his heart and make it his personal objective to make the sale of the product a success in his country was considered the best approach by Beeth (25).

Approaching one or two of the potential agent's principals together with one or two of his major customers in order to check the potential agent's credentials was recommended by McMillan and Paulden (26).

Ross (27) developed an analytical structure to assist in the agency/distributor selection process. A matrix was developed which would assist in (i) the identification of areas where problems/opportunities may arise, (ii) ensuring that the exporter asks the right questions and (iii) allows the exporter to determine which parts of any problem are environmental or internal.

An interesting case study of the difficulties of choosing a new distributor for tractors in a third world country was described by Wooding (28). This study emphasised many of the points outlined above such as : (i) market knowledge, (ii) physical facilities and (iii) financial stability.

#### The Overseas Intermediary Selection Model

This literature can be synthesized into a descriptive model of the overseas intermediary selection process (29). The process contains the following key steps and is shown diagrammatically in Figure 2.1:

- (i) Entry Strategy Decision;
- (ii) Desk Research;
- (iii) Shortlist of Potential Agents;
- (iv) Personal Visits;
- ( v) Recommendation;
- (vi) Appointment of Agent or Distributor.

Figure 2.1

INTERNATIONAL MARKETING STRATEGY  
 - THE OVERSEAS INTERMEDIARY SELECTION MODEL

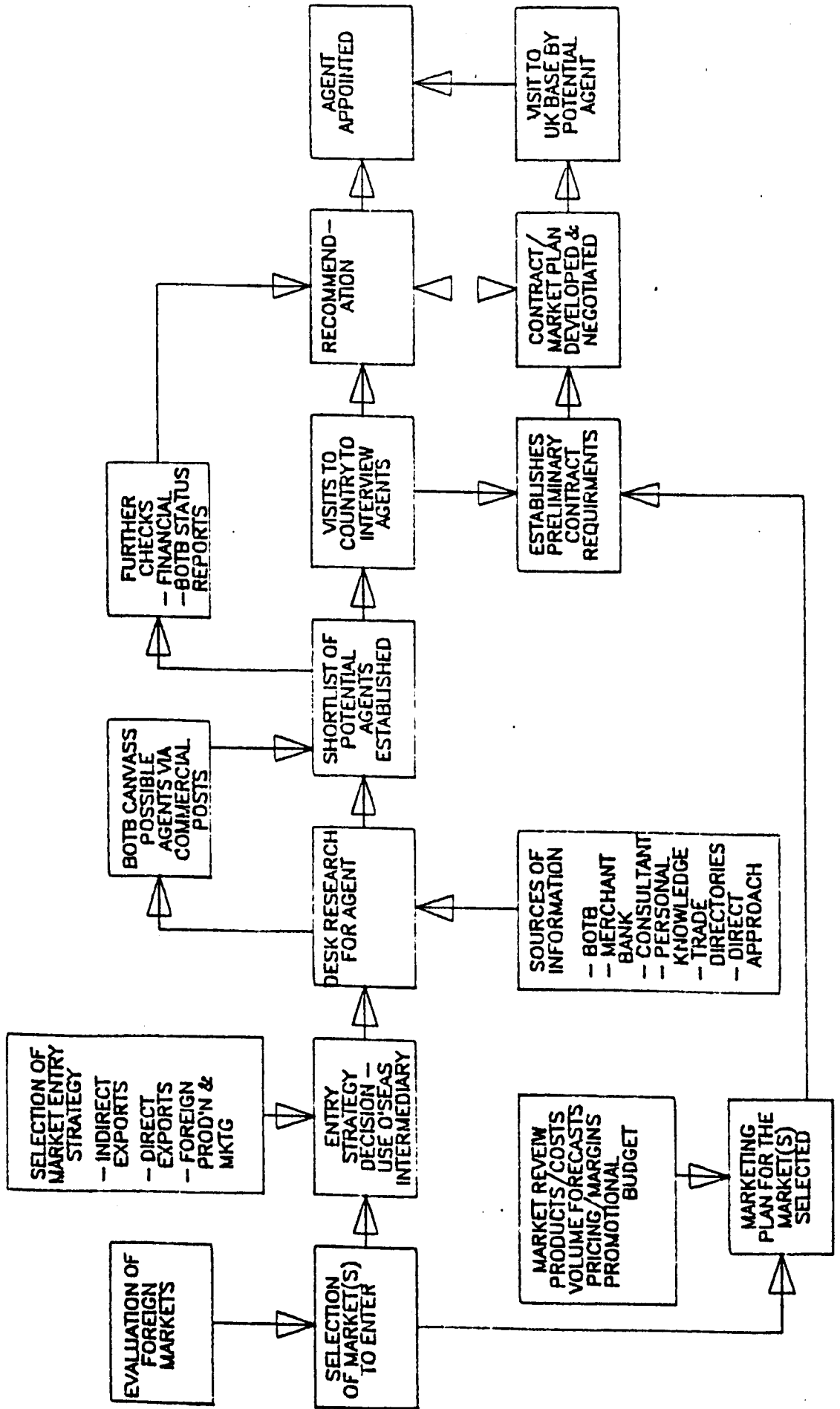


Figure 2.1

(i) Entry Strategy Decision

The different entry strategies that are available to the firm are well documented. Terpstra (30) outlines the various alternative methods of foreign market entry, based on either domestic production or foreign production. Firms deciding to enter foreign markets using their domestic production must choose between either indirect export or direct export. Indirect exporting is used when a firm's products are sold in foreign markets by others, such as export merchants, confirming houses, manufacturer's export agents and international trading companies. Direct exporting is the sale of goods direct to the customers abroad, either by selling direct to customers or using the assistance of an overseas intermediary. The various characteristics of middlemen used by firms for exporting are summarised in Cateora and Hess (31). We are concerned here with the direct method of exporting, using overseas intermediaries.

(ii) Desk Research

The literature reviewed above indicates that firms should conduct desk research to establish a list of suitable agents in the markets they wish to penetrate. The most common sources of information appear to be the British Overseas Trade Board, the direct approach to the intermediary by the firm, trade directories, trade fairs, management consultants (professional agent 'finders'), the commercial banks and chambers of commerce.

(iii) Shortlist and Personal Visits

The firm now has a list of a number of potential agents that should be reviewed for later visits and exploratory talks. The firm should establish a list of key criteria used for this review, such as that suggested for example by Ward (32) and Katz (33). Representatives of the firm now visit the potential agents to amplify the key criteria list and assess the agent as a potential business partner.



(iv) Recommendation

Following the reviews conducted above, the firm is likely to make a number of further checks, particularly into the financial standing of the agent. These checks may be carried out using a commercial bank or the British Overseas Trade Board. Recommendation to the board of directors or chief executive officer (or manager responsible for exports) will be made following satisfactory results to the financial status checks. Preliminary contracts will be drawn-up and visits by the agent or distributor to the manufacturer may be made to complete the contract negotiations and to visit the manufacturing plant.

Motivating the Agent or Distributor

The overseas agent or distributor is an independent business pursuing its own goals. Manufacturers have only limited control over the agent or distributor. It is therefore essential for the manufacturer to acquire the agent/distributor's loyalty and commitment. The manufacturer must take steps to ensure the motivation of his overseas agents and distributors.

McMillan and Paulden (34) recommended that agents should be given the sole rights in his territory to act as an incentive. They also argued that an appropriate commission structure should be developed and agreed which would act as an incentive to the agent.

Hickle and Yahn (35) argue that the priority for motivating agents and to maximise international sales is profit. They pointed out that, although important, it was not the only factor that needs attention to obtain the overseas agent's extra effort. They believed that firms had to develop an indefinable drive of loyalty, and agents had, therefore, to be treated as three different persons: (i) as an independent business, (ii) as an employee and (iii) as a customer.

Treating the agent as an independent business requires the manufacturer to provide more information than specifically requested, to follow the agent's instructions, to ask for the agent's advice and to support the agent at industry exhibitions. As an employee an agent requires respect in the manufacturer's business judgement, fairness and treatment as part of the principal's company. The customer relationship between agent and principal requires good products and services which are competitively priced. Other factors that assist are visits by representatives of the principal, newsletters, area conferences and literature prepared in the language of the agent.

Five major categories of motivational techniques that can be employed to maintain middlemen interest are proposed by Cateora and Hess (36): financial rewards, psychological rewards, communications, company support, and corporate rapport. Majaro (37) expressed caution for firm's remuneration policies in new overseas territories. There is a danger of over, as well as under remuneration, particularly in new markets where there are no precedents as to what constitutes an acceptable remuneration package.

In a study of Middle Eastern agents and distributors (38) it was found that traditional methods used for motivating intermediaries failed. Experienced marketeers in this area rely heavily on the warmth of personal relationships to motivate Middle Eastern partners.

The correct division of responsibilities need to be defined. Local partners were found to do an excellent job of spotting opportunities and those who influence purchasers, handling logistics and bureaucratic hassles, and using their business connections. However, few intermediaries showed much interest in other areas of marketing, such as sales forecasting, market planning and market program coordination.

Walsh (39) recommended that a positive programme of intermediary motivation be implemented. This programme should include regular and frequent visits to the territory by the principal, assistance by the principal to ensure the intermediary makes money, the preparation of marketing plans and regular two-way communications.

## 2.2 Manufacturer - Overseas Intermediary Relationships

Having found and appointed an overseas agent or distributor the manufacturer has to manage the relationship.

There is much descriptive literature on the manufacturer-overseas intermediary relationships (1). Empirical knowledge, however, is much less developed. Informal surveys of exporting companies have given some indication about how relations should be managed by the manufacturer (2). More formal evidence has been restricted to studies by Baker and Abou-Zeid (3), Rosson and Ford (4) and Ford and Rosson (5).

Ford and Rosson (6) proposed a research model of the manufacturer-overseas distributor relationships which integrated a number of views from organizational theorists and the marketing field.

Because of its importance in the development of a theory of manufacturer-overseas distributor relationships it is reviewed here in some detail.

The starting point for the model was the work done by the organizational theorist Marrett (7). This work attempted to define and provide measurable indicators of dimensions along which inter-organizational relations could be studied, and proposed the likely associations among the dimensions. Four key dimensions were proposed; formalization, intensity, reciprocity and standardization. These four dimensions are summarised as follows:

(i) Degree of Formalization

This refers to the degree to which interdependency is given official sanction by the parties involved. In the channel environment this would involve formal written contracts or agreements. Coordination between the two participants in the channel could be achieved by a specific unit or staff within the organizational framework. For example, such a unit would be the export department or export sales manager who coordinates actions between the manufacturer and the overseas intermediary.

(ii) Degree of Intensity

Intensity was used to compare the kind and amount of involvement demanded of interacting organizations. Two indicators were proposed by Marrett (8). The first was resource investment which included money, staff, services or equipment. The second indicator was a frequency dimension which was included because of the possibility that some exchanges involve few people but tend to monopolize the time of those few.

(iii) Degree of Reciprocity

Two measures were identified. The first was the mutual flow of elements, such as staff, money, services and orders, and the second was the extent to which the terms of the interactions are mutually reached.

(iv) Degree of Standardization

Standardization referred to the extent to which units of the exchange were clearly delineated.

The work of Marrett was extended by that of Van de Ven (9). His model of interorganizational relations included a number of the dimensions outlined above, but also included what he termed as "Situational Factors". These factors were used to describe the reason 'why' and 'how' the interorganizational relationship developed. Five situational factors were used to explain why and how interorganizational relationships developed; these five were resource dependence, commitment, awareness, consensus and domain similarity. Resource dependence was the firm's need for resources, such as money, personnel, information, customers, etc. Commitment was the perceived commitment required by the organization to resolve environmental needs or to realize opportunities. Organizations must be aware of the possible sources in other organizations where their needed resources can be obtained. Awareness was, therefore, a second predictor of the formation of interorganizational relations.

Two levels of awareness were proposed: (i) the extent to which an organization was informed about the specific goals, services and resources that exist in other organizations, and (ii) the level of personal and business acquaintances between the two organizations. Consensus referred to the degree to which an organization's specific goals and services were agreed upon by the parties. Domain similarity referred to the extent to which organizations obtain their money from the same sources, have the same goals, have staff with the same professional skills, and provide the same kind of service to the same customers or clients.

Domain similarity was argued as a qualitative indicator of the kinds of organizations likely to become jointly involved in a web of inter-relationships.

Marrett's four dimensions were tested empirically by Schmidt and Kochan (10). This study also included further items

"....to capture dimensions of conflict processes, namely incompatible goals, tensions, conflict and influence" (11).

Numerous studies have shown that conflict exists in marketing channels (12).

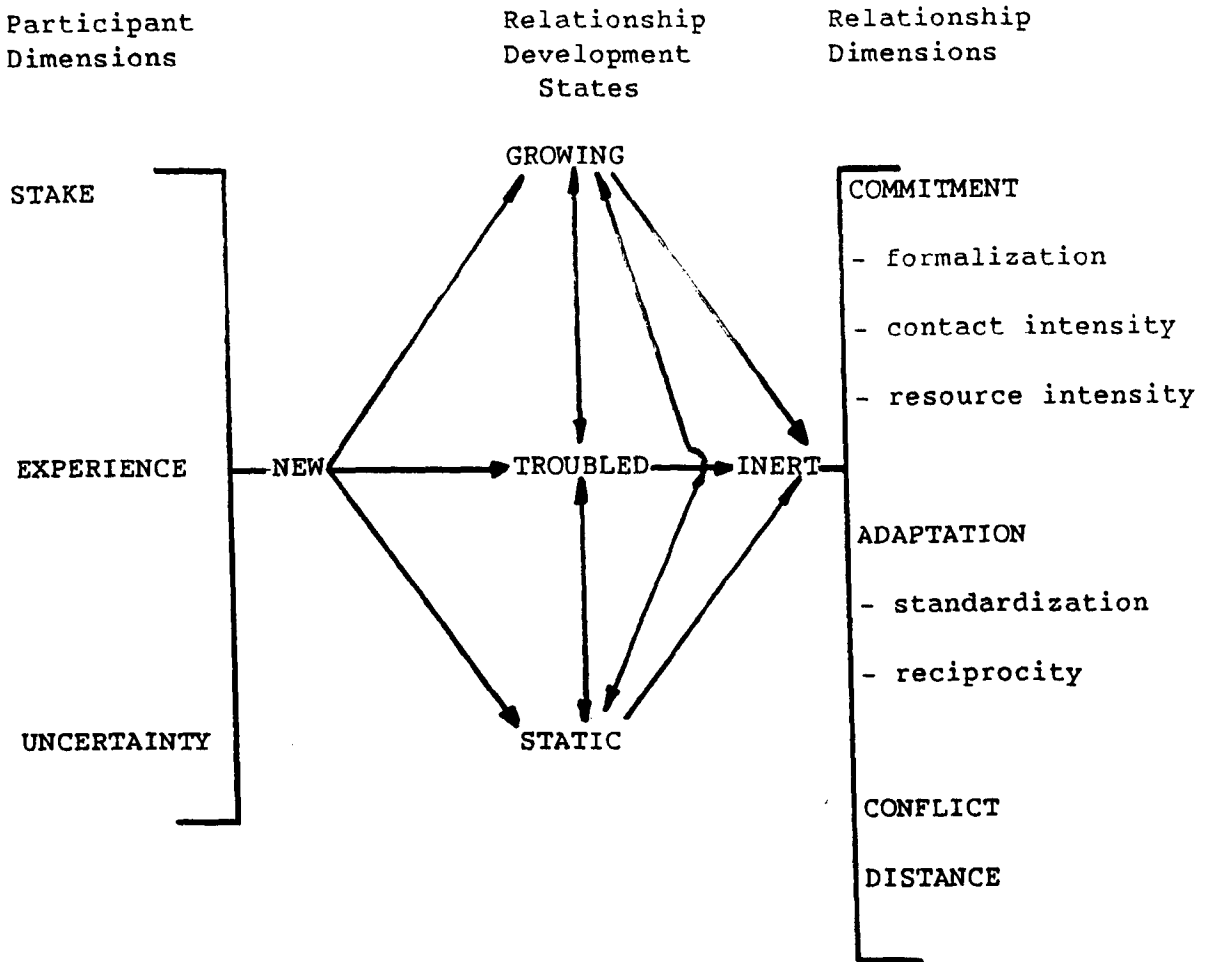
An examination of the nature of buyer-seller relationships in industrial markets by Ford (13) considered the development of relationships through time. The study identified five stages: the pre-relationship stage, early, development, long term and final stages. The study suggested that the nature of the buyer-seller relationship changes through these stages over time. The stages were described in terms of experience, uncertainty, commitment and mutual adaptation of the two parties as well as the distance that exists between them.

Experience was defined in the Ford model as each party's corporate and individual knowledge of the relationship and of the other company. Uncertainty related to the possible costs and benefits of the relationship that each relationship participant must bear. Commitment is a measure of the importance of a relationship to a company in terms of the investment to be made by it. Adaptations by the companies to the relationship can be formal (eg contractual agreements) or informal to cope with each other's requirements as circumstances arise. Distance was argued to have several aspects when applied to the buyer-seller relationship: social, cultural, technological, time and, of course, geographic.

The model proposed by Ford and Rosson (14), shown in Figure 2.2 integrates the work of Marrett (15) and Ford (16).

Figure 2.2

A Model of Manufacturer-Overseas Distributor Relationships



From: Ford, David and Philip J. Rosson (1982) "The Relationships Between Export Manufacturers and their Overseas Distributors" in Export Management : An International Context ed. M.R. Czinkota and G. Tesar, Praeger N.Y. (p.261).



The model has three main parts: participant dimensions, relationship dimensions and relationship development states.

The model uses three dimensions to describe the participants in the manufacturer-overseas intermediary relationships:

(i) Stake

Stake was defined as "what the party (or parties) stands to lose if the relationship is terminated".

(ii) Experience

Experience is the knowledge that the firms have of each other. Van de Ven (17) stated that "The greater the length of time and degree of intimacy in the personal relationships between organizational boundary spanners .....the greater their mutual trust of one another; and as a result, the greater their predisposition to help one another out by committing their organization to an inter-organizational relationship".

(iii) Uncertainty

Uncertainty about the future of the relationship is likely to shape the relationship between companies. (18).

Relationship Dimensions

The four relationship dimensions proposed by Marrett (19) were included in the model as well as the two additional dimensions of 'conflict' and 'distance'.

Relationship Development States

Five possible 'states' of relationship development were proposed in the Ford and Rosson model. These states were defined as 'new', 'growing', 'troubled', 'static', and 'inert'. An assumption was made that companies would progress from the 'new' state toward 'inert' passing through the 'growing', 'troubled' and 'static' states. These states were defined as follows:

1. New - Agreement to work together, but little experience of interactions or transactions.
2. Growing - Reasonable growth being achieved.
3. Troubled - Sales could be growing but there is uncertainty within the relationship, or alternatively sales inadequacy results in uncertainty.

4. Static - Sales show little variation from year to year because of lack of potential and/or the parties are unwilling to increase their stake in the business.

5. Inert - Relationships that do not appear to be justified but continue because there is no wish to end it.

The model was tested by interviews with 21 Canadian firms that exported industrial goods to the United Kingdom together with their overseas distributor in the U.K.

They were able to categorise the dyads by development states; two were 'new', five were 'growing', seven were 'troubled', five were 'static', and, finally, two were in the 'inert' state. This categorization was achieved by using the three participant dimensions: state, experience and uncertainty. All three items provided data but were not equally weighted. The 'growing' and 'static' states were based on sales trend data. The 'troubled' state was categorized by both sales trend and future plans. 'Inert' state members were categorized after the evaluation of both sales trend and future plans data. 'New' state membership was based on the length of the relationship (two years or less). The proposition that manufacturer and overseas distributor relationships could be found in the relationship development states of new, growing, troubled, static or inert was supported.

A further study by Rosson (20) tracked the 21 firms in the original study to establish the movement of the relationships between development states over the 1978-85 period. In view of the events, a new state was added to those proposed in the original model (21); the new state was labelled 'terminated'. Rosson found considerable movement between development states, with only one relationship remaining in the same development state over the seven year period. These movements are summarised in Table 2.1.

Table 2.1

Movement of Manufacturer - Overseas Distributor

Relationships Between Development States

1978 - 1985

<u>Development State</u>	<u>1978</u>	<u>1985</u>
NEW	2	0
GROWING	5	1
TROUBLED	7	0
STATIC	5	6
INERT	2	3
TERMINATED	-	11

Adapted from: Rosson, Philip J. (1987) "The Overseas Distributor Method: Performance and Change in a Harsh Environment" in Managing Export and Entry Expansion - Concepts and Practice Eds: Philip J. Rosson and Stanley D. Reid, Praeger N.Y. (p.307).

The movement between the development state appeared to show some logic (22):

" . of the seven troubled relationships, two became static and five were terminated

. of the five static relationships, three became inert, and three were terminated

. the two inert relationships were both terminated".

The paper continued to support the five manufacturer and overseas distributor relationship states, but proposed the addition of a sixth relationship state labelled 'terminated' to include those relationships which had come to an end.

Rosson and Ford (23) have therefore developed an explicit behavioural theory framework for the manufacturer-overseas distributor relationship. The result of a further study of the original participants has added support to the model (24). The model provides a useful categorisation of manufacturer-overseas distributor relationships and appears to be worthy of use in other manufacturer-overseas intermediary relationships situations (the Rosson and Ford model was tested using Canadian manufacturers and their U.K distributors).

Conceptual and Empirical Developments of Marketing Channel Conflict

Hunt, Ray and Wood (1) in their review of the marketing channel literature suggested that the following concepts were most representative of the work in the behavioural aspects of marketing channels: bargaining, conflict, cooperation, power, performance, member roles, member satisfaction and political economy. The complexity of these behavioural aspects of marketing channels was illustrated by the review of some 118 contributions to the literature.

Conflict is a fact of life in the marketing channel, as it is in any social system, and one with which managers inevitably struggle with on a regular basis. Stern and Gorman (2) summed-up the conflict dimension in the following way:

"When a channel of distribution is viewed as a social system, the members of such a channel are, by definition, caught up in a web of interdependency. The actions of behaviour of any one member have consequences for the level of output (measured in terms of individual goals) achieved by the others. This dependency relationship represents the root of conflict in channels of distribution".

The seminal review of Gaski (3) developed an integrated overview of the theory of power and conflict in marketing channels. However, the major thrust of the Gaski paper was power. This chapter focuses on conflict, and seeks to provide a theoretical background to the concept of conflict in the marketing channel setting. It reviews conceptual definitions from the literature of sociology, organizational behaviour and psychology, as well as those specifically developed in the marketing literature. A review of the empirical marketing literature relating to channel conflict is provided, together with a review of the operationalization of the conflict construct within this literature. Finally, an integrated model is proposed which pulls together the strands of the research into the current state-of-the-art of channel conflict theory.

#### Definition of Conflict

There is little consensus in the literature as to a simple definition of conflict. Fink (4) provided an exhaustive review of the conflict literature which revealed a large number of divergent usages. Pondy (5) established that the literature described conflict as : (i) antecedent conditions (for example scarcity of resources, policy differences, etc.) of conflictual behaviour; (ii) affective states (eg stress, tension, hostility and anxiety) of the individuals involved; (iii) cognitive states of individuals, i.e. their perception of awareness of conflictful situations, and (iv) conflictful behaviour, ranging from passive resistance to overt aggression. Thomas (6) confirmed the lack of consensus among researchers on a specific definition of "conflict".

Deutsch (7) stated that a conflict exists whenever incompatible activities occur. The incompatible actions could originate in one person, in one group or in one nation. These conflicts were called intrapersonal, intragroup or intranational, but when they reflect incompatible actions of two or more persons, groups or nations these were called interpersonal, intergroup or international.

Raven and Kruglanski (8) defined conflict as:

"... tension between two or more social entities (individuals, groups or larger organizations) which arises from incompatibility of actual or desired responses."

Pondy (9) developed a process model of conflict which classified conflict into five (not necessarily sequential) stages:

- (1) Latent Conflict - Underlying sources of organizational conflict subdivided into three basic types:
  - (a) competition for scarce resources
  - (b) drives for autonomy
  - (c) divergence of subunit goals
  
- (2) Perceived Conflict - perceived conflict; no conditions of latent conflict exist.



- (3) Felt (Affective) Conflict - personalization of conflict:  
anxieties and hostile feelings.
- (4) Manifest Conflict - behaviour which blocks another members goal achievement.
- (5) Conflict Aftermath - resolution or suppression of a conflict episode.

Schmidt and Kochan (10) proposed that the perceived goal incompatibility and perceived opportunity for interference among interdependent activities increases the potential for conflict. The model proposed is consistent with Pondy's outlined above, but Schmidt and Kochan conceptualize conflict as the overt behaviour outcome of the process i.e. the actual interference or blocking.

## Conceptual Definitions of Marketing Channel Conflict

The conceptual definitions of conflict summarised above were developed within the disciplines of sociology, organizational behaviour and psychology. Conflict within the marketing channel required its own definition, and one of the first of these was established by Stern and Gorman (11). Their view was that conflict was a process of system changes:

".... a change occurs in the task environment or within a channel member's organization that eventually has implications for the channel members .... when the other affected members perceive the change as being potentially frustrating to their goals and attempt to remove the cause of frustration, a conflict situation emerges."

Etgar (12) agreed with the Stern and Gorman typology that conflict was traditionally defined as existing in a channel when:

".... a component (channel member) perceives the behaviour of another to be impeding the attainment of its goal or the effective performance of its instrumental behaviour patterns" (13).

A descriptive model proposed by Rosenberg and Stern (14) was based on Pondy's model of interorganizational conflict. The model suggested that conflict involved three stages: the emergence of causes of conflict, behavioural conflict-filled reactions of the channel members, and conflict outcomes in the form of performance results of members firms.

Firat, Tybout and Stern (15) suggested that conflict occurs in a 'conflict field'. The field illustrated the relationship between interdependence and conflict. The greater the level of interdependence, the greater will be the opportunity for interference of goal attainment, and hence the greater the potential for conflict.

Rosenberg (16) suggested a conflict process which occurs during critical periods when conflict patterns can be more easily identified. His model starts with marketing goals which differ between channel members and a level of tension is created unless substantial agreement and cooperation is reached among the channel members. At some time tension reaches a level where it can no longer be contained resulting in a flare-up that brings the conflict into the open and disrupts the short-term operations of the channel system. Conflict resolution actions are then taken (such as negotiations or mediation). The outcome may feed back to reshape the firm's goals, affect goal implementation or contribute to a given tension level.

A process model of interorganizational relations in marketing channels was developed by Cadotte and Stern (17). This also elaborated on work previously proposed by Pondy (18), and presented a dynamic, mathematical model of conflict and power in the channel setting with the following critical elements: conflict potential dependence, conflict perception, resultant force and conflict aftermath.

The potential for conflict between two channel members is determined by the degree of goal, domain and perceptual incompatibility existing between the channel members together with their interdependence. This is followed by the perception or recognition of various areas of potential conflict by the focal organization which initiates efforts to influence the target organization's goals, domain conceptions and perceptions. The target organization then experiences pressure to shift its position on these dimensions and the aftermath of a successful influence attempt (or 'power play') on the part of the focal organization will include a change in one or more of the target organization's critical dimensions, as well as changes in such things as costs, benefits and the power relationship itself.

#### Operationalization of Channel Conflict

The major approach used (see, for example, Rosenberg and Stern (19), Pearson (20), Lusch (21) and Eliashberg and Michie (22)) in channel conflict studies is to identify items over which firms within the distribution channel might disagree. Respondents are then asked to provide an estimate of the degree of conflict or to provide some estimate as to the frequency of disagreements over each issue.

A semantic differential comprising 23 pairs of polar adjectives was included in the questionnaire given to subjects in a laboratory experiment by Stern, Sternthal and Craig (22). These polar adjectives were characteristic of conflict and cooperation and included such items as flexible-rigid, open-deceptive and realistic-unrealistic.

Lusch (23 and 24) defined conflict between car manufacturer and dealer as the frequency of disagreement between channel members over twenty issues, as perceived by the dealer. The question asked of the dealers was "Manufacturers and dealers frequently disagree on many issues. For each of the issues . . . . ., check the response which indicates your frequency of disagreement." The response categories were: very frequently; frequently; infrequently; very infrequently. An overall index of conflict was obtained by summing the dealer's perceived conflict with the manufacturer on each of the twenty issues.

Hunger and Stern (25) used two Likert-type statements to measure each subject's perception of conflict. Felt conflict was measured using a 17-item Likert scale.

Kelly & Peters (26) followed Lusch's typology with a list of twenty-one possible conflict issues; Brown (27) also using this method identified fifteen key conflict issues; Wilkinson (28) fourteen issues; Dilts (29) nineteen issues.

In a different approach Pearson & Monoky (30) used conflict and cooperation statements. Each respondent was asked to rate on a ten-point scale the applicability of 15 conflict and 15 cooperation statements to his relationship with his channel partner.

Etgar (31) measured conflict causes by using a list of 48 conflict statements. The statements attempted to measure the lack of clarity in channel roles, nonfulfillment of manufacturer and dealer roles, divergence in perceptions, divergence in expectations, intrachannel communication noise, divergence of goals, drive for autonomy and competition over channel resources. Each respondent was requested to rate on a six-point scale using intervals from completely disagree to completely agree.

Conflict was operationalized by Rosson & Ford (32) as the times when the distributor becomes the object of the manufacturer's frustration over the following issues:

1. Frequency of disagreements on various marketing activities (ie information exchange, price levels, promotional policy, sales efforts, inventory levels, delivery schedules, product servicing, margins);
2. Frequency of disagreements with UK distributors compared with other overseas distributors;
3. Frequency of resolving disagreements;
4. Mutuality of Relationship.

Brown and Day (33) set-out to establish improved methods of operationalization for the manifest conflict construct. 15 issues were identified as the most sensitive to the manufacturer-car dealer channel relations that were being explored. The importance of each issue to the car dealership's overall profitability was rated on an 11-point scale from 'very unimportant' to 'very important'. Each dealer recorded the frequency on an 11-point scale for which the dealership's managers expressed disagreement with the representative from the manufacturer over particular issues. The intensity of typical disagreements on each issue was rated by the dealers on 7-point scales ranging from 'not very intense' to 'very intense'.

Four additional items using a 7-point scale were measured: goal compatibility, overall conflict level, goal impediment and overall affective conflict.

Six alternative measures of manifest conflict were obtained from the data by using different combinations of the three responses: importance of each issue, frequency of disagreements and intensity of disagreements. All six measures were evaluated with respect to reliability, content validity, nomological validity and convergent validity.

The researchers concluded that the best measures of conflict were: (i) the importance of each issue multiplied by the frequency of disagreements and the intensity of disagreements; (ii) frequency of disagreements multiplied by the intensity of disagreements and (iii) frequency of disagreements summed with the intensity of disagreements. The measure of intensity of disagreements also performed well as a stand-alone measure.



Intrachannel conflict was defined operationally as the intensity of affective conflict over fourteen key issues by Schul, Lamb and Little (34) and Schul, Pride and Little (35). Intensity of conflict was measured on a four-point scale ranging from high to none.

Ross and Lusch (36) measured felt conflict and cooperation with 10 adjectives using a 10-point Stapel scale. 5 that were cooperative (coordination, coalition of interests, respectfulness, mutual confidence, companionship) and 5 that were conflictual (unreasonable demands, crossness, inconsistency, emotional outbursts, dissension). Absence of agreement between channel members was measured using a list of ten activities or functions with a 5-point rating scale.

It appears from the above that the accepted approach for the measurement of manifest conflict is to first identify items over which firms within a distribution channel might disagree and then ask respondents to provide their subjective estimates as to the degree of conflict contained in each item. These items are then summed or averaged to arrive at an index of conflict within the channel being studied.

Comparisons of the similarity with which retailers in a particular channel of distribution would rate the services of their wholesale suppliers relative to the principal service dimension provided by the manufacturer were researched by Foster and Shuptrine (37) to identify the potentiality of channel conflict. This work was further reported and extended in Shuptrine and Foster (38). The ratings obtained from the research were indicative of the calibre of the performance of domain related activities of the interdependent channel members. The results of this research were suggestive that information about the role and domain performance in the assessment of a Key participant for whom other firms compete for support provided an indication to potential channel conflict. No outcomes of channel conflict were proposed.

## Empirical Developments of Marketing Channel Conflict

A number of researchers have examined conflict in the distribution channel and have used a variety of research designs and measurements, including laboratory parasimulations, field surveys and mail surveys.

Rosenberg and Stern (39) and Rosenberg (40), in a survey of manufacturers, distributors and dealers of household durables, found that "the longer the respondents had been with either distributors or dealers (a structural factor), the higher the conflict level with the manufacturer" and "the greater one member's dissatisfaction with another's performance, the higher the conflict level between them". This research claimed a causal role for conflict.

Pearson's (41) study of a retail grocery chain concentrated on the conflict-performance measure, however, the results were not statistically significant.

A parasimulation approach was adopted by Stern, Sternthal and Craig (42) to test experimentally the effectiveness of different conflict management strategies which included the introduction of superordinate goals and an exchange-of-persons program.

Another parasimulation (a continuation of the work of Stern, Sternthal and Craig 43) was reported by Hunger and Stern (44), and this study found that superordinate goals were affective in reducing felt conflict.

Comparisons of the similarity with which retailers in a particular channel of distribution would rate the services of their wholesale suppliers relative to the principal service dimension provided by the manufacturer were researched by Foster and Shuptrine (45) to identify the potentiality of channel conflict. This work was further reported and extended in Shuptrine and Foster (46).

The ratings obtained from the research were indicative of the calibre of the performance of domain related activities of the interdependent channel members. The result of this research suggested that information about the role and domain performance in the assessment of a key participant for whom other firms compete provided an indication to potential channel conflict. No outcomes of channel conflict were proposed.

Lusch (47) found that car dealers who frequently disagree with their manufacturers do so at the cost of decreasing their return on assets turnover. He concluded that minimizing conflicts with manufacturers appeared to be the best strategy for car dealers. However, Pearson (48) mentioned above, was unable to establish a relationship between conflict and performance. In a continuation of the car dealer study Lusch (49) examined the link between coercive sources of power and intrachannel conflict. He concluded that noncoercive and coercive sources of power have significant impacts on intrachannel conflict; noncoercive sources tend to increase it. Etgar (50) challenged the results presented by Lusch; he thought the results may be incorrect because the research disregarded the dynamic aspects of power-conflict relations. Lusch (51) refutes Etgar's arguments in his reply.

Pearson and Monoky (52) identified the existence of a relationship between the operational performance of a channel of distribution and its position on a conflict - cooperation continuum. Their analysis indicated that the high performance groups manifested to a greater degree the cooperation dimensions whilst the reverse was true regarding the conflict dimensions which tended to be manifested to a greater degree by the low performance groups.

In a study of franchisees and distributors, Kelly and Peters (53) found similar results to Lusch i.e operators with higher levels of conflict often performed at lower levels.

Brown (54), in a pilot study, examined the feasibility of using conjoint - measurement to operationalize conflict and to evaluate the contribution of various factors to perceived conflict. The study indicated that this may be a useful technique in determining the relative contribution of conflict issues to the seriousness or overall level of perceived conflict. However, it was a laboratory study using students as the sample and validity and reliability evidence were not presented.

The relationship between explicit influence strategies and conflict was explored by Brown and Frazier (55) in another pilot study involving the distribution channel for new cars. They concluded that the car dealer's perceptions of conflict with their manufacturers were correlated with their perceptions of how frequently manufacturers used explicit strategies (or power sources) over dealer decision issues. They found that the use of particular power sources were positively correlated with channel conflict and inversely related to dealer satisfaction.

Two broad sets of conflict were identified by Etgar (56): attitudinal and structural differences among channel members. Attitudinal sources of conflict were found to be usually associated with disagreements about channel roles, expectations, perceptions, and channel communications; structural causes of intrachannel conflict could be divergence of goals pursued by the different channel members, drives for autonomy and control, and fights over scarce resources. The study indicated that attitudinal rather than structural causes of conflict are major generators of affective as well as manifest conflict within distribution channels.

The management of channel conflict resolution was investigated by Brown (57) within distribution channels for new cars. The results indicated that car dealers expend the most effort in resolving conflicts relating to those issues over which they have little or no control.

In a survey of nineteen manufacturers Rosson and Ford (58) found considerable support between levels of conflict and performance.

Using a path analysis approach, Schul, Lamb and Little (59) showed that there was an effect of satisfaction on conflict i.e when a franchisee was satisfied with his franchise arrangement, they tended to experience less conflict with the franchisor and vice-versa.

A causal modelling approach was adopted by Wilkinson (60). He found that coercive power was viewed as being affected by the level of conflict and the overall level of power of the channel member. Conflict was affected (inversely) by the degree of channel member satisfaction and power.

Domain dissensus and perceptual incongruity as causes of conflict were investigated by Ross and Lusch (61). The results indicated no significant relationships between either perceptual incongruities or domain dissensus and the level of conflict.

Schul, Pride and Little (62) examined the impact of different types of channel leadership behaviour on channel member perceptions of intrachannel conflict in a franchise distribution channel. The results indicated that conflict arising from both administrative and product-service issues diminishes when the franchisor is perceived to exhibit a leadership style emphasizing participation, support and direction.



The relationship between the level of conflict and certain business issues perceived by members of a marketing channel and the channel members' business goals were investigated by Eliashberg and Michie (63). These relationships were examined from the point-of-view of each of the dyadic parties involved. The results suggested that the relationships were not established similarly on both sides of the dyad. The relationship depended on the set of goals, the perceived conflict issues, and the measure used.

Dilts (64) in a study of a comparative, cross-channel examination of channel conflict, found that the level and nature of conflict experienced by retailers varied across channel structure.

Manifest conflict was negatively correlated with satisfaction in the preliminary findings of Arndt and Ogaard (65). Their study was a cross cultural study conducted in California and Norway of conflicts among dealers and manufacturers in the car industry of each country. They suggested that conflict results in dissatisfaction with the other party, opportunistic behaviour and similar opportunism attributed to the other party.

#### Research Methodology

The research reviewed above has been conducted in a variety of channel settings, predominantly in the USA. Mail questionnaire was the main data collection method, with personal interviews also important as a research method. The size of the sample surveyed varies significantly with eleven of the studies having more than 100 respondents.

## Model of Research into Channel Conflict

As suggested by Moore (66) this research can be integrated into a model of the current state-of-the-art of channel conflict theory (see Figure 2.3). A summary of the research is contained in Appendix 1 using the format developed by Gaski (67).

Empirical research has provided links between attitudinal sources of conflict, conflict management strategies, coercive and noncoercive sources of power and leadership behaviour and the various conflict states (perceived, felt and manifest). Little convincing work, however, had been done relating the outcomes of channel conflict to the business environment.

There are some links between conflict and performance which suggest that greater conflict leads to poorer performance and the more conflict found within the channel the more dissatisfied channel members are with the relationship.

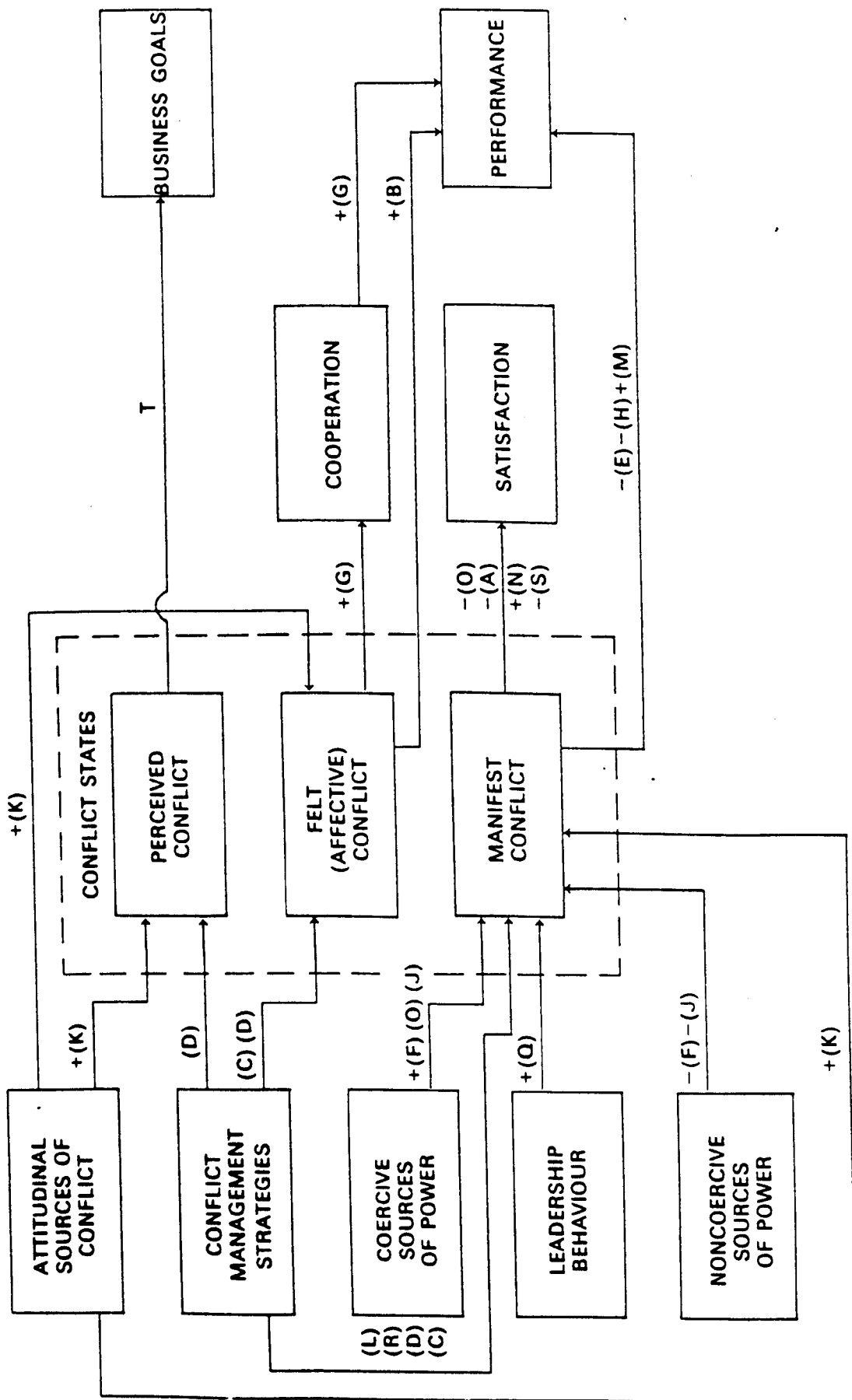


FIGURE 2.3 Model of Research into Channel Conflict: + = Positive relationship; - = Negative relationship; A = Rosenberg and Stern (1971); B = Pearson (1973); C = Stern, Sternal and Craig (1973); D = Hunger and Stern (1976); E = Lusch (1976a); F = Lusch (1976b); G = Pearson and Monoky (1976); H = Kelly and Peters (1977); J = Brown and Frazier (1978); K = Edgar (1979); L = Brown (1979); M = Rosson and Ford (1980); N = Schul, Lamb and Little (1981); O = Wilkinson (1981); Q = Schul, Pride and Little (1983); R = Dilts (1985); S = Arndt and Ogaard (1986); T = Eliashberg and Michie (1984).

## 2.4 Theoretical and Empirical Developments of Marketing Channel Satisfaction

Channel member satisfaction should be considered an important behavioural aspect of marketing channels because the intuitive view must be that increased levels of satisfaction will bring about greater rewards in terms of overall channel performance together with cementing the relationship over the longer-term.

Many channel relationships have been long term and some level of satisfaction must therefore be inherent within those relationships which suggests that a greater understanding of the satisfaction construct could lead to greater managerial awareness of the prerequisites of satisfaction. This improved awareness could be used to ensure that the satisfaction within existing channels or within new channel relationships is developed to ensure the long term viability of the relationships. With this in mind, it would seem appropriate to evaluate the present understanding of channel member satisfaction. This section provides a review of the conceptual and empirical developments of channel member satisfaction.

### Conceptual Developments of Channel Member Satisfaction

A comprehensive model of channel member behaviour that integrated much of the early empirical channel research was developed by Robicheaux and El-Ansary (1). In this they stated that:

"Control, performance, and satisfaction are inextricable in channel relationships ... Research suggests, in fact, that total channel performance can be improved via coordination (control). Good organisational performance tends to make channel members satisfied with their channel relations, and this satisfaction often stimulates even better performance."

They argued that channel performance and satisfaction were inter-related and put forward a number of propositions which highlighted significant aspects of the complex control - performance - satisfaction nexus.

El-Ansary (2) proposed a behaviour model of channel system performance which emphasised that satisfaction and dissatisfaction were determinants of performance and were determined by performance. The model developed by Michie and Sibley (3) showed satisfaction, together with performance and conflict, as primary outputs of channel behaviour.

A framework of inter-organisational exchange behaviour in marketing channels was developed by Frazier (4). This showed that the outcome of the overall exchange relationship was satisfaction or dissatisfaction and the level of satisfaction/dissatisfaction would be influenced by a variety of factors including rewards levels, perceived equity, goal compatibility and role satisfaction. High levels of satisfaction were predicted to have positive consequences for the relationship whilst dissatisfaction was predicted to have negative consequences for the relationship, such as heightened perceptions of goal incompatibility, high levels of conflict and low cooperation.

These early contributions to the conceptual development of channel member satisfaction were models that attempted to illustrate total channel member behaviour. The major output of these models was channel performance to which one of the inputs was channel satisfaction. However, these models did not attempt to define channel satisfaction.

Schul, Lamb and Little (5) defined channel satisfaction as a channel member's affective evaluations and attitudes associated with it. They argued that the results from previous studies suggested that a channel member's satisfaction may be affected by their evaluative perceptions of various aspects of the channel arrangement such as structure, leadership and autonomy. Anderson and Narus (6) used the Schul, Lamb and Little (7) definition but slightly modified; satisfaction was defined as a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm.

Researchers in fields outside of marketing, primarily organisational theorists and industrial psychologists, have looked at the satisfaction construct, particularly in relation to job satisfaction. Many of these researchers had concluded that job satisfaction was determined by a number of factors (see, for example, Herzberg (8), Smith, Kendell and Hulin, (9), and Schwab and Cummings, (10)) and that satisfaction was therefore a multi-dimensional construct. An empirical investigation into customer satisfaction with a firm required the customer to check against a number of characteristics of the firm which, when added together, gave an average rating of satisfaction for each firm (Pickle and Rungeling, 11).

Measurements for the job satisfaction of industrial salesmen (Churchill, Ford and Walker, Jr 12) also used a number of components or determinants of customer satisfaction. In a study of the determinants of customer satisfaction Churchill and Suprenant (13) proposed that satisfaction was similar to attitude in that it could be assessed as the sum of the satisfactions with the various attributes of the product or service.

These studies did not, however, attempt to define satisfaction. They did point the way, in that satisfaction was the domain of all the characteristics of a job or business which the person or organisation found satisfying.

Ruekert and Churchill (14) developed a definition of channel member satisfaction based on the conceptual approaches used by organisational theorists and industrial psychologists. Their definition for satisfaction stated:

". . . The domain of all characteristics of the relationship between a channel member (the focal organisation) and another institution in the channel (the target organisation) which the focal organisation finds rewarding, profitable, instrumental and satisfying or frustrating, problematic, inhibiting or unsatisfying."

This approach was further developed by Schul, Little and Pride (15) in which channel member satisfaction was defined as:

". . . a channel member's affective attitudes and feelings concerning the domain of characteristics describing the internal environment of the channel organisation and the relationships between the channel member and other institutions in the channel arrangement. Thus, channel satisfaction is conceptualised as an affective response of individual channel members towards salient aspects of the channel organisation."

### Empirical Developments of Channel Member Satisfaction

The major thrusts of empirical research into channel satisfaction have been attempts at establishing its antecedents as sources of power, conflict and channel performance. Researchers have also looked at, leadership, control, channel climate and cooperation. The following represents a brief summary of the major strands of this research effort.

#### Sources of Power

Hunt and Nevin (16) investigated whether franchisors who rely more on non-coercive sources of power and less on coercive sources will have franchisees who are more satisfied with the franchise relationship. They defined non-coercive sources of power as occasions when an individual willingly (rather than begrudgingly) yields power to another. Coercive power involves potential punishment if an individual fails to yield to an influence attempt.



The overall level of satisfaction of the franchisee with the franchisor was measured by asking the question what would a franchisee do "if he had it to do over again". The results found that a franchisees' satisfaction with the franchise relationship could be increased by relying more on noncoercive sources of power, such as providing higher quality assistance in the areas of equipment, site location, national advertising and product additions and deletions. The results also showed that franchisee satisfaction could be increased if the franchisor relied less on coercive sources of power such as control of the building or threats to revoke the franchise.

Lusch (17) believed that the operationalisation of the satisfaction construct by Hunt and Nevin (18) was 'crude', and therefore proposed that franchisee satisfaction should be based upon a domain of items over which the franchisee could be satisfied or dissatisfied with the franchisor. This research found that use of coercive sources of power by a franchisor decreased franchisee satisfaction, whereas the use of non-coercive sources were found to increase the satisfaction of a franchisee.

An overall satisfaction rating was used by Brown and Frazier (19) using a seven-point scale with "very dissatisfied" and "very satisfied" as the poles. Perceptions of the manufacturers' use of four explicit power strategies were correlated with the dealers' satisfaction with their channel relationship. The results of this research suggested that low dealer satisfaction with their channel relationships was associated with the frequent use of explicit power strategies which created resentment among the dealers.

Michie (20) tested the Hunt and Nevin model at the specific policy level within a channel. The specific policy chosen was that of warranty satisfaction. A significant relationship was shown to be present between the franchisees satisfaction with the warranty programme and the sources of power used in the administration of the programme. Franchisors were found to rely primarily on non-coercive sources of power.

Wilkinson (21), in a different approach, researched the satisfaction level of a firm with the performance of other firms within the channel based on the power used. Only weak support was found between the types of another firm's power to which a firm is subject and its satisfaction with that firm's performance. A modest relationship between non-coercive types of power and satisfaction appeared to exist.

A laboratory simulation was used by Dwyer (22) to show that a channel member's satisfaction was positively related to channel member B's perception of member A's power base.

Wilkinson (23) found strong correlations between non-coercive power and satisfaction in a study of a channel for the supply of bulk beer to hotels. No relationships, however, were found between coercive power and satisfaction.

The work from social exchange theory was used by Anderson and Narus (24) to develop a model of the distributor - manufacturer working relationships from the distributor's perspective.

Their model posited negative relationships between channel conflict and satisfaction and positive relationships between channel outcomes (defined as the standard of outcomes the distributor has come to expect from a given kind of relationship). Satisfaction was measured by using three questions: first a question to identify the respondents rating for the overall working relationship, measured on a seven-point scale ranging from 'very satisfied' to 'very dissatisfied'.

Second, a statement requesting respondents to agree or disagree; and finally a question asking whether the distributor would choose the manufacturer's product line if he were to do it over again. However, the research found that the conflict and satisfaction measures were not distinct from one another and therefore the conflict measures were reflected, termed measures of cooperation, and combined with the satisfaction measures to form a cooperation/satisfaction factor. The results of the analysis showed strong negative correlations between cooperation/ satisfaction and coercive power sources.

Michie and Sibley (25) in an examination of a farm implements franchise distribution channel established that franchisee satisfaction was: "(1) directly and strongly related to the helpfulness of non-coercive assistances, and (2) inversely and strongly related to the likelihood of punishment by coercive power employed by the franchisor."

Adopting a different approach Gaski & Nevin (26) investigated the relationship of channel member satisfaction with exercised coercive power sources compared to the presence only of coercive power sources. They concluded that the actual exercise of coercive power sources did seem to have a stronger negative effect on satisfaction than the presence only of coercive power sources. They also suggested that the exercise of noncoercive power sources (reward) had a more positive effect on dealer satisfaction than the presence only of noncoercive power sources.

Gaski (27) explored the relationship between the total effects of the use of reward and coercive power sources on power and dealer satisfaction. He found that reward power was not related to satisfaction, however, the other noncoercive sources of power (expert, referent and legitimate) did have a strong positive impact on satisfaction. He concluded that the net effect of reward on satisfaction was positive and that of coercion negative.

However, Howell (28) provided a critique of Gaski's methodology and analysis which centred on how the model developed by Gaski was originally specified. Howell reformulated Gaski's model and found that the results suggested that satisfaction was related directly only to the referent power source.

A further study of new car dealers was used to examine whether the manufacturer's use of coercion, as perceived by its dealers, was related negatively to its dealers overall satisfaction level (29). It was found that dealers expressed less satisfaction with the interim relationships and are more likely to consider dissolving the relationship when their manufacturers rely heavily on coercion.

Finally, a study of retail florists by Krapfell & Spekman (30) examined the satisfaction-performance linkage and the relationship between reward power and satisfaction. Reward power was found to correlate only moderately with satisfaction, while expert power did not. No significant correlates of retailer financial performance and satisfaction were found.

However, this study measured satisfaction with one overall measure: "overall I am quite satisfied with this relationship" and two further questions which were postulated as being measures of satisfaction but could be interpreted as measuring the respondents view of the future of the relationship.

### Conflict

In a study of manufacturers, distributors and dealers, Rosenberg and Stern (31) requested each organisation to evaluate the performance of both reciprocal firms on a five-point scale from "very satisfied" to "very dissatisfied". They also tested another aspect of the firm's satisfaction with the reciprocal members by obtaining a measure of the desire to change a given quantity of the policies and programmes of the firm's two reciprocal firms, scaled as "none, a few, about half, many, and all". They found that the greater one member's dissatisfaction with another's performance, the higher the level of conflict between them.

Schul et al (32) analysed satisfaction as both a dependent and an independent variable with conflict included as a primary dependent variable. Twenty three descriptive items were designed to measure franchisee's perceived satisfaction with the franchise arrangement. The results found that when the franchisee was satisfied with the franchise arrangement they tended to experience less conflict and vice-versa, thus supporting the hypothesis that a franchisee's satisfaction with the channel arrangement effects the level of intra channel conflict.

In a study of the supply of bulk beer to hotels, Wilkinson (33) found a correlation between conflict and satisfaction. Whilst the correlation was not strong it was in the expected direction (ie, negative).

Ruekert and Churchill (34) explored the relationships of retailers and wholesalers to their manufacturer (who made consumer batteries and ancilliary products). They used two measures of satisfaction: the first measure indirectly asked for the evaluation of the relationship via the intermediary's beliefs over 26 items, and the second measure asked for a direct evaluation of the relationship over 16 items.

Satisfaction was hypothesised by Stern and El-Ansary (35) to be related negatively to key conflict measures of role ambiguity and domain dissensus. Significant negative relationships were found between the satisfaction measures and the measures of role ambiguity and domain dissensus.

## Cooperation

Michie and Sibley (36) proposed a revised model of channel member behaviour in which competition becomes an alternative managerial strategy to cooperation, and conflict becomes an output of the strategic process together with satisfaction and performance. This model has a competition - cooperation continuum instead of the more traditional conflict - cooperation continuum.

The laboratory simulation conducted by Dwyer (37) addressed satisfaction and its relationship with cooperation of channel members. In this simulation they found strong correlations of satisfaction and a channel member's perception of the cooperativeness of the channel partners. Multi-item semantic differential scales were used to measure satisfaction and cooperation.

The literature on the subject of satisfaction and cooperation is further explored in Chapter 2.5.

## Channel Climate

Schul et al (38) explored the relationships between various factors stemming from the climate of the channel organisation and channel member's satisfaction with the channel arrangement. Channel climate was defined as the set of attributes of the channel organisation reflected in the evaluative descriptions channel members make of policies, practices and conditions which exist in the internal channel environment.

A 12-item descriptive measure was used to represent dimensions of the intrachannel climate. Franchisee's perceptions of the various elements of channel climate were found to be significantly correlated with various dimensions of channel satisfaction. In particular it was found that there was a high degree of significance between channel leadership and control and satisfaction. (One aspect of channel climate was the initiating structure which was defined as the degree to which a leader organises and defines the task environment, assigns functions to be performed, establishes networks of communication and evaluates performance ie, the behaviour of the channel leader).

### Channel Leadership

In the model of channel behaviour postulated by Robicheaux and El-Ansary (39) firms engage in a channel leadership process to intentionally affect specific decisions and activities of other channel members. Leaders strive to cause the others within the channel to act in a manner that contributes to the efficient running of the channel. As stated above, the initiating structure, proposed by Schul et al (40), is the degree by which the leader organises and defines the task environment. They posited that the higher the level of consideration exhibited by the channel leader toward channel members then channel satisfaction would be higher. Their research did establish a significant affect on channel satisfaction by the level of consideration exhibited by the channel leader.



## Channel Control

The Robicheaux and El-Ansary (41) model shows that channel control is determined by channel leadership ie, channel control results from the exercise of authority and/or sources of power. Control gives leaders the ability to predict others' behaviour and achieve outcomes in relation with other channel members. In its turn the effective and efficient performance of the channel is dependent upon the control of the channel and acceptable levels of channel member satisfaction.

English and Arnold (42) argued that the control process can lead to increased or decreased satisfaction within the channel; satisfaction being a major output of channel control together with increased effectiveness and increased efficiency.

In an examination of channel control, Skinner and Guiltinan (43) used two variables to measure the dealer's dependence on his manufacturer. The first was a measure on dependence for resources and the second was a measure of the dealer's satisfaction with the manufacturer's role performance. This measured 20 items on a 5-point Likert scale ranging from 'not at all satisfied' to 'satisfied to a great extent'. Correlations were strong for satisfaction measured to dependence on manufacturer and dealer perception of control.

## Channel Performance

The link between channel performance and satisfaction with the channel relationship has been assumed in the conceptual development of marketing channel satisfaction. Robicheaux and El-Ansary (44) conceptualised channel member satisfaction and organisational performance as two interdependent variables where effective and efficient performance was dependent upon acceptable levels of channel member satisfaction. El-Ansary (45), in a behavioural framework for channel system performance, argued that channel member satisfaction/dissatisfaction was a determinant of performance and was determined by performance. This satisfaction/dissatisfaction with the performance of the channel would affect the channel structure, policies and channel member behaviour.

Michie and Sibley (46) proposed a revised model of channel member behaviour which showed conflict, satisfaction and performance as being possible outputs of the relationships.

Empirical developments have tended to emphasise the conflict to performance relationship rather than satisfaction and performance. The study by Rosenberg and Stern (47) requested each organisation to evaluate the performance of firms on a five-point scale from "very satisfied" to "very dissatisfied". They found that the greater one member's dissatisfaction with another's performance, the higher the conflict level between them. Wilkinson (48) asked channel members to rate "how satisfied their own firm was with the performance of others in the same channel". A seven-point scale ranging from one (very satisfied) to seven (very dissatisfied) was used. This measure, however, assessed the satisfaction level to the performance of businesses external to the channel member. In a study of franchisee - franchisor relationships in the real estate brokerage industry, Schul et al (49) found that channel satisfaction was positively enhanced by higher levels of past performance (ratio of net profits to gross receipts), autonomy (the freedom that the channel member has to be his own boss) and initiating structure (the degree that the channel leader gives directive leadership).

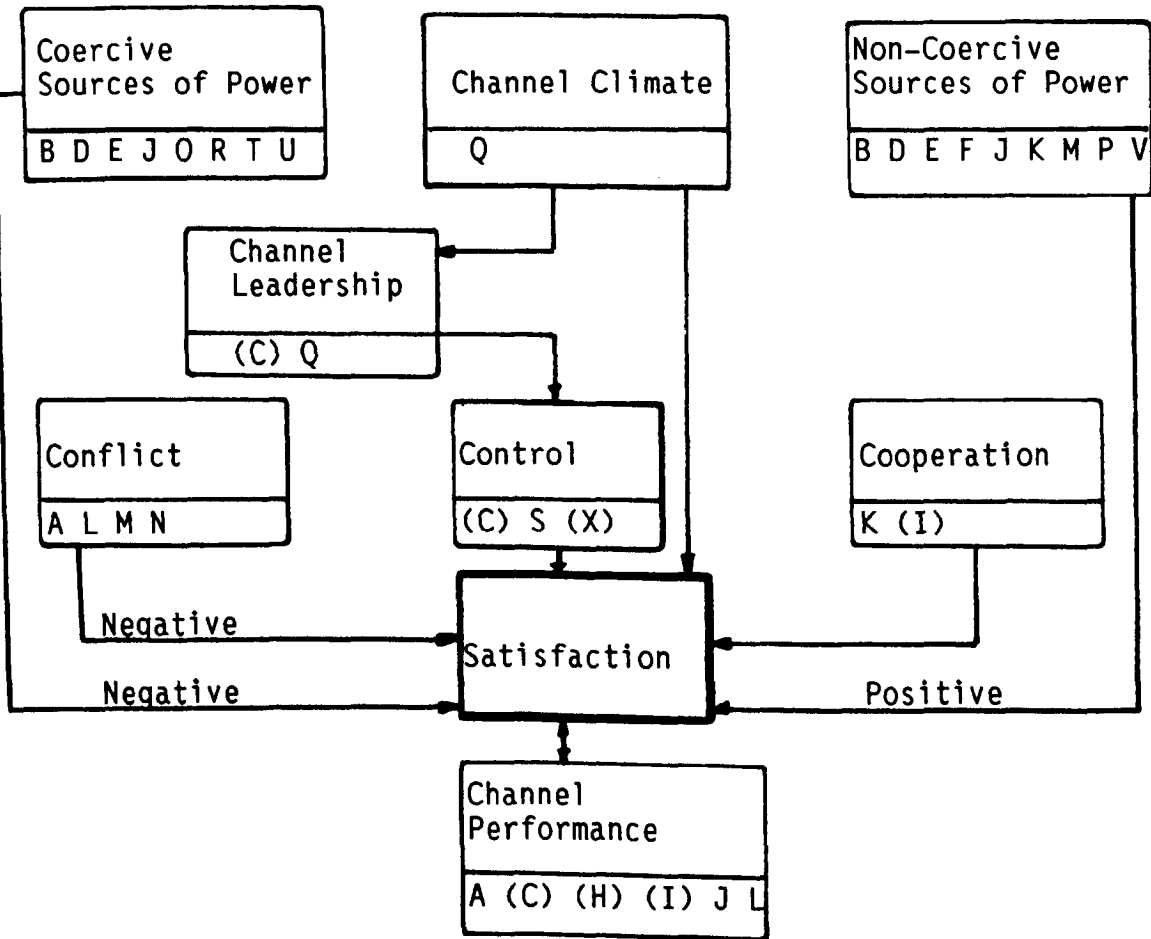
## The Integrated Model of Marketing Channel Satisfaction

The above-mentioned research can be blended into an integrated model of the conceptual and empirical developments of marketing channel satisfaction and is shown in Figure 2.4. This attempts to illustrate the present state of marketing channel satisfaction theory and reflects all the empirical contributions without criticism. The conceptual and empirical contributions are summarised in the appendix using the format developed by Gaski (50). The major empirical contributions in the literature have been those relating power within the channel to satisfaction. These contributions have concluded that coercive sources of power (ie, those sources of power that involves potential punishment if an individual fails to yield to an influence attempt) has a negative effect on satisfaction; the more coercive power is used in the channel, the less satisfaction will be within the channel. Conversely, the use of non-coercive sources of power (ie, those occasions when one channel member willingly yields power to another) have a positive effect on satisfaction. Likewise the research into channel conflict has shown that higher levels of channel conflict lead to reduced levels of channel satisfaction.

Channel leadership, cooperation and control have all been hypothesised as having significant affects on channel satisfaction, however, little empirical work has been done in this area.

It seems to be a truism that satisfaction of a channel member will be greater when the performance of the channel is high. The conceptual models developed in the literature all point to a link between satisfaction and performance.

Figure 2.4 – Model of Research into Marketing Channel Satisfaction



- |                                     |                                |
|-------------------------------------|--------------------------------|
| A = Rosenberg and Stern 1971        | M = Wilkinson 1981             |
| B = Hunt and Nevin 1974             | N = Ruekert and Churchill 1984 |
| (C) = Robicheaux and El-Ansary 1975 | O = Anderson and Narus 1984    |
| D = Lusch 1977                      | P = Michie and Sibley 1985     |
| E = Brown and Frazier 1978          | Q = Schul et al 1985           |
| F = Michie 1978                     | R = Gaski and Nevin 1985       |
| (H) = El-Ansary 1979                | S = Skinner & Gultinan 1985    |
| (I) = Michie and Sibley 1979        | U = Frazier and Summer 1986    |
| J = Wikinson 1979                   | V = Krapfel and Spekman 1987   |
| K = Dwyer 1980                      | (X) = English and Arnold 1987  |
| L = Schul et al 1981                |                                |

Note: Conceptual Developments shown in parantheses.

Probably the closest to come to defining the relationship of satisfaction and performance was El-Ansary (51) when he posited that channel member satisfaction/dissatisfaction was a determinant of performance and was determined by performance. The proposed model shows this approach by a linking arrow in both directions.

2.5

Channel Conflict, Competition and Cooperation

Cooperation in the Marketing Channel

There are divergent views of the relationship between conflict and cooperation in marketing channels. Pearson and Monoky (1) indicated that conflict and cooperation were at opposite ends of a single scale. Conflict and Cooperation were viewed as separate constructs in the model of channel behaviour proposed by Robicheaux and El-Ansary (2). Channel member behaviour was classified along a continuum ranging from cooperative to noncooperative behaviour with channel conflict being classified along a second continuum ranging from functional to dysfunctional conflict.

Stern (3) defined cooperation as behaviour that was joint striving rather than as a form of opposition:

"... It is the process of coalescing with others for a good, goal, or value of mutual benefit. Cooperation involves a combination of object-centred and collaborator-centred activity which is based on a compatibility of goals, aims or values. It can be either direct or indirect (explicit or implicit), and it is personal. Cooperation is activity in which the potential collaborator is viewed as providing the means by which a divisible goal or object desired by the parties may be obtained and shared".

Little empirical work has been done in the marketing channel context. The relationship between conflict, cooperation and performance in a channel of distribution was empirically examined by Pearson and Monoky (4). Their research operationalized conflict and cooperation by 30 adjectives - 15 strongly connotating conflict and 15 strongly connotating cooperation. Performance was defined as the ability of a grocery wholesaler to service its retail stores using the ratio of the number of orders filled to the total orders requested. The results indicated that high performance firms (those that could fill most orders) showed more cooperation in the channel than conflict. Low performance firms however showed more conflict than cooperation.

A study aimed at examining the relationship between channel cooperation and channel performance in the automobile industry found that the nature of the cooperation-performance relationship was dependent upon the particular issues being examined (5). For example, cooperation over factory issues (eg factory and cooperative advertising, dealer discounts, vehicle preparation allowances) was strongly related to dealers' sales volumes and their sales volume/planned volume ratios. However, this study assumed that the motivation for cooperation among channel participants was economic; behavioural motivations for channel cooperation were ignored.

Michie and Sibley (6) proposed a revised model of channel member relationships which shows competition and cooperation as two basic managerial strategies for the allocation of scarce resources in the channel system and to attain the goals of the system and its members. They showed conflict as a possible output of competitive and/or cooperative activity.



Sibley and Michie (7) defined marketing channel cooperation as:

"... the process of collaboration through the choice of policies, strategies, tactics, and actions by two or more organizations vertically linked in the marketing channel to achieve their mutually compatible goals".

Using a similar procedure to that in Pearson and Monoky (8), Ross and Lusch (9) conducted an empirical study into the relationship between two causes of conflict (domain dissensus and perceptual incongruity) and the level of both conflict and cooperation in the channel. They found that perceptual incongruities (as defined by assistances provided by brokers to wholesalers) and domain dissensus (absence of agreement between channel members over issues) among channel members was inversely related to cooperation in the channel.

Building on prior work, but incorporating the process by which cooperation develops through the exchange of resources necessary for the accomplishment of organizational goals, was the definition proposed by Childers and Ruekert (10).

"... cooperation is the expectation of a balanced exchange of the resources required to achieve both intraorganizational and interorganizational goals through joint action among two or more actors."

This definition included (i) the process of cooperation through the exchange of resources required, (ii) mutual effort as defined by the joint action among the parties, and (iii) the expectation that the exchange of resources will be balanced.

#### Competition in the Marketing Channel

The distinction between conflict and competition is explained by Schmidt and Kochan (11):

"... in the process both of competition and conflict, the goals are perceived to be incompatible and the units are striving respectively to attain goals. In this context, competition occurs where, given incompatible goals, there is no interference with one another's attainment. The essential difference between competition and conflict is in the realm of interference, or blocking activities".

Stern (12) argues that competition between two or more firms results in the firms contending for the same goals, or sets of goals (eg. sales, market share, customer loyalty, prestige) and this contention relates to a continuing struggle for scarce resources or values.

Conflict tends to be direct, personal and opponent-centred behaviour whereas competition tends to be indirect, impersonal and object-centred. Stern and El-Ansary (13) stated that competition was not simply defined by horizontal relationships, rather:

"... the relevant unit of competition is an entire distribution system comprising an entire network of interrelated institutions and agencies".

The difference between competition and conflict can be summed-up as:

"... one of parallel striving (competition) versus mutual interference (conflict) among parties trying to reach a position in which simultaneous occupancy is not perceived as possible". (14)

Little attention appears to have been focused on developing empirical measures of channel competition. Dwyer and Oh (15) investigated the impact of the warehouse home centre as a significant competitive threat to established channel systems. They found that the tactical actions taken by the threatened dealers in the face of competition was, firstly, the discounting on selected products, followed secondly by increased cooperation with wholesalers.

#### Summary

Little empirical work appears to have been done in the field of, marketing channel competition and cooperation. The conceptual work published by various marketing researchers is summarised in Table 2.2.

Table 2.2

A Summary of Key Definitions  
of Conflict, Competition and Cooperation  
in the Marketing Channel

<u>CONFLICT</u>	<u>COMPETITION</u>	<u>COOPERATION</u>
Very Direct <u>a/</u>	Indirect <u>a/</u>	Direct or Indirect <u>a/</u>
Highly Personal <u>a/</u>	Impersonal <u>a/</u>	Personal <u>a/</u>
Opponent-Centred <u>a/</u>	Object-Centred <u>a/</u>	Combination of Object Centred and Collaborator Centred Activity <u>a/</u>
Domain Dissensus <u>e/</u>		Domain Consensus <u>b/</u>
Goal Incompatibility <u>a/d/</u>	Goal Incompatibility <u>d/</u>	Goal Compatibility <u>b/c/</u>
Perceptual Incongruity <u>e/</u>		Perceptual Clarity <u>b/</u>
Interference/Blocking <u>d/</u>		Mutual Benefit <u>a/</u>
		Norms of Evaluation <u>b/</u>
		Norms of Exchange <u>b/</u>

**Key:**

a/ Stern 1971

b/ Childers and Ruekert 1982

c/ Sibley and Michie 1982

d/ Schmidt and Kochen 1972

e/ Ross and Lusch 1982

The distinction between cooperative or competitive managerial strategies as applied to a marketing channel consisting of an exporting manufacturer and his overseas intermediary is summarised in Table 2.3.

A cooperative strategy for managing such a channel by an exporting manufacturer would likely consist of having intermediaries who had sole agency to sell the product, the intermediary may represent only the one manufacturer in the territory or few manufacturers and the manufacturer would only sell through the intermediary. A competitive strategy, however, would have the intermediary representing many principals, selling many competing product lines; the manufacturer would sell direct to key customers as well as selling through his appointed intermediary. Market knowledge of both participants, the coordination of channel members and the stability of the relationships would be high for members in a cooperative channel but low in a competitive channel.

The exporting manufacturer would possibly give responsibility for a large territory to an overseas intermediary (assuming the intermediary had the resources to cover the territory) in a cooperative environment, whereas in a competitive environment the manufacturer would employ a number of intermediaries and split the territory into smaller sizes. It would also be likely that disagreements over the size of the territory would be lower in a cooperative channel environment than in a competitive environment.

Communications between channel participants would be low in a channel adopting a competitive strategy compared to that of a channel using a cooperative strategy.

Table 2.3

A Comparison of Competitive and Cooperative  
 Managerial Strategies in a Marketing Channel  
Consisting of Exporting Manufacturer and Overseas Intermediary

<u>COOPERATION</u>		<u>COMPETITION</u>
Intermediary		Intermediary sells
has sole agency	Product	competitive product lines
Intermediary represents		Intermediary represents
one principal	Distribution Policy	many principals
Manufacturer only sells		Manufacturer sells direct
through intermediary	Selling Policy	to customers and through intermediary
High	Market knowledge of both Channel Participants	Low
High	Coordination between Participants	Low
High	Relationship Stability	Low
Large	Territorial Size	Small
Few	Number of Intermediaries in one country acting for Manufacturer	Many
Low	Disagreements over size of territory	High
High	Communications between Participants	Low

***PART II***

*Research Design, Implementation and Survey Analysis*

## CHAPTER 3

### RESEARCH DESIGN

#### Research Objectives

The research objectives are based on the following hypotheses:

Hypothesis 1 - The level of manifest conflict between a principal and his overseas intermediary is directly related to the following marketing mix variables.

- size of orders
- size of inventory
- the handling of dissatisfied customers
- new product development
- meeting delivery dates
- pricing
- promotional support.

Hypothesis 2 - The level of manifest conflict between an overseas intermediary and his principal is directly related to the following marketing mix variables:



- size of orders
- size of inventory
- the handling of dissatisfied customers
- new product development
- meeting delivery dates
- pricing
- promotional support.

Hypothesis 3 - A principals satisfaction with an overseas intermediary is directly related to the following marketing mix variables.

- amount of time agent/distributor spends selling the product
- knowledge of products
- customer follow-up
- market information
- knowledge of the territory
- level of sales
- commission arrangements
- level of investment
- communications
- order handling
- logistics
- sales forecasting
- market planning
- contract terms
- payment terms
- handling of bureaucratic hassles

- the use of business connections
- influencing purchasers.

Hypothesis 4 - An overseas intermediaries satisfaction with a principal is directly related to the following marketing mix variables:

- products asked for by customers
- products are a good growth opportunity
- products are well known by customers
- product performance compared to competition
- manufacturers knowledge of territory
- sales targets
- promotional material
- margins
- communications
- helpfulness and organization of manufacturer.

Hypothesis 5 - A principals satisfaction with an overseas intermediary is directly related to the level of manifest conflict within the relationship.

Hypothesis 6 - An overseas intermediaries satisfaction with a principal is directly related to the level of manifest conflict within the relationship.

Hypothesis 7 - A principals satisfaction with an overseas intermediary is directly related to the principals perceptions of past performance.

Hypothesis 8 - An overseas intermediaries satisfaction with a principal is directly related to the overseas intermediaries perceptions of past performance.

Hypothesis 9 - A principals satisfaction with an overseas intermediary is *inversely* related to the uncertainty within the relationship.

Hypothesis 10 - An overseas intermediaries satisfaction with a principal is *inversely* related to the uncertainty within the relationship.

Hypothesis 11 - Six relationship development states are found in manufacturer - overseas intermediary exporting channels: new, growing, troubled, static, declining and terminated.

## The Sampling Frame

It was extremely difficult to find accessible ways of identifying U.K. exporting manufacturers and their overseas intermediaries. A number of alternatives were pursued and are summarised as follows:

### . Alternative 1 - British Overseas Trade Board

The BOTB was approached with a request to supply a list of U.K. exporting manufacturers and their West German agents or distributors. The BOTB could only supply lists of potential agents; these lists were by product category, i.e. potential agents for roof racks was one listing, another was potential agents for computer games. These lists are generally prepared by the British Embassy or other diplomatic post in the country selected and form part of the BOTB's Export Representative Service.

### . Alternative 2 - British Chamber of Commerce in Germany

The BCCG was able to identify potential agents and distributors for specific products in West Germany. However, their service was restricted to firms offering (or seeking) agencies or manufacturing licenses. They were therefore unable to provide lists of West German agents and their U.K. manufacturers.

. Alternative 3 - British Export Houses Association

The BEHA is an independent trade association representing some 200 U.K.-based exporting companies. Members act as international traders and merchants, export managers, buying houses, confirming and export finance houses. They were unable to provide lists of Export Houses dealing with particular markets.

. Alternative 4 - The Essex Export Agency

The Essex Export Agency is a joint venture by Essex County Council, the British Overseas Trade Board and commercial sponsors. Its objective is to encourage and help Essex firms to export their products. They were, however, also unable to provide lists of Essex firms and their West German agents or distributors.

. Alternative 5 - Kelly's U.K. Exports directory

This directory lists companies which are exporting from the U.K. together with their overseas intermediaries in Europe.

It appeared that the only viable alternative was alternative number 5 - Kelly's U.K. Exports directory (1). This directory listed, alphabetically, some 14,300 U.K. exporters and firms who provide a service to exporters. Many of these entries included details of the UK firms' local overseas intermediaries.

However, these entries did not identify whether the overseas intermediary was an agent or distributor. The marketing literature defines agent in a number of ways (2). The most important type of agent is the Commission Agent, who does not hold stock, but passes on orders to his principal, who then delivers the goods direct to the customer. This type of agency is particularly appropriate for industrial goods. Distributors are customers who have been granted exclusive or preferential rights to purchase and re-sell the manufacturers products in a specified market. West Germany has both commission agents and distributors (3). In this research no distinction was made between agents or distributors; the importance being that a company was based in West Germany and was representing a UK exporting manufacturer.

The method of selecting the sample was systematic sampling, using stratification. Systematic sampling was used because the sampling frame was a register of company names and addresses arranged in alphabetical order. Stratification of the sample was achieved because the companies selected were required to be in the business of manufacturing products; companies in service industries were not included. U.K. manufacturing companies were only selected if they had an overseas intermediary located in West Germany. The entries in the directory also showed (in most cases) the type of product area the U.K. firm operated in. This allowed the U.K. exporting manufacturers with overseas intermediaries located in West Germany to be further sub-divided into industrial or consumer product types. The directory was therefore used to identify a total of 616 manufacturers with overseas intermediaries located in West Germany.

Of this number, 125 were consumer manufacturers and 491 were industrial manufacturers. In order to support a cross-industry research design, it was decided to sample all the consumer companies (125) and to randomly select 125 industrial companies from the total of 430 (60 being required for the pilot survey). The final spread of the selected companies across the various industrial groups is shown in Table 3.1.

As can be seen from Table 3.1 not all industrial groups were represented because there were no companies in the directory that fell into these categories. The spread of companies was biased towards manufacturers of equipment on the industrial side, with food, textiles and wearing apparel being high on the consumer side. Ideally a sample frame matrix would have been developed which could have a specified number of companies included in each cell thus ensuring all industrial groups were covered. Unfortunately this was not possible in the present research because the selected method of sampling did not allow for this.

The final sample frame consisted of 250 U.K. exporting manufacturers (125 in the consumer market, 125 in the industrial market) together with their (250) overseas intermediaries located in West Germany. The sample frame total of 500 was established because of financial constraints for the administration of the survey.

The following methodological limitations were found when developing the sampling frame:

Table 3.1

Industrial Groups of UK Exporting Manufacturers  
in the Sampling Frame

<u>Industrial Groups</u>	<u>Consumer</u>	<u>Industrial</u>	<u>Responses Received</u>
03 Horticulture	-	-	-
20 Food and Tobacco	15	1	8
21 Beverages	-	-	-
22 Leathers, Furs, Footware	3	-	1
23 Textile Industry	15	3	4
24 Wearing Apparel	15	-	6
25 Wood and Cork Products	-	-	-
26 Furniture	7	-	-
27 Cellulose, Paper and Board Industries	3	2	-
28 Printing and Publishing	5	2	3
29 Rubber Products	1	6	5
30 Plastics Products	5	4	-
31-32 Chemical and Oil Products	3	15	5
33 Non-Metallic Mineral Products	3	5	2
34 Basic Metal Industries	-	5	-
35-36 Metal Industry	12	18	10
37 Electrical Equipment	8	19	8
38 Precision Equipment	4	10	9
39 Transport Equipment	5	4	3
40-41 Hydraulic Equipment	3	10	5
42 Chemical, Rubber, Plastic Equipment	-	3	3
43-44 Textile, Clothing, Leather Equipment; Pulp and Paper	-	6	1
45 Mining and Quarrying; Oil and Gas Equipment	-	6	-
46 Heavy Industry, Metal Work Equipment	-	-	-
47 Metal and Woodwork Machines; Machine Tools	-	6	3
49 Watches, Jewellery, Souvenirs, Toys, Camping and Life Saving Equipment	8	-	5
	125	125	81



1. The sample frame was restricted to those companies that had an entry in the directory. Entries in the directory were paid for by the company. This resulted in few examples of manufacturers who were new to exporting (because, in most cases, it was likely the manufacturer was already exporting when he placed an entry in the directory).
2. Systematic sampling (i.e. sampling from a list) does not give all possible samples of size  $n$  from the population of size  $N$  an equal chance of selection because once the sampling fraction is determined the random selection of the starting point determines the whole sample.
3. Stratification was restricted to U.K. exporting manufacturers with overseas intermediaries located in West Germany. Finer stratification, for example, by business activity or size (by number of employees or annual turnover) was not possible due to the nature of the information held in the directory.
4. A number of U.K. exporting companies had agents or distributors who represented these companies in West Germany. However, these agents or distributors were themselves not located in West Germany (many were located in Holland, France or the U.K.). These firms were therefore not included in the sampling frame.
5. The directory made no clear identification between agents and distributors and wholly owned subsidiaries. In those cases where the name of the subsidiary was clearly the name of the parent company, the entry was omitted from the sampling frame.

## Questionnaire Design

The nature of the research project meant that two different questionnaires had to be developed. The first questionnaire was for the U.K. exporting manufacturer and the second, which had to be translated into German, was for the West German agent or distributor of the U.K. firm.

The questionnaire for the U.K. manufacturers was divided into two sections; the first section being of a general nature to establish the extent of the firms exporting activities and the process by which the manufacturer finds overseas intermediaries. The second section specifically referred to the firm's overseas representatives in West Germany.

The first section included questions requiring rank order response. For example, which export markets are important to the firm, and 5-point Likert scale to measure the objectives of visits to overseas intermediaries. The respondent was then referred to the second section of the questionnaire if he exported to West Germany. This section included questions requiring rank order response and 5 and 7 point Likert scales.

The questionnaire for the West German agents and distributors followed a similar structure to that of the U.K. manufacturers. A shorter, first section, requesting the agents'/distributors' years in business, principle countries represented, and number of principals represented. The respondent was then referred to the second section if he represented principals from the U.K.

As with the U.K. manufacturers' questionnaire, this used a combination of rank order and 5/7-point Likert scales.

A concern was identified during the development of the questionnaire that a manufacturer could have more than one agent or distributor. Indeed, the BOTB suggests in their literature that because West Germany is a Federal Republic, a number of agents or distributors need to be appointed to cover each state (4). It was important, therefore, to distinguish between appointed agents and to attempt to structure questions that would require an answer for each agent or distributor representing the U.K. principal. It was hoped that, in this way, responses would relate to a specific agent or distributor and would not be the U.K. principal's "average" for all the West German agents and distributors that were representing him. This concern also applied to the West German agents and distributors who could be representing more than one U.K. principal. The questionnaires were therefore designed to allow the respondent to answer for up to six agents or distributors or U.K. principals. (These responses were later summed during the data analysis stage.) A request was made to the respondent that "In the following questions please answer in respect of each of your Agents or Distributors by indicating in the boxes marked Agent/Distributor A-F" (or U.K. manufacturer for the West German questionnaire). The consequence of this approach, however, was to extend the length of the questionnaire. The literature suggests, however, that questionnaire length has no significant effect on response rates (5).

## Questionnaire Translation

The questionnaire for the West German agents or distributors had to be translated from English into German. The researcher's knowledge of German was limited and therefore translation assistance was obtained from a member of the academic staff who was a German national.

The first step in the translation process was to ensure that the translator had sufficient background knowledge of the research project to be able to understand the context of the questionnaire. This was an important step to help the translator to provide an effective translation.

In developing the English version of the questionnaire it was important to recognise that the quality of the written English would also help the translation process. Brislin, Lonner and Thorndike (6) reviewed a number of studies in which investigators examined the qualities of written English that translated both poorly and well. The result of this review allowed the authors to develop ten rules that would help researchers write translatable English:

1. Use short, simple sentences of less than 16 words.
2. Employ the active, rather than the passive voice.
3. Repeat nouns instead of using pronouns.
4. Avoid metaphors and colloquialisms.

5. Avoid the subjunctive modes, for example, verb forms with could or would.
6. Avoid adverbs and prepositions telling 'where' or 'when' (eg.: frequent, beyond, upper).
7. Avoid possessive forms where possible.
8. Use specific rather than general terms (eg: the specific animal, such as cows, chickens, pigs, rather than the general term 'livestock').
9. Avoid words which indicate vagueness regarding some event or thing (eg: probably and frequently).
10. Avoid sentences with two different verbs if the verbs suggest different actions.

The procedure adopted for the translation of the questionnaire is known as the Back-Translation Technique.

In summary, this technique requires that the researcher writes a set of questions in his own language. Two bilinguals are then employed. One translates the questionnaire into the target language (in this case German), and the second blindly translates back from the German to the English. The researcher then has two versions of the questionnaire in the original language which, if they are identical, suggest that the translated questionnaire is equivalent to the original language form.

The Back-Translation Technique is developed in a seminal article by Brislin (7) and is summarised in Figure 3.1.

In this case, the member of the academic staff translated the original English questionnaire into German. The questionnaire, in German, was then passed to a German national residing in Germany. The questionnaire was then translated back into English. This translated version of the questionnaire was compared to the original English version and the differences analysed. A number of minor modifications were made to the questionnaire. The covering letter used in the mailing, and a follow-up letter, were also translated using this technique.

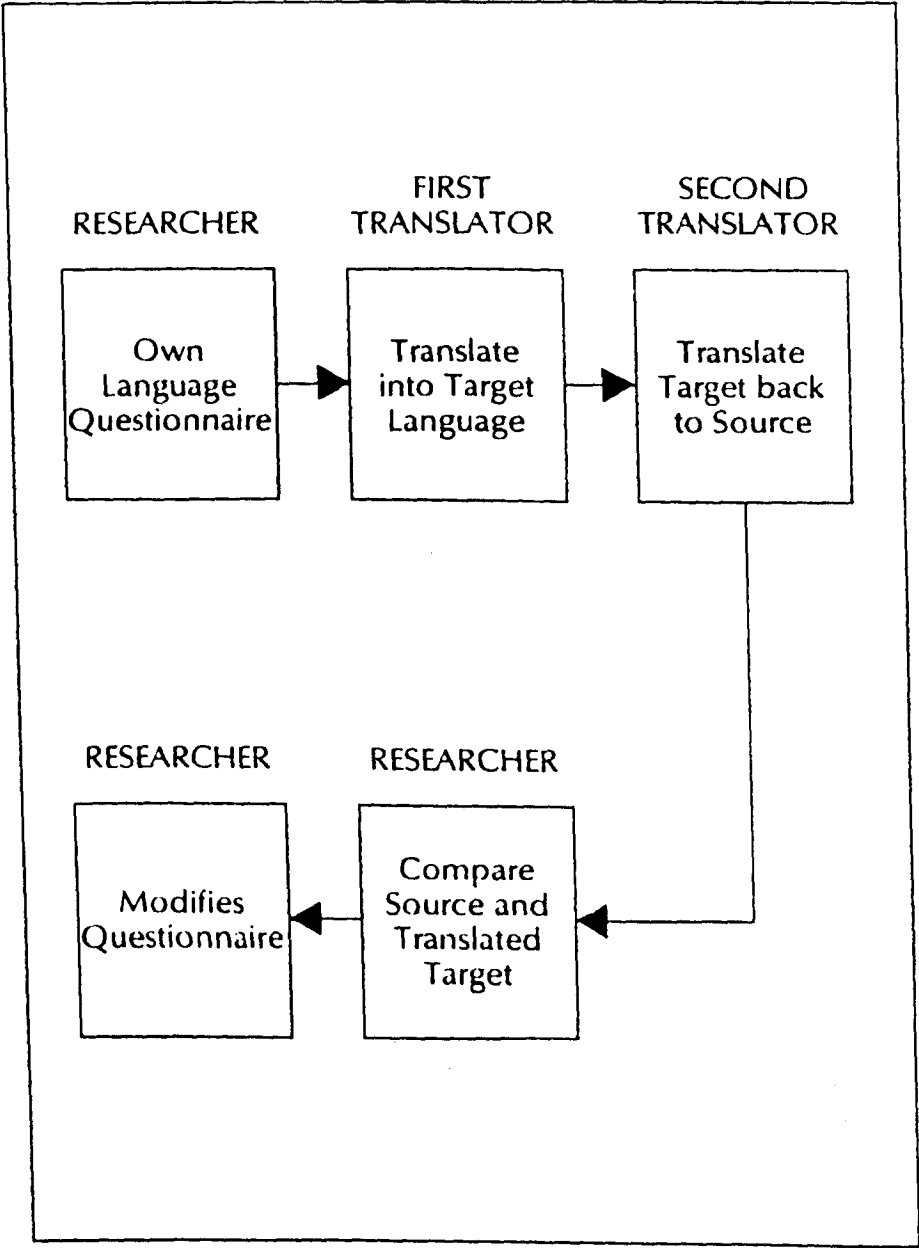
### The Pilot Survey

A two stage pilot survey strategy was established; the first stage was to pilot the U.K. manufacturer questionnaire. The West German agents/distributors questionnaire was very similar in structure to the U.K. manufacturer questionnaire and therefore it seemed more cost-effective to finalise the English questionnaire prior to the translation of the German questionnaire. This would enable any modifications required to be incorporated into the German questionnaire prior to translation. The second stage was, therefore, to pilot the German questionnaire.

#### Stage 1

Ten U.K. exporting companies were selected who had agents or distributors in West Germany.

Figure 3.1 A Model of the Back-Translation Process



The questionnaire was mailed on March 3, 1987 with a covering letter and enclosing a stamped-addressed envelope for the return of the completed questionnaire. Each letter was personally signed and was addressed to the marketing director of the U.K. company. The anonymity of the individual respondent was safeguarded, although a request was made for the name and address of the company, as well as the respondent.

A follow-up letter, dated March 26, 1987, enclosing a second copy of the questionnaire and a further self-addressed reply-paid second-class return envelope was sent.

Only six responses were received from the ten questionnaires mailed; only one company had fully completed the questionnaire. Following the disappointing results of this initial pilot survey, it was decided to conduct a second pilot survey using a larger sample. Fifty companies were selected. This second phase incorporated a major change. The questionnaire was printed 'back-to-back' which achieved a perceived reduction in it's length (nine sheets of paper instead of the previous one-sided seventeen).

The second phase was mailed on June 9, 1987, using the same covering letter as mentioned above. However, due to the cost of the fifty mailings, no follow-up letter was sent. The last completed questionnaire was received on July 23, 1987. Thirteen fully completed responses were received.

A number of revisions were proposed to the final questionnaire following the pilot survey. These revisions included:



- the addition of a number of questions;
- revising the format of some questions;
- adding item numbers to some questions to facilitate ease of completion;
- box-in some answer areas, again, to facilitate ease of completion;
- add coding instructions.

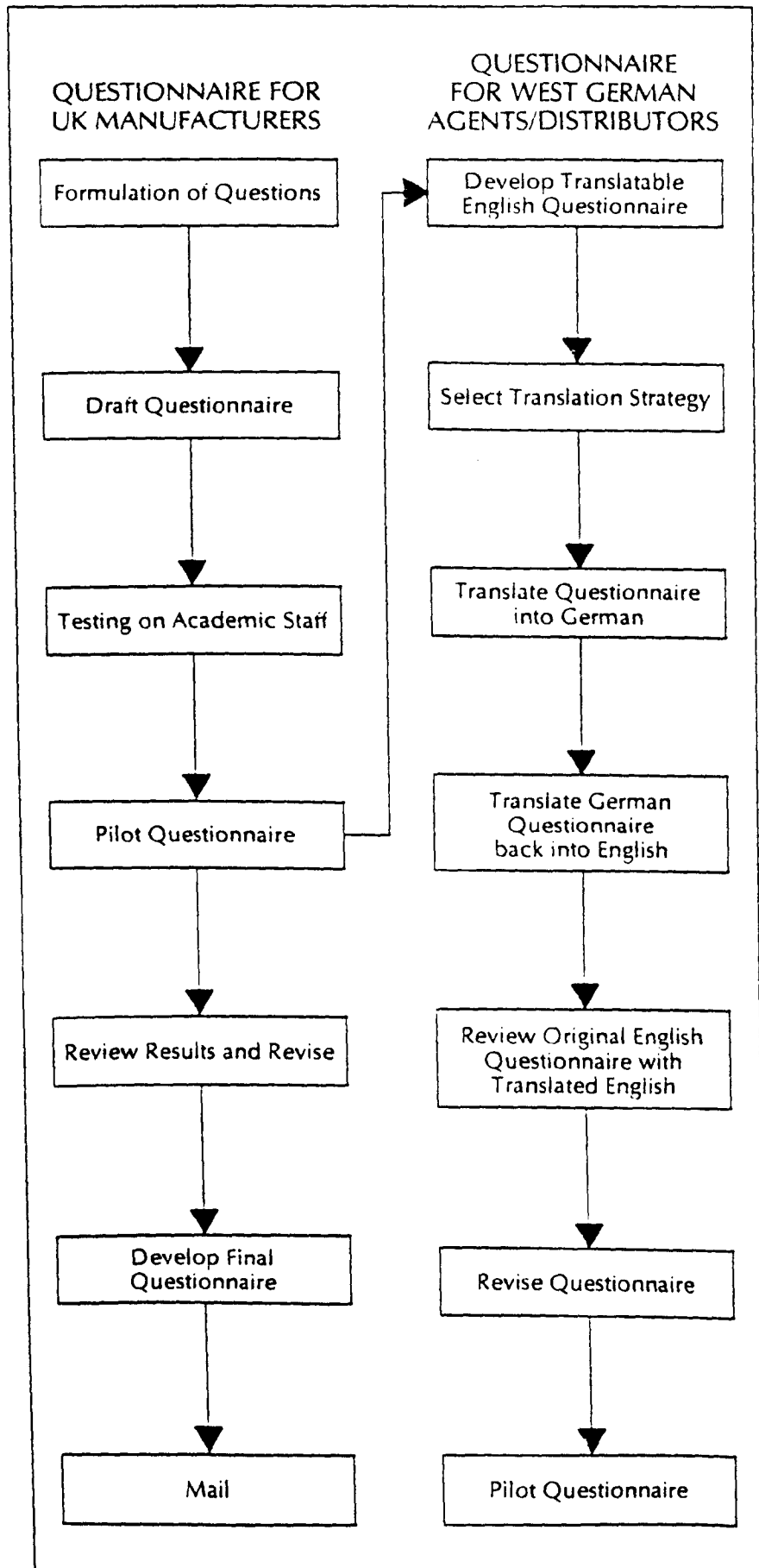
The final questionnaire and covering letters are shown at Appendix 3.

## Stage 2

The German questionnaire, which at this time had not been translated, was amended to incorporate a number of revisions found during the pilot survey of the questionnaire for the U.K. manufacturers. The questionnaire for the West German agents and distributors was then translated following the procedure outlined above and summarised in Figure 3.2.

The West German agents for the thirteen responding U.K. manufacturers (in Stage 1 above), were selected for the pilot survey of the translated questionnaire. It was accepted that the pilot survey of West German agents and distributors was a small sample because it was believed to be important to obtain responses from agents and distributors for which a corresponding response had been received from the U.K. manufacturer. Out of the thirteen questionnaires mailed, three responses were received. (This stage of the pilot survey was conducted in February/March, 1988). A number of revisions were made to the final questionnaire following a review of the responses received. The final questionnaire and covering letters are shown at Appendix 4.

**Figure 3.2 Constructing and Developing a Cross-Cultural Mail Questionnaire**



### The Questionnaire Mailing

The final U.K. and German questionnaires were accompanied by a covering letter and a stamped addressed envelope. The covering letter and the front page of the questionnaire both carried the name and address of the Middlesex Business School. Peterson (8) observed that the most influential factor for increasing response rate was the source of the questionnaire; a university source increased the response rate and quality (but decreased the speed of response) compared to a business source.

The collection of the data from the UK manufacturers was based on the key informant approach. The appropriate respondent was identified through a cross-check with other trade directories which established the appropriate executive to whom the questionnaire should be addressed. In those cases where an appropriate executive could not be identified the envelope was addressed to the Export Sales Manager. The shortcomings of the key informant approach are many (9), however, its use in this research appeared reasonable because the exporting firm's decision making unit for exporting is usually simple and often consists of only one individual (in the case of the smaller companies it is the managing director). Over half of the respondents comprised managing directors, export managers and sales and marketing directors (Table 3.2).

Table 3.2

Responding Executive - UK Manufacturers

n = 81

<u>Executive</u>	<u>Number</u>	<u>Percentage</u>
Managing Director	17	21
Export Manager	15	18.5
Sales and Marketing Director	14	17.4
Sales and Marketing Manager	9	11
Others (including Finance Director, Manager)	9	11
Export Director	6	7.4
Director	5	6.2
Marketing Director	4	5
Commercial Director	2	2.5
	<hr/>	<hr/>
	81	100

The key informant approach was also used for the West German agents and distributors. The approach was also considered reasonable in this research because the agents and distributors are generally small businesses with some 42 percent of the respondents being the owner of the business and a further 35.6 percent being the managing director (Table 3.3).

Table 3.3

Responding Executive - West German Agents and Distributors

n = 57

<u>Executive</u>	<u>Number</u>	<u>Percentage</u>
Inhaber (Owner)	25	42.6
Geschäftsführer (Managing Director)	21	35.6
Verkaufsleiter (Sales Manager)	10	17
Finance Manager	1	1.6
General Manager	1	1.6
Product Manager	1	1.6
	<hr/>	<hr/>
	59	100

As with the pilot survey, the anonymity of the individual respondents was safeguarded, although a request was made for the name and address of the company as well as the respondent, so that a check could be made on the representativeness of returns, and a list could be formulated of those companies which requested a copy of the findings (most respondents requested a copy of the findings).

The necessity of prepayment of postage on the return envelope is generally accepted (10). The cost advantages of using the Royal Mail Freepost Services were reviewed for use with the U.K. questionnaire.

It was estimated that for this project it did not offer a significant saving versus putting a second-class postage stamp on each envelope. However, upon completion of the survey, an analysis of the actual costs of the mailing plus follow-up compared to the Freepost service (license fee plus premium on normal postage charge), indicated that the Freepost service would have been some two-thirds the cost of using normal postage. Future researchers and students are commended to carefully review the cost benefits of this mailing service for surveys conducted in the U.K.

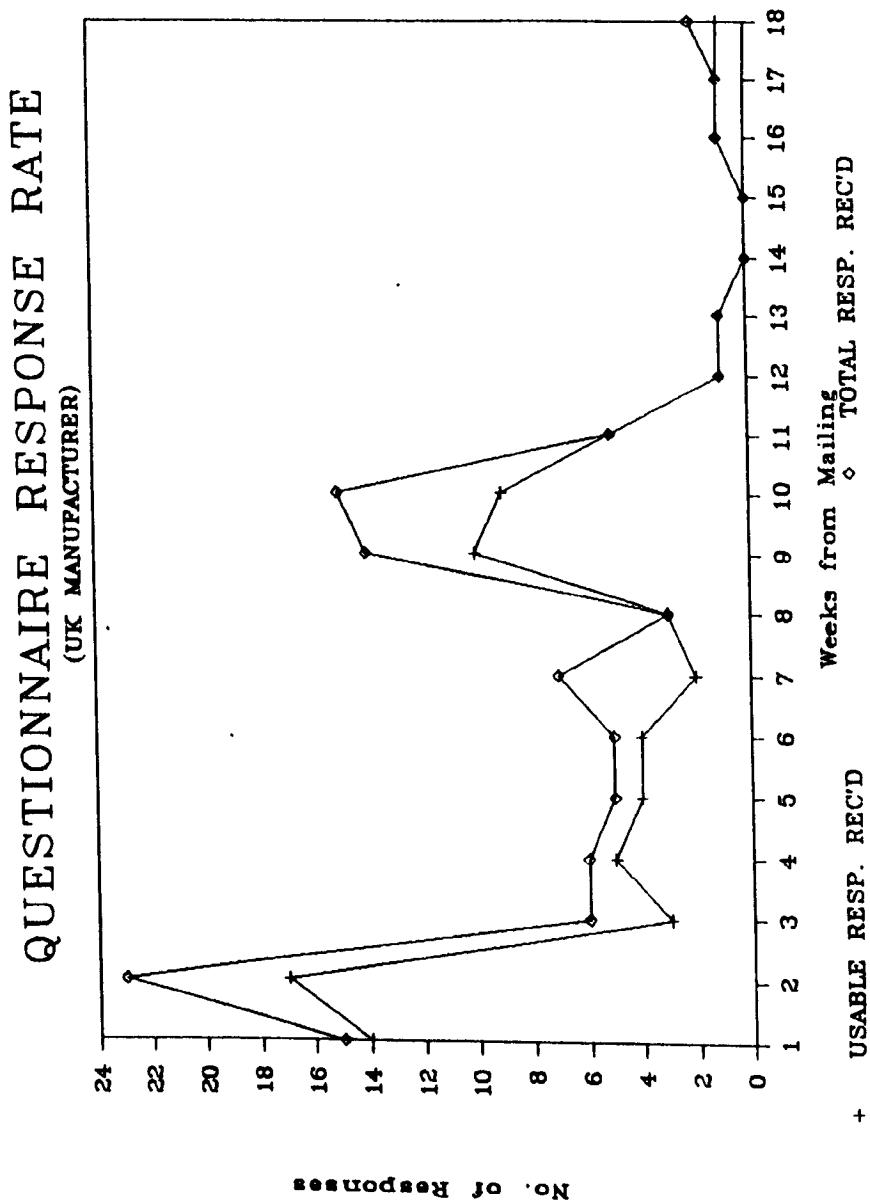
It was established that the cost of the return letter for the German questionnaire would be DM 0,80, and return envelopes were stamped accordingly. However, it was found that some of the returns had additional stamps added to the envelope. Indeed, one respondent wrote (in English) "You want our help - here it is. BUT, you should know that posting a letter of 44 gms is DM 1,80 and not DM 0,80. It is not DM 1,0 which makes me write this, but your attitude. Typical for the U.K.". This was despite the fact that the researcher had made a personal visit to the main post office in Cologne to establish the exact cost, and to buy the necessary stamps.

### Response Rate and Quality

#### U.K. Exporting Manufacturers

Figure 3.3 illustrates the response rate, and two response waves can be identified.

Figure 3.3



QUESTIONNAIRE RESPONSE RATE (UK MANUFACTURER)

WEEKS FROM MAILING	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	Total
TOTAL REC'D	15	23	6	6	5	5	7	3	14	15	5	1	1	0	0	1	1	2	110
Thereof																			
USABLE	14	17	3	5	4	4	2	3	10	9	5	1	1	0	0	1	1	1	81
NON RESPONSE	1	6	3	1	1	1	5	0	4	6	0	0	0	0	0	0	0	1	29

TOTAL 250  
 % of total 44.00%  
 (i) Rec'd 32.40%  
 (ii) Usable

The initial mailing for the U.K. manufacturers was made on February 25, 1988, with follow-up telephone calls to 72 manufacturers being made in the period March 15, 1988 through to March 29, 1988. 34 usable questionnaires had been returned by March 14, 1988. Ideally, every non-responding manufacturer should have been contacted by telephone; the researcher for this project had a limited budget and a decision was taken to telephone one third of the outstanding manufacturers, ie. a total of 72. The analysis of these 72 telephone calls is shown in Table 3.4

Table 3.4

Telephone Follow-Up of Initial Mailing - UK Manufacturers

Reason for Non-Response

Not Company Policy	46	(64%)
Send Another Copy	16	(22%)
Telephone No. Unobtainable	8	(11%)
Response already sent	2	(3%)
	—	
Total	<u>72</u>	(100%)



64 per cent of those companies telephoned stated that it was not company policy to complete questionnaires; 22 per cent requested another copy of the questionnaire be sent; 11 per cent had telephone numbers which were unobtainable, and two companies stated that they had already replied. For those companies who requested another copy, an individual letter was typed to the specific person, referring to the telephone conversation, requesting them to complete the replacement questionnaire. A total of eight completed questionnaires was finally received from these 72 companies. A follow-up mailing was sent out to all non-responding manufacturers (but not to the 16 who had already received replacement questionnaires, as a result of the telephone follow-up) on April 21, 1988. The last completed questionnaire was received on June 27, 1988, eighteen weeks after the initial mailing.

The follow-up mailing consisted of a letter, a replacement questionnaire, and another stamped addressed envelope. Von Riesen (11) established that replacement questionnaires accompanied by another covering letter and return envelope gave better results than a postcard follow-up.

The total response to the initial mailing and follow-up mailing was 110; 81 usable questionnaires were received, together with 29 letters of non-response. Table 3.5 summarises the reasons for non-response. As companies paid for entries in the directory, and only companies with a West German agent or distributor were selected, it was disappointing to receive non-responses that stated the company was not exporting or did not have an overseas agent or distributor. This may, however, have been a convenient way of rejecting the questionnaire.

Table 3.5

Non-Response Letters Received from U.K. Exporting Manufacturers

REASON FOR NON-RESPONSE

Not Company Policy	11
Questionnaire too long/complex	5
Not exporting	5
Returned Address Unknown	3
Do not have overseas agents/distributors	4
Do negligible exporting	1
	—
Total	<u>29</u>

The 81 usable responses represented an effective survey response of 32.4 percent. An analysis of the marketing literature for domestic marketing channels (mainly in the USA) indicated an average usable response rate of some 29 percent. Although the response rate compares favourably to the average, Jobber and Saunders (12) highlighted the possibility of a low response rate when using a mail survey as a data collection instrument for industrial populations.

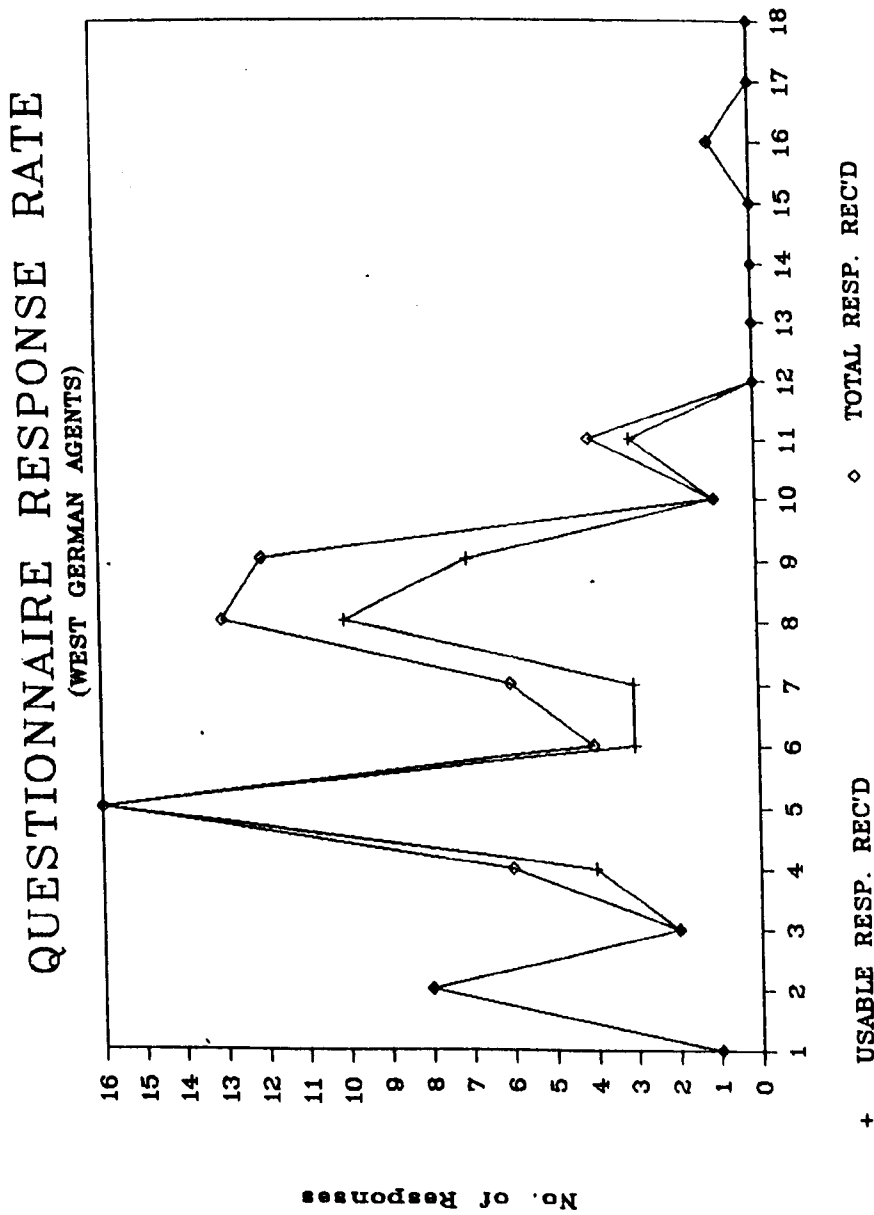
It is worth noting the extended period for obtaining responses. When surveying exporting companies it has to be recognised that the key informants are often travelling to export markets and completion of questionnaires must be considered a low priority for these busy executives. It should also be noted that this particular research project was dogged by continuing industrial unrest in the Royal Mail (during the summer of 1988), which also contributed to delays in the mailing and response rate.

#### West German Agents and Distributors

Figure 3.4 illustrates the response rate for the West German agents and distributors. Once again, two response waves can be identified. Administrative difficulties resulted in the initial mailing for the West German agents and distributors being delayed until May 3, 1988 (compared to February 25 for the U.K. manufacturers), with the follow-up mailing being sent out on June 2, 1988. The last response was received on August 29, 1988, and again this was some eighteen weeks after the initial mailing. Unfortunately, due to cost restraints, telephone follow-up of the West German agents and distributors was not possible.

The follow-up mailing consisted of a letter, a replacement questionnaire, and a stamped addressed envelope. The total response rate to the initial mailing and the follow-up mailing was 74; 59 usable questionnaires were received, together with 15 letters of non-response. Table 3.6 summarises the reasons for non-response.

Figure 3.4



QUESTIONNAIRE RESPONSE RATE (WEST GERMAN AGENTS)																			
WEEKS FROM MAILING	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	Total
TOTAL REC'D	1	8	2	6	16	4	6	13	12	1	4	0	0	0	0	1	0	0	74
Thereof																			
USABLE	1	8	2	4	16	3	3	10	7	1	3	0	0	0	0	1	0	0	59
NON RESPONSE	0	0	0	2	0	1	3	3	5	0	1	0	0	0	0	0	0	0	15
TOTAL	250																		
% of total	29.60%																		
(i) Rec'd	23.60%																		
(ii) Usable																			

Figure 3.4

Table 3.6

Non-Response Letters Received from  
West German Agents and Distributors

REASON FOR NON-RESPONSE

Returned Address Unknown	13
Not representing any U.K. firms	1
Agent retired	1
	—
Total	<u>15</u>

Dyadic Relationships

The research design had selected 250 UK exporting manufacturers together with their West German agents and distributors. A central index of manufacturers and their agents was maintained and as responses were received these could be checked off the index so that manufacturer could be matched with the appropriate agent or distributor. As stated before, the anonymity of the individual respondents was safeguarded, and in order to ensure a valid response, no indication was given that the respondent's agent or distributor (or in the case of the agents) the manufacturer had also been approached. Unfortunately only seven responses from the UK exporting manufacturers could be matched with their West German agent or distributor.

The seven dyadic relationships included five industrial companies, one consumer company and one that was both industrial and consumer. The individual companies included manufacturers of pumps, industrial loudspeakers, machinery for the rubber, plastic and food industries and trouser presses (for hotels, etc), textile weaving machinery and electro mechanical servo components and control systems. The consumer company manufactured household lighting equipment and the trouser press company also sold to retail chains for the consumer market.

### Data Analysis

Data analysis used the SPSSx software package available on the Polytechnic mainframe computer system.

## CHAPTER 4

### A PROFILE OF U.K. EXPORTING MANUFACTURING COMPANIES

As stated in the Research Design chapter, the first part of the U.K. manufacturers' questionnaire related to their overall exporting methods and practices. This chapter summarises the results from the first part of the questionnaire.

The size of the companies was measured by the annual sales turnover of the company. 59 per cent of the companies had sales of £5 million per year or less; 14 per cent had sales of between £5-10m per year; 16 per cent had sales of between £10-15m and 11 per cent had sales of over £15 million.

The industrial groups represented by companies in the sample are shown in Table 4.1. The number of employees in the companies surveyed ranged from a low of 6 to a high of 1100 with the mean at 205. However some 42 per cent of respondents were companies with 100 or less employees.

#### Involvement in Exporting

Companies were asked to rank those export markets that are of importance to the company. Table 4.2 shows that Western Europe, North America, Scandinavia and the Middle East are regarded by respondents as the most important markets at present. 39 per cent of companies have been exporting to Western Europe for 20 years or more, and 26 per cent of the companies exporting to North America have been doing so for 20 years or more. Export experience is short for other, newer, markets such as Japan, China, Eastern Europe and South America. Table 4.3 summarises the percentage distribution of exporting firms by years and export market.

TABLE 4.1

Industrial Groups Represented by Firms in the Sample

Food and Tobacco	8
Leathers and Furs	1
Textile Industry	4
Wearing Apparel	6
Printing and Publishing	3
Rubber Products	5
Chemical and Oil Industries	5
Non-metallic Mineral Products	2
Metal Industry	10
Electrical Equipment	8
Precision Equipment	9
Transport Equipment	3
Heating and Air Conditioning Equip	3
Agricultural Equipment	2
Process Equipment	3
Textile Equipment	1
Metal Equipment	3
Souvenirs, Toys, etc.	5
	—
Total	81



TABLE 4.2

Rank of Importance of Export Markets to UK Exporting Companies.

<u>Export Market</u>	<u>Rank of Importance</u>
	n = 81
Western Europe	1
North America	2
Scandinavia	3
Middle East	4
Japan	5
Australia	6
South Africa	7
India	8
Other Countries	9
China	10
South America	11
Eastern Europe	12
Africa (excluding South Africa)	13

Note: Other Countries include: Far East, Eire, Russia, New Zealand, Taiwan and Israel.

TABLE 4.3

EXPERIENCE OF EXPORTING BY EXPORT MARKET

<u>EXPORT MARKET</u>		<u>PERCENT DISTRIBUTION OF FIRMS BY YEARS EXPORT</u>				
		0-10	11-20	21-30	31-40	41-50
	n=					
Western Europe	81	21.0	37.0	16.1	14.8	3.7
North America	68	33.8	36.8	16.2	4.4	3.0
Middle East	45	46.7	28.9	13.3	2.2	4.5
Africa (excl S.A)	24	16.7	41.6	20.9	4.1	4.2
Japan	42	45.2	31.0	19.0	0.0	2.4
Australia	58	37.9	36.2	12.1	5.2	5.2
South America	29	62.2	24.2	6.8	0.0	3.4
Scandinavia	64	40.6	29.7	11.0	12.5	3.1
China	15	73.3	13.4	0.0	0.0	13.3
Eastern Europe	18	50.0	33.2	5.6	5.6	5.6
India	33	57.6	24.2	6.1	9.1	3.0
South Africa	36	36.1	33.3	13.9	11.1	0.0
Others	21	61.8	19.0	4.8	4.8	4.8

## Exporting Methods

Three principle exporting methods were favoured by the respondents. These were agents, distributors and salesmen based in the UK (Table 4.4). The use of agents in Western European markets was very high at some 64 per cent, followed by distributors at 46 per cent and UK based salesmen at 29.5 per cent. Other export markets do not show high percentages but confirmed that the principle exporting methods employed were as described above. Not suprisingly, government importing agencies featured, together with agents, as the dominant exporting methods for countries within Eastern Europe.

The responding companies were controlling some 1022 agents and distributors between them. The highest ratio of agents/distributors to manufacturers was found in Western Europe where the responding companies were controlling an average of 5.92 agents each. South America also showed a high ratio of manufacturers to agents/distributors (3.44), followed by the Middle East (3.35) and other countries at 3.19 - these included the Far East, Eire, Russia, New Zealand, Taiwan and Israel. North America and Scandinavia have slightly less at 3.06 and 2.94 respectively. (Table 4.5).

TABLE 4.4

EXPORT CHANNEL USED BY TYPE AND MARKET

(N = 78)

EXPORT MARKET	PERCENT OF FIRMS USING METHODS a/		UK SALESMAN	OVERSEAS SALES BRANCH	GOV'T IMPORTING AGENCY	OTHERS c/
	AGENTS DISTRIBUTORS	SALES				
Western Europe	£ 64.0	46.2	29.5	9.0	-	11.5
North America	£ 32.6	38.5	21.8	10.3	1.3	7.7
Middle East	£ 28.2	19.2	18.0	1.3	3.9	3.9
Africa	£ 14.1	6.4	11.5	1.3	-	1.3
Japan	£ 25.6	24.4	7.7	-	-	7.7
Australia	£ 32.0	30.0	11.5	2.6	1.3	2.6
South America	£ 21.8	12.8	10.3	2.6	-	2.6
Scandinavia	£ 38.6	35.9	15.4	1.3	-	1.3
China	£ 11.6	2.6	7.7	2.6	3.9	1.3
Eastern Europe	£ 7.6	1.3	3.9	1.3	7.7	1.3
India	£ 27.0	10.3	10.3	-	3.9	2.6
South Africa	£ 18.0	20.5	5.2	2.6	-	1.3
Others b/	£ 12.9	11.5	3.9	1.3	-	2.6

a/ Figures add to more than 100 because responding firms used more than one method of exporting.

b/ Other Export Markets included: Far East, Eire, Russia, New Zealand, Taiwan and Israel.

c/ Other methods used: Direct to customers, UK export houses, Joint-Venture Licensee, Associated Companies.

TABLE 4.5

Total Numbers of Agents/Distributors Controlled  
by UK Exporting Companies

<u>Export Market</u>	<u>n =</u>	<u>Agents/Distributors</u>	<u>Mean</u>
Western Europe	64	379	5.92
North America	48	147	3.06
Scandinavia	49	144	2.94
Middle East	31	104	3.35
South America	18	62	3.44
Australia	41	56	1.36
Other Countries	16	51	3.19
Japan	34	39	1.5
South Africa	27	39	1.4
India	27	35	1.3
Africa (excl. S.Africa)	11	30	2.73
China	10	13	1.3
Eastern Europe	5	13	2.6

## Overseas Visits

The manufacturers' objectives for visits overseas was investigated together with the number of times per year the manufacturer visited his agents and distributors. The number of times per year the agents and distributors visited the manufacturer was also investigated.

The objectives of visits to the overseas intermediary are shown in Table 4.6. Identifying market needs was the most frequently mentioned objective of overseas visits mentioned by respondents. The second most frequently mentioned objective was that of establishing a good relationship with foreign customers. This was followed by the motivation and controlling of agents and distributors. Other important objectives were the establishment of marketing plans, identifying and solving distribution problems, and establishing advertising and promotional strategies. However, a number of companies did not believe that solving distribution problems and establishing advertising and promotional strategies were very important for their visits.

TABLE 4.6

Objectives of Visits to Overseas Intermediaries

	Very Important    Important    Not Important					n =
	1	2	3	4	5	
<u>Objectives</u>						
1. Identifying Market Needs	% 58.7	% 30.0	% 11.2	% -	% -	80
2. Establishing a good relationship with foreign customers	52.5	31.3	15.0	1.2	-	80
3. Motivating and Controlling Agents and Distributors	39.2	39.2	17.7	3.8	-	79
4. Establishing Marketing Plans	24.1	31.6	34.2	10.1	-	79
5. Identifying and Solving Distribution Problems	14.7	21.3	41.3	14.7	8.0	75
6. Establishing Advertising and Promotional Strategies	5.3	19.7	40.8	22.4	11.8	76

The literature provides no guide as to the manufacturers' frequency of visits to his overseas intermediary or, indeed, by the overseas intermediary to his manufacturer. In this study the manufacturer was asked to indicate the frequency of visits per year made by his representatives to his principal intermediary, and also to indicate the frequency of visits per year made by representatives from the overseas intermediary to the manufacturer's home base.

(Table 4.7 and 4.8).

It comes as no surprise to find that manufacturers visited their agents or distributors more times per year when the agent/distributor was located geographically closer to the U.K. The farther away the country the less frequent visits were made. The frequency of visits to distance ratio was most likely predicated by the costs involved in sending a representative to places as far away as Australia. Experience suggests, however, that whilst frequent trips to Western Europe may involve only a day-trip, a visit to Australia would be made over some weeks, and may be combined with trips to other countries close to Australia in which the manufacturer has agents or distributors. Visits to the countries that were farthest away may, of course, be made once every few years to ensure such visits were cost effective.



TABLE 4.7

Visits by Manufacturers to Overseas Intermediaries

Distance from the UK		<u>Number of Visits per Year</u>					n=
		0	1	2	3	4+	
Closest ↓ Farthest	Western Europe	3	13	21	8	33	78
	Eastern Europe	8	6	3	2	1	20
	Scandinavia	9	18	17	11	12	67
	Middle East	18	14	7	4	1	44
	Africa (excl S.A)	15	8	2	2	-	27
	North America	11	15	24	7	9	66
	India	12	17	2	-	2	33
	South Africa	19	14	1	2	-	36
	Japan	10	18	8	4	2	42
	China	9	5	4	1	1	20
	South America	16	5	5	-	-	26
	Australia	26	18	3	2	1	50

n = the number of respondents who provided a ranking for  
the number of visits

TABLE 4.3

Visits by Agents/Distributors to Manufacturers in the UK

Distance from the UK		<u>Number of Visits per Year</u>					n=
		0	1	2	3	4+	
Closest ↓ Farthest	Western Europe	8	39	15	2	12	76
	Eastern Europe	13	8	1	-	-	22
	Scandinavia	10	39	13	4	-	66
	Middle East	26	11	6	1	-	44
	Africa (excl S.A)	16	4	2	2	-	24
	North America	18	25	12	2	7	64
	India	12	19	-	1	-	32
	South Africa	17	16	1	1	-	35
	Japan	15	20	5	1	1	42
	China	16	3	1	-	-	20
	South America	21	7	1	-	1	30
Australia	20	30	3	1	-	54	

n = the number of respondents who provided a ranking for  
the number of visits

Interestingly, a number of U.K. manufacturers indicated that they did not visit their overseas intermediaries at all. Whereas a low of 3.8 per cent of manufacturers did not visit their Western Europe intermediaries, the more difficult markets appeared to be visited less. 40.9 per cent of respondents who exported to the Middle East did not visit their intermediaries during the year; 55 per cent did not visit Africa and 61.5 per cent did not visit South America. Similar figures were found for the number of visits made by the overseas agent or distributor to the U.K. manufacturer; 59 per cent of respondents had no visit from their Middle Eastern representatives, 66 per cent had no visit from African representatives and 70 per cent had no visit from South American representatives.

The possible explanation for this is that the manufacturer was satisfied with the relationship and did not feel the need to visit the intermediary. Measures of satisfaction (see below) were correlated with the number of visits made by the manufacturer to test whether the manufacturer's satisfaction with the channel relationship was influenced by the number of visits made to the intermediary, or by the intermediary to the U.K. manufacturer's home base. Weak correlations were found for Western Europe, Japan, South America and South Africa. There was a general absence of any interrelationships between visits and satisfaction for the other markets (Table 4.9).

Table 4.9

SATISFACTION WITH RELATIONSHIP

- CORRELATIONS WITH THE

NUMBER OF VISITS

<u>EXPORT MARKET</u>	<u>No. of Visits by Mfr to Agt</u>		<u>No. of Visits by Agt to Mfr.</u>	
	CORRELATION		CORRELATION	
	COEFFICIENT	SIGNIFICANCE	COEFFICIENT	SIGNIFICANCE
Western Europe	.2500	.018	NS	NS
North America	.1696	.108	.2863	.019
Middle East	.1786	.145	.3027	.039
Africa	NS	NS	NS	NS
Japan	.5159	.001	.2313	.088
Australia	NS	NS	.3382	.012
South America	.5811	.006	NS	NS
Scandinavia	NS	NS	.2801	.017
China	NS	NS	.5056	.082
Eastern Europe	NS	NS	NS	NS
India	NS	NS	NS	NS
South Africa	.3103	.054	.4197	.013
Others	NS	NS	.3996	.063

NS = Not significant

### Satisfaction with the Channel Relationship

Manufacturers' satisfaction with their relationship to their overseas agents and distributors in each export market was measured in this part of the study on a five-point scale from (1) very dissatisfied to (5) very satisfied.

Nearly three-quarters of manufacturers rated their relationship with their agents and distributors in Western Europe, Australia, South Africa and Scandinavia as satisfactory. Nearly eighty percent of manufacturers exporting to Japan are satisfied with their agents and distributors. Markets in which the relationship between Manufacturer and agent and distributor are not satisfactory include the Middle East, Africa (excluding South Africa) and South America. Manufacturers found their agents and distributors in South America the most unsatisfactory with some 17 percent of agents/distributors being ranked as "very dissatisfied". The markets in Africa are also difficult with high levels of dissatisfaction being recorded by manufacturers (Table 4.10).

TABLE 4.10.

MANUFACTURERS' OVERALL SATISFACTION WITH AGENTS/DISTRIBUTORS

<u>EXPORT MARKET</u>	<u>n=</u>	<u>PERCENT SATISFACTION LEVEL</u>				
		<u>VERY DISS.</u>	<u>DISSAT</u>	<u>UNCERT</u>	<u>SATISF</u>	<u>VERY SATIS</u>
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Western Europe	73	1.4	5.6	21.8	35.6	35.6
North America	57	5.3	1.8	28.0	22.8	42.1
Middle East	39	5.1	23.1	30.8	25.6	15.4
Africa	16	6.3	31.3	25.0	25.0	12.4
Japan	39	10.3	5.1	5.2	25.6	53.8
Australia	48	8.3	6.3	10.4	25.0	50.0
South America	23	17.4	8.7	17.4	34.8	21.7
Scandinavia	60	6.7	8.3	15.0	26.6	43.4
China	10	0.0	10.0	40.0	20.0	30.0
Eastern Europe	6	0.0	0.0	50.0	16.7	33.3
India	29	3.4	10.4	17.3	41.4	27.5
South Africa	32	3.1	3.1	18.8	18.8	56.2
Others	19	0.0	0.0	21.1	36.8	42.1

NOTE: to be read: 35.6% of Manufacturers are very satisfied with their Agents and Distributors in Western Europe.

## CHAPTER 5

### A PROFILE OF UK MANUFACTURERS AND WEST GERMAN

#### AGENTS AND DISTRIBUTORS

Following the profile of U.K. exporting manufacturers outlined in chapter 4, the profile of U.K. manufacturers who export to West Germany, together with a profile of West German agents and distributors who represent U.K. manufacturers is provided in this chapter.

#### Company Size

Size was measured by the number of employees and the annual sales turnover of each company (Table 5.1). The U.K. manufacturers exporting to West Germany are evenly spread with the number of employees distributed as follows: 20 percent of firms had 50 or less employees; 22.5 percent had between 51 and 100 employees; a further 20 percent had between 101 and 250 employees whilst the remaining 27.5 percent had over 251 employees. West German agents and distributors were typically small firms with over half of them having 10 or less employees. Seven firms were one-man businesses with a further eight firms consisting of two people only.

Annual sales for nearly two-thirds of the manufacturers were less than £5 million (Table 5.2). West German agents and distributors were smaller with nearly one-third having annual sales of DM3 million (approx. £1 million). Just over a quarter of the firms had sales in excess of DM15m (approx £5 million).

The agents and distributors as businesses also varied in age. Some 26 percent had been in business for ten years or less, whilst 28 percent had been in business for over 40 years. Five companies have been in business for over 100 years.

Table 5.1

Number of Employees - Agent/Distributor

<u>No. of Employees</u>	<u>No. of Firms in Sample</u>	<u>%</u>
1-5	26	45.6
6-10	6	10.6
11-20	8	14.0
21-50	9	15.8
51-100	4	7.0
over 100	<u>4</u>	<u>7.0</u>
Total	57	100%

Number of Employees - U.K. Manufacturers

1-5	-	-
6-10	1	2.5
11-20	1	2.5
21-50	6	15.0
51-100	9	22.5
101-250	8	20.0
251-500	12	30.0
over 500	<u>3</u>	<u>7.5</u>
	40	100%



Table 5.2

Annual Sales Turnover - Agents/Distributors

<u>Turnover in DM's</u>	<u>Approx. (Equivalent £ Sterling)</u>	<u>No. of Firms in Sample</u>	<u>%</u>
Less than 3m	Less than £1m	16	28.6
3-6m	£1-2m	11	19.6
6-9m	£2-3m	5	8.9
9-12m	£3-4m	8	14.3
12-15m	£4-5m	1	1.7
Over 15m	over £5m	<u>15</u>	<u>26.9</u>
		Total	56
			100%

Note: Equivalent £ Sterling based on June 1988

exchange rate of £1 = 3,02DM.

Annual Sales Turnover - UK ManufacturersTurnover in £'s

Less than £5m	47	58.75
5-10m	11	13.75
10-15m	13	16.25
15-20m	3	3.75
20-50m	4	5.00
Over 50m	<u>2</u>	<u>2.50</u>
	Total	80
		100%

### Representation by Agents /Distributors

The agents and distributors vary in the length of time that they had been representing principals from the U.K. (Table 5.3). They included recently started business with the U.K., those begun in the last five years (13.8 percent), older firms that have represented principals from the U.K. for a longer six-to ten-year period (19 percent), and well established firms that have been representing U.K. principals for ten years or more (67.2 percent).

Table 5.3

Years of Representation

<u>Number of Years Agents/ Distributors have represented U.K. Principals</u>			<u>Number of Years UK Manufacturers have been Exporting to West Germany</u>		
<u>YEARS</u>	<u>NO OF FIRMS</u>	<u>%</u>	<u>YEARS</u>	<u>NO OF FIRMS</u>	<u>%</u>
<u>IN SAMPLE</u>			<u>IN SAMPLE</u>		
0-5	8	13.8	0-5	9	13.8
6-10	11	19.0	6-10	10	15.4
11-15	6	10.4	11-15	11	16.9
16-20	11	19.0	16-20	15	23.0
21-30	12	20.6	21-30	10	15.4
31-40	5	8.6	31-40	6	9.2
Over 40	<u>5</u>	<u>8.6</u>	Over 40	<u>4</u>	<u>6.3</u>
Total	58	100%	Total	65	100%

Analysis of Years of Relationship with  
Existing Contract Arrangements

<u>YEARS</u>	<u>AGENTS</u>	<u>MANUFACTURERS</u>
0-5	36.4%	40%
6-10	21	19
11-15	11	16
16-20	12	12
21-30	10.5	5
31-40	6.1	7
Over 40	3	1

U.K. manufacturers who were exporting to West Germany included firms that had recently started to export in the last five years (also 13.8 percent, the same as for the agents/distributors), older firms who had been exporting to West Germany for six-to ten-years (15.4 percent), and firms that had been exporting to West Germany for some considerable time and had developed a good knowledge and experience of the German market (64.8 percent). However, an analysis of the number of years of representation with existing contract arrangements reveals that most manufacturer/agent or distributor relationships were young; 40 percent of manufacturers stated that their agents or distributors had represented them for five years or less. Agents and distributors indicated that they had been representing their U.K. manufacturers for five years or less in 36.4 percent of cases.

The number of U.K. manufacturers represented by each agent or distributor ranges from one to ten with some two-thirds of agents/distributors representing one to three principals from the U.K. Only three agents represented as many as ten U.K. principals. These three included one large company with 63 employees with annual sales in excess of DM15m; the other two companies each have 5 employees with sales of DM15m and DM3m respectively. Only 9 respondents were representing companies exclusively from the U.K. Most of the agents/distributors represented manufacturers from other countries as well as from the U.K. (see Table 5.4). The other countries included most European countries (eg. Italy, Spain, France, Switzerland, Austria, Holland and Belgium), Scandinavia (Denmark, Sweden and Norway) and North America. Only two agents/distributors were representing companies from East Germany and Poland.

Table 5.4

Number of Principals Represented by West German Agents and Distributors

<u>No. of Principals in the U.K.</u>			<u>No. of Principals from Other Countries</u>		
<u>No. of U.K. Principals</u>	<u>No. of Firms in Samples</u>	<u>%</u>	<u>No of Other Principals</u>	<u>No. of Firms in Sample</u>	<u>%</u>
			0	9	16.4
1	13	22.8	1	8	14.5
2	15	26.3	2	11	20.0
3	10	17.5	3	3	5.5
4	4	7.0	4	4	7.3
5	4	7.0	5	1	1.8
6	4	7.0	6	5	9.0
7	3	5.3	7	2	3.6
8	1	1.8	8	4	7.3
9	-	-	9	-	
10	3	5.3	10	2	3.6
			11-20	3	5.5
			<u>20-40</u>	<u>3</u>	<u>5.45</u>
<b>Total</b>	<b>57</b>	<b>100%</b>	<b>Total</b>	<b>55</b>	<b>100%</b>

## Geographic Area of Representation in West Germany

Advice given to U.K. exporters emphasises the need to appoint several agents to cover the important regions of the Federal Republic. The regional nature of the country implies that there are few agents who would cover the whole country (1).

It is apparent from this study that the majority of U.K. manufacturers employed one agent or distributor to cover the whole country (42 manufacturers); a further 7 manufacturers employed more than one agent to cover the total country - these manufacturers, however, gave no indication as to the territorial split between their agents and distributors (Table 5.5).

A number of other manufacturers did employ agents and distributors to represent them in specific regions. The majority of agents and distributors (55 in total), however, confirmed that they acted on behalf of U.K. manufacturers for the whole country. Only three agents responded that they covered a specific region for their U.K. principals.

Table 5.5

Geographic Areas of Representation by Overseas  
Intermediaries in West Germany

Region of Representation	<u>Manufacturers Response</u>				<u>Agent/Distributors Response</u>					
	Number of Agents/ Distributors for Areas				Number of Agents/ Distributors Acting for Mfrs in Areas					
	1	2	3	4	1	2	3	4	5	6
The Whole Country	42	4	2	1	15	13	7	6	3	11
Schleswig-Holstein	2				)					
Hamburg	5				)	1	1	1	1	1
Bremen	6				)					
Lower Saxony	3				)					
North-Rhine Westphalia	12	1								
Hesse	2				)					
Rhineland-Palatinate	2	1			)	1	1			
Saarland	2				)					
Bavaria	4	1			)					
Baden-Wurthemberg	2				)	1	1			
West Berlin	2				)					

### Motivating the Agent or Distributor

Manufacturers were asked to rank the most important methods for motivating their agents and distributors; the agents and distributors were asked in their turn to rank the most important incentives from their U.K. manufacturers.

Attractive financial incentives were ranked as most important by both manufacturers and agent/distributors. (Table 5.6). In the case of the manufacturers, however, they ranked visits to the agent or distributor equally with attractive financial incentives (i.e. most important). The agents and distributors did not find the visits by manufacturers a particularly motivating incentive, however, visits by the agent/distributor to the manufacturer was ranked second in importance. Effective lines of communications was ranked third in importance by both manufacturers and agents/distributors. Joint third in importance for agents/distributors was manufacturers' support for local advertising and promotional material. This contrasted with the manufacturers perception of importance for this item: they ranked it seventh in importance.

### Sales Trend of British Products

The sales trend of British Products in West Germany over the last three years was categorised on a five-point scale ranging from 'Growing Sharply' to 'Declining Sharply'. There were quite significant differences between the manufacturers' view of the sales trend of his products and that of the agents and distributors



Table 5.6

Methods for Motivating Agents and Distributors

	Ranking of Item <u>by Manufacturers</u>	Ranking of Item <u>by Agents/Distributors</u>
Attractive Financial Incentives	=1	1
Visits by Manufacturer to the Agent or Distributor	=1	5
Effective Lines of Communication	3	=3
Visits by Agents or Distributors to the Manufacturer	4	2
Attractive Credit terms	5	=6
Training for the Agent or Distributors Employees	6	=6
Local Advertising and Promotional Support	7	=3
Threats to Discontinue the Relationship	8	8

There was broad agreement on products whose sales trend was growing sharply (Manufacturers 17.7 percent; agents/distributors 20.4 percent). However, manufacturers viewed that nearly one-half of their products were in this category. Agents and distributors tended to believe that more British products fell into the declining category than the U.K. manufacturers. (Table 5.7).

Table 5.7

Sales Trend of Manufacturer's Products  
in West Germany

<u>Sales Trend Over Last</u>	Manufacturers	Agents and Distributors
<u>3 Years</u>	<u>Rating</u>	<u>Rating</u>
1. Growing Sharply	17.7%	20.4%
2. Growing Slowly	44.8%	26.5%
3. Static	27.0%	30.4%
4. Declining Slowly	8.4%	14.9%
5. Declining Sharply	2.1%	7.8%

Advertising by Agents and Distributors

Agents and distributors were asked to identify the amount of advertising that they do in the U.K. Of the 51 agents and distributors who responded to this question a large proportion (78.4 percent) stated that they never advertised in the U.K., some 11.3 percent advertised in the U.K. on a monthly basis and 9.8 percent advertised only occasionally.

The advertising spend of those that do advertise ranged from a low of DM200 per month to DM120,000 per year. Many of the agents and distributors (76.4 percent) exhibit at international trade fairs held in West Germany. These include the Modewoche (fashion trades) in Cologne and Munich, the International Ship and Machinery Fair in Hamburg, Music and Book fairs in Frankfurt, furniture fair in Cologne, PHOTOKINA also in Cologne, the Frankfurt motor show, ANUGA - the World Food Market held in Cologne and the Collections Premieren Dusseldorf (fashion show). Many of these trade fairs are the most important in the world calendar and it is therefore essential for U.K. manufacturers to show at the appropriate fair if the company is to be taken seriously by German agents and distributors. (2).

## Improving the Sale of British Products in West Germany

Respondents were asked to rank specific measures that would help to increase the sale of British products in West Germany. Both manufacturers and agents/distributors ranked lower prices as the most important measure (Table 5.8). Manufacturers also highlighted more frequent visits to their agents and distributors as an important measure whereas the agents and distributors saw this as an item of much less importance. Possibly the most significant measure of improvement is that of better quality; agents and distributors judged this to be second in importance after lower prices but manufacturers ranked this as sixth in importance. This implies that Manufacturers already believe that their products are of sufficient quality to be competitive in the German market, whilst the West German agents and distributors see that British manufacturers have some way to go to meet the discerning German buyer's requirements for quality products. Agents and distributors working in the fashion industry all believed that British companies need to be more up-to-date with their fashion offerings. The manufacturers ability to have representatives who could speak German was ranked as four by both the manufacturers and the agents and distributors; this item was ranked equal to improvements in communications between the channel members.

Table 5.8

Specific Measures to Increase the Sale  
of British Products in West Germany

	Ranking of Item <u>by Manufacturers</u>	Ranking of Item <u>by Agents/Distributors</u>
<u>Measures</u>		
Lower Prices	=1	1
More Frequent Visits to the Agent/Distributor	=1	6
Faster Deliveries	3	3
Ability to Speak German	=4	=4
Improved Communications	=4	=4
Better Quality	6	2
After Sales Service	7	7

## CHAPTER 6

### FINDING AND SELECTING AN OVERSEAS INTERMEDIARY

The Overseas Selection Model proposed in Chapter 2.1 posits that the manufacturer conducts desk research for an agent or distributor using information from a variety of sources. This allows the manufacturer to shortlist a number of potential agents and distributors for further consideration (1).

Manufacturers were asked to rank the key criteria that they used during the review and selection process for the appointment of new agents or distributors. Table 6.1 shows that the most important criteria, when reviewing potential agents or distributors, are the agent and distributor's knowledge of the market, the ability of the agent and distributor to cover the market, the enthusiasm by the agent and distributor for the manufacturer's product and the agent's and distributor's knowledge of the product. Few respondents were concerned with the way the agent or distributor dealt with competitors or the executive career histories of those involved within the agency or distributorship, however, it is probable that such information is difficult for a manufacturer to obtain.

TABLE 6.1

Key Criteria used by U.K. Exporting Manufacturers for the Review  
of Potential Agents or Distributors

<u>Key Criteria</u>	<u>Rank of Importance</u>	n =
Knowledge of Market	1	81
Market Coverage	2	72
Enthusiasm for the Product	3	69
Knowledge of the Product	4	61
Good Reputation	5	62
Number and Quality of Sales Staff	6	31
Previous Success	7	45
Good Connections	8	61
Frequency of Sales Calls	9	39
Service and Stocking Facilities	10	39
Costs Involved	11	29
Quality of Service Staff	12	31
Dealings with Competitors	13	23
Executive Career Histories	14	25

n = the number of respondents who provided a rating for the  
criterion.

### Knowledge of the Market

One of the advantages of using an agent or distributor in an export market is that the exporter obtains the services of an experienced national with a good knowledge of the local market. If the exporter employs an agent or distributor whose other products complement those of the exporter then the exporter can expect the agent or distributor to have a good knowledge of the particular market segments that the exporter's products are aimed at. Exporting U.K. manufacturers see that knowledge of the market is a most important criterion when assessing potential agents and distributors.

### Market Coverage

Almost as important to the exporting manufacturer as the agent's/distributor's knowledge of the market is his ability to be able to cover the market adequately. Coverage of the market would need to be evaluated to ensure the intermediary was able to cover the market without becoming overstretched should the product become very successful. This could also apply to the other products the intermediary was handling i.e. would the intermediary be overstretched by the addition of the new exporter's products?

### Enthusiasm for the Product

The exporting manufacturer would need to ensure that potential intermediaries would enthuse over the product; they ought to 'need' the product in order to be well motivated to give it the time it will need to be developed in the market place.



Probably a criterion that goes hand-in-hand with enthusiasm for the product is the agent's and distributor's knowledge of the product. Knowledge of the product will possibly make the potential agent keen to represent the manufacturer and can provide an agent's commitment to the manufacturer.

#### Good Reputation

The fifth criterion by which U.K. manufacturers assess potential agents and distributors is the one of reputation.

An agent or distributor who has a good reputation in the market place should be better than one which has no reputation. An intermediary's good reputation will, of course, help the manufacturer to have confidence when making a decision on a new intermediary.

How then does the manufacturer obtain the information to allow him to build-up a picture of potential agents or distributors, and against which a manufacturer would be looking to complete the list of key criteria discussed above? Manufacturers were asked to identify the sources of information that were used to provide an accurate guide to a good agent or distributor. Table 6.2 identifies that the most important source of information is firstly, recommendation, followed closely by the manufacturer's personal knowledge of the territory, and thirdly the direct approach by the agent or distributor to the manufacturer.

The number of manufacturers that identified the British Export Houses Association, professional institutes (for example, The Institute of Export), management consultants or the British Embassy as good sources of information was low. Only one company identified the British Export Houses Association in the first three ranks and no companies ranked professional institutes in the first five ranks.

TABLE 6.2

Sources of Information on Potential Agents/Distributors

<u>Source of Information</u>	<u>Rank of Importance</u>	
		n =
Recommendation	1	64
Personal Knowledge of Territory	2	65
Direct Approach by Agent/Distributor	3	67
Trade Fairs	4	54
British Overseas Trade Board	5	56
Chamber of Commerce	6	28
Commercial Bank	7	24
Trade Directories	8	24
British Export House Association	9	14
Management Consultants	10	11
Professional Institutes	11	9
Other (British Embassy, Agent Finder)	12	5

n = the number of respondents who provided a rating for the source.

The method used to shortlist the number of potential agents or distributors who warranted further investigation is summarised, ranked in order of importance, in Table 6.3. The most important method was, overwhelmingly, the manufacturer's personal visits and knowledge of the local territory. Interestingly, no respondent ranked BoTB status reports as most important (rank 1).

TABLE 6.3

Methods of Shortlisting Potential  
Agents/Distributors

<u>Method</u>	<u>Rank of Importance</u>	
		n =
Personal Visits and Knowledge of the territory	1	80
Desk review	2	52
Commercial Bank Reports	3	49
BoTB Status Reports	4	44
Other Methods (eg. recommendation, ECGD reports and Embassy reports)	5	11

n = the number of respondents who provided a rating for the method.

The results of this survey supports the Overseas Intermediary Selection Model outlined in Chapter 2 (2). Once the company has decided to use an agent or distributor in the overseas market, then the task of finding and selecting a good intermediary has to be faced. Manufacturers used a variety of sources of information, with recommendation, the manufacturer's personal knowledge of the territory, and the direct approach by the agent or distributor being the most important sources. The potential agents or distributors are evaluated against a number of key criteria that the manufacturer has established. The most important criteria, as identified by the manufacturers in this survey, are the agents and distributors knowledge of the market, the ability to cover the market, enthusiasm for the product and knowledge of the product. The manufacturer would then shortlist the potential agents and distributors; this list would be narrowed down during the manufacturer's visits to the agents and distributors.

Firms were asked to list the number of potential agents and distributors that they were able to identify during the search for their most recently appointed agent or distributor. Forty five firms (75 percent) identified between 1 and 6 potential agents and distributors, eighteen identified between 6 and 10, and five firms identified over 10 (Table 6.4).

TABLE 6.4

Number of Potential Agents/Distributors  
 Identified by Manufacturers during their  
Search for Agents/Distributors

Number of Potential Agents/Distributors <u>Identified by Manufacturers</u>	Number of Manufacturers
	n = 60
1	2 * )
2	10 )
3	8 ) 75%
4	10 )
5	7 )
6	8 )
7	2
8	2
10	6
12	3
15	1
35	1

\*Note: to be read: 2 manufacturers identified 1 potential  
 agent/distributor during search.

West German agents identified the direct approach by the U.K. manufacturer as the most common method used by U.K. manufacturers in recruiting an agent or distributor in West Germany (Table 6.5).

Table 6.5

Method of Approach Used by U.K. Manufacturers  
to Recruit West German Agents/Distributors

<u>Method</u>	<u>No. of U.K. Manufacturers Using Approach</u>
Approached Direct by the U.K. Manufacturer	140
Approached by the U.K. Manufacturer at a Trade Fair	20
Approached by the U.K. Manufacturer through the British Consulate	5
Approached by the U.K. Manufacturer through the British Embassy	1

These figures lend support to the U.K. manufacturers' view that the most important methods of finding out about potential agents and distributors were recommendation and personal knowledge of the territory. This is because once the manufacturer has found potential agents or distributors, he would then approach them directly.

## CHAPTER 7

### RELATIONSHIP STATES IN AN INTERNATIONAL MARKETING CHANNEL

Ford and Rosson (1) developed a model of Manufacturer-Overseas Distributor relationships which proposed that relationships could be one of five possible "states" of development. These development states consisted of new, growing, troubled, static or inert. The model assumed that relationships would move from being 'new' towards being 'inert'. These 'states' were defined as follows:

1. New - Agreement to work together, but little experience of interaction or transactions.
2. Growing - Reasonable growth being achieved.
3. Troubled - Sales could be growing but there is uncertainty within the relationship, or alternatively sales inadequacy results in uncertainty.
4. Static - Sales show little variation from year to year because of lack of potential and/or the parties are unwilling to increase their stake in the business.
5. Inert - Relationships that do not appear to be justified but continue because there is no wish to end it.

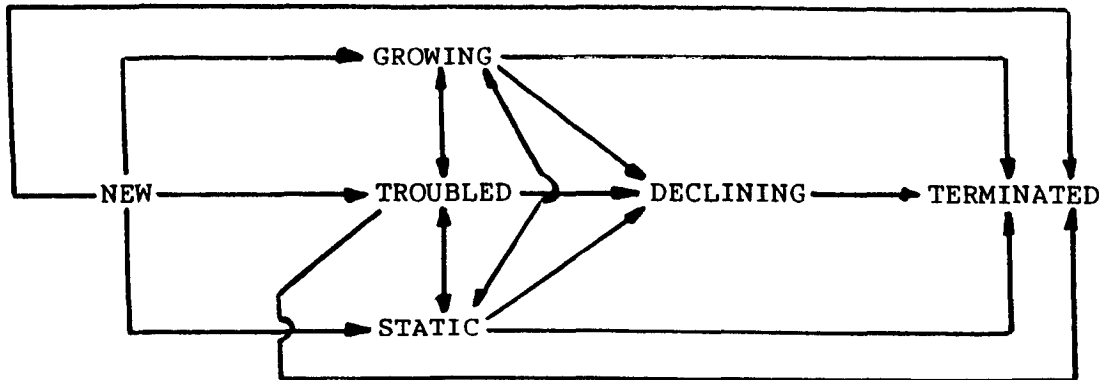


The category of 'inert' may have been a justified description for the two dyads identified in the Ford and Rosson study. They had defined the 'inert' state as relationships "that, while still in existence, can scarcely be justified" (2) and "... the inert state is merely a residual one, in that the useful purpose once served by the association is past" (3). The term inert, however, seems restrictive in that it implies that the development state is inactive and the parties lack the power to move or act from that state. It is therefore believed that the term 'inert' is inappropriate and a broader categorization is required. The present study substitutes a 'declining' state of development for that of 'inert'. 'Declining' is defined as a state in which sales are declining, particularly in the longer term, but the relationship is still worth continuing because it is profitable. Compared to the Ford and Rosson 'inert' category of relationships that do not appear to be justified but continue because there is no wish to end it, the 'declining' category is a justified relationship, that is profitable and continues because the parties are happy for it to do so.

Figure 7.1 therefore shows a revised model, based on that of Ford and Rosson (4), which includes the 'declining' category in place of the Ford and Rosson 'inert' category, and also includes the 'terminated' category as proposed by Rosson (5).

FIGURE 7.1

Revised Model of Manufacturer - Overseas Distributor Relationships



Ford and Rosson defined three participant dimensions that were used in the evaluation and categorization of development states. These were stake or performance, experience and uncertainty. In addition to these three dimensions the present study includes a further dimension: the respondent's overall satisfaction with the business relationship. These dimensions are summarised as follows:

(i) Performance

Stake (performance) was defined by Ford and Rosson (6) as:

" what a party (or parties) stands to lose if the relationship is terminated".

The agent or distributor is in business for himself and is dependent on the sale of his principal's products. Likewise the manufacturer is dependent on the agent or distributor for generating sales of his products.

In order to capture the importance of the participants commitment to the business, in the sense of what they would stand to lose if the relationship came to an end, the level of sales was considered as a measure of channel performance that could be lost if the relationship was terminated.

Performance was therefore defined as the sales trend over the last three years measured on a five-point scale ranging from 'growing sharply' to 'declining sharply'.

(ii) Experience

The experience and knowledge that firms have of each other is another important factor in the relationship. Van de Ven (7) emphasised that:

" The greater the length of time....in the personal relationships between organizational boundary spanners, the more similar their attitudes, values and goals; the greater their mutual trust of one another; and as a result, the greater their predisposition to help one another out by committing their organizations to an interorganizational relationship".

The awareness of one organization to another encompasses the degree of knowledge or ignorance of the goals, services, and resources of other parties in the interorganizational relationship (8). The stability of the organization is the length of time organizations are a member of the interorganizational relationship (9). A stable environment allows organizations to develop sets of routines for dealing with environmental elements. The longer the organization is in the environment the more it learns and it acquires an advantage over new organizations (10).

The field of buyer-seller, relationships has identified stages of experience (11); the development of the relationship is one of increasing experience of the two firms. The early stage of a relationship is characterised by the relationship being new with firms having little experience of each other. The younger the firm, the more restricted is the view that firms have of each other. Routine procedures have not been established and issues take a considerable amount of management time to resolve. Over time, the relationship is characterized by increasing experience, where individuals, within firms, acquire knowledge of each other's working practices. In the longer term experience of the relationship is high and the two organizations tend towards institutionalisation of their working practises.

Experience was therefore defined as the length of the manufacturer-agent/distributor relationship in years.

(iii) Uncertainty

Goodnow and Hansz (12) looked at a country's environment; they set-out environmental variables that could be tested. Although these variables were not labelled 'uncertainty' each item would contribute to a firm's view of uncertainty when entering overseas markets. Hirsch (13) found that organizations in 'fashion' industries evolved an assortment of adaptive 'copying' strategies for environmental uncertainty. Ford (14) looked at buyer-seller relationships and the process of establishing and developing such relationships. He posited that these relationships developed over time through five stages, and reviewed a number of variables, including uncertainty, through these five stages. Uncertainty was hypothesised as high during the early stage of a relationship, reducing in the later stages by increasing institutionalisation due to the length of experience of the relationship. Etgar (15) recognised that uncertainty exists in the marketing channel context; channel members are required to respond quickly and with the minimum of delays to adjust their marketing strategies to changes in the environment. In a paper on intraorganizational power, Hickson et al (16) outlined a theoretical explanation of power as the dependent variable with a number of independent variables including uncertainty. Uncertainty was operationalized as the variability of organizational inputs, the feedback on subunit performance and the speed, specificity and structuring of subunit activities.

In the manufacturer-overseas relationships it would appear that at the start of a relationship the potential rewards from the relationship would be difficult to assess leading to uncertainty between the parties as to the future of the relationship. Experience of the relationship can reduce this uncertainty because the adaptations required to meet the wishes of each participant will become apparent and adjustments between the parties can be made.

This uncertainty was therefore defined as the respondents plans for the future of the relationship measured on a five-point scale ranging from "end the relationship" to "plan to work together more closely" (as Ford and Rosson (17)).

(iv) Satisfaction

The overall satisfaction with the channel relationship was measured on a seven-point scale ranging from 'very satisfied' to 'very dissatisfied'.

These data were not equally weighted. Respondents categorised as 'new' were based on the length of association and sales trend information. The 'growing' and 'static' states were based on the sales trend information, but reflecting judgement on the future and satisfaction of the relationship. The 'troubled' category was based on future plans, satisfaction levels and sales trend information as was the 'declining' category.

Relationship States

The relationship development state groups with the Manufacturers' length of association with their West German agents and distributors, and the West German agents' and distributors' length of association with their U.K. manufacturers are shown in Tables 7.1 and 7.2 respectively.

Table 7.1

DEVELOPMENT STATE GROUPS WITH U.K. MANUFACTURERS'  
LENGTH OF ASSOCIATION WITH WEST GERMAN  
AGENTS AND DISTRIBUTORS

(n = 91)

LENGTH OF

<u>RELATIONSHIP</u>	<u>NEW</u>	<u>GROWING</u>	<u>TROUBLED</u>	<u>STATIC</u>	<u>DECLINING</u>
2 YEARS OR LESS	19	-	-	-	-
3-5 YEARS	-	11	2	4	-
6-10 YEARS	-	9	4	2	2
11-20 YEARS	-	18	2	5	1
21 YEARS OR MORE	-	7	1	2	2
TOTAL	19	45	9	13	5
PERCENTAGE	20.9%	49.4%	9.9%	14.3%	5.5%

TABLE 7.2

DEVELOPMENT STATE GROUPS WITH WEST GERMAN  
AGENTS' AND DISTRIBUTORS' LENGTH OF ASSOCIATION  
WITH U.K. MANUFACTURERS

(n = 148)

LENGTH OF

<u>RELATIONSHIP</u>	<u>NEW</u>	<u>GROWING</u>	<u>TROUBLED</u>	<u>STATIC</u>	<u>DECLINING</u>
2 YEARS OR LESS	23	-	-	-	-
3-5 YEARS	-	17	2	9	3
6-10 YEARS	-	18	6	5	4
11-20 YEARS	-	11	5	10	7
21 YEARS OR MORE	-	7	2	10	9
	<hr/>				
TOTAL	23	53	15	34	23
PERCENTAGE	15.5%	36%	10%	23%	15.5%

These data indicate that 20.9 per cent of manufacturers were in the 'new' development state, with nearly 50 per cent in the 'growing' state and almost 10 per cent 'troubled'. 14.3 per cent of manufacturers were in the 'static' state, with 5.5 per cent 'declining'. This compares with the agents, 15.5 per cent of whom were 'new', 36 per cent were 'growing', 10 per cent 'troubled', 23 per cent 'static' and the remaining 15.5 per cent were in the 'declining' category.



### New Development State

The 'new' category of development state was defined as relationships that have been in existence for two years or less. These are the U.K. manufacturing companies who have only recently started to export to West Germany or have started to use a particular agent, and West German agents who have just started to represent a particular U.K. manufacturer.

There were significant differences between the number of years a manufacturer had been exporting to West Germany and the number of years that the manufacturer had been using a specific agent. The same was also true of the West German agents. Table 7.3 illustrates that only five manufacturers and one agent had a completely new relationship: all the other relationships, whilst having a relationship of two years or less with the present manufacturer or agent, had been actively in the business of exporting to West Germany or, in the case of the agents, representing principals from the U.K., for some time.

Table 7.3

## NEW DEVELOPMENT STATE - OVERALL

## LENGTH OF EXPERIENCE WITH CHANNEL

RELATIONSHIPS

<u>LENGTH OF EXPERIENCE (YEARS)</u>	<u>U.K. MANUFACTURERS</u>			<u>WEST GERMAN AGENTS</u>		
	No. of Mfrs Exporting to West Germany	Years Mfr has been with 'new' Agent		No. of Agents Acting for U.K. Mfrs	Years Agent has been with 'new' Mfr.	
		<u>1YR</u>	<u>2YRS</u>		<u>1YR</u>	<u>2YRS</u>
1	1	1	-	-	-	-
2	4	3	1	1	-	1
3-5	5	1	4	-	-	-
6-10	3	-	3	12	8	4
11-20	3	-	3	7	2	5
21-30	1	-	1	2	-	2
31-40	2	1	1	-	-	-
Over 40	-	-	-	1	-	1
<b>TOTAL</b>	<b>19</b>	<b>6</b>	<b>13</b>	<b>23</b>	<b>10</b>	<b>13</b>

With the exception of the five new relationships, the U.K. Manufacturers were already familiar with the West German market and had previous relationship experiences with West German agents or distributors. Nine manufacturers had over six years experience of the West German market and West German agents and distributors.

Only one of the West German agents was completely new to representing a U.K. principal; the other twenty two had been representing U.K. principals for six years or more.

Table 7.3 illustrates that in this sample, there would appear to be significant movement in the manufacturer - overseas intermediary relationships. As stated above, it was found that the 'new' relationship development state could be subdivided into two categories of newness: the first was those relationships that were completely new (ie. it was the first relationship between a U.K. manufacturer and a West German agent/distributor or vice versa); the second was those relationships that were new, but in which one of the participants has previous relationship experience of other West German agent/distributors or U.K. principals. Table 7.3 indicates that established U.K. manufacturers exporting to West Germany have a relatively high turnover of agents compared to West German agents turnover of U.K. principals. Table 7.4 illustrates the appointment of agents or principals (in the 'new' development state) according to whether the appointment was completely new (business not conducted between the U.K. and West Germany); added (cases where the business is well established and the U.K. principal has appointed an additional agent in West Germany, or where the agent has agreed to act for a new U.K. principal in cases where he was acting previously for other U.K. principals); or replacing (cases where the U.K. manufacturer is replacing an existing agent with a new agent).

Table 7.4

NEW DEVELOPMENT STATE - CATEGORIZATION OF THE APPOINTMENT OF  
U.K. PRINCIPALS AND WEST GERMAN AGENTS

LENGTH OF EXPERIENCE (YEARS)	<u>UK MANUFACTURERS</u>			<u>WEST GERMAN AGENTS</u>	
	COMPLETELY NEW	AGENT ADDED	AGENT REPLACED	COMPLETELY NEW	UK PRINCIPAL ADDED
0-2	5	-	-	1	-
3-5	-	-	5	-	-
6-10	-	3	-	-	12
11-20	-	2	1	-	7
21-30	-	-	1	-	2
31-40	-	1	1	-	-
Over 40	-	-	-	-	1
<b>TOTAL</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>1</b>	<b>22</b>

The results show that, of the nineteen U.K. manufacturers in the new development state, five were exporting to West Germany for the first time, and six were already exporting to West Germany and were adding a new agent to those agents already acting for them. Eight U.K. manufacturers had recently replaced an agent and this relationship was therefore categorised as 'new'. On the West German side, one agent was completely new to representing U.K. manufacturers; the other twenty two were all adding a U.K. principal to their U.K. representation portfolio.

The forecast trend of companies in the 'new' category shows that U.K. and West German companies believed that sales were falling between the 'growing slowly' and 'static' categories. This means annual sales figures to West Germany were running at around £38,000 for the U.K. manufacturers, whereas the figure for the West German agents was substantially higher at around £264,000.

#### Growing Development State

'Growing' is defined as a relationship state in which reasonable growth is being achieved, primarily measured by the three year sales trend. The total percentage of responding manufacturers and agents falling into this category was 49.4 per cent and 36 per cent respectively, and represented the largest relationship development state category. Interestingly, this category shows that the relationship state can last for many years; 75 per cent of the U.K. manufacturers and 68 per cent of the West German agents had relationships with their agents and U.K. manufacturers that extended for six years or more.

The three year sales trend shows that sales were growing; annual sales were around £272,000 for the U.K. manufacturers and £561,000 for the West German agents.

#### Troubled Development State

Ten per cent of U.K. manufacturers and also ten per cent of West German agents fall into the category of 'troubled'. The 'troubled' state was defined on a judgement based on the sales trend, annual sales, the level of satisfaction and the view of the future of the relationship.

In summary, the sales trend was found to be static, but moving towards decline and the annual sales figures were considerably down on the other development state categories. The level of uncertainty within the relationship was such that participants were thinking of ending the relationship. The level of dissatisfaction was found to be higher in this category than the other categories.

Table 7.5 shows that relationships in the troubled category can have a three year sales trend ranging from growing through static to declining.

Table 7.5

TROUBLED DEVELOPMENT STATE - THREE

YEAR SALES TREND

LENGTH OF EXPERIENCE (YEARS)	<u>U.K. MANUFACTURERS</u>				<u>WEST GERMAN AGENTS</u>				
	TOTAL U.K. MFRS.	THEREOF: <u>THREE YEAR SALES TREND</u> GROWING	STATIC	DECL.	TOTAL AGENT	THEREOF: <u>THREE YEAR SALES TREND</u> GROWING	STATIC	DECL.	
3-5	2	-	1	1	2	1	-	1	
6-10	4	2	2	-	6	1	3	2	
11-20	2	-	1	1	5	1	1	3	
21+	1	-	-	1	2	-	1	1	
<b>TOTAL</b>	<b>9</b>	<b>:</b>	<b>2</b>	<b>4</b>	<b>3</b>	<b>:</b>	<b>3</b>	<b>5</b>	<b>7</b>

### Static Development State

The static development state was defined by the three year sales trend. 14.3 per cent of U.K. manufacturers and 23 per cent of West German agents fall into this category. The mean level of the length of experience in years was 15.5 years for the U.K. manufacturers and 18.2 years for the West German agents. As stated previously the three year sales trend was static but sales were running at around £130,000 for the U.K. manufacturers and £412,000 for the West German agents.

### Declining Development State

The declining state was also defined by the three year sales trend. 5.5 per cent of manufacturers and 15.5 per cent of the West German agents were categorised into this state. The three year sales trend indicates that overall sales were declining, however, mean annual sales for the manufacturers and agents are £255,800 and £305,000 respectively.

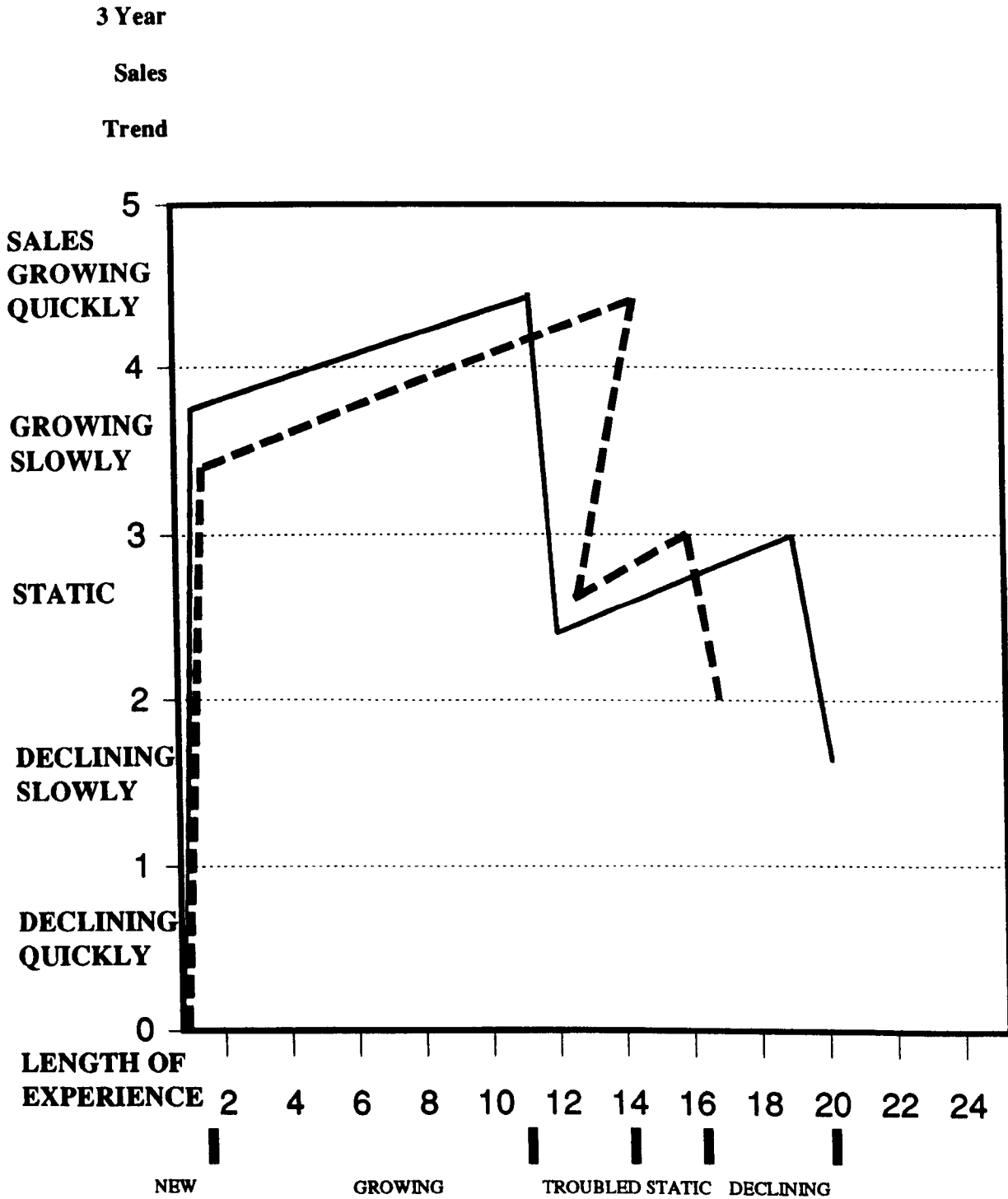
### Summary

Figure 7.2 illustrates the relationship states as reported by the U.K. exporting manufacturers and the West German agents. The three year sales trend starts confidently with sales growing slowly (the 'new' state) moving in time towards growing quickly (the 'growing' state) and thereafter declining through the 'troubled' and 'static' states.



**FIGURE 7.2**  
**RELATIONSHIP STATES BETWEEN UK MANUFACTURERS**  
**AND WEST GERMAN AGENTS/DISTRIBUTORS**

(LEGEND — = AGENTS; - - = MANUFACTURERS)



Tables 7.6 and 7.7 summarise the data for the U.K. exporting manufacturers and West German agents respectively. These data have been supplemented with a number of additional mean level variables.

- o Frequency of Disagreements - each manufacturer and West German agent was asked to rate the frequency of disagreements over eight issues on a seven-point scale ranging from 'never disagree' to 'always disagree'. These issues were summed to provide an overall measure of the frequency of disagreements (conflict).
- o Number of Visits per year - each manufacturer and West German agent was asked to identify the number of visits made.
- o Number of Products marketed - each manufacturer was asked to identify the number of products that were marketed in West Germany through the manufacturers' agents and distributors.
- o Percentage of Business with the U.K. - each agent identified the percentage of his overall business that was conducted with the U.K.
- o Number of U.K. Principals - the number of U.K. principals on whose behalf the agent acted.

These data support the Ford and Rosson (17) model of relationships development states. Interestingly the number of products that is marketed through the agent or distributor is relatively small in the 'new' development state with a substantial increase during the 'growing' phase which appears then to reduce as the relationships pass into the other development state (see Table 7.8).

Table 7.6

## UK EXPORTING MANUFACTURERS - SUMMARY OF RELATIONSHIP DEVELOPMENT STATES

	RELATIONSHIP DEVELOPMENT STATES				
	NEW (n = 19)	GROWING (n = 45)	TROUBLED (n = 9)	STATIC (n = 13)	DECLINING (n = 5)
o SALES TREND OVER 3 YEARS	Growing Slowly but moving to Static	Growing Quickly	Static moving to declining	Static	Declining slowly/ Quickly
o ANNUAL SALES (£'000s)	38	272	190	130	256
o FUTURE	Uncertain but moving towards working closer together	Working Closer together	Ending the Relationship	Working Closer together	Working closer together but moving towards uncertainty
o SATISFACTION	Uncertain	Satisfied	Uncertain	Satisfied	Satisfied but moving to uncertain
o FREQUENCY OF DISAGREEMENTS (CONFLICT)	High	Moderate	High	Moderate	Least Conflict
o NUMBER OF YEARS EXPORTING TO WEST GERMANY	11.3	19	16	19	20.4
o No. OF PRODUCTS MARKETED IN WEST GERMANY	6	20	17	8	12
o No. OF VISITS TO AGENTS PER YEAR	3.2	2.8	2.7	2.9	2.4

Table 7.7

WEST GERMAN AGENTS AND DISTRIBUTORS - SUMMARY OF RELATIONSHIP DEVELOPMENT STATES

RELATIONSHIP DEVELOPMENT STATES

	NEW (n = 23)	GROWING (n = 53)	TROUBLED (n = 15)	STATIC (n = 34)	DECLINING (n = 23)
o SALES TREND OVER 3 YEARS	Growing Slowly but moving to static	Growing Quickly	Static but moving to declining	Static	Declining slowly/quickly
o ANNUAL SALES (£'000s)	264	561	144	412	305
o FUTURE	Thinking of working closer together	Thinking of working closer together	Uncertain but moving towards thinking of ending the relationship	Working closer together	Working closer together but moving towards uncertainty
o SATISFACTION	Uncertain moving to satisfied	Uncertain moving to satisfied	Uncertain moving to dissatisfied	Uncertain to satisfied	Uncertain to Satisfied
o FREQUENCY OF DISAGREEMENTS (CONFLICT)	Moderate	Moderate	High	Moderate	Moderate
o PERCENTAGE OF AGENTS BUSINESS WITH THE U.K.	55%	45%	13%	18%	10%
o No. OF U.K. PRINCIPALS	5.56	4.96	2.67	3.87	3.81
o No. OF OTHER PRINCIPALS (NOT U.K.)	5.35	5.61	7.46	8.37	4.81
o No. OF VISITS BY AGENT TO U.K. PRINCIPAL	2	2.2	1.8	2.97	1.78

Annual visits by the manufacturer to the West German agents are higher in the 'new' state, low in the 'troubled' state and least in the 'declining' state. Again, these figures seem to confirm an intuitive feel that in a new development state the manufacturer would visit the agent more than when the relationship is in decline. There is marginal reduction in annual visits by both the manufacturers and agents in the troubled relationships state.

The percentage of an agents business conducted with the U.K. changes with development state; a high percentage in the 'new' state, possibly levelling off during the 'growing' state, and then declining through the other states.

Table 7.8

Number of Manufacturers Products Marketed  
in West Germany by Relationship

<u>Development</u>	<u>Development States</u>					
	YEARS					
<u>State</u>	0-1	2	3-5	3-10	11-20	21+
NEW	14	101				
GROWING	-	-	126	54	571	127
TROUBLED	-	-	8	32	351	50
STATIC	-	-	59	3	11	32
DECLINING	-	-	-	35	1	1

Dyadic Relationships

The data for the dyadic relationships was summed, that is, the response of manufacturer and agent/distributor is added, so that the responses of both parties is reflected in the data.

Table 7.9 illustrates the relationships development state for the seven dyadic relationships based on the length of the relationship.

Table 7.9

DYADIC RELATIONSHIPS DEVELOPMENT STATES

(n = 7)

LENGTH OF

<u>RELATIONSHIP</u>	<u>NEW</u>	<u>GROWING</u>	<u>TROUBLED</u>	<u>STATIC</u>	<u>DECLINING</u>
2 YEARS OR LESS	1	-	-	-	-
3-5 YEARS	-	-	-	-	-
6-10 YEARS	-	-	1	-	-
11-20 YEARS	-	2	-	1	1
21 YEARS OR MORE	-	-	1	-	-
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>
<b>PERCENTAGE</b>	<b>14.3%</b>	<b>28.55%</b>	<b>28.55%</b>	<b>14.3%</b>	<b>14.3%</b>

Table 7.10

RELATIONSHIP DEVELOPMENT STATES-  
 DYADIC RELATIONSHIPS COMPARED  
 TO U.K. MANUFACTURERS AND  
WEST GERMAN AGENTS AND DISTRIBUTORS RELATIONSHIPS

PERCENTAGE OF <u>RESPONDENTS</u>	<u>NEW</u>	<u>GROWING</u>	<u>TROUBLED</u>	<u>STATIC</u>	<u>DECLINING</u>
	%	%	%	%	%
U.K. Manufacturers (n=91)	20.9	49.4	9.9	14.3	5.5
West German Agents and Distributors (n=148)	15.5	36	10	23	15.5
Dyadic Relationships (n=7)	14.3	28.55	28.55	14.3	14.3

Table 7.10 compares the percentage of respondents falling into each relationship development state with each of the three respondents - U.K exporting manufacturer, the West German agents and distributors, and the seven dyadic relationships. The low number of dyadic relationships means the dyadic figures cannot be considered as representative and are included here for interest; the overall percentage falling into each relationship state is similar for all but the troubled state (28.55 percent in the dyadic relationship compared to around 10 percent for the UK manufacturers or the West German agents and distributors).

The 'new' relationship is between a U.K. consumer lighting manufacturer and an agent based in Hemmingen, near Hannover. The relationship is two years old. Both parties are satisfied with the relationship and are confident for the future of the relationship. The agent has two employees and has been in business for only 2 years with around 30 per cent of its business coming from the U.K. The rest of its business comes from two other principals whose country of origin were not identified.

The two 'growing' dyads consist of a U.K. trouser press manufacturer with an agent based in Riedstadt, near Wuerzburg and the other is a U.K. capital goods manufacturer with an agent based in Hamburg. The relationships are nineteen and thirteen years old respectively. All parties are satisfied with the relationship, although the agent for the capital good manufacturer is uncertain for the future of the relationship. The agents have thirteen and ten employees respectively; one agent has been in business for some sixty years (but importing only since 1970) and the other has been in business for thirty years. The two agents have been representing their U.K. manufacturer for 20 years (capital goods) and 18 years (trouser presses).



The 'troubled' development state includes two dyads: The first is a loudspeaker manufacturer (for professional/military uses) and the second is a manufacturer of electro mechanical servo systems. The agent for the loudspeaker manufacturer is located in Lohram Main between Frankfurt and Wuerzburg, and the agent for the electro mechanical servo manufacturer works from Munich. The loudspeaker manufacturer is exporting to a market where sales are declining. The parties have no confidence in the future: both parties are thinking of ending the relationship. Both parties are also completely dissatisfied with the relationship, with conflict ranging from moderate to high. Sales are low at around £10,000 per annum. Representing the loudspeaker manufacturer is some 10 per cent of the agents overall business; the other 90 per cent of business is from one principal in the USA. The agent representing the electro mechanical servo manufacturer also has some 90 per cent of his business from the USA (representing eight principals); the U.K. business is worth around £200,000 per annum. The interesting point that comes from this analysis is that neither agent is dependent on the U.K. for the majority of his business. This seems to confirm the overall results (see Table 7.7 above) that the percentage of an agents business with the U.K. is substantially less in agents categorized as 'troubled'.

The dyad falling into the 'static' development state consists of a U.K. manufacturer of textile weaving machinery and his agent based in Karlsbad, a town near to Karlsruhe in southern Germany. This relationship is around fifteen years old, with both parties satisfied and confident for the future. Sales are running at around £160,000 per annum. The U.K. imports represent some 10 per cent of the agents business; 30 per cent is with Italy and the remaining 60 per cent is with Switzerland. The agent represents two principals from the U.K. and three from Switzerland and Italy.

Finally, the 'declining' category consists of one dyad; the U.K. manufacturer makes pumps and his agent is based in Wallenhorst near to Osnabrueck in North Germany. The agent represents two U.K. principals; only five per cent of his business, however, comes from the U.K. The rest is spread over various European countries with some 15 per cent coming from South America and Australia. This particular relationship has been going for some fifteen years, with annual sales in the region of £10,000. The sales trend is considered by both parties to be declining and therefore their view of the future tends towards uncertainty, although both are satisfied with the relationship.

CHAPTER 8  
CONFLICT IN THE  
INTERNATIONAL MARKETING CHANNEL

Definition of Conflict

One of the first to attempt to define conflict in the marketing channel was Stern and Gorman (1) who suggested that conflict was a process of system changes:

"...A change occurs in the task environment or within a channel member's organisation that eventually has implications for the channel members... when the other affected members perceive the change as being potentially frustrating to their goals and attempt to remove the cause of frustration, a conflict situation emerges".

Etgar (2) agreed with the Stern and Gorman (3) typology that conflict was traditionally defined as existing in a channel when:

"... a component (channel member) perceives the behaviour of another to be impeding the attainment of its goal or the affective performance of its instrumental behaviour patterns."

Gaski (4) adopted this consensus to define channel conflict as the perception on the part of one channel member that its goal attainment was being impeded by another channel member, resulting in stress or tension within the channel.

Although many writers had adopted terms such as manifest conflict and affective or felt conflict that could be applied respectively to the impeding of goal attainment and stress or tension, Gaski believed that conflict referred only to the perception that another channel member was being obstructive, with tension being an implicit accompaniment.

This research adopts the consensed definition of channel conflict as outlined by Etgar (5) above: The perception by one channel member that the behaviour of another channel member is impeding the goal attainment or the performance of the channel, resulting in stress and tension within that channel.

Lusch (6) argued that manifest conflict usually takes the form of verbal or written exchanges of disagreements between channel members; two dimensions were identified: frequency and intensity. Schmidt and Kochan (7) defined the process of manifest conflict as:

"...overt behaviour arising out of a process in which one unit seeks advancement of its own interests in its relationship with the others. This advancement must result from determined action, not fortuitous circumstance".

For conflict to occur channel members must usually first recognise policies and procedures (referred to as "issues" in the literature) that may be obstacles for the other channel members that result in disagreements. Disagreements arise in marketing channels when channel members do not perform their tasks as expected. These disagreements result in verbal or written exchanges as members try to resolve the particular issue of disagreement.

These exchanges can differ in their intensity with channel members, for example, politely writing to each other over a particular issue or, more strongly, verbal abuse between the participants or (unusually) physical violence.

It is therefore argued that the amount of manifest conflict within the channel depends upon the frequency of disagreements and the intensity of those disagreements.

### Operationalisation

The approach adopted for the present study was to identify items over which firms within the channel might disagree. Respondents were asked to provide an estimate as to the frequency of disagreements over each item, together with an estimate of the degree (or intensity) of conflict.

Interviews with a number of U.K. exporting companies, and a search of the literature, revealed many issues of concern to both exporting manufacturers and agents and distributors. Many issues, however, were industry specific and therefore were not suitable for a cross-industry survey. The following eight issues were finally selected:

- Size of Orders
- Size of Inventory
- The handling of dissatisfied customers
- The quality of the product(s)

- New product development
- Meeting delivery dates
- Pricing
- Promotional support

. Size of Orders and Size of Inventory

Disputes over these two items were possible because manufacturers were likely to declare order or inventory size as too small or too large. The agent or distributor would be submitting any order and distributors would often look towards minimizing their inventory levels.

. The handling of dissatisfied customers

The handling of dissatisfied customers is the key to any business that intends to succeed. The way dissatisfied customers were treated was seen as providing grounds for disagreements between manufacturers and their overseas intermediaries. Overseas intermediaries require a prompt 'no quibble' service from the manufacturer to ensure that the dissatisfied customer's concerns are resolved and that the concern should not reflect on the intermediary.

. The quality of the product

The West German market is noted for its discerning customers. Generally speaking, the Germans do not like to take risks. On the one hand they are well off and stand to lose much if the tide of personal or national fortunes turns against them.

On the other hand, living as the buffer between two ideologies and two political realities (plus the history of wars and personal economic disaster in the older generation) combine to foster a sense of insecurity among many, particularly older Germans. The German therefore desires 'Sicherheit', which means certainty, trustworthiness, safeguard or security.

This manifests itself in two ways, firstly, from the customers viewpoint the quality of the product is often paramount, secondly, the agent or distributor wants to be associated with a quality product that will enhance his image and contribute to his success in business. Product quality would appear to be fertile ground for disagreements.

#### . New Product Development

The German's desire for 'Sicherheit' often results in considerable scepticism towards anything new or unknown. New products can therefore have a particularly hard time to gain market acceptance. Therefore it was believed that West German agents and distributors would want to be involved in the new product development process in some way. The manufacturers, however, would perceive new product development as their responsibility alone.

. Meeting delivery dates

The Germans consider the meeting of agreed delivery dates as very important; it is something German manufacturers are particularly good at. Disagreements between intermediary and manufacturer over delivery dates was considered to be an important item.

. Pricing

Pricing is particularly difficult in export markets and firms have to contend with methods of quotations in a foreign currency or in the exporter's own currency. Exchange rates exacerbate the pricing strategies of companies. Germans are concerned with high quality at low prices, which makes the German market particularly difficult.

. Promotional support

Publicity, including advertising, is highly developed in West Germany. T.V. advertising is, however, subject to time restrictions and therefore the dominant medium is print. It is of a high standard and in most consumer areas it is intensive. German buyers of high priced consumer goods (cameras, hi-fi's etc) tend not to make quick purchases, starting with an information search, including various consumer test magazines and, of course, product literature. It is therefore important that promotional material is supplied in the German language.



The amount of support provided by the manufacturer to the overseas intermediary is seen as critical and to be likely to generate disagreement within the channel.

U.K. manufacturers were asked to relate each of the eight issues to each of their West German agents or distributors. Each manufacturer was asked to rate the frequency of disagreements over each issue on a seven-point scale ranging from 'never disagree' to 'always disagree'.

The intensity, or level, of disagreements was rated by the manufacturers on a seven-point scale ranging from 'very low' to 'very high'. A similar procedure was adopted for use with the West German agents and distributors; they were asked to relate each of the eight issues to each of their U.K. manufacturers.

Following the procedure established by Brown and Day (8), the first measure is the frequency of occurrence of disagreements between the U.K. manufacturer's representatives and the West German agent or distributor, as reported by the U.K. manufacturer, for each issue. The results were summed over the eight issues for each manufacturer. The intensity of disagreements over each of the eight issues was also obtained and the manufacturer's responses were also summed to provide another single measure of conflict for each manufacturer.

A more complex weighted index of manifest conflict was also obtained. The frequency of disagreements for each issue was multiplied by the intensity for that issue and the products were summed to give a single weighted index.

A further measure was obtained by summing the frequency issue with its corresponding intensity issue and then summing the results into another overall index of conflict. A similar procedure was used for the responses received from the West German agents and distributors which also resulted in four measures of manifest conflict (i) frequency index, (ii) intensity index, (iii) weighted index, and (iv) summed index.

All four measures, for both the manufacturers and the agents and distributors, reflects the same construct defined over the same eight issues with data from the same sample. It is therefore to be expected that the measures should be highly intercorrelated. Table 8.1 illustrates the pairwise correlations for both the manufacturers and the West German agents and distributors. The correlations range from a low of .7358 (Frequency F and Intensity N) for manufacturers, to a high of .9834 (Frequency F and F+N) for the West German agents and distributors. These results are broadly in line with those described by Brown and Day (9).

Table 8.1

INTERCORRELATIONS AMONG CONFLICT MEASURES

U.K. MANUFACTURERS

	(F)	(N)	(F + N)	(F * N)
	SUMMED FREQUENCY OF DISAGREEMENTS	SUMMED INTENSITY OF DISAGREEMENTS		
(F)	1.0000	.7358	.9388	.9220
(N)		1.0000	.9241	.8927
(F+N)			1.0000	.9746

WEST GERMAN AGENTS & DISTRIBUTORS

	(F)	(N)	(F + N)	(F * N)
(F)	1.0000	.9319	.9822	.9588
(N)		1.0000	.9834	.9699
(F+N)			1.0000	.9813

Memo: All correlations significant at  $p \leq 0.005$

Reliability of these measures was examined by calculating coefficient alpha over the issues used in each formulation. Coefficient alpha measures reliability in terms of the internal consistency of items relating to a single trait within a questionnaire and is the appropriate reliability measure (10). Coefficient alpha for the measures of conflict are shown in Table 8.2.

Table 8.2

COEFFICIENT ALPHA FOR THE  
MEASURES OF CONFLICT

UK MANUFACTURERS

Frequency Measure	0.89
Intensity Measure	0.87

WEST GERMAN AGENTS AND DISTRIBUTORS

Frequency Measure	0.84
Intensity Measure	0.86

Additional estimates of reliability might have been obtained by using alternative forms of the questionnaire or by administering the questionnaire a second time. The first, the alternative-form method, requires that an alternative form of the same test is administered so that the two forms of the test are intended to measure the same thing. The correlation between the alternative forms would provide the estimate of reliability. The second, the retest method, is to give the same test to the same people after a period of time. Correlations between scores on the two administrations of the same test are then obtained. These alternative estimates of reliability were not feasible in the present research.

Nunnally (11) defined the satisfactory level of reliability as:

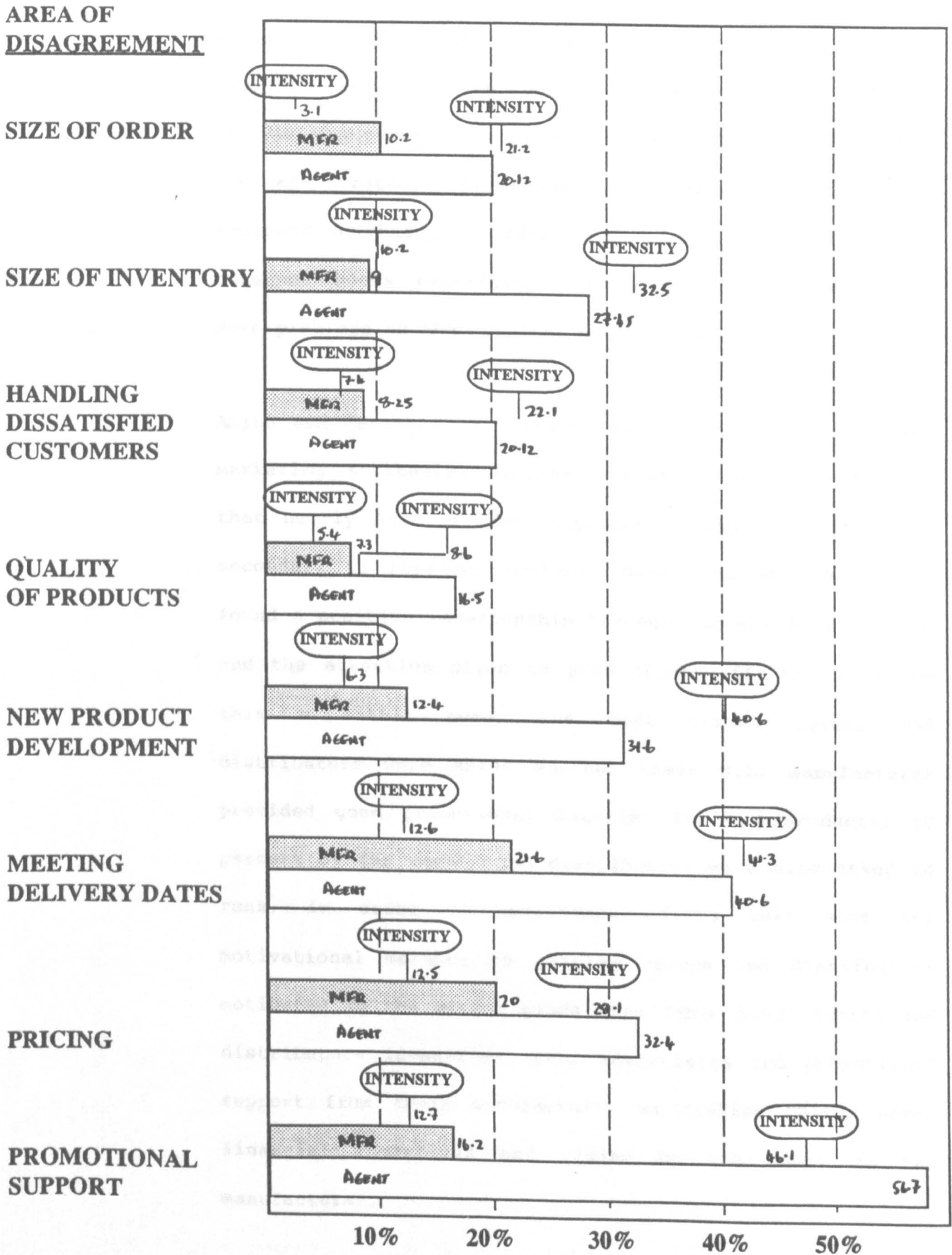
"...In the early stages of research on predictor tests or hypothesized measures of a construct, one saves time and energy by working with instruments that have only modest reliability for which purpose reliability of .60 or .50 will suffice".

The reliability measures in Table 8.2 clearly exceeds the limits recommended by Nunnally for basic research. Examination of the specific items that were used to define the frequency of disagreements and the intensity of disagreements shows a much lower level of conflict in the channel from the U.K. manufacturer's viewpoint, compared to that of the West German agents and distributors. Figure 8.1 illustrates the sum of all responses received from the U.K. manufacturers and the West German agents and distributors, in terms of: (i) total percentage of frequency of disagreements that were 'occasionally', 'usually' or 'always', and (ii) total percentage of intensity of disagreements that were high.

#### . Promotional Support

The most substantial difference between the U.K. manufacturers and the West German agents and distributors was in the area of promotional support. 56.7 percent of the West German agents and distributors highlighted that they were in disagreement with their U.K. manufacturer over promotional support. However, only 16 percent of U.K. manufacturers had indicated that promotional support was an issue with their agents and distributors.

**FIGURE 8.1**  
**FREQUENCY OF DISAGREEMENTS**



PERCENTAGE OF RESPONDENTS WHERE FREQUENCY OF DISAGREEMENTS IS "OCCASSIONALLY/USUALLY/ALWAYS" WITH CHANNEL MEMBERS AND WHERE INTENSITY (OR LEVEL) OF DISAGREEMENT IS HIGH.

This divergance of opinion between the U.K. manufacturers and the West German agents and distributors appears not to have changed since McFarlane's (12) investigation of the marketing methods of Scotland's winners of the Queen's Award for Export, which found that the promotional efforts of the exporters was haphazard and without any clearly defined strategy. McFarlane found that promotion was regarded as being of relatively minor importance, with consumer goods exporters' attitudes to promotion being more progressive than capital goods exporters.

Amine and Cavusgil (13) found, in a survey of the export marketing strategies in the British clothing industry, that nearly half of the respondents judged promotion as secondary to personal contact. Baker and Abou-Zeid (14) found a positive relationship between success in exporting and the attention given to promotional efforts. To probe this a little more, the West German agents and distributors were asked whether their U.K. manufacturer provided good promotional material for the products; 50 percent of the agents and distributors were also asked to rank, in order of importance, items that were key motivational methods in getting agents and distributors motivated in the market place (see Table 5.6). Agents and distributors identified local advertising and promotional support from their manufacturer as ranking third, after financial incentives and visits by the agent to the manufacturer.

The U.K. manufacturers, however, ranked this item as seventh (out of nine). The measure of the level of conflict for promotional support (or intensity of the conflict over the disagreement) was very high for 46.1 percent of the agents and distributors, compared to low for the manufacturers (12.7 percent).

The West German agents and distributors were clearly expressing their concern at the amount of support they received from their U.K. manufacturers for advertising and promotion, a concern, however, not shared by the U.K. manufacturers with their West German agents and distributors.

. Meeting Delivery Dates

Meeting delivery dates was the second item that West German agents and distributors identified as giving them the most disagreements. 40.6 percent of responding agents and distributors believed that they were in disagreement with their U.K. manufacturer, compared to 21.6 percent of the U.K. manufacturers with their agents/distributors. This appears to support the findings of Baker and Abou-Zeid (15) who found that 51 percent of the respondents to their survey indicated that missing delivery dates was a very important reason behind the steady decline in the U.K.'s export competitiveness. The intensity of the disagreements was rated as high by 41.3 percent of the West German agents and distributors, compared to 12.5 percent of the U.K. manufacturers.



In order to amplify this response by the West German agents and distributors, a further question was asked in which the agents and distributors were requested to identify (in order of importance) specific measures that would increase sales of British products in West Germany (see Table 5.8); they ranked faster deliveries as third, after lower prices and better quality. U.K. manufacturers, interestingly, also ranked this as third; this response seemed to indicate that U.K. manufacturers do see that meeting delivery dates is one of their important marketing objectives but the responses received from the West German agents and distributors indicates that British manufacturers have some way to go.

#### . Pricing

32.4 percent of West German agents and distributors identified that they were frequently in disagreement with their U.K. manufacturer over pricing. The intensity of these disagreements was considered high by 28.1 percent of the responding agents and distributors. U.K. manufacturers, however, saw their level of disagreements as being much lower; their response indicated that some 20 percent of U.K. manufacturers were frequently in disagreement with their West German agents and distributors over pricing. The intensity of these disagreements was less than half of that perceived by the West German agents at 12.5 percent.

. New Product Development

The fourth item that West German agents and distributors identified as having a level of disagreement was new product development. 31.6 percent of agents and distributors indicated that they were frequently in disagreement with their U.K. manufacturer and the intensity of these disagreements was also high, at 40.6 percent of respondents. This compares to the U.K. manufacturers rating of 12.4 percent of respondents identifying new product development as an issue for which they were in disagreement with their West German agents and distributors. Only 6.3 percent of U.K. manufacturers had identified that the level of conflict or intensity of disagreements was high. This difference appears to be one of perception of the responsibility for new product development.

Several of the responding manufacturers emphasised that new product development was their exclusive responsibility and did not consider that their agents and distributors should have any input to the process. Agents and Distributors would like to influence the new product development process in the belief that their input would improve the chances of success for the product in their country.

. Size of Inventory

27.4 percent of responding agents and distributors identified the size of inventory as an issue over which they were frequently in disagreement with their U.K. manufacturer. The intensity of these disagreements was rated as high by some 32 percent of respondents. U.K. manufacturers, however, identified the frequency and intensity at a lower number of respondents; 9 percent and 10.2 percent respectively.

. Size of Order

20 percent of responding agents and distributors identified the size of order as an issue over which they were frequently in disagreement with their U.K. manufacturer. Intensity for these disagreements was rated as high by 21 percent of responding agents and distributors. Lower levels of frequency (10 percent) and intensity (3 percent) were recorded by the U.K. manufacturers.

. Handling Dissatisfied Customers

Handling dissatisfied customers was mentioned by 22 percent of agents and distributors as having a high level of intensity, with 20 percent identifying that they had disagreements with their U.K. manufacturer over the issue. Frequency and intensity were recorded by 8.25 percent and 7.4 percent of U.K. manufacturers respectively.

## . Quality of Products

Out of the eight issues investigated for conflict, the issue on Quality of Products came lowest in terms of conflict. 16.5 percent of responding agents and distributors identified that they were frequently in disagreement with their U.K. manufacturer and 8.6 percent stated that the level of conflict was high. This compares to 7.3 per cent of U.K. manufacturers identifying frequency of disagreements and 5.4 percent identifying a high level of conflict.

### Item to Item Correlations

An item to item correlation matrix was produced to examine the possibility that items were correlated to each other and to identify whether these correlations made conceptual sense. Tables 8.3 and 8.4 illustrates the correlations for the U.K. manufacturers and Tables 8.5 and 8.6 illustrates the correlations for the West German agents and distributors.

## . U.K. Manufacturers

### Frequency of Disagreements (Table 8.3)

Reasonably high levels of correlation were found between the handling of dissatisfied customers and product quality and meeting delivery dates. Conceptually this is in the right direction; it would be expected that customers would be dissatisfied because of poor product quality or from the late delivery of products.

TABLE 8.3

U.K. MANUFACTURERS - ITEM TO ITEM CORRELATIONS

FREQUENCY OF DISAGREEMENTS

	SIZE OF <u>INVENTORY</u>	HANDLING <u>CUSTOMERS</u>	PRODUCT <u>QUALITY</u>	MEETING DELIVERY <u>NPD</u>	MEETING DELIVERY <u>DATES</u>	MEETING DELIVERY <u>PRICING</u>	PROMOTIONAL <u>SUPPORT</u>
SIZE OF ORDER	.7041	.5521	.4452	.4684	.5962	.3508*	.3275*
SIZE OF INVENTORY	1.000	.3835	.4405	.4478	NS	.3877	.3785
HNDG. DISSAS CUSTOMERS		1.000	.6024	.5085	.6029	.4570	NS
PRODUCT QUALITY			1.000	.6787	.5422	.4682	.4531
NEW PRODUCT DEVELOPMENT				1.000	.3856	.5494	.5400
MEETING DELIVERY DATES					1.000	.4123	NS
PRICING						1.000	.4642

P ≤ 0.0005, except for items marked \* where p ≤ 0.01

NS = Not significant

Product quality was also correlated with new product development. There was an absence of any interrelationships between promotional support and meeting delivery dates and handling dissatisfied customers. Significant associations were found between size of order and size of inventory.

#### Intensity of Disagreements (Table 8.4)

Intensity of Disagreements for the size of order correlates significantly with the size of inventory, handling dissatisfied customers, product quality and new product development. Lower levels of significance were identified for size of order/delivery dates and pricing/promotional support.

#### . West German Agents and Distributors (Tables 8.5 and 8.6)

##### Frequency of Disagreements

Significant associations were found between size of order and size of inventory with the West German agents and distributors. There was an absence of any interrelationships between the size of orders/inventory and product quality and new product development. There was no interrelationship between new product development and meeting delivery dates.

#### Intensity of Disagreements (Table 8.6)

No significant relationship was identified for the size of orders, inventory/product quality variables. All other variables correlated at the 1 percent level or better.

TABLE 8.4

U.K. MANUFACTURERS -  
ITEM TO ITEM CORRELATIONS  
INTENSITY OF DISAGREEMENTS

	SIZE OF <u>INVENTORY</u>	HANDLING <u>CUSTOMERS</u>	PRODUCT <u>QUALITY</u>	MEETING <u>DELIVERY</u>	MEETING <u>DATES</u>	PRICING	PROMOTIONAL <u>SUPPORT</u>
SIZE OF ORDER	.6656	.5383	.5132	.4434	.4357**	.3468*	.3981*
SIZE OF INVENTORY	1.000	NS	.3318a	.3534*	.3157a	NS	.3610*
HNDG. DISSAS CUSTOMERS		1.000	.3939*	.4203**	.4877	NS	.2592a
PRODUCT QUALITY			1.000	.6501	.5377	.4552	.2778a
NEW PRODUCT DEVELOPMENT				1.000	.5359	.3068a	.4616
MEETING DELIVERY DATES					1.000	.4976	.4005*
PRICING						1.000	.5380

$P \leq 0.0005$ , except for items marked: \* where  $p \leq 0.01$

\*\*  $p \leq 0.001$

a  $p \leq 0.05$

NS = Not significant

TABLE 8.5

WEST GERMAN AGENTS AND DISTRIBUTORS -

ITEM TO ITEM CORRELATIONS

FREQUENCY OF DISAGREEMENTS

	MEETING						
	SIZE OF	HANDLING	PRODUCT		DELIVERY		PROMOTIONAL
	<u>INVENTORY</u>	<u>CUSTOMERS</u>	<u>QUALITY</u>	<u>NPD</u>	<u>DATES</u>	<u>PRICING</u>	<u>SUPPORT</u>
SIZE OF							
ORDER	.7724a	.4551b	NS	NS	.5091a	.3390c	.4484a
SIZE OF							
INVENTORY	1.000	.5969a	NS	NS	.6063a	.3425c	NS
HNDG. DISSAS							
CUSTOMERS		1.000	.3723c	.4466a	.5134a	.3571c	.3720c
PRODUCT							
QUALITY			1.000	.3898b	.4616a	.4076b	.3240c
NEW PRODUCT							
DEVELOPMENT				1.000	NS	.4177b	.5876a
MEETING DELIVERY							
DATES					1.000	.3939b	.3337c
PRICING						1.000	.4868a

a = p ≤ 0.0005

b = p ≤ 0.001

c = p ≤ 0.01

NS = Not significant



TABLE 8.6

WEST GERMAN AGENTS AND DISTRIBUTORS -

ITEM TO ITEM CORRELATIONS

INTENSITY OF DISAGREEMENTS

	SIZE OF <u>INVENTORY</u>	HANDLING <u>CUSTOMERS</u>	PRODUCT <u>QUALITY</u>	MEETING			PROMOTIONAL <u>SUPPORT</u>
				<u>NPD</u>	<u>DATES</u>	<u>PRICING</u>	
SIZE OF ORDER	.8343a	.4099c	NS	.4802a	.4189c	.4716a	.5128a
SIZE OF INVENTORY	1.000	.4378c	NS	.4445c	.4132c	.4485c	.4661b
HNDG. DISSAS CUSTOMERS		1.000	NS	.4619b	.4973a	NS	.4634b
PRODUCT QUALITY			1.000	.4564a	.4236b	.4763a	.3671b
NEW PRODUCT DEVELOPMENT				1.000	.4673a	.5492a	.6532a
MEETING DELIVERY DATES					1.000	.5093a	.4689a
PRICING						1.000	.5370a

a = p ≤ 0.0005

b = p ≤ 0.001

c = p ≤ 0.01

NS = Not significant

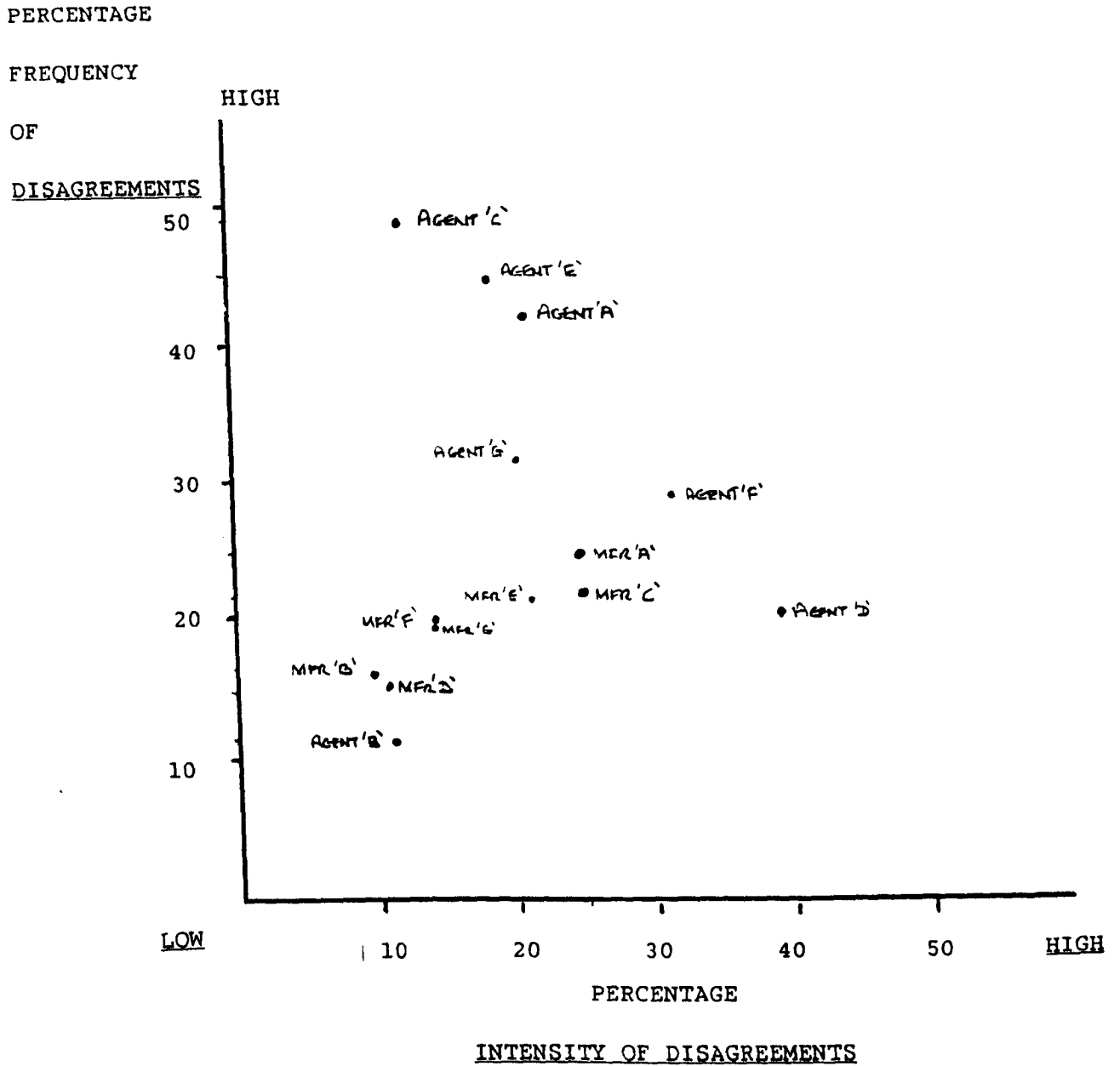
### The Dyadic Relationship

Examination of the seven dyadic relationships confirm the trends identified in the analysis of the total individual responses discussed above (see Figure 8.2).

Dyad 'A' showed broad agreement for the results against size of order, inventory and the handling of dissatisfied customers; the scores showing a low level of conflict within the channel. The score for pricing was the same for both the manufacturer and the agent; both identified high levels of conflict over this issue. Promotional support, new product development and quality of products all showed a divergence of scores between the manufacturer and the agent; both identified high levels of conflict over this issue. Promotional support, new product development and quality of products all showed a divergence of scores between the manufacturer and the agent; low levels of conflict were recorded by the manufacturer, compared to high levels of conflict being identified by the agent. The manufacturer in this dyad had written that "you can only sell engineering goods in Germany at throwaway price levels for only the highest quality products". The frequency of disagreements was high in this dyad, but the intensity of the disagreements was relatively low.

FIGURE 8.2

DYADIC RELATIONSHIPS - FREQUENCY AND  
INTENSITY OF DISAGREEMENTS



LEGEND:

DYAD CODE A = PUMPS: B = TROUSER PRESS: C = INDUSTRIAL LOUDSPEAKERS  
D = MACHINERY RUBBER/PLASTIC/FOOD INDUSTRIES:  
E = ELECTRO MECH. SERVO COMPONENTS, F = CONSUMER LIGHTING  
G = TEXTILE WEAVING MACHINERY.

Dyads 'B', 'D', and 'F' showed broad agreement for the scores against all issues. Dyad 'C', however, showed that the agent rated high levels of conflict against all issues, except the quality of the product, compared to low levels of conflict identified by the manufacturer. Dyad 'E' also showed that the agent rated high levels of conflict against all the issues, except for the size of orders and inventory.

Dyad 'G' showed broad agreement between the manufacturer and agent on the size of order, inventory, quality of products, delivery dates and pricing. There was some disagreement on promotional support and new product development.

## Chapter 9

### Satisfaction in the International Marketing Channel

#### Definitions of Satisfaction

Few researchers in the marketing field have attempted to define satisfaction in the marketing channel context. In a model of channel member behaviour Robicheaux and El-Ansary (1) stated that:

"Control, performance, and satisfaction are inextricable in channel relationships..... Research suggests, in fact, that total channel performance can be improved via coordination (control). Good organizational performance tends to make channel members satisfied with their channel relations, and this satisfaction often stimulates even better performance".

They argued that channel performance and satisfaction were interrelated and proposed a number of propositions which highlighted significant aspects of the complex control-performance-satisfaction connection. El-Ansary (2) proposed a behavioural model of channel system performance which emphasised that satisfaction and dissatisfaction were determinants of performance and were determined by performance. The model developed by Michie and Sibley (3) showed satisfaction, together with performance and conflict, as primary outputs of channel behaviour.

A framework of interorganisational exchange behaviour in marketing channels was developed by Frazier (4). This showed that the outcome of the overall exchange relationship was satisfaction or dissatisfaction and the level of satisfaction/dissatisfaction would be influenced by a variety of factors including rewards levels, perceived equity, goal compatibility and role satisfaction. High levels of satisfaction were predicted to have positive consequences for the relationship such as heightened perceptions of goal incompatibility, high levels of conflict and low cooperation.

These early contributions to the conceptual development of channel member satisfaction were models that attempted to illustrate total channel member behaviour. The major output of these models was channel performance to which one of the inputs was channel satisfaction. However, these models did not attempt to define channel satisfaction.

Schul, Lamb and Little (5) defined channel satisfaction as a channel members affective evaluations and attitudes concerning the channel arrangement and everything associated with it. They argued that the results from previous studies suggested that a channel member's satisfaction may be affected by their evaluative perceptions of various aspects of the channel arrangements such as structure, leadership and autonomy.

In a study of the determinants of customer satisfaction, Churchill and Suprenant (6) proposed that satisfaction was similar to attitude in that it could be assessed as the sum of the satisfactions with the various attributes of the product or service. However, the customer satisfaction perspective is to measure satisfaction in relation to the provision of a product or service which is purchased by the consumer rather than the organizational setting which is where the channel member stands.

It is indicative, however, that the satisfaction with a product or service is related to a number of attributes of the product or service.

Organizational theorists reached the same conclusion (7) when researching job satisfaction. A seminal study by Ruekert and Churchill (8) developed a definition of channel member satisfaction which was based on the conceptual approaches used by organizational theorists and industrial psychologists. Their definition was:

".... The domain of all characteristics of the relationship between a channel member (the focal organization) and another institution in the channel (the target organization) which the focal organization finds rewarding, profitable, instrumental and satisfying or frustrating, problematic, inhibiting or unsatisfying".

This approach was further developed by Schul, Little and Pride (9) in which channel member satisfaction was defined as:

"....a channel member's affective attitudes and feelings concerning the domain of characteristics describing the internal environment of the channel organization and the relationships between the channel member and other institutions in the channel arrangement. Thus, channel satisfaction is conceptualized as an affective response of individual channel members towards salient aspects of the channel organization".

This research adopts these definitions of satisfaction i.e. satisfaction is the domain of all the characteristics of the relationship between one channel member and another member in the channel arrangement which are found to be rewarding, profitable and satisfying or frustrating, problematic, or unsatisfying.



Operationalization of the Satisfaction Construct  
in Previous Empirical Research.

The earliest researchers to attempt to operationalize the satisfaction construct in the channel context were those of Rosenberg and Stern (10) and Hunt and Nevin (11). These researchers used single item measures: Rosenberg and Stern a five-point scale from "very satisfied" to "very dissatisfied"; Hunt and Nevin asked the question what would a franchisee do "if he had it to do over again". However, a major criticism of the single-item measures used in marketing research was put forward by Jacoby (12):

"....Given the complexity of our subject matter, what makes us think we can use response to single items (or even two or three items) as measures of these constructs, then relate these scores to a host of other variables, arrive at conclusions based on such an investigation and get away calling what we have done 'quality research'?".

Lusch (13) therefore developed sixteen items which were included in a "domain" of satisfaction. A four-point scale was used to measure satisfaction on each of the items in the domain. These items included product quality, vehicle availability and local advertising assistance. A total score for satisfaction was obtained for each respondent by summing the individual item score.

Following the Lusch study, subsequent researchers operationalized the satisfaction construct by using a domain of items designed to measure various aspects of channel member satisfaction in specific channel settings. For example, Michie (14) used a domain of warranty satisfaction items in a franchise channel.

A different approach was adopted by Wilkinson (15). He researched the satisfaction level of a firm with the performance of other firms within the channel. A seven-point scale ranging from "very satisfied" to "very dissatisfied" was used. This research had an important difference to previous approaches; channel members were asked to rate "how satisfied their own firm was with the performance of each firm named by them". The measure of satisfaction obtained did not therefore refer to the satisfaction level of the respondents own firm; the results cannot therefore be directly compared to the other studies of channel member satisfaction. Additionally this research used the single-item measure whose weaknesses have already been identified above (16).

The seminal study of Ruekert and Churchill (17) pointed the way to the development of multiple-item measures to capture the construct of channel member satisfaction. The construct was found to be multi-dimensional, involving satisfaction with products, financial considerations, social interactions and advertising programs.

## Operationalization

The approach adopted for the present study follows that established by Ruekert and Churchill (18). Four dimensions of channel members' satisfaction were identified: product, marketing, performance and social interaction. However, it was believed that each dimension needed to be unique to each channel component (U.K. exporting manufacturer and West German agent or distributor) in order to measure satisfaction from that particular channel component's viewpoint. The questions were therefore designed to ask for the evaluation of the relationship via the respondent's beliefs.

The product dimension for the U.K. manufacturers reflects the amount of time devoted to selling the product by the agent/distributor, the awareness of the product (product knowledge) by the agent/distributor and the customer follow-up provided by the agent/distributor. The dimension for the West German agents and distributors reflects that the manufacturer's products are asked for by customers, the products represent a growth opportunity for the agent or distributor, the manufacturer's products are well known in West Germany, and finally the performance of the product compared to that of competition.

The marketing dimension identifies the market knowledge, market planning and sales forecasting abilities of the West German agent or distributor from the U.K. manufacturers' viewpoint. The dimension from the West German agents' and distributors' viewpoint reflects the U.K. manufacturers' abilities to set realistic sales targets, the knowledge of the territory and the provision of good promotional material.

Performance as a dimension of satisfaction reflects the sales level as well as the attractiveness of the compensation arrangements within the channel. This dimension therefore includes the sales level being achieved, the commission arrangements, contract terms, and payment terms.

Finally, a social interaction dimension is included which reflects how satisfactorily the interactions between the channel members are handled. This dimension includes such items as communications between channel members, helpfulness, organization, number of visits to agent/distributor by the U.K. manufacturer, and the manufacturers ability to communicate in the German language.

Items were developed for each dimension from reviews of the literature and exploratory interviews with exporting companies. These items were progressed both from the U.K. manufacturers' viewpoint and from the West German agent or distributors' perspective.

Using the measurement procedures established by Ruekert and Churchill (19) two operationalizations were developed. The first indirectly asks for the evaluation of the relationship via the manufacturers' and agents' beliefs. The measure used a five-point Likert scale with possible responses ranging from "strongly agree" to "strongly disagree". The second measure described a specific aspect of the relationship and used a five-point Likert scale ranging from "very satisfied" to "very dissatisfied". This measure directly asks for the manufacturers' and agents' evaluation of the channel relationship.

The schematic in Figure 9.1 illustrates these dimensions of satisfaction and their measures.

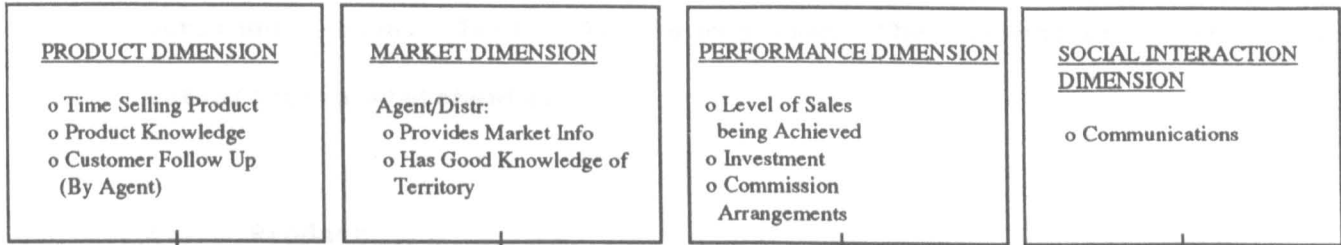
An overall measure of channel satisfaction was also collected using a single-item 5-point scale which called for an overall assessment of the relationship. This was similar to the other single-item measures used in some of the previous research.

**FIGURE 9.1**

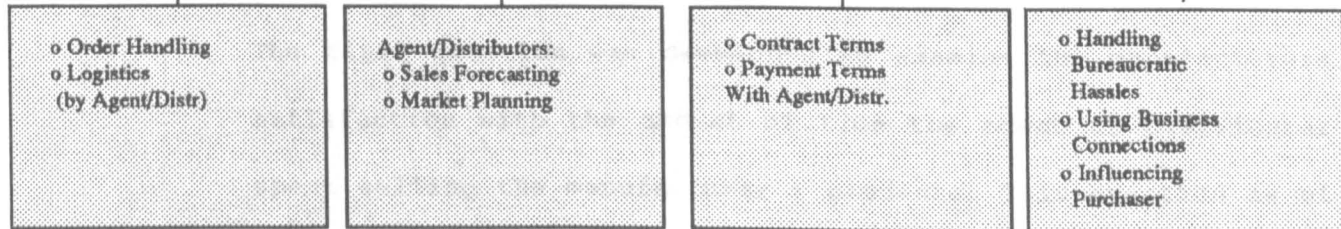
**THE DIMENSIONS OF SATISFACTION  
AND THEIR MEASURES**

**MANUFACTURERS**

**INDIRECT**

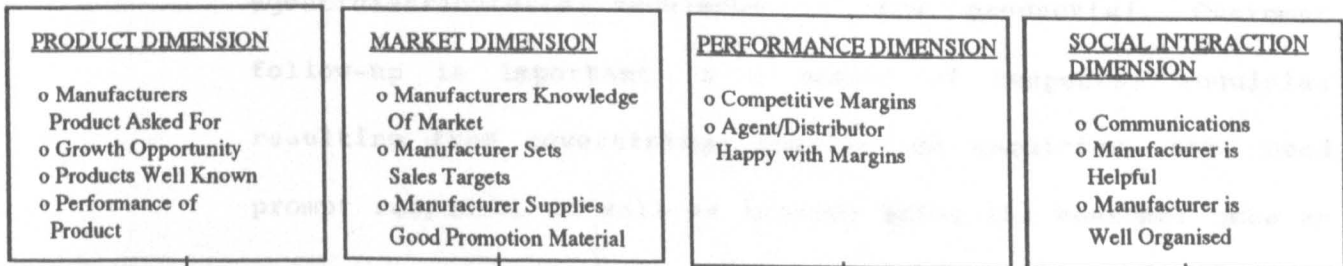


**DIRECT**

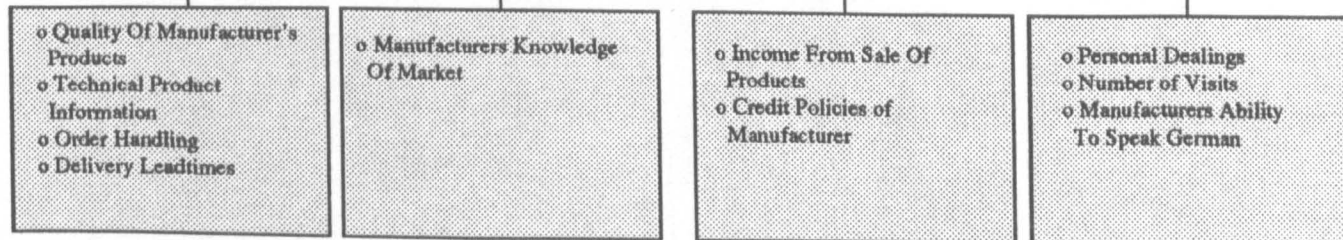


**AGENTS AND DISTRIBUTORS**

**INDIRECT**



**DIRECT**



## U.K. Exporting Manufacturers - Indirect Measure

The indirect measure asks, in the case of the U.K. exporting manufacturers, for the evaluation of the relationship via the manufacturer's beliefs and was sub-divided into the four dimensions outlined above. Table 9.1 summarises the dimensions with the satisfaction statements.

### (i) Product

The first question was developed to examine the manufacturers satisfaction with the amount of time the agent or distributor spent selling the manufacturer's products. This question is of particular importance because the agent/distributor has other principals for whom he represents, and therefore the amount of time he devotes to a particular manufacturers products can be limited. Linked with this was the second question which measures the manufacturer's satisfaction with the agent/distributor's knowledge of the product(s). Customer follow-up is important in a number of respects: enquiries resulting from advertising, unsolicited enquiries, etc. need prompt response, as well as looking after the customer once an order has been taken.

Table 9.1

Indirect Satisfaction Statements for  
U.K. Exporting Manufacturers by Dimension

<u>Dimension</u>	<u>Statement</u>
<u>PRODUCT</u>	1. My agent/distributor spends a considerable amount of time selling my products.
	2. My agent/distributor's knowledge of my products is very good.
	3. My agent/distributor provides good customer follow-up.
<u>MARKET</u>	4. My agent/distributor provides me with much information about the market.
	5. My agent/distributor has a good knowledge of the territory.
<u>PERFORMANCE</u>	6. My agent/distributor is achieving a good level of sales for my product.
	7. The commission arrangements between my company and our agent/distributor are good.
	8. The agent/distributor is making the right level of investment in our products to achieve mutual growth.
<u>SOCIAL INTERACTION</u>	9. Communications between my company and our agent/distributor could not be better.



(ii) Market

Two questions probe the market knowledge of the agent or distributor; the first identifies the level of satisfaction relating to information about the market passed to the manufacturer from the agent or distributor, and the second evaluates the market or territory knowledge of the agent or distributor.

(iii) Performance

The indirect measures of performance were questions probing the level of sales being achieved, the commission arrangements and the level of investment in the products being made by the agent.

(iv) Social Interaction

The evaluation of communications between the manufacturer and the agent or distributor was used as a measure of the interaction between the two channel members.

U.K. Exporting Manufacturers - Direct Measure

The direct measure asks, in the case of the U.K. exporting manufacturers, for an evaluation of the channel relationship by using a specific aspect of the relationship and asking directly whether the manufacturer was satisfied or not satisfied. These items are summarised in Table 9.2 and are sub-divided between the product, market, performance and social interaction dimensions.

Table 9.2

Direct Satisfaction Items for  
U.K. Exporting Manufacturers by Dimensions

<u>Dimension</u>	<u>Statement</u>
<u>PRODUCT</u>	1. Agent/distributor's order handling. 2. Handling logistics by the agent/distributor.
<u>MARKET</u>	3. Agent/distributor's sales forecasting. 4. Agent/distributor's market planning.
<u>PERFORMANCE</u>	5. Contract terms with agent/distributor. 6. Payment terms with agent/distributor.
<u>SOCIAL INTERACTION</u>	7. Handling of bureaucratic hassles by agent/distributor. 8. Using business connections. 9. Influencing purchasers.

(i) Product

Two statements were used under the product dimension: order handling and the handling of logistics by the agent or distributor. When the agent or distributor receives an order from a customer, his method of handling it can be evaluated by the manufacturer. For example: is the order processed quickly and efficiently? Has the agent/distributor controls in place to log and track orders? Logistics is concerned with the documentation, movement, packaging, storage, scheduling and inventory of products and is particularly difficult in the international context(20).

The most favourable logistics arrangement in the international setting would probably be for a company to have wholly owned subsidiaries where it would have the most potential for control of logistics. The agent/distributor channel, however, offers the least control, and therefore the manufacturers' satisfaction with the agent/distributors' ability to handle the logistics of distribution could influence the overall level of satisfaction in the channel.

(ii) Market

Two aspects of the market dimension were used as measures. The first was the agent/distributor's ability at forecasting sales, and the second was the intermediary's ability at market planning.

(iii) Performance

The direct measure for performance was concerned with the contract and payment terms between the manufacturer and the agent or distributor.

(iv) Social Interaction

Three satisfaction statements were developed for the social interaction dimension. The first was the agent/distributor's ability to handle bureaucratic hassles. This item is important in international markets where the culture and language are so different from the home market. One of the perceived advantages of using an agent or distributor in overseas markets is, of course, their local knowledge and their ability to handle local bureaucratic problems such as customs standards, approvals, tax, etc. In many industries the use of business connections is important, and this satisfaction statement probes the manufacturers' satisfaction with the agents/distributors use of his business connections. Finally a statement was included on the agent/distributors ability to influence purchasers.

## West German Agents and Distributors - Indirect Measure

The indirect measure asks for the evaluation of the relationship via the West German agent's and distributor's beliefs. Once again the four dimensions of product, market, performance and social interaction were used (Table 9.3).

### (i) Product

Four product related statements were developed to assess the satisfaction level of the agent/distributor with the manufacturer's products. Are the products asked for, are they well known, do they perform better than competitive products and do these products represent a good growth opportunity for the agent or distributor?

### (ii) Market

Three market related statements were developed. The first examined the level of knowledge the manufacturer had of the West German market. The second asked whether the manufacturer was able to set realistic sales target for an overseas agent or distributor and, finally, did the manufacturer provide good promotional material.

### (iii) Performance

Two items that looked at the margins the agent or distributor received from the manufacturer.

(iv) Social Interaction

Communications, helpfulness and the organization of the U.K. manufacturer were examined in the social interaction, dimension.

Table 9.3

Indirect Satisfaction Statements for  
West German Agents and Distributors by Dimension

<u>Dimension</u>	<u>Statement</u>
<u>PRODUCT</u>	1. My manufacturer's products are asked for by our customers.
	2. My manufacturer's products are a good growth opportunity for my company.
	3. My manufacturer's products are not well known by my customers.
	4. My manufacturer's products perform much better than competitor's products.
<u>MARKET</u>	5. My manufacturer knows little about the West German market.
	6. My manufacturer sets realistic sales targets for my company.
	7. My manufacturer supplies good promotional material.
<u>PERFORMANCE</u>	8. My manufacturer provides competitive margins for their products.
	9. We are happy with the margins we receive on the manufacturer's products.
<u>SOCIAL INTERACTION</u>	10. Communications with the manufacturer are always good.
	11. My manufacturer is always helpful.
	12. My manufacturer is not always well organised.

## West German Agents and Distributors - Direct Measure

The direct measure asks for an evaluation of the channel relationship by using a specific aspect of the relationship and asking directly whether the West German agent or distributor was satisfied or not satisfied. These items are summarised in Table 9.4 and are also sub-divided between the product, market, performance and social interaction dimensions.

### (i) Product

Four statements were included under the product dimension: product quality, technical product information, order handling and manufacturer's delivery leadtimes.

### (ii) Market

One statement was included under the market dimension. This asked for an evaluation by the agent or distributor of the manufacturer's knowledge of the market.

### (iii) Performance

The performance dimension included two items: the income received from the sale of the manufacturer's products and the credit policies of the manufacturer.



Table 9.4

Direct Satisfaction Items for West  
German Agents and Distributors by Dimension

<u>Dimension</u>	<u>Statement</u>
<u>PRODUCT</u>	<ol style="list-style-type: none"> <li>1. The quality of the manufacturer's products.</li> <li>2. Technical product information.</li> <li>3. Order handling by the manufacturer.</li> <li>4. Delivery leadtimes for the products.</li> </ol>
<u>MARKET</u>	<ol style="list-style-type: none"> <li>5. The market knowledge of the manufacturer.</li> </ol>
<u>PERFORMANCE</u>	<ol style="list-style-type: none"> <li>6. Income received from the sale of the manufacturer's products.</li> <li>7. Manufacturer's credit policies.</li> </ol>
<u>SOCIAL INTERACTION</u>	<ol style="list-style-type: none"> <li>8. Personal dealings with the manufacturer's representative.</li> <li>9. Number of visits by representatives of the manufacturer to my company.</li> <li>10. Manufacturer's ability to communicate in the German language.</li> </ol>

(iv) Social Interaction

This dimension included three statements: personal dealings with the representatives of the manufacturer, the number of visits by representatives of the manufacturer and the ability of the manufacturer to communicate in the German language.

Dimensionality of the Multi-Item Measures.

The dimensionality of the measures was assessed using the following steps. First the correlation of each item with the total score for each dimension was examined to determine whether (a) each item correlated primarily with one dimension and (b) in those cases where the item correlated with one dimension, whether that correlation made conceptual sense. For both the multi-item measures, the correlation of each item with the total score and the dimension to which it was hypothesized to belong to was higher than its correlation with the total score for the other dimension. The differences in the size of the item to total correlations were not very high in some cases. In one case, the organization of the manufacturer as viewed by the agents and distributors, was lower for the social dimension to which it was hypothesized to belong to than for the product dimension. However, it was believed to make more conceptual sense to have it with the social dimension than move it into the product dimension. These item-to-total correlations are shown in Table 9.5 and 9.6.

Table 9.5

UK Manufacturers - Correlations  
of Item to Total Score for each Satisfaction Dimension

INDIRECT MEASURE

	<u>PRODUCT</u>	<u>MARKET</u>	<u>PERFORMANCE</u>	<u>SOCIAL</u>
TIMING SELLING	.8646	.4180	.4969	.5783
PRODUCT KNOWLEDGE	.8048	.3763	.4362	.4329
CUSTOMER FOLLOW UP	.7484	.7041	.4254	.5507
MARKET INFORMATION	.5312	.9007	.4391	.6332
KNOWLEDGE OF TERRITORY	.4847	.7531	.4726	.3577
LEVEL OF SALES	.6032	.5056	.8996	.7045
COMMISSION ARRANGEMENTS	.3697	.3928	.8002	.5367
INVESTMENT LEVEL	.7071	.5771	.8799	.6149
COMMUNICATIONS	.4495	.5141	.6494	1.0000

DIRECT MEASURE

ORDER HANDLING	.7316	.3103	.4975	.4011
LOGISTICS	.8670	.5440	.3426	.5577
SALES FORECASTING	.4323	.9011	.3359	.5056
MARKET PLANNING	.5400	.9125	.3534	.6747
CONTRACT TERMS	.4551	.3503	.8504	.3874
PAYMENT TERMS	.4443	.3239	.9060	.6207
HANDLING HASSLES	.6246	.4355	.5335	.8042
USING BUSINESS CONNECTIONS	.5297	.6360	.4265	.8807
INFLUENCING PURCHASERS	.3194	.5269	.5703	.7742

Table 9.6

West German Agents and Distributors - Correlations  
of Item to Total Score for each Satisfaction Dimension

INDIRECT MEASURE

	<u>PRODUCT</u>	<u>MARKET</u>	<u>PERFORMANCE</u>	<u>SOCIAL</u>
PRODUCTS ASKED FOR	.7113	.3520	.4643	.3209
GROWTH OPPORTUNITY	.7466	.3543	.2060	.4319
PRODUCTS WELL KNOWN	.3538	.3152	.0766	.0345
PRODUCT PERFORMANCE	.8411	.4479	.2955	.4261
MARKET KNOWLEDGE	.1694	.4226	.1613	.0924
SALES TARGETS	.4205	.5845	.2842	.1228
PROMOTIONAL MATERIAL	.3827	.7676	.3380	.2755
COMPETITIVE MARGINS	.3928	.4401	.9363	.2133
HAPPY WITH MARGINS	.3222	.3005	.9120	.2824
COMMUNICATIONS	.6475	.3060	.3192	.7547
HELPFUL MANFR.	.5507	.3912	.2769	.7886
MFR WELL ORGANIZED	.4114	.2526	.0822	.2969

DIRECT MEASURE

PRODUCT QUALITY	.9379	.2999	.2557	.2223
TECH. PRODUCT INFO	.3803	.3028	.3406	.5639
ORDER HANDLING	.8077	.4000	.4292	.6355
DELIVERY LEADTIMES	.6978	.4907	.3999	.5325
MARKET KNOWLEDGE	.1839	1.0000	.5007	.5719
INCOME	.2984	.5156	.7654	.2996
CREDIT POLICIES	.1416	.3259	.7375	.3961
PERSONAL DEALINGS	.2188	.5409	.3382	.7782
NUMBER OF VISITS	.0153	.5253	.3857	.7404
ABILITY TO SPEAK GERMAN	.0203	.2447	.1752	.6270

The reliability of the measures was tested by using Cronbach's coefficient alpha over the issues used in each dimension (21). Coefficient alpha measures reliability in terms of the internal consistency of items relating to a single trait within a questionnaire and is the appropriate measure (22). Table 9.7 illustrates the coefficient alpha measures for the satisfaction dimensions.

The items in each dimension for both indirect and direct measures were summed to give an overall satisfaction measure. Once again Cronbach's coefficient alpha (23) was used to test the reliability of the measures. Intercorrelations among the satisfaction measures are shown in Table 9.8, and coefficient alpha for the measures is shown at Table 9.9. Coefficient alpha range from .80 to .88 which is beyond the suggested guidelines set-out in the literature(24).

Table 9.8 shows significant correlations between the indirect and direct measures as well as the overall single item 'global' measure.

Table 9.7

Coefficient Alpha for the Satisfaction Dimensions

UK Manufacturers

<u>Formulation</u>	<u>Coefficient Alpha</u>	
	<u>Indirect Measure</u>	<u>Direct Measure</u>
Product	.95	.96
Market	.96	.88
Performance	.93	.94
Social Interaction	.97	-

West German Agents and Distributors

<u>Formulation</u>	<u>Coefficient Alpha</u>	
	<u>Indirect Measure</u>	<u>Direct Measure</u>
Product	.83	.94
Market	.86	-
Performance	.94	.88
Social Interaction	.92	.87

Table 9.8

Intercorrelation Among Satisfaction Measures

UK Manufacturers

	<u>Satisfaction Measures</u>		
	<u>Indirect</u>	<u>Direct</u>	<u>Overall</u>
Indirect	1.000	.776*	.774*
Direct		1.000	.757*

West German Agents and Distribution

	<u>Satisfaction Measures</u>		
	<u>Indirect</u>	<u>Direct</u>	<u>Overall</u>
Indirect	1.000	.474**	.711*
Direct		1.000	.627*

\* Correlations significant at  $p \leq .0005$

\*\* Correlations significant at  $p \leq .001$

Table 9.9

Coefficients Alpha for the Satisfaction Measures

	<u>Formulation</u>	<u>Coeffiecent Alpha</u>
UK Manufacturers	Indirect	0.88
	Direct	0.87
West German Agents and Distributors		
	Indirect	0.80
	Direct	0.81



## Findings

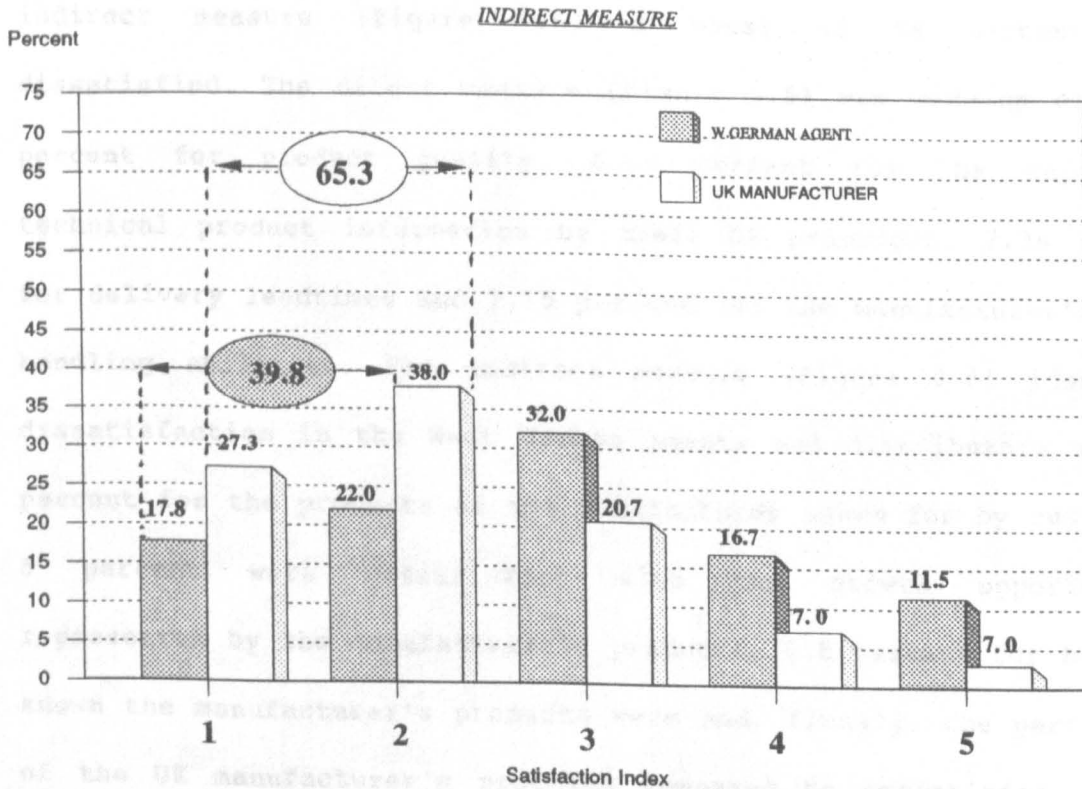
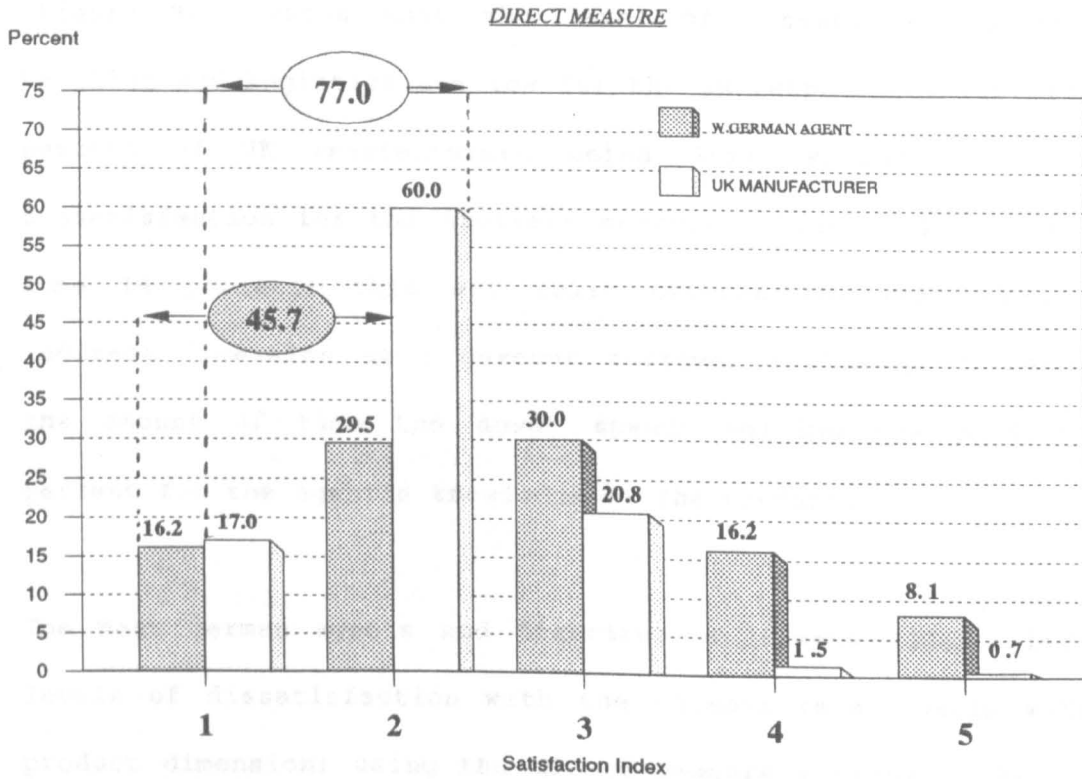
### The Product Dimension (Figure 9.2)

The direct measure for the product dimension indicates that 77 percent of the UK manufacturers were either 'very satisfied' or 'satisfied' with the relationship with their West German agents or distributors. This compares to a lower 45.7 percent of West German agents or distributors who were satisfied with their relationship with their UK principals.

The indirect measure shows that 65.3 percent of UK manufacturers were satisfied with the relationship compared to 39.8 percent of the West German agents and distributors.

In terms of dissatisfaction the chart shows that the West German agents and distributors were more dissatisfied with their channel relationships than the UK manufacturers. The direct measure shows some 24.3 percent of West German agents and distributors as dissatisfied; the indirect measure shows some 28.2 percent dissatisfied. This compares quite dramatically with a low of 2.2 percent of UK manufacturers being dissatisfied using the direct measure whilst the indirect measure shows 14 percent being dissatisfied.

**FIGURE 9.2 SATISFACTION  
PRODUCT DIMENSION**



<b>1 = Very Satisfied</b>	<b>2 = Satisfied</b>
<b>3 = Neither Satisfied Nor Dissatisfied</b>	<b>5 = Very Dissatisfied</b>
<b>4 = Dissatisfied</b>	

An examination of item-to-dimension responses for the direct measure (Figure 9.3) shows that the level of dissatisfaction for order handling and logistics was low for the UK respondents (totalling 2.5 percent of UK manufacturers being dissatisfied). The level of dissatisfaction for the indirect measure (Figure 9.4) was higher at some 14 percent; this was split between the components of the indirect dimension as 1 percent customer follow-up, 5 percent for the amount of time the agent spends selling the product and 8 percent for the agent's knowledge of the product.

The West German agents and distributors, however, identified higher levels of dissatisfaction with the channel relationship within the product dimension; using the direct measure a total of 24.3 percent of agents and distributors were dissatisfied (Figure 9.5), using the indirect measure (Figure 9.6) a total of 28 percent were dissatisfied. The direct measure (Figure 9.5) was made-up of: 3.24 percent for product quality, 6.06 percent for the supply of technical product information by their UK principal, 7.34 percent for delivery leadtimes and 7.75 percent for the manufacturer's order handling abilities. The indirect measure (Figure 9.6) identified dissatisfaction in the West German agents and distributors as: 5.2 percent for the products of the manufacturer asked for by customers, 6 percent were dissatisfied with the growth opportunities represented by the manufacturer's products, 6.6 percent for how well known the manufacturer's products were and, finally, the performance of the UK manufacturer's products compared to competition at 10.2 percent.

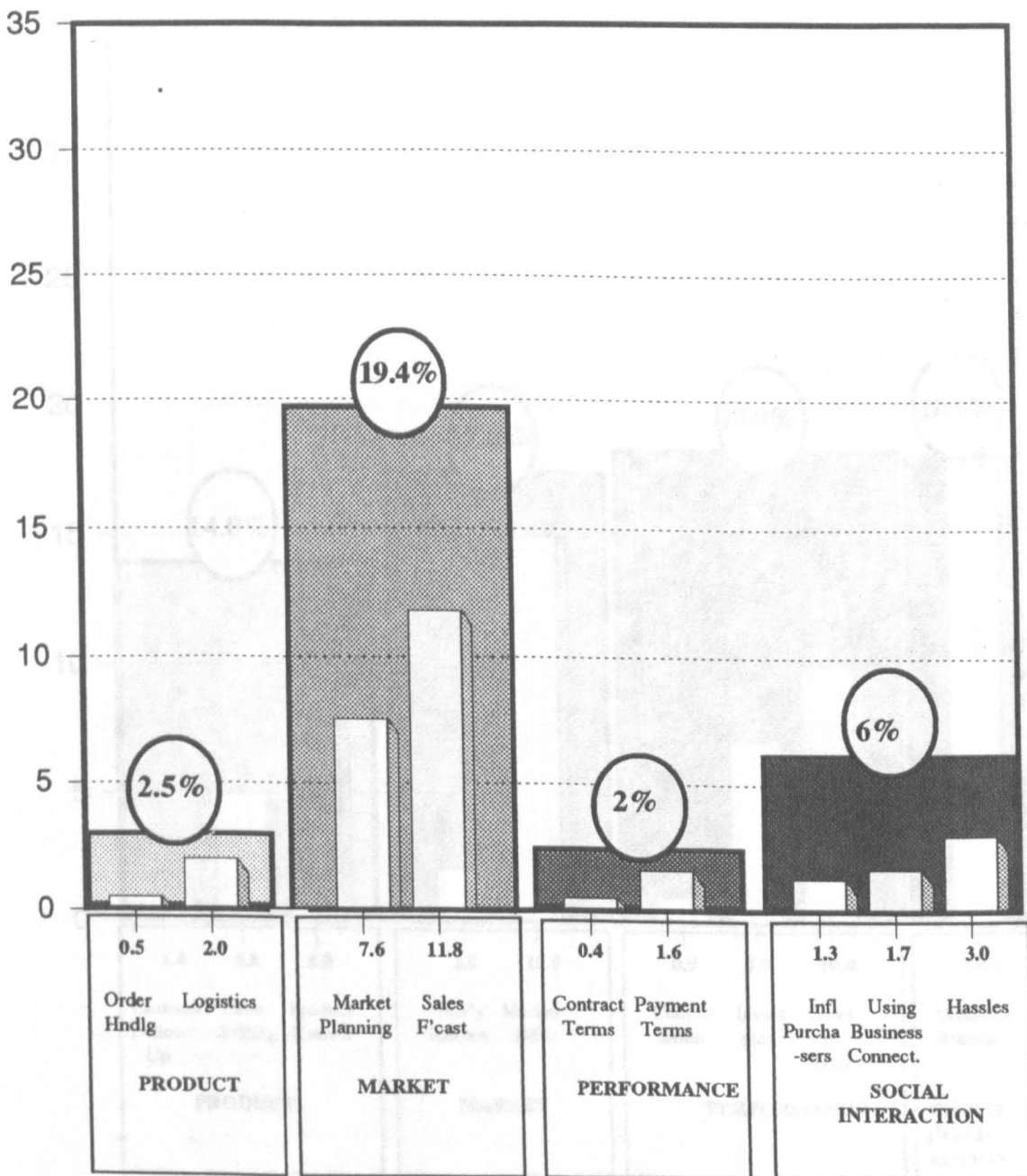
**FIGURE 9.3**  
**UK MANUFACTURERS DISSATISFACTION WITH WEST GERMAN**  
**AGENTS AND DISTRIBUTORS**

PERCENTAGE

OF UK

MANUFACTURERS

DIRECT MEASURE



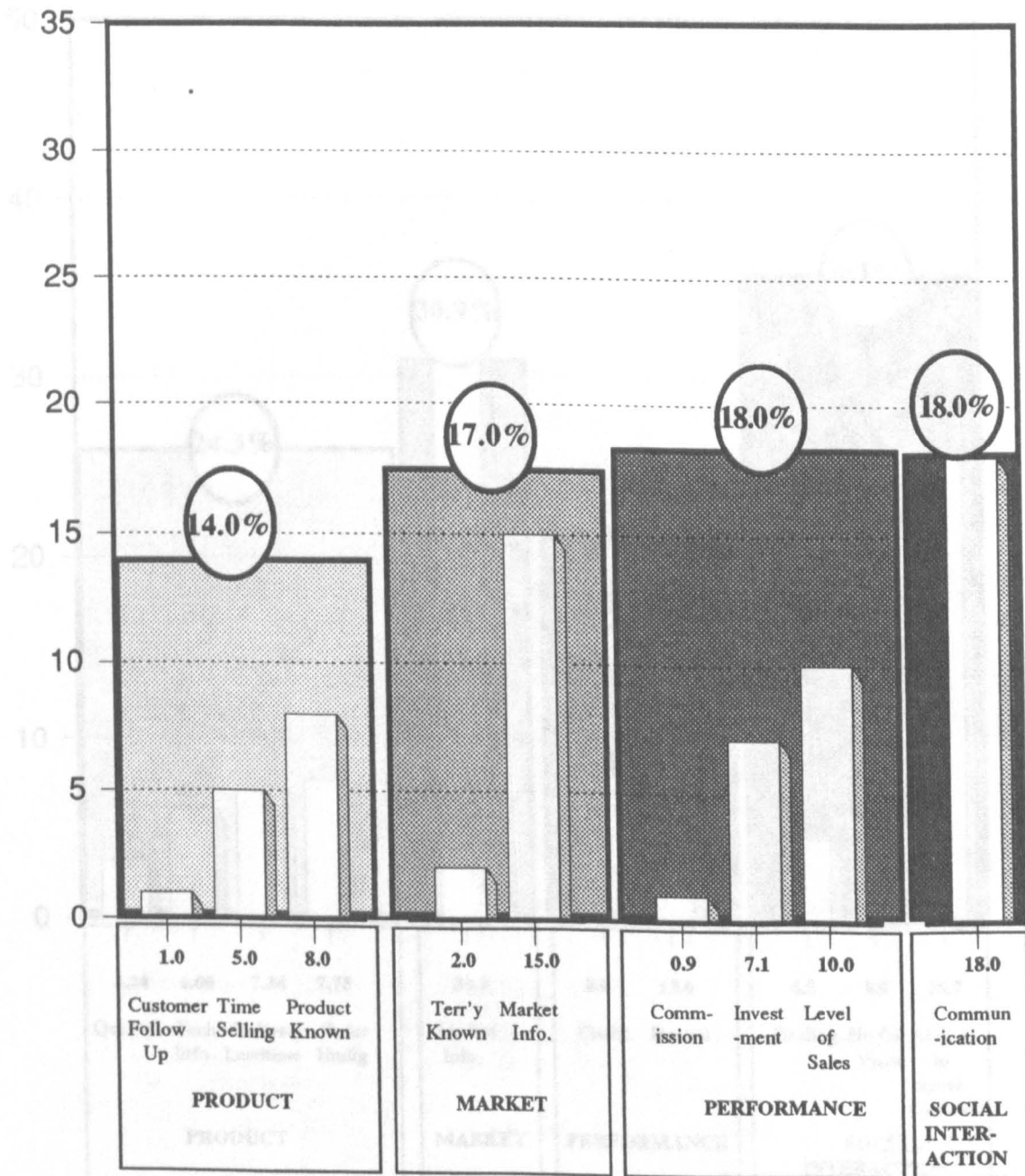
**FIGURE 9.4**  
**UK MANUFACTURERS DISSATISFACTION WITH WEST GERMAN**  
**AGENTS AND DISTRIBUTORS**

PERCENTAGE

OF UK

INDIRECT MEASURE

MANUFACTURERS

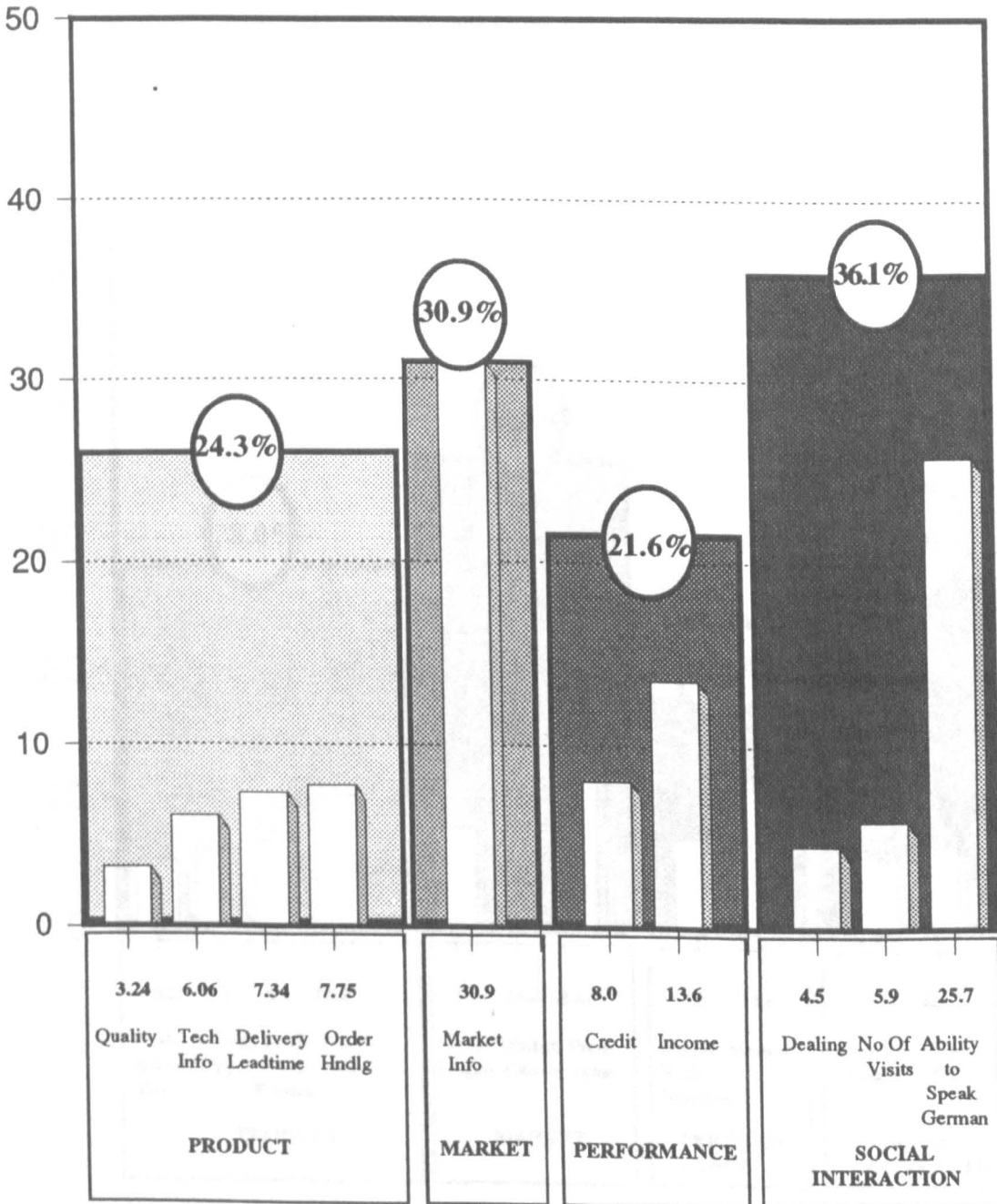


**FIGURE 9.5**

**WEST GERMAN AGENTS AND DISTRIBUTORS DISSATISFACTION WITH UK MANUFACTURERS**

PERCENTAGE  
OF AGENTS/  
DISTRIBUTORS

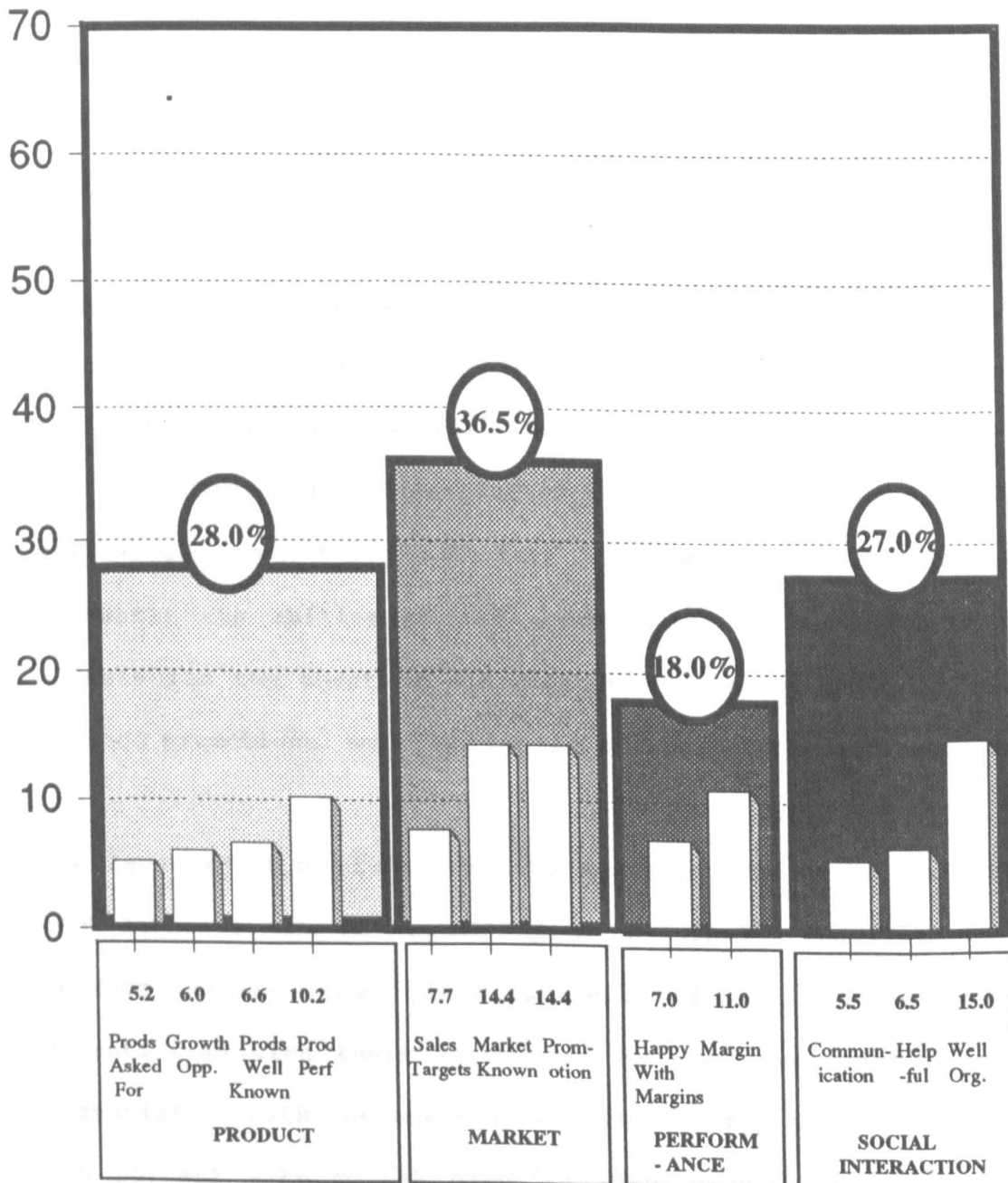
DIRECT MEASURE



**FIGURE 9.6**  
**WEST GERMAN AGENTS AND DISTRIBUTORS DISSATISFACTION WITH**  
**UK MANUFACTURERS**

PERCENTAGE  
 OF AGENTS/  
 DISTRIBUTORS

INDIRECT MEASURE



The Market Dimension (Figure 9.7).

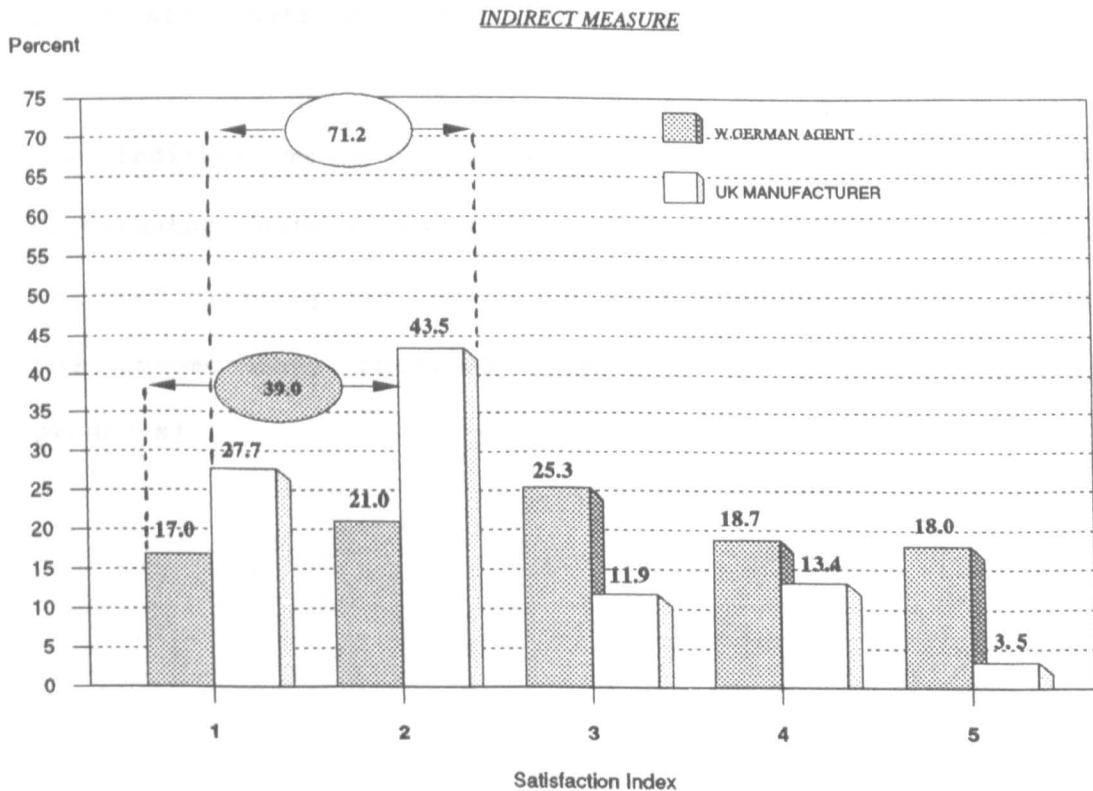
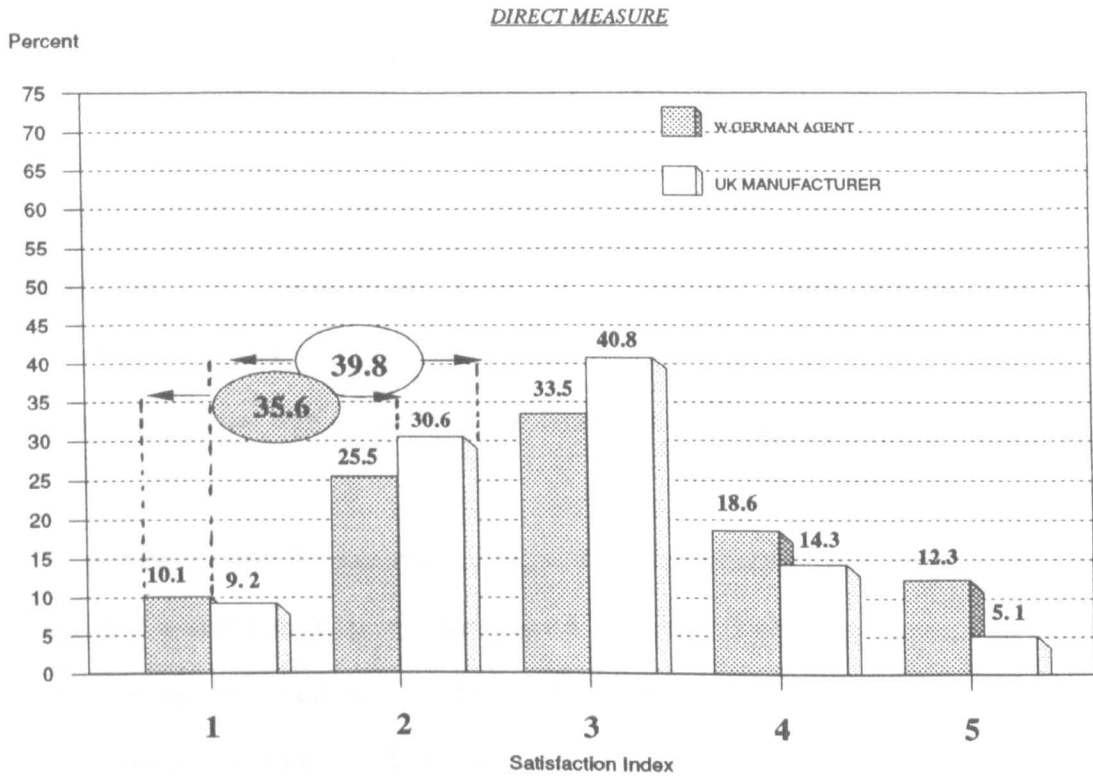
The direct measure for the marketing dimension shows that nearly 40 percent of UK manufacturers were satisfied with the relationship with their West German agents and distributors. Almost 36 percent of West German agents and distributors were satisfied with their UK principals. However, the indirect measure shows a marked difference between the UK manufacturers and the West German agents and distributors. Some 71 percent of the UK manufacturers were satisfied compared to 39 percent of the agents and distributors.

Referring to Figures 9.5 and 9.6 it can be seen that in terms of the direct measure the West German agents and distributors were dissatisfied with the market knowledge of their UK principals. The indirect measure showed that a total of 36.5 percent of the agents and distributors were dissatisfied with their UK principals over the following items: the manufacturer's knowledge of the market/(14.4 percent); the ability of the manufacturer to set realistic sales targets for the agent or distributor (7.7 percent); and the supply of good promotional material by the manufacturer (14.4 percent).

The level of dissatisfaction expressed by the UK manufacturers was much lower for the market dimension (Figure 9.3 and 9.4). The direct measure showed that 19.4 percent of UK manufacturers were dissatisfied with their agents and distributors; 11.8 percent were dissatisfied with the agent's or distributor's sales forecasting and 7.6 percent with market planning. The largest level of the total indirect satisfaction measure (17 percent), was the supply of market information by the agent or distributor to the UK manufacturer (15 percent).



**FIGURE 9.7 SATISFACTION  
MARKET DIMENSION**



**1 = Very Satisfied**

**2 = Satisfied**

**3 = Neither Satisfied Nor Dissatisfied**

**5 = Very Dissatisfied**

**4 = Dissatisfied**

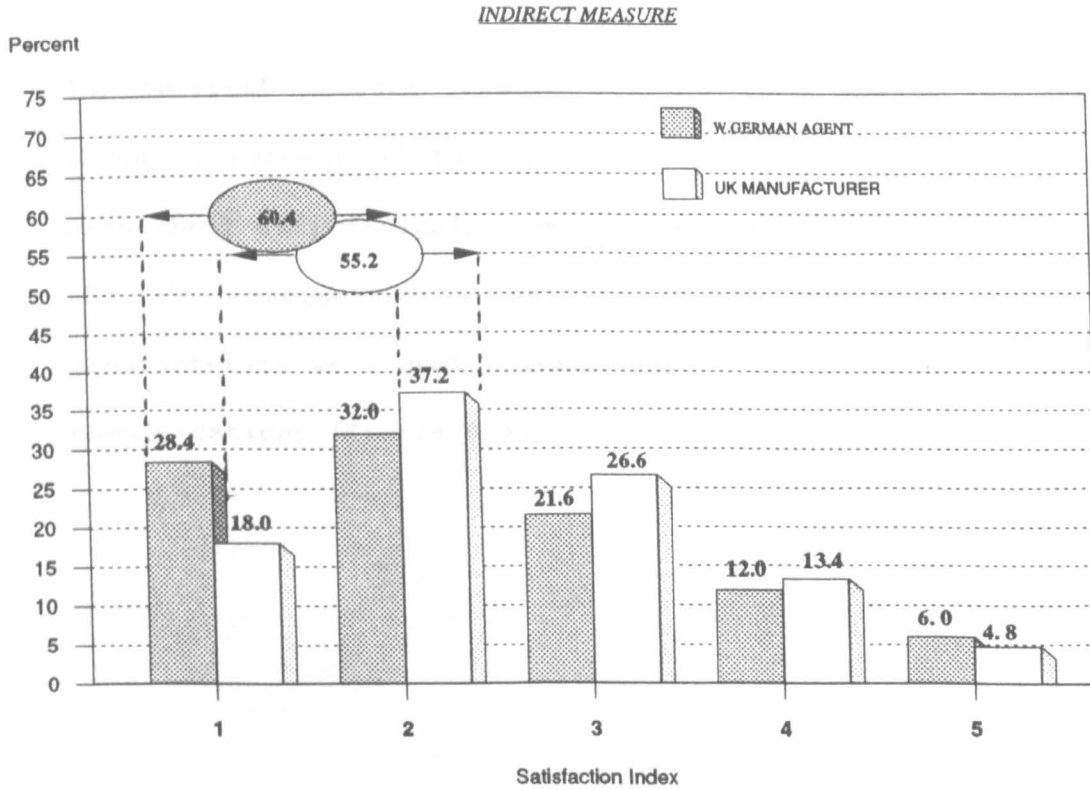
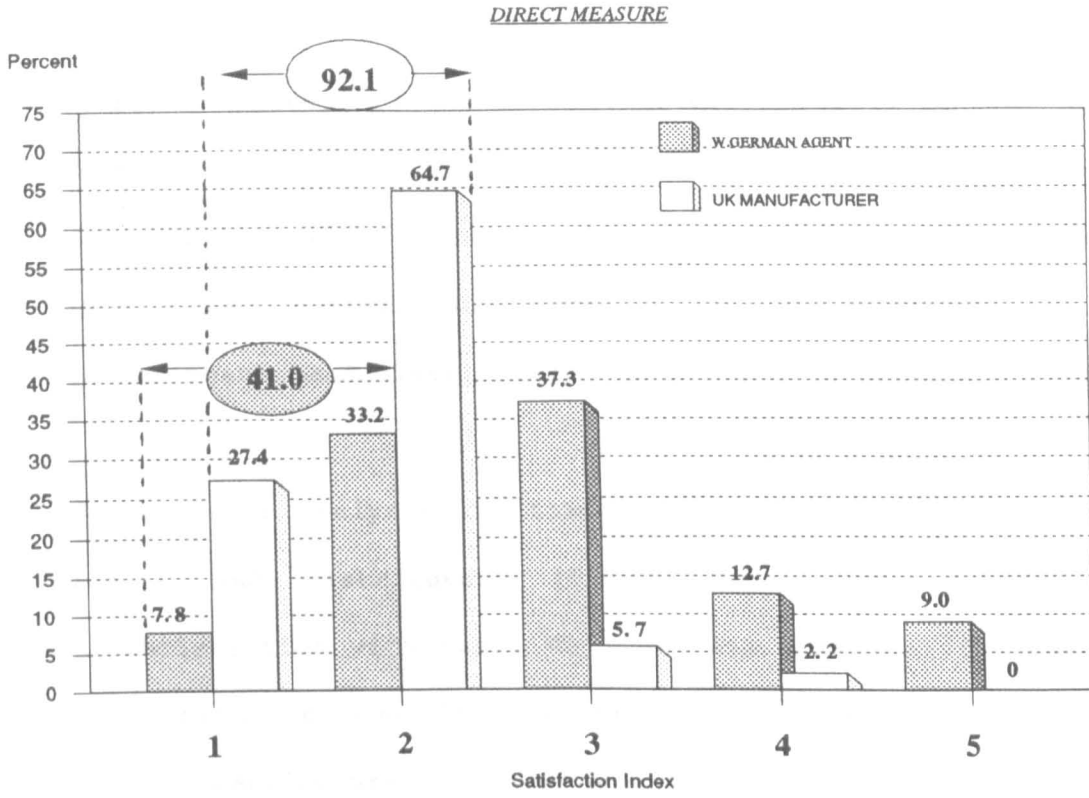
The Performance Dimension (Figure 9.8).

High levels of satisfaction were reported by the UK manufacturers on the direct measure (92.1 percent) which was reporting on the contractual terms of the relationship. The West German agents and distributors indicated that 41 percent were satisfied with the relationship when using the direct measure (credit terms and income received from the sale of the manufacturer's products).

18 percent of UK manufacturers were dissatisfied with this dimension of the relationship as measured by the indirect measure. 10 percent were dissatisfied with the sales level being achieved by the agents and distributors, 7.1 percent with the investment being made in the manufacturer's products, and a small percentage (0.9) were dissatisfied with the commission arrangements.

The indirect measure indicated that 18 percent of agents and distributors were dissatisfied; 21.6 percent were dissatisfied when measured directly (in particular 13.6 percent were dissatisfied with the income they received from the sale of the manufacturer's products).

**FIGURE 9.8 SATISFACTION  
PERFORMANCE DIMENSION**



<b>1 = Very Satisfied</b>	<b>2 = Satisfied</b>
<b>3 = Neither Satisfied Nor Dissatisfied</b>	<b>5 = Very Dissatisfied</b>
<b>4 = Dissatisfied</b>	

The Social Interaction Dimension (Figure 9.9).

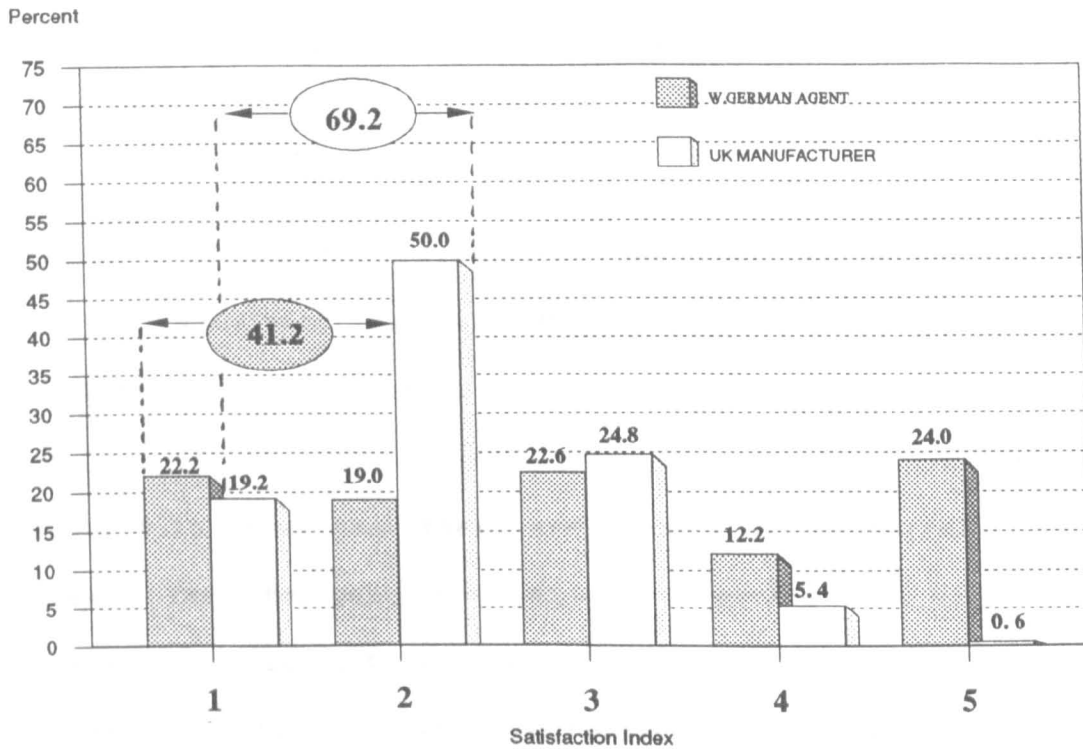
Nearly 70 percent of the UK manufacturers and 42 percent of the West German agents and distributors were satisfied with the channel relationships when measured directly. The indirect measure shows a much closer satisfaction level of the UK manufacturers and West German agents and distributors, 47.9 and 45.4 percent respectively.

However, an analysis of the direct measure for the West German agents and distributors (Figure 9.5) shows a high rate of dissatisfaction with their UK principal's ability to communicate in the German language (25.7 percent were dissatisfied). Only 6 percent of UK manufacturers expressed dissatisfaction using the direct measure (Figure 9.3).

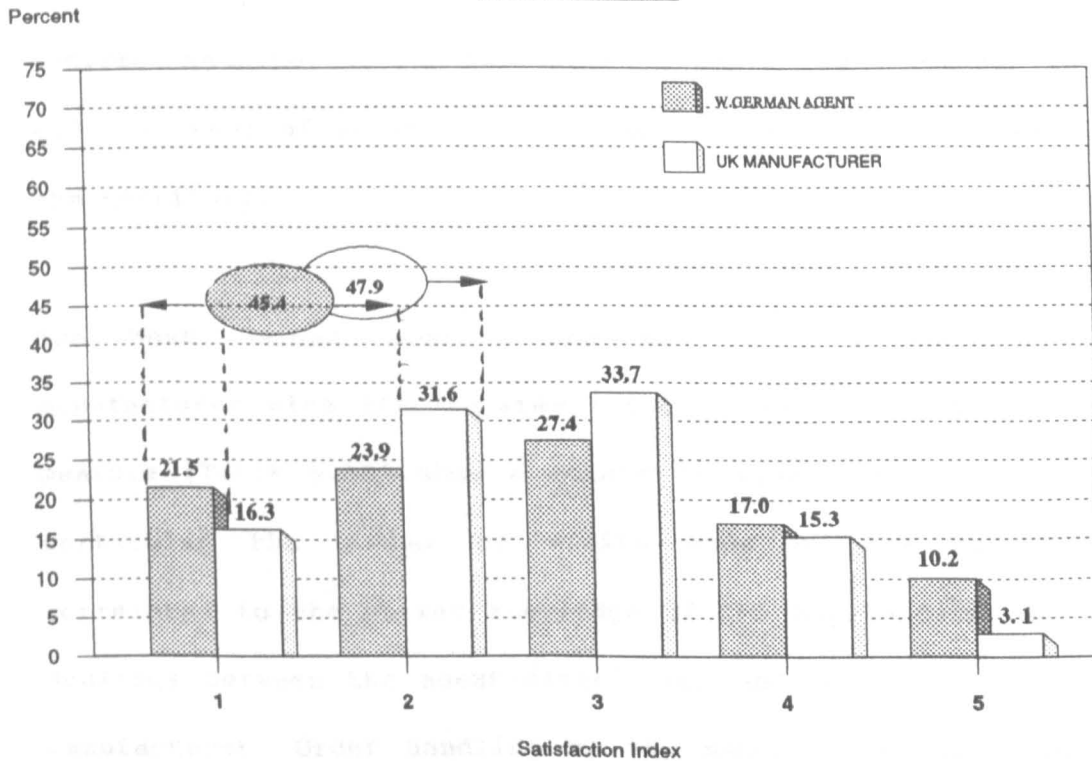
The indirect measure (Figure 9.6) for the agents and distributors shows 27 percent of the agents and distributors being dissatisfied with their UK principals; the highest level of dissatisfaction being the UK manufacturer's ability to be well organized. The UK manufacturers were most concerned with the agent's and distributor's communications (Figure 9.4).

# FIGURE 9.9 SATISFACTION SOCIAL INTERACTION DIMENSION

## DIRECT MEASURE



## INDIRECT MEASURE



<b>1 = Very Satisfied</b>	<b>2 = Satisfied</b>
<b>3 = Neither Satisfied Nor Dissatisfied</b>	<b>5 = Very Dissatisfied</b>
<b>4 = Dissatisfied</b>	

### Item-to-Item Correlation

The correlation for each of the items in each dimension were examined to see which items correlated and whether these correlations made conceptual sense.

Tables 9.10 and 9.11 illustrate the item-to-item correlations for the UK manufacturers for the direct and indirect measures of satisfaction respectively.

Table 9.10 shows that there are several strong correlations between items. The strongest are sales forecasting and market planning, market planning and the use of business connections and handling bureaucratic hassles and using business connections.

Table 9.11 shows the correlations between items that make up the indirect measure. Strong correlations can be seen between investment and the level of sales, and customer follow-up and the knowledge of the territory.

The West German agent's and distributor's view of the UK manufacturer with item-to-item correlations of items in the direct measure (Table 9.12) show a number of significant correlations. In particular the number of visits made by the manufacturer is correlated to the market knowledge of the manufacturer and personal dealings between the agent/distributor and representatives from the manufacturer. Order handling by the manufacturer was significantly correlated with delivery leadtimes for the products. Table 9.13 shows the item-to-item correlation matrix for the indirect measure. High correlations were found between good communications and the helpfulness of the UK manufacturer and competitive margins and the agent/distributor's happiness with the margins.

Table 9.10

CORRELATION MATRIX ITEM TO ITEM  
DIRECT MEASURES OF SATISFACTION  
UK MANUFACTURERS VIEW OF AGENTS

	ORDER HANDLING	SALES FORECAST	MARKET PLANNING	CONTRACT TERMS	PAYMENT TERMS	BUREAUCRATIC HANDLING	USING BUS. CONN.	HANDLING LOGISTICS	INFLUENCE PURCHASERS
ORDER HANDLG.	1.000	.2930a	.2705b	.3246b	.4367	.4889	.2780b	.2946b	.2360b
SALES FORECASTING		1.000	.6449	.3088a	.3056a	.3453a	.5264	.4316	.3807c
MARKET PLANNING			1.000	.3317a	.2890b	.4419	.6249	.5518	.5687
CONTRACT TERMS				1.000	.5478	.2913b	.2707b	.3895c	.3903c
PAYMENT TERMS					1.000	.5365	.4423	.2929	.5446
BUREAUCRATIC HANDLING						1.000	.6036	.5687	.3475a
USING BUSINESS CONNECTIONS							1.000	.5396	.5502
HANDLING LOGISTICS								1.000	.2455a

Note: Items underscored are significant at  $p = 0.0005$ .

a =  $p \leq 0.01$

b =  $p \leq 0.05$

c =  $p \leq 0.001$

Table 9.11  
 CORRELATION MATRIX ITEM TO ITEM  
 INDIRECT MEASURES OF SATISFACTION  
UK MANUFACTURERS VIEW OF AGENTS

	TIME SELLING PRODUCT KNOWLEDGE	CUSTOMER FOLLOW-UP	MARKET INFORMATION	KNOWLEDGE OF TERRITORY	GOOD LEVEL OF SALES	COMMISSION ARRANGEMENTS	GOOD INVESTMENT
TIME SELLING	1.000	.4769	.4461	NS	.5110	.3740a	.4368
PRODUCT KNOWLEDGE	1.000	.3885c	.2734b	.3827b	.5175	NS	.2698b
CUSTOMER FOLLOW-UP		1.000	.5731	.6227	.4277	.2785b	.3651a
MARKET INFORMATION			1.000	.3924	.4415	.3245a	.5290
KNOWLEDGE OF TERRITORY				1.000	.4133c	.3514a	.2898b
GOOD LEVEL OF SALES					1.000	.4579	.5551
COMMISSION ARRANGEMENTS						1.000	.6052
GOOD COMMUNICATIONS							1.000

Note: Items underscored are significant at  $p = 0.0005$ .

a =  $p \leq 0.01$

b =  $p \leq 0.05$

c =  $p \leq 0.001$

NS = Not Significant



Table 9.12  
 CORRELATION MATRIX ITEM TO ITEM  
 DIRECT MEASURES OF SATISFACTION  
 WEST GERMAN AGENT'S VIEW OF UK MANUFACTURERS

	1	2	3	4	5	6	7	8	9	10
1. QUALITY OF MFR'S PRODUCT	1.000									
2. MKT KNOWLEDGE	.3927a	1.000								
3. INCOME FROM MFR'S PRODS	.3543a	.4730	1.000							
4. CREDIT POLICIES	NS	NS	NS	1.000						
5. PERSONAL DEALINGS	.3415a	.4459c	NS	.3949a	1.000					
6. NO. OF VISITS BY MFR.	NS	.6101	NS	.3399b	.6035	1.000				
7. ORDER HANDLG BY MFR	.3065b	.3254b	.3758a	.2846b	.4356c	NS	1.000			
8. DELIVERY LEAD TIMES OF MFR'S PRODS	.3176b	.3684a	.2922b	.3093b	NS	NS	.7739	1.000		
9. ABILITY OF MFR TO SPEAK GERMAN	NS	NS	NS	NS	NS	NS	.2597b	NS	1.000	
10. TECHNICAL PRODUCT INFO	NS	.3110b	NS	NS	NS	NS	.4642	.2634b	.4289c	1.000

Note: Items underscored are significant at  $p = 0.0005$

a =  $p \leq 0.01$

b =  $p \leq 0.05$

c =  $p \leq 0.001$

Table 9.13

CORRELATION MATRIX ITEM TO ITEM  
INDIRECT MEASURES OF SATISFACTION  
WEST GERMAN AGENT'S VIEW OF UK MANUFACTURERS

	1	2	3	4	5	6	7	8	9	10	11	12
	MFR'S PRODS ARE ASKED FOR	PRODS ARE GOOD GROWTH	PRODS ARE WELL KNOWN	PERF OF PROD	MKT KNOWLEDGE OF MFR	SALES TARGETS SET	COMPET-ATTIVE MARGINS	HAPPY WITH MARGINS	GOOD COMM.	MFR ALWAYS HELPFUL	MFR IS WELL ORGANISED	GOOD PROMO MAIL.
1. PRODS ASKED FOR	1.000	<u>.5414</u>	NS	<u>.5611</u>	NS	<u>.4003a</u>	<u>.4264a</u>	<u>.4215a</u>	<u>.5212</u>	<u>.4253c</u>	<u>.3036b</u>	<u>.3102b</u>
2. PRODS GOOD GROWTH		1.000	NS	<u>.5552</u>	NS	<u>.3931a</u>	NS	NS	<u>.6304</u>	<u>.4734</u>	<u>.2938</u>	<u>.4415c</u>
3. PRODS ARE WELL KNOWN			1.000	NS	<u>.5152</u>	NS	NS	NS	NS	NS	NS	NS
4. PERF. OF PRODUCTS				1.000	NS	<u>.3824a</u>	<u>.2922b</u>	NS	<u>.5710</u>	<u>.5569</u>	<u>.3354b</u>	<u>.3375b</u>
5. MKT KNOWLEDGE OF MANUF					1.000	NS	NS	NS	NS	NS	NS	NS
6. SALES TARGETS SET BY MFR						1.000	<u>.3679b</u>	NS	NS	<u>.2762b</u>	NS	<u>.3550a</u>
7. COMPETITIVE MARGINS							1.000	<u>.7098</u>	<u>.3653a</u>	NS	NS	<u>.2766b</u>
8. HAPPY WITH MARGINS								1.000	<u>.2847b</u>	<u>.2663b</u>	NS	NS
9. COMMUNICATIONS ARE GOOD									1.000	<u>.7430</u>	<u>.2949b</u>	<u>.3096b</u>
10. MFR IS ALWAYS HELPFUL										1.000	<u>.2355b</u>	<u>.5089</u>
11. MFR IS WELL ORGANISED											1.000	NS

Note: Items underscored are significant at p = 0.0005

a p ≤ 0.01

b p ≤ 0.05

## Satisfaction and Dissatisfaction in the Dyadic Relationships

Although the number of dyadic relationships was small, and therefore no statistical analysis was conducted, the comparison between the satisfaction and dissatisfaction measures for the seven dyads was broadly similar to those measures taken from each side of the channel. Tables 9.14 and 9.15 summarise the measure comparisons for satisfaction and dissatisfaction respectively.

The product dimensions (Figure 9.10) shows that, for the dyadic relationships, 78 and 85 percent of U.K. exporting manufacturers were satisfied when measured directly and indirectly respectively. The percentage of West German agents and distributors who were satisfied with the relationship with their U.K. manufacturer was 35 percent for the direct measure and 48 percent for the indirect measure.

Figure 9.11 illustrates the findings for the market dimension. For the direct measure, 43 percent of agents and distributors were satisfied with the relationship compared to 22 percent for the U.K. manufacturers. The indirect measure shows 79 percent of the U.K. manufacturers as satisfied with the relationship; nearly 39 percent of the West German agents and distributors were satisfied.

Once again as with the overall separate measures, the performance dimension for the dyads (Figure 9.12) shows (using the direct measure) a high percentage (84 percent) of U.K. manufacturers as satisfied compared to only 21 percent of the agents and distributors. The indirect measure is, however, very similar with 55 percent of U.K. manufacturers and 50 percent of the agents and distributors being satisfied.

Figure 9.13 shows the social interaction dimension for the dyadic relationships. Again, the results are similar to the separate measures taken: 66 percent of the dyadic manufacturers were satisfied using the direct measure compared to 69.2 percent for the manufacturers measured separately. The agents and distributors were even closer on the direct measure: 42 percent for the dyads, 41.2 percent for the separate measure.

The dissatisfaction measures shown in Figure 9.14, 9.15, 9.16 and 9.17 show some similarity with the overall separate measures.

Table 9.14

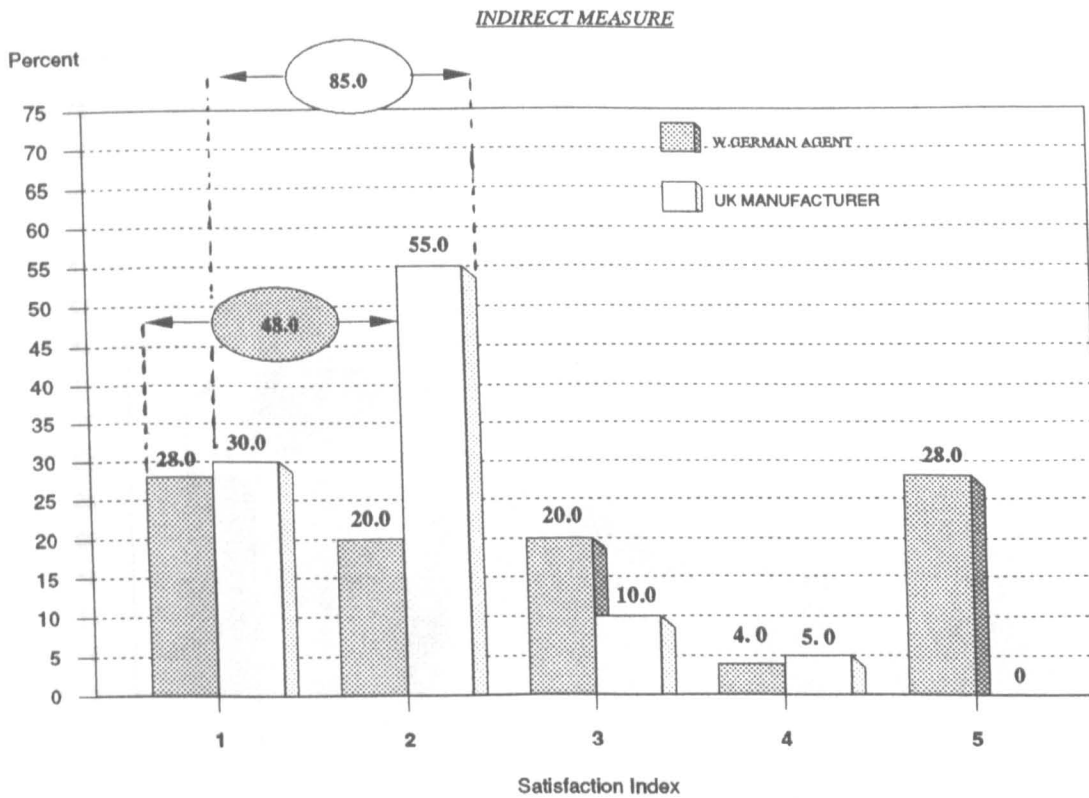
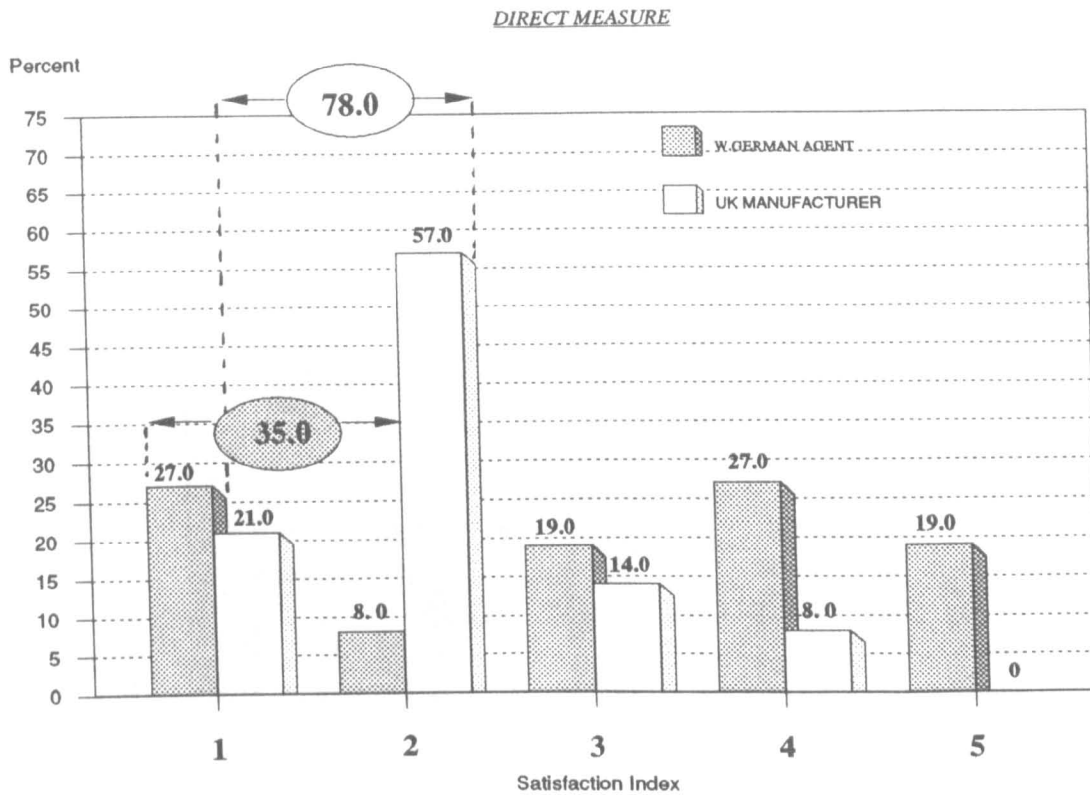
SatisfactionComparison between Separate Measures and  
Measures for the Dyadic Relationships

	<u>DYADIC</u> <u>RELATIONSHIP</u>	<u>SEPARATE</u> <u>MEASURE</u>
	(Figure 9.10)	(Figure 9.2)
<u>PRODUCT DIMENSION</u>		
U.K. MANUFACTURERS - DIRECT MEASURE	78%	77%
AGENTS/DISTR - DIRECT MEASURE	35%	45.7%
U.K. MANUFACTURERS - INDIRECT	85%	65.3%
AGENTS/DISTR - INDIRECT	48%	39.8%
<u>MARKET DIMENSION</u>		
	(Figure 9.4)	(Figure 9.7)
U.K. MANUFACTURERS - DIRECT MEASURE	22%	39.8%
AGENTS/DISTR - DIRECT MEASURE	43%	35.6%
U.K. MANUFACTURERS - INDIRECT	79%	71.2%
AGENTS/DISTR - INDIRECT	38.8%	39%
<u>PERFORMANCE DIMENSION</u>		
	(Figure 9.12)	(Figure 9.8)
U.K. MANUFACTURERS - DIRECT MEASURE	84%	92.1%
AGENTS/DISTR - DIRECT MEASURE	21%	41%
U.K. MANUFACTURERS - INDIRECT	55%	60.4%
AGENTS/DISTR - INDIRECT	50%	55.2%
<u>SOCIAL INTERACTION</u>		
	(Figure 9.13)	(Figure 9.9)
U.K. MANUFACTURERS - DIRECT MEASURE	66%	69.2%
AGENTS/DISTR - DIRECT MEASURE	42%	41.2%
U.K. MANUFACTURERS - INDIRECT	57%	47.9%
AGENTS/DISTR - INDIRECT	21%	45.4%

Table 9.15  
Dissatisfaction  
 Comparison between Separate Measures and  
Measures for the Dyadic Relationships

	<u>DYADIC</u> <u>RELATIONSHIP</u>	<u>SEPARATE</u> <u>MEASURE</u>
(Figures 9.14-9.17) (Figures 9.3-9.6)		
 <u>PRODUCT DIMENSION</u>		
DIRECT MEASURE		
U.K. MANUFACTURERS	8%	2.5%
AGENTS/DISTRIBUTORS	46%	24.3%
INDIRECT MEASURE		
U.K. MANUFACTURERS	5%	14%
AGENTS/DISTRIBUTORS	32%	28%
 <u>MARKET DIMENSION</u>		
DIRECT MEASURE		
U.K. MANUFACTURERS	21%	19.4%
AGENTS/DISTRIBUTORS	28%	30.9%
INDIRECT MEASURE		
U.K. MANUFACTURERS	7%	71.2%
AGENTS/DISTRIBUTORS	39%	36.5%
 <u>PERFORMANCE DIMENSION</u>		
DIRECT MEASURE		
U.K. MANUFACTURERS	8%	2%
AGENTS/DISTRIBUTORS	43%	21.6%
INDIRECT MEASURE		
U.K. MANUFACTURERS	20%	18%
AGENTS/DISTRIBUTORS	33.4%	18%
 <u>SOCIAL INTERACTION</u>		
DIRECT MEASURE		
U.K. MANUFACTURERS	15%	6%
AGENTS/DISTRIBUTORS	49%	36.1%
INDIRECT MEASURE		
U.K. MANUFACTURERS	29%	18%
AGENTS/DISTRIBUTORS	63.2%	27%

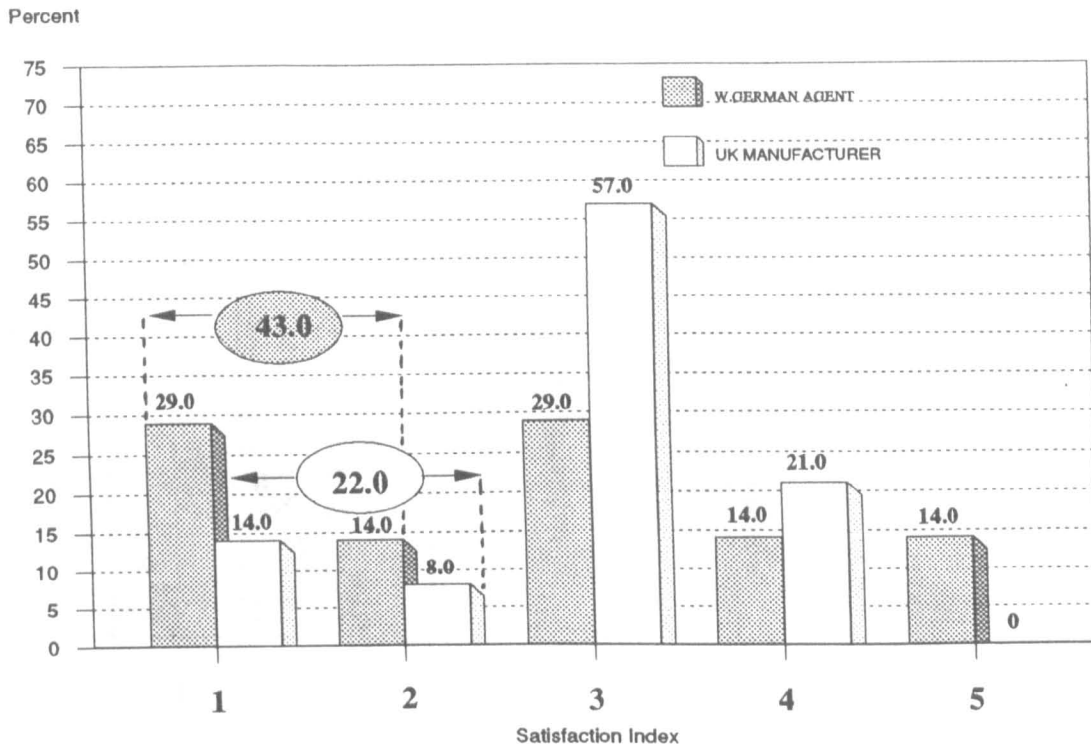
**FIGURE 9.10 SATISFACTION - DYADIC RELATIONSHIPS**  
**PRODUCT DIMENSION**



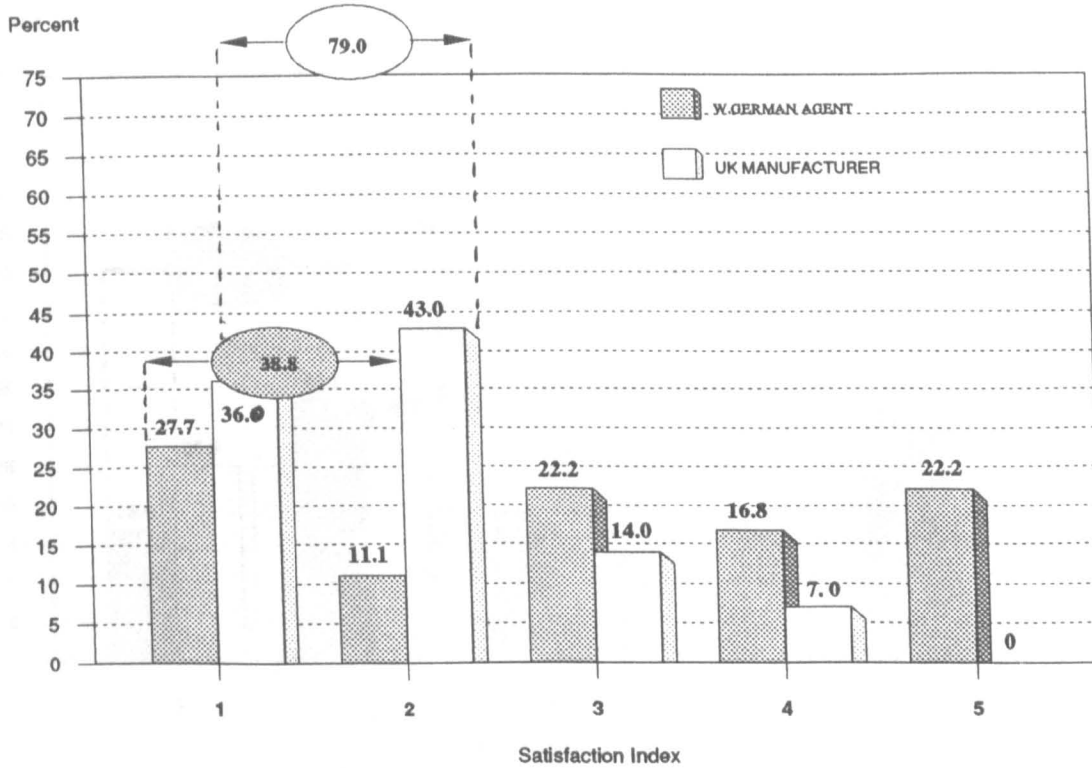
<b>1 = Very Satisfied</b>	<b>2 = Satisfied</b>
<b>3 = Neither Satisfied Nor Dissatisfied</b>	<b>5 = Very Dissatisfied</b>
<b>4 = Dissatisfied</b>	

**FIGURE 9.11 SATISFACTION - DYADIC RELATIONSHIPS**  
**MARKET DIMENSION**

*DIRECT MEASURE*



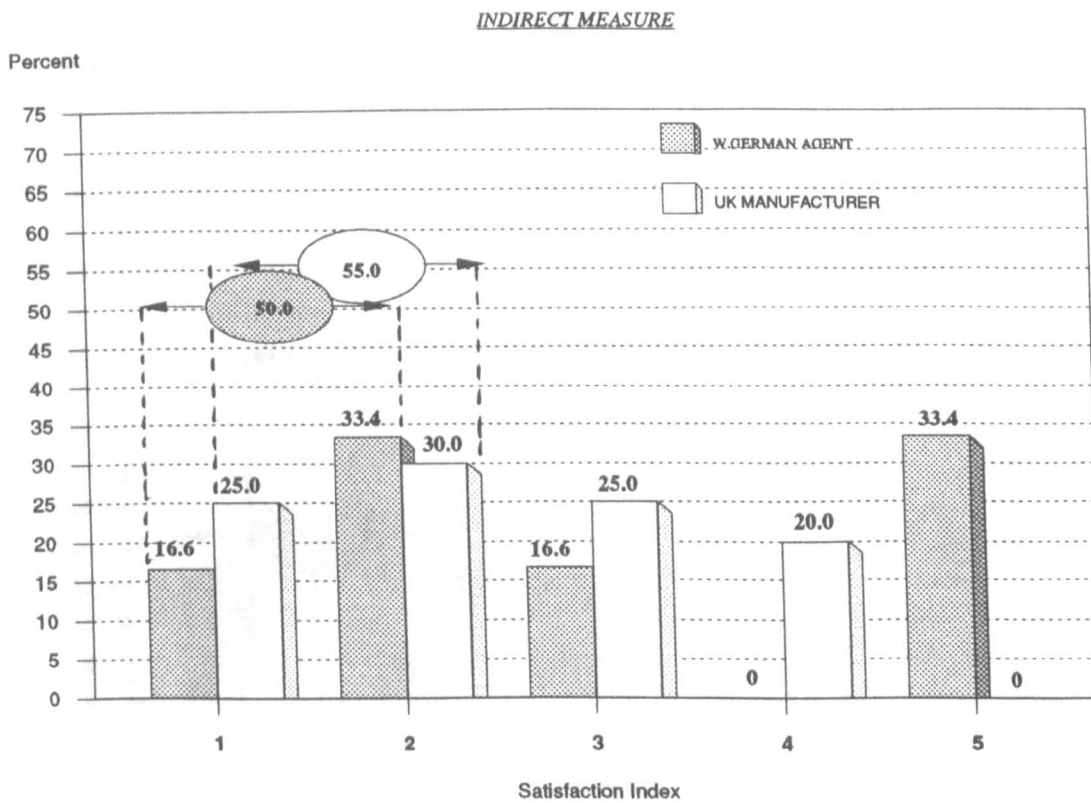
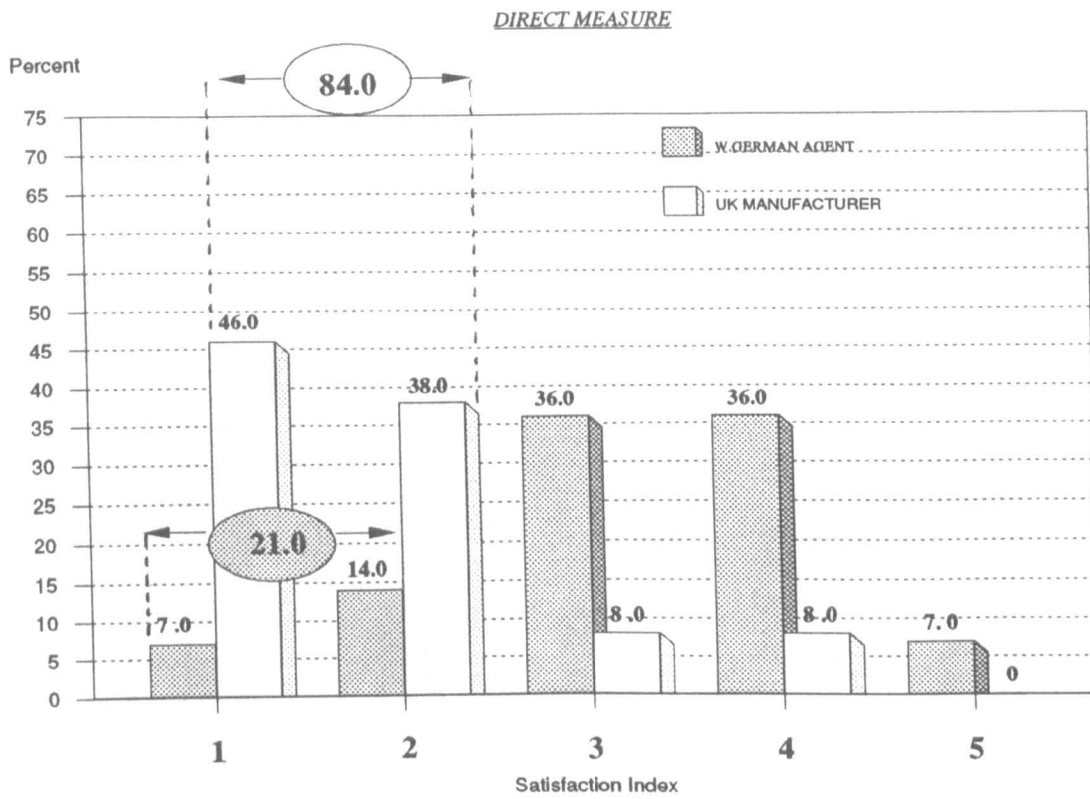
*INDIRECT MEASURE*



<b>1 = Very Satisfied</b>	<b>2 = Satisfied</b>
<b>3 = Neither Satisfied Nor Dissatisfied</b>	<b>5 = Very Dissatisfied</b>
<b>4 = Dissatisfied</b>	



**FIGURE 9.12 SATISFACTION - DYADIC RELATIONSHIPS  
PERFORMANCE DIMENSION**



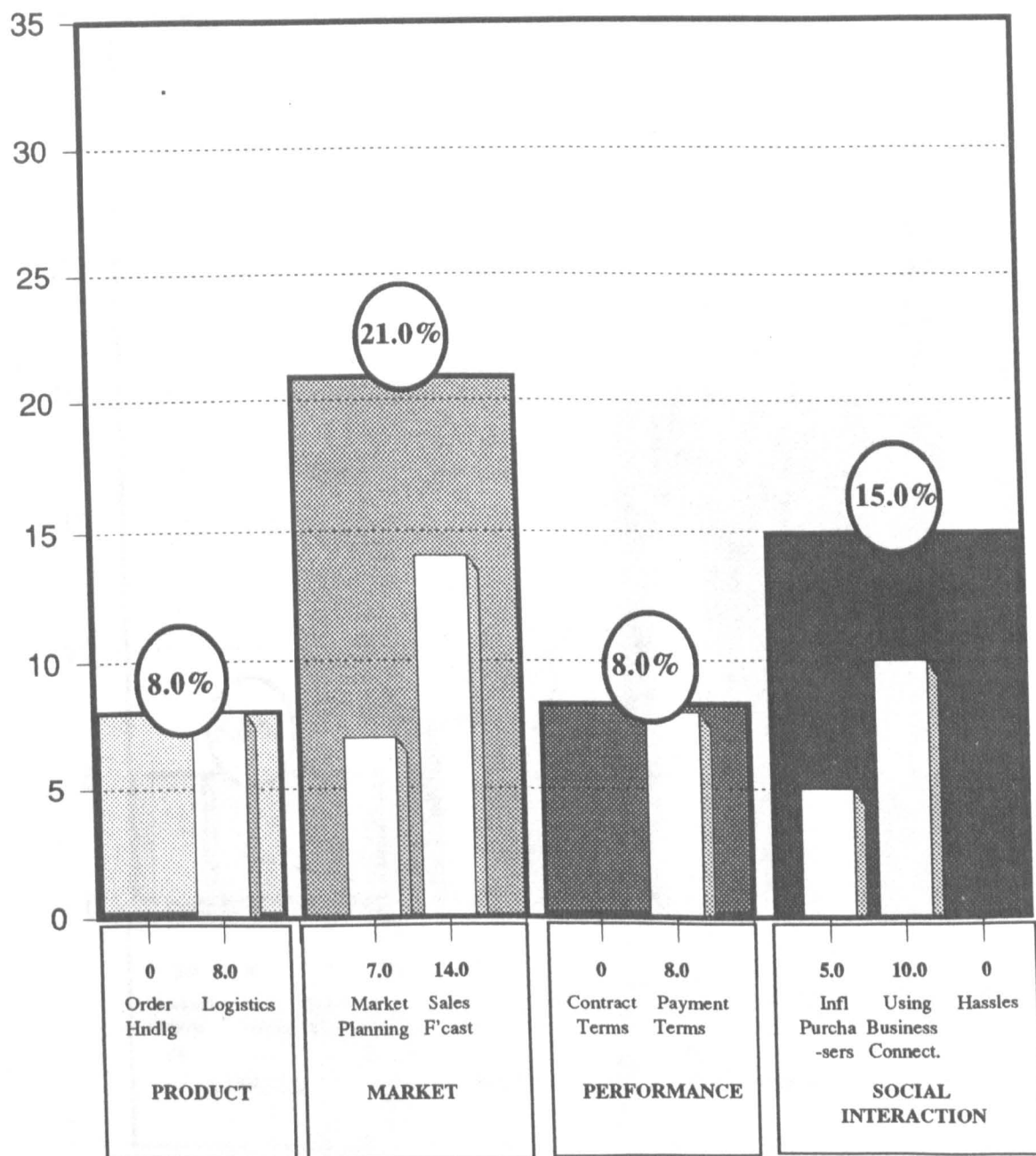
<b>1 = Very Satisfied</b>	<b>2 = Satisfied</b>
<b>3 = Neither Satisfied Nor Dissatisfied</b>	<b>5 = Very Dissatisfied</b>
<b>4 = Dissatisfied</b>	



**FIGURE 9.14**  
**UK MANUFACTURERS DISSATISFACTION WITH WEST GERMAN**  
**AGENTS AND DISTRIBUTORS**  
**DYADIC RELATIONSHIP**

PERCENTAGE  
 OF UK  
 MANUFACTURERS

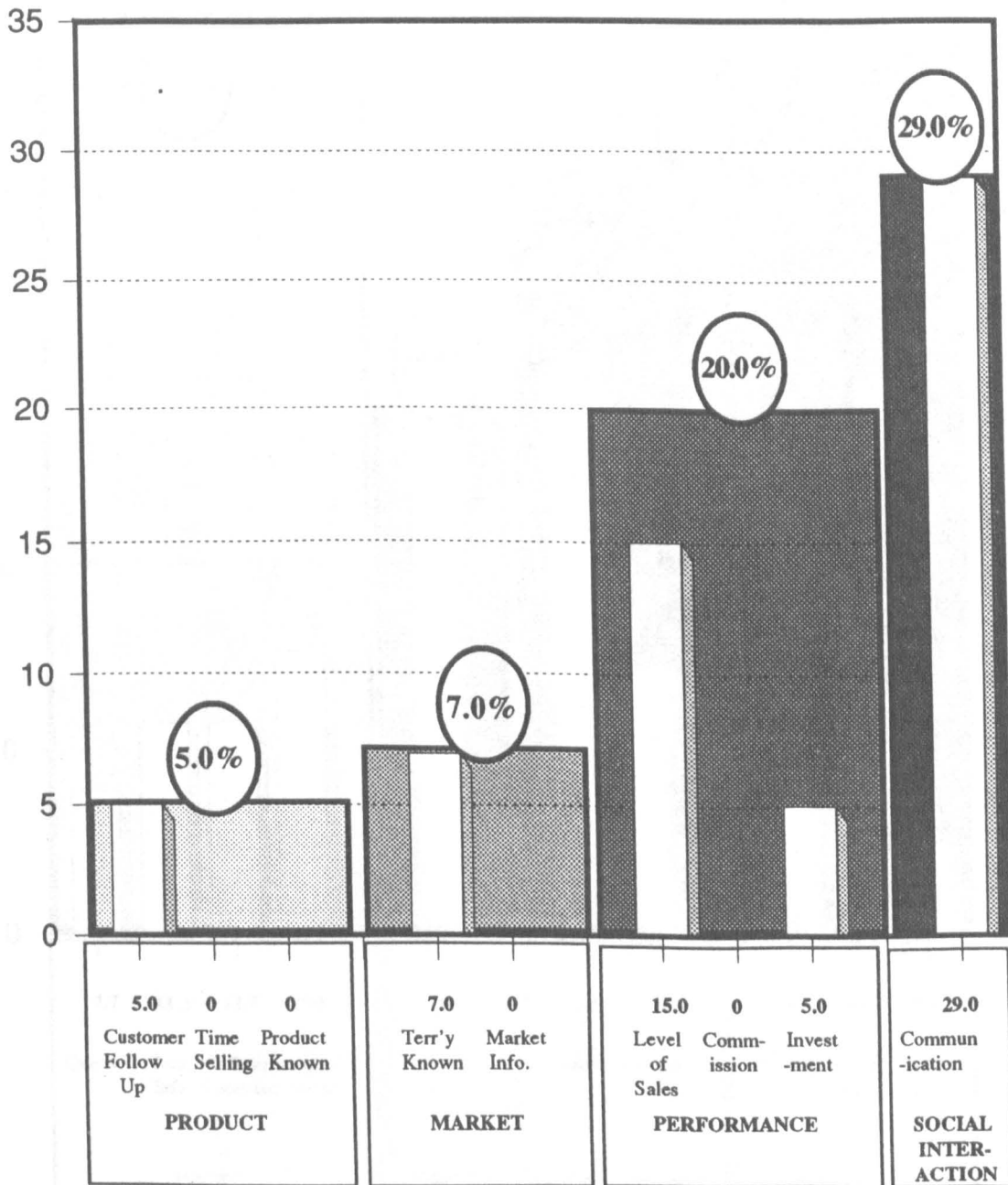
DIRECT MEASURE



**FIGURE 9.15**  
**UK MANUFACTURERS DISSATISFACTION WITH WEST GERMAN**  
**AGENTS AND DISTRIBUTORS**  
**DYADIC RELATIONSHIP**

PERCENTAGE  
 OF UK  
 MANUFACTURERS

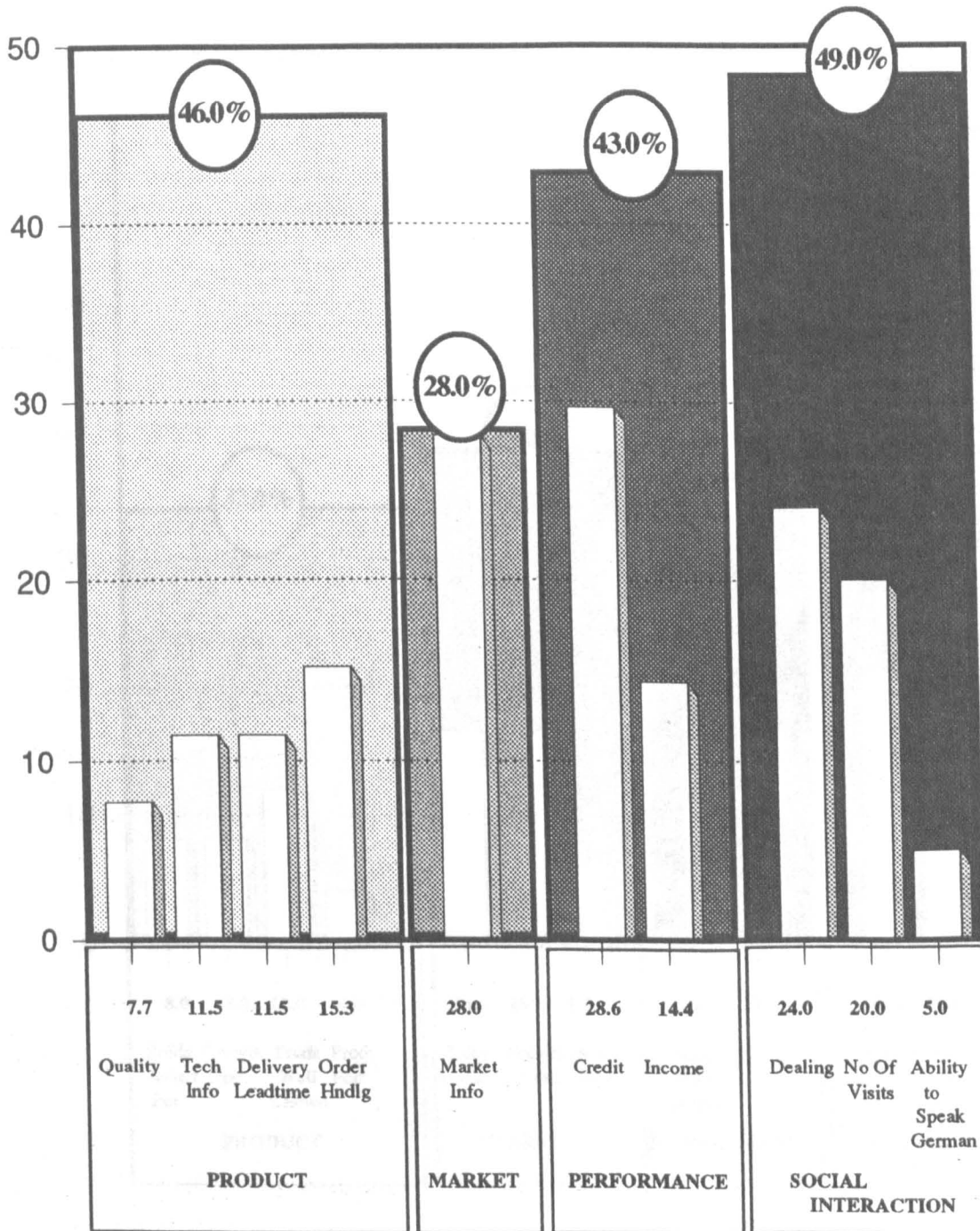
INDIRECT MEASURE



**FIGURE 9.16**  
**WEST GERMAN AGENTS AND DISTRIBUTORS DISSATISFACTION WITH**  
**UK MANUFACTURERS**  
**DYADIC RELATIONSHIP**

PERCENTAGE  
 OF AGENTS/  
 DISTRIBUTORS

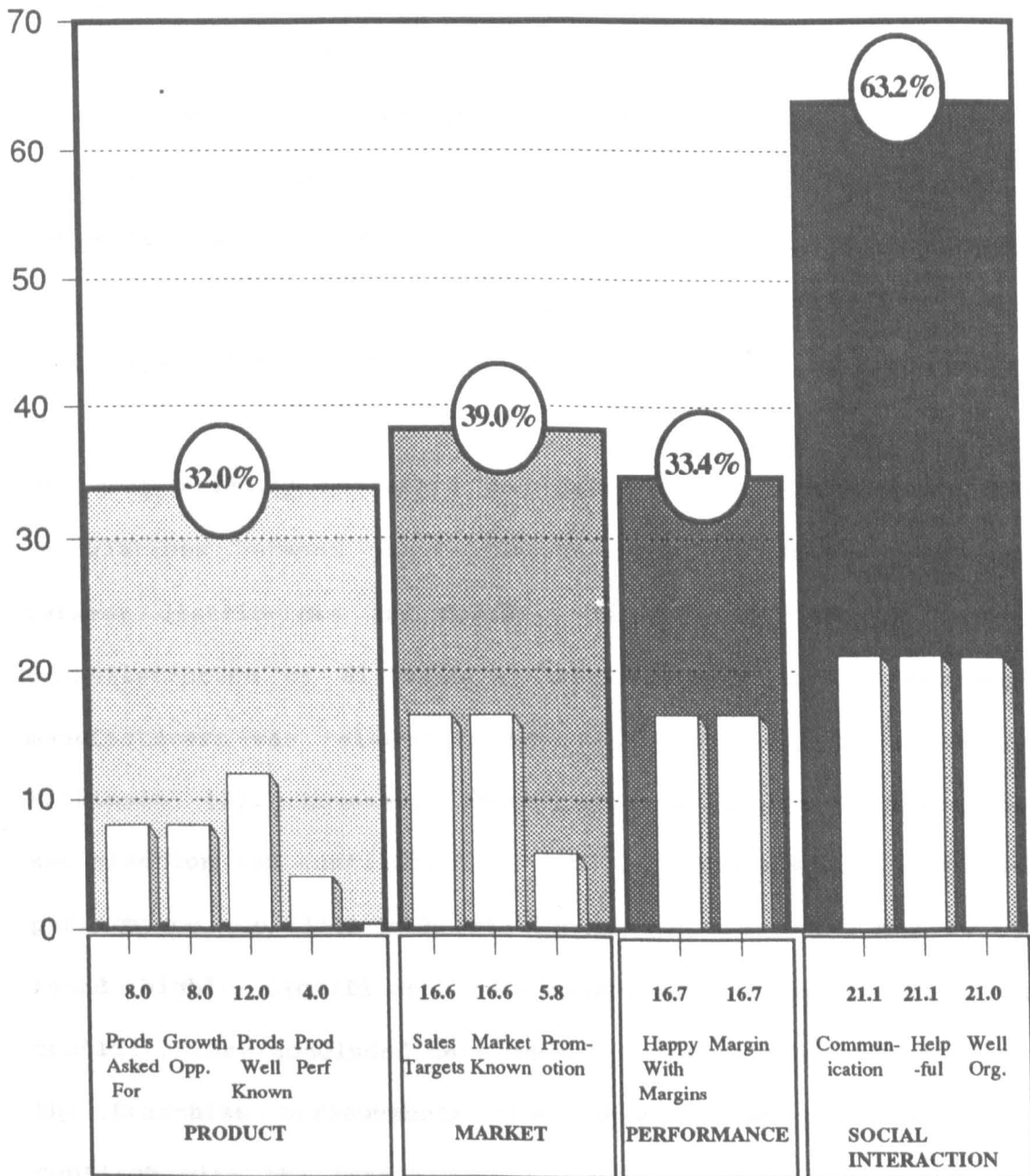
DIRECT MEASURE



**FIGURE 9.17**  
**WEST GERMAN AGENTS AND DISTRIBUTORS DISSATISFACTION**  
**WITH UK MANUFACTURERS**  
**DYADIC RELATIONSHIP**

PERCENTAGE  
 OF AGENTS/  
 DISTRIBUTORS

INDIRECT MEASURE



## Chapter 10

### Conflict, Satisfaction and Performance in the International Marketing Channel

The discussions in the previous chapters have looked at the specific measures of conflict and satisfaction in the international marketing channel with reference to U.K. exporting manufacturers and West German agents and distributors. This chapter develops these discussions by examining the links between satisfaction, conflict, and performance together with the view of the future of the channel.

#### Conflict and Satisfaction

An early work by Rosenberg and Stern (1) established significant correlations between manufacturers and their dealers, as well as between distributors and dealers. It appeared that the degree of dissatisfaction of distributors with dealers and of dealers with manufacturers was related to the degree of conflict between them. Wilkinson (2), however, found only weak correlations between satisfaction and conflict. In a study of franchisee's perceptions of performance, conflict and satisfaction, Schul, Lamb and Little (3) found highly significant relationships between satisfaction and conflict. They concluded that when the franchisee was satisfied with the franchise arrangements then they tended to experience less conflict with the franchisor, and vice-versa. Arndt and Ogaard (4) found manifest conflict was negatively correlated with satisfaction.

The first two studies quoted (5), however, used single item measures for the satisfaction construct. Twenty three descriptive items were used in the third study (6) to measure satisfaction, and the final study (7) used three items to measure satisfaction. As explained in previous chapters, the present study uses more complex multi-dimensional measures for both the satisfaction and conflict constructs.

Using the measures of conflict, developed in Chapter 8, which included (i) the frequency of disagreements, (ii) the intensity of disagreements, (iii) a weighted index of conflict and (iv) a summed index of conflict, together with the measures of satisfaction developed in Chapter 9 (indirect and direct measures), a correlation matrix was developed and is shown at Table 10.1 for UK exporting manufacturers and Table 10.2 for the West German agents and distributors.

#### UK Exporting Manufacturers (Table 10.1)

The direct measure of satisfaction was significantly correlated with frequency of disagreements with weaker correlations (significant at the 1 percent level) between the indirect measure of satisfaction and the frequency of disagreements. The intensity of disagreements was correlated with both measures of satisfaction with a significance level of 1 percent with the direct measure of satisfaction and a lower 5 percent level with the indirect measure of satisfaction.

The direction of the results suggests that high levels of channel satisfaction were accompanied by correspondingly lower levels of conflict within the channel.



Table 10.1

INTERCORRELATIONS BETWEEN CONFLICT  
AND SATISFACTION MEASURES FOR  
UK EXPORTING MANUFACTURERS

CONFLICT MEASURES

---

	Frequency of Disagreements	Intensity of Disagreements	Weighted Index	Summed Index
Indirect				
Measure of				
Satisfaction	.3481c	.2499d	.3258e	.3038e
Direct				
Measure of				
Satisfaction	.4774a	.3472c	.4561b	.4399b

Memo:

a/ Correlation significant at  $p \leq 0.0005$

b/ Correlation significant at  $p \leq 0.001$

c/ Correlation significant at  $p \leq 0.01$

d/ Correlation significant at  $p \leq 0.05$

e/ Correlation significant at  $p \leq 0.02$

West German Agents and Distributors (Table 10.2)

The intercorrelations between the conflict measures and the satisfaction measures for the West German agents and distributors are shown at Table 10.2.

There were strong correlations between both the direct and indirect measures of satisfaction and the four conflict measures; all correlations were highly significant.

The direction of these results also suggests, as with the UK exporting manufacturers above, that high levels of channel satisfaction were accompanied by correspondingly lower levels of conflict within the channel.

Table 10.2

INTERCORRELATIONS BETWEEN CONFLICT  
AND SATISFACTION MEASURES FOR  
WEST GERMAN AGENTS AND DISTRIBUTORS

CONFLICT MEASURES

---

	Frequency of Disagreements	Intensity of Disagreements	Weighted Index	Summed Index
Indirect Measure of Satisfaction	.6750	.7547	.6901	.7563
Direct Measure of Satisfaction	.7794	.6732	.6790	.7248

Memo:

All correlations significant at  $\leq 0.0005$

## Conflict, Satisfaction and Performance

A number of alternative methods to operationalize channel performance have been used by researchers in the field of domestic marketing channels. One of the earliest works was that of Pearson (8). He used two basic measures: the first was a measure based on service level performance defined as the number of orders fulfilled divided by the total number of orders received and, secondly, the product turnover. Lusch (9) also used two measures based primarily on return on assets. The ratio of pre-tax net profits to gross receipts from operations was used by Schul et al (10). Krapfel and Spekman (11) used sales and profit ratios over a two year period.

In export channels Rosson and Ford (12) used a combination of variables to measure channel performance: the trend in UK sales, satisfaction with UK sales, cooperativeness of relationships, and satisfaction with the relationships.

A study of Italian exporting manufacturing firms (13) operationalized performance as export sales divided by the total sales. Baker and Abou-Zeid (14) used a combination of sales and profit criteria: the sales criterion was operationalized as the percentage of export sales out of total sales; profit criterion was operationalized as the comparison between export profitability and that of home sales.

No single ideal criterion however, with which to judge the export performance of a firm, has been found (15). The operationalizations in previous research have usually judged performance at the level of the firm i.e. includes all of the firm's products in all markets. This research, however, is primarily concerned with the relationship between exporter and overseas intermediary, and therefore performance at the firm level would be inappropriate.

Performance was operationalized as the sales trend through each West German agent and distributor as reported by the UK exporting manufacturers based on the last three years of data. The three year sales trend was also collected from the West German agents and distributors.

Table 10.3 illustrates the correlations of the satisfaction and conflict measures with the performance measure. Both the indirect and direct measures of satisfaction correlate with performance at the 1 percent level of significance for the UK manufacturers; the correlates for the West German agents and distributors were significant at the 0.1 percent level for the indirect measure and at the 1 percent level for the direct measure of satisfaction.

These results indicate that satisfaction is directly related to performance; the more satisfied the channel participants, the more likely the performance of the channel is acceptable to them in terms of sales trend.

Table 10.3

INTERCORRELATIONS BETWEEN CONFLICT,  
PERFORMANCE AND SATISFACTION

	<u>UK Manufacturers</u>	<u>West German Agents and Distributors</u>
	<u>Performance</u>	<u>Performance</u>
Indirect Measure of Satisfaction	.3339c	.4427b
Direct Measure of Satisfaction	.3298c	.3960c
Frequency of Disagreements	.3159c	.5692a
Intensity of Disagreements	NS	.4426c
Weighted Index of Conflict	.2259d	.4542c
Summed Index of Conflict	.2417d	.4699d

Memo:

a/ Correlations significant at  $p \leq 0.0005$

b/ Correlations significant at  $p \leq 0.001$

c/ Correlations significant at  $p \leq 0.01$

d/ Correlations significant at  $p \leq 0.05$

NS = Not significant

The correlations of the conflict measures with the performance measure for the UK manufacturers shows a significant correlation between the frequency of disagreements (significant at the 1 percent level) and performance; the correlation between performance and intensity was not, however, significant. A significance level of 5 percent was found between performance and both the weighted and summed measures of conflict.

The correlation for the West German agents and distributors between frequency of disagreements and performance was highly significant. Intensity and performance were at a lower significance, at the 1 percent level. The weighted index of conflict correlated with performance at the 1 percent level, and the summed index at the 5 percent level.

The intercorrelations between the performance measure and the various conflict measures indicate that the better the performance of the channel the lower the level of conflict within the channel.

## Conflict, Satisfaction and Uncertainty

Uncertainty about the future of the relationship was defined in Chapter 7 as the respondent's plans for the future of the relationship. This was measured on a five-point scale ranging from "end the relationship" to "plan to work together more closely".

Table 10.4 illustrates the intercorrelations between both the indirect and direct measures of satisfaction and the four measures of conflict with the uncertainty measure.

The correlations for the UK manufacturers between the uncertainty measure and the two measures of satisfaction were highly significant. This is in the expected direction because the more satisfied the manufacturer the more confident he would be for the future of the relationship. The indirect measure of satisfaction and uncertainty for the West German agent and distributors were significantly correlated whereas the direct measure and uncertainty were not significant.

Frequency of disagreements correlated with uncertainty at the 0.01 percent level for the West German agents and distributors; the correlation for manufacturers was, however, not significant. Correlations between the intensity of disagreements and uncertainty for both the manufacturers and agents and distributors were at the 5 percent and 1 percent level respectively. No significant correlations were found between uncertainty and the weighted index or summed index of conflicts for the manufacturers. The weighted index and the summed index of conflict for the agents and distributors were significant at the 5 percent and 1 percent levels respectively.



Table 10.4

INTERCORRELATIONS BETWEEN CONFLICT,  
SATISFACTION AND UNCERTAINTY

	<u>UK Manufacturers</u>	<u>West German</u> <u>Agents and Distributors</u>
	Uncertainty	Uncertainty
Indirect Measure of Satisfaction	.5111a	.5619a
Direct Measure of Satisfaction	.5012a	NS
Frequency of Disagreements	NS	.4845b
Intensity of Disagreements	.2397d	.3988c
Weighted Index of Conflict	NS	.3491d
Summed Index of Conflict	NS	.4227c
Performance	.4384a	.3920c

Memo:

a/ Correlations significant at  $p \leq 0.0005$

b/ Correlations significant at  $p \leq 0.001$

c/ Correlations significant at  $p \leq 0.01$

d/ Correlations significant at  $p \leq 0.05$

NS = Not significant

These results suggest that the lower the level of conflict the more confident channel participants are for the future of the channel relationship.

One final correlation was examined. This was performance and uncertainty. The correlation for the UK manufacturers was highly significant while the correlation for the agents and distributors was at the 1 percent level. Both these correlations are in the expected direction and indicate that the better the performance of the channel, the more confident the participants are for the future.

***PART III***

*Summary and Conclusions*

## Chapter 11

### SUMMARY AND CONCLUSIONS

#### 11.1 The Overseas Intermediary Selection Process

The literature on the finding and selection of overseas intermediaries is descriptive with little empirical work reported. This descriptive literature has been synthesized and a model of the selection process was developed and presented (1).

The model contained the following key steps:

- (i) Entry Strategy Decision
- (ii) Desk Research
- (iii) Shortlist of Potential Agents
- (iv) Recommendation
- (vi) Appointment

Once a firm has made its market entry decision it conducts desk research for the territory to find potential agents or distributors. The principals of the firm have a number of key criteria against which they develop their shortlist of potential intermediaries. The most important criteria found were, firstly, the agent's or distributor's knowledge of the market, secondly, the enthusiasm the agent or distributor has for the manufacturer's products and thirdly, the agent's or distributor's knowledge of the product.

The most important sources of information used by the exporting manufacturers during their desk review/research of potential agents and distributors were recommendation, personal knowledge of the territory and by the agent or distributor approaching the manufacturer directly. Having gone through a process of review, primarily involving desk research, the exporting manufacturer then has to shortlist the potential agents to establish a number of agents that are worth pursuing further. Some 75 percent of manufacturers identified that, at this stage, they had found between 1 and 6 potential agents or distributors to review (Table 6.4). The exporting firms then shortlist these intermediaries to establish a small number from which they would finally choose and appoint their agent or distributor. Not surprisingly the most important method was personal visits to the territory and the personal knowledge of the territory by the exporting manufacturer's representative.

This research has established an empirical view of the selection process used by U.K. exporting manufacturers to find and appoint a suitable overseas intermediary and has provided support to the model of the selection process previously discussed (1).

For the manufacturer who is considering starting to export, or who is already exporting but needs additional or replacement intermediaries, this research has highlighted the following:

- (i) The manufacturer must get his representative into the proposed export territory to develop his personal knowledge of the territory. This knowledge is needed to help establish the criteria against which he should recruit an agent or distributor.

- (ii) Cultivate business contacts amongst industry colleagues and in the proposed territory from which may come recommendations for potential intermediaries.
  
- (iii) The potential agent or distributor should be enthusiastic about the manufacturer's product and 'need' it.

## 11.2 Conflict

The hypotheses to be tested were as follows:

H1 The level of manifest conflict between a principal and his overseas intermediary is directly related to the following marketing mix variables:

- size of orders
- size of inventory
- the handling of dissatisfied customers
- the quality of the product(s)
- new product development
- meeting delivery dates
- pricing
- promotional support

H2 The level of manifest conflict between an overseas intermediary and his principal is directly related to the following marketing mix variables:

- size of orders
  
- size of inventory
  
- the handling of dissatisfied customers
  
- the quality of the product(s)
  
- new product development
  
- meeting delivery dates
  
- pricing
  
- promotional support



The approach used to operationalize manifest conflict was to identify items (marketing mix variables) over which firms within the channel might disagree. An estimate as to the frequency of disagreements over each item, together with an estimate of the degree (or intensity) of conflict was obtained. Two further measures, a weighted index and a summarised index were also obtained. Eight issues were selected for examination: size of orders, size of inventory, the handling of dissatisfied customers, the quality of the product(s), new product development, meeting delivery dates, pricing and promotional support. This methodology is broadly in line with previous conflict research in domestic marketing channels (2).

These four measures (frequency of disagreements, intensity, weighted index and summed index), for both the UK manufacturers and the West German agents and distributors, reflect the same construct defined over the same eight issues with data from the same sample. It was therefore expected that the measures should be highly intercorrelated, (Table 8.1). All the correlations were highly significant (at  $p \leq 0.0005$ ). Reliability using coefficient alpha was obtained and was found to be acceptable for basic research.

#### UK Manufacturers

Item to item correlation matrices were developed (Table 8.3 and 8.4). Significant correlations were found for the UK manufacturers. Size of orders was highly correlated with size of inventory, handling dissatisfied customers and meeting delivery dates. This is in the expected direction; disagreements over the size of the order would be expected to be associated with dissatisfied customers and the meeting of delivery dates.

Late deliveries could also result in dissatisfied customers. Product quality was significantly correlated with new product development and pricing.

In summary all items, using the frequency of disagreement measure, were significantly correlated at the 1 percent level or lower except for promotional support and the handling of dissatisfied customers and meeting delivery dates, together with meeting delivery dates and size of inventory which were not significant. All the items, using the intensity of disagreement measure, were significantly related at the 5 percent level or lower, with the exception of inventory size and the handling of dissatisfied customers and pricing.

These results support hypothesis H1, that the level of conflict between the principal and an overseas intermediary is directly related to the marketing mix variables: order size, inventory size, the handling of dissatisfied customers, product quality, new product development, meeting delivery dates, pricing and promotional support.

#### West German Agents and Distributors

Item to item correlation matrices were developed (Tables 8.5 and 8.6). Significant correlations were found for the West German agents and distributors. Size of order was highly correlated to inventory size and meeting delivery dates. Inventory size was highly correlated with the handling of dissatisfied customers and also with the meeting of delivery dates. As with the UK manufacturers this is both in the expected direction and is conceptually right in that order size would be related to inventory size and deliveries.

Handling dissatisfied customers was also highly correlated with the meeting of delivery dates. In summary all items, with the exception of size of order/product quality and size of inventory/product quality for which no significance was found, were correlated at the 1 percent level or lower.

These results support the hypothesis H2 that the level of conflict between an overseas intermediary and a principal is directly related to the marketing mix variables: order size, inventory size, the handling of dissatisfied customers, product quality, new product development, meeting delivery dates, pricing and promotional support.

#### The Managerial Perspective

Interpreting the results outlined in Chapter 8, we find that manifest conflict in the international marketing channel was associated with the following issues:

- . Lack of promotional support by  
the U.K. exporting manufacturer.
  
- . Meeting delivery dates by the U.K  
exporting manufacturer.
  
- . Pricing
  
- . New product development - the perceived  
lack of involvement in the process by  
the West German agent and distributors.

- . Inventory size.
  
- . Order size.
  
- . The handling of dissatisfied customers.
  
- . The quality of the UK exporting manufacturers' products.

Viewed from a managerial perspective the results indicate that U.K. exporting manufacturers need to address a number of the issues which would reduce the level of conflict within the channel. The research provides a basis for potential corrective actions to be applied to the channel.

#### . Promotional Support

There was substantial divergence of opinion between the UK exporting manufacturers and the West German agents and distributors over promotional support. Previous researchers had found that U.K. exporters rated promotional support as being of relatively minor importance compared to other issues such as visits to the overseas intermediary (3).

However, methods of motivating agents and distributors (Table 5.6) highlighted that local advertising and promotional support was ranked 3 in importance (out of 8) by West German agents and distributors, compared to rank 7 by the UK manufacturers.

## Meeting Delivery Dates

The results from this research suggest that meeting delivery dates by the U.K. exporting manufacturer is of key importance to their West German agents and distributors. Previous research into the international channel highlights this as important to channel relationships (4). Faster deliveries was ranked 3 in importance by both agents and distributors and UK manufacturers as specific measures to increase the sale of British products in West Germany (Table 5.8).

## Pricing

Once again, pricing was an issue which had a divergence of opinion between UK exporting manufacturers and the West German agents and distributors. The West German agents and distributors displayed a high level of disagreement and intensity of disagreements (32.4 percent and 28.1 percent respectively). This is to some extent illustrated in Table 5.8 in which specific measures to increase the sale of British products in West Germany are listed; lower prices was ranked as the number one measure by both the UK manufacturers and the West German agents and distributors. Pricing is a potent weapon in the marketing mix but one that is particularly difficult in export markets (5). Export pricing is also exacerbated by the impact of currency movements and distributor policies (6).

. New Product Development

31.6 percent of agents and distributors indicated that they were frequently in disagreement with their U.K. manufacturer, compared to only 12.4 percent of U.K. manufacturers. As stated previously the difference of opinion over this item could be one of the perception of the responsibility for new product development. Several of the responding manufacturers emphasised that new product development was their exclusive responsibility and did not consider that their agents and distributors should have any input to the process. This issue of conflict could be reduced however by involving the agent/distributor in the new product development process.

. Order and Inventory Size

Lower levels of conflict were recorded for the size of orders and size of inventory. Frequency of disagreements was still higher for the West German agents and distributors than for the UK manufacturers (27.4 percent compared to 9 percent for inventory size and 20 percent compared to 10 percent for order size).

## Handling Dissatisfied Customers

The way dissatisfied customers were treated was seen as providing grounds for disagreements between manufacturers and their overseas agents and distributors. Overseas intermediaries would require a prompt service from their manufacturers to ensure that the dissatisfied customer's concerns are resolved and that the concern should not reflect on the intermediary. 20 percent of agents and distributors identified that they were in disagreement with their UK manufacturer over this issue.

## Product Quality

This issue had the lowest level of conflict identified by the West German agents and distributors. However, 16.5 percent of agents and distributors identified that they were frequently in disagreement with their UK manufacturer over quality.

Better quality was identified as a specific measure to increase the sale of British products in West Germany; it was ranked, in order of importance, as 2 by the West German agents and distributors, compared to rank 6 by the UK manufacturers. There is a divergence of importance between the manufacturers and the agents and distributors on their views of product quality (Table 5.8).

Little research has been conducted on conflict in the international marketing channel. A notable exception is the work of Munro and Beamish (7). These researchers examined export performance and channel management practices of 116 exporting firms in Ontario, Canada. The research as published did not specify in detail the methodology used; open ended, multiple response questions were used to study the sources of conflict. No reliability or validity were reported. The research ranked sources of conflict over 8 issues from a population of 65. The major source of conflict was pricing (reported by 40 percent of respondents), followed by compensation (19.7 percent), after-sales service and inventory levels (both at 18 percent). Promotional efforts were ranked number 5 at 16.4 percent, together with 'other'. The study, however, reported only from the Canadian exporters viewpoint; the results are broadly in line with those of the present study.

The Rosson and Ford study (8) examined the relationship between conflict and the manufacturer's stake and channel performance. The research did not however, indicate the areas of conflict within the channel (the issues) and the results are therefore not comparable with the present study.

#### The Conflict Gap

As stated previously, West German agents and distributors showed higher levels of conflict, in terms of frequency of disagreements and the intensity of the disagreements, than that reported by the U.K. exporting manufacturers.



Figure 11.1 illustrates the frequency and intensity of disagreements over the eight issues that were measured in this research. This illustrates a substantial difference between the issue with the highest frequency of disagreements as reported by the UK manufacturers (meeting delivery dates) and that of the West German agents and distributors (promotion). A substantial difference can also be seen between the issues with the highest intensity of disagreements as reported by the U.K. manufacturers (promotion at 12.7 percent, meeting delivery dates at 12.6 percent and pricing at 12.5 percent) and that of the West German agents and distributors (promotion at 46.5 percent).

The view from the managerial perspective would require these differences, labelled here as the "Conflict Gap", to be reduced to improve the overall satisfaction of the channel participants, particularly that of the West German agents and distributors.

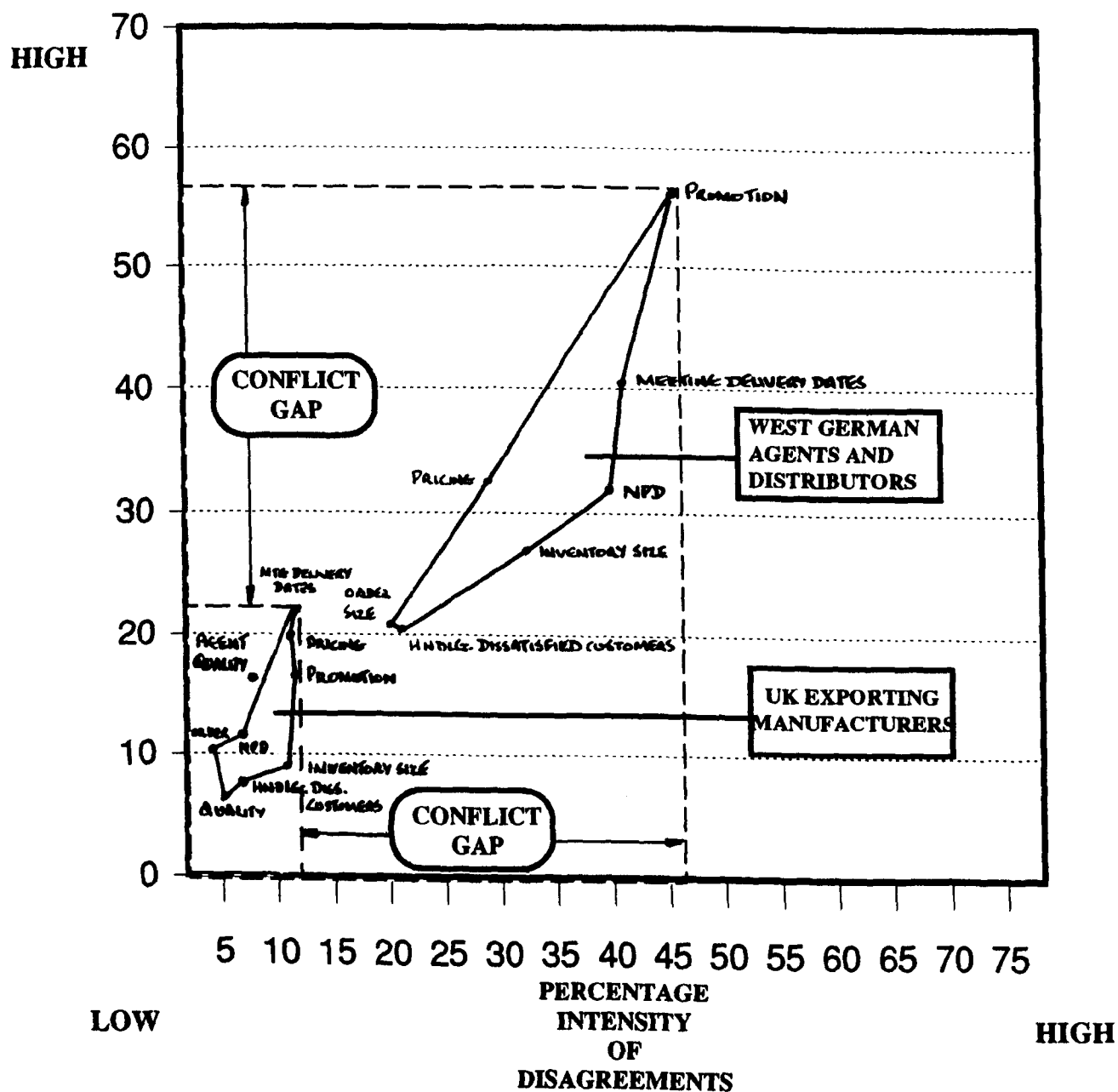
What is the availability of conflict resolution strategies that can be used to close this conflict gap? This research has not covered conflict resolution strategies; other researchers have touched on the subject, but there is little empirical research in this area.

Stern (9) suggested four major conflict management mechanisms that were available to channel members: (i) supraorganizational, (ii) interpenetration, (iii) Boundary and (iv) Bargaining and negotiating.

FIGURE 11.1

**THE CONFLICT GAP BETWEEN WEST GERMAN AGENTS AND DISTRIBUTORS AND MANUFACTURERS**

PERCENTAGE  
FREQUENCY  
OF  
DISAGREEMENTS



Handling conflict by the supraorganizational methods requires that channel members view themselves as part of a channel system and recognise their functional interdependence. The methods that are included under the heading of supraorganizational are conciliation, mediation, and/or arbitration.

Interpenetration mechanisms provide:

"...means for increasing the number of meaningful interactions among channel members and, concomitantly, for reducing conflict within the channel" (10).

These mechanisms include the use of exchange of persons programmes (transfer of persons, on short term exchange to other departments), education programmes, uncertainty absorption (to reduce incongruent views) and cooptation (to improve communication and influence).

Boundary persons include the personnel of an organization who are primarily concerned with affairs external to the organization eg. salesmen and buyers. Boundary mechanisms are the conflict management mechanisms that are undertaken by these persons. These persons are the 'channel diplomats' who represent the 'front line' in preventing and reducing conflict within the channel (11).

Bargaining and negotiation mechanisms could be employed as part of the three mechanisms outlined above. Bargaining is the making of commitments, offering of rewards, threatening of punishments and making compromises.

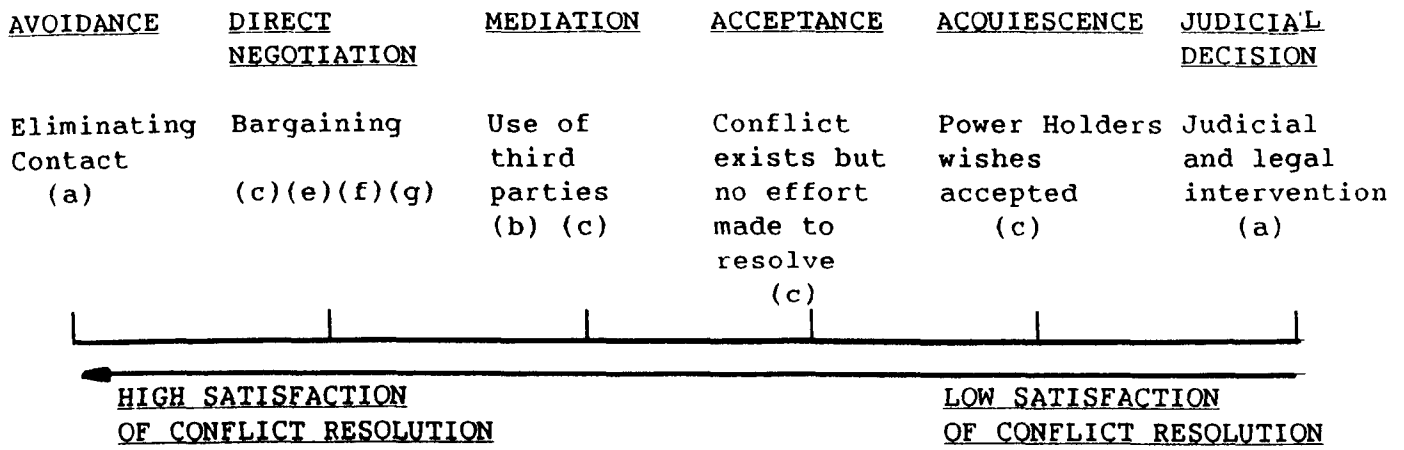
Brown (12) investigated the use of various conflict management or resolution techniques in the franchised channel for new automobiles from the dealers perspective. In summary it was found that (i) conflict may exist for some issues but no efforts were made to settle it, (ii) dealers would resolve conflict by acquiescing to manufacturer's wishes, (iii) resolution methods would include discussion with the manufacturer, and appeals through a dealer organization (State Auto Dealers' Association).

What can be suggested in the case of the international marketing channel between exporting manufacturers and their overseas intermediaries? There is clearly a substantial difference in the present sample between the view of the channel relationship from the U.K. manufacturer's viewpoint compared to that of the West German agents and distributors.

The above literature can be synthesised into a scale of satisfaction for conflict resolution in the international marketing channel context. It shows the degree to which the final consensual resolution is acceptable and satisfactory to the exporting manufacturer and his overseas intermediary (see Figure 11.2). It shows the satisfaction level from the viewpoint of the channel participants and is scaled from a high to a low, imposed, settlement. These are briefly summarised in the following discussion.

Figure 11.2

Satisfaction Scale of Conflict Resolution  
in Manufacturer - Overseas Intermediary  
Marketing Channels



Legend:

- (a) = Cohen, Jerry S. 1971
- (b) = Assael, Henry 1968
- (c) = Brown, James 1979
- (d) = Boulding, Kenneth 1957
- (e) = Walker, Orville 1972
- (f) = Roering, Kenneth 1977
- (g) = Rosenberg, Larry 1974

## Avoidance

Avoidance is the ending of conflict by eliminating the contact between the parties. Boulding suggests that if a dispute occurs in a competitive market concerning buying or selling then the dispute can be avoided by switching to another buyer or another seller (13). In family life, divorce or separation represents conflict avoidance. Likewise in the international channel situation avoidance, the ending of the agency agreement, may bring high satisfaction for conflict resolution but would also bring with it the difficulties of terminating agreements, finding new representatives, etc. This particular conflict resolution strategy is, realistically, unacceptable and requires the development of organizational solutions.

## . Direct Negotiation

When two parties are able to settle their dispute without outside help then we have a situation called direct negotiation. This situation includes bargaining and negotiating mechanisms such as making commitments, offering rewards, threatening of punishments and making compromises (14).

## . Mediation

Mediation implies third-party guidance so that any accommodation which is reached is mutually acceptable to two conflictual parties. Mediation in the international channel would be conducted through the offices of the British Overseas Trade Board or chambers of commerce. In the case of agents and distributors in West Germany, they may use the offices of the Bundesstelle für Assenhandelsinformation (German Foreign Trade Office) or the Centralvereinigung Deutscher Handelsvertreter - und Handelsmakler - Verbände (Central Organisation of German Commercial Agents' and Brokers' Association) (15).

## . Acceptance

When two parties make no efforts to settle conflict issues, this unresolved conflict may provide the basis for future disagreements (16). Rosenberg (17) identified that channels have to accept a level of conflict as "a fact of life".



## Acquiescence

Acquiescence is when the power holder's wishes are accepted however reluctantly.

## Judicial Decision

When all other conflict management mechanisms fail channel members may resort to judicial decision as a form of conflict resolution. However, this form of resolution, primarily it is legal intervention, is only used as a last resort. For example in a major conflict over responsibilities one of the parties in a manufacturer-overseas intermediary relationship could resort to the law to seek satisfaction over the agency agreement (18).

Various methods of conflict management/resolution mechanisms have been described above. These methods are not presented as an all-inclusive schema but as the principle methods of conflict management/resolution mechanisms available to channel members in the manufacturer-overseas intermediary relationship.

In the specific case of the relationships between U.K. exporting manufacturers and West German agents and distributors, described in this research, there appears to be an overriding case for the use of the direct negotiation mechanism to reduce the conflict gap. Of course, direct negotiation emphasises the need for regular visits by representatives of the manufacturer to the agent/distributor and vice-versa.

Suggestions that could be made to the U.K. exporting manufacturers to reduce the conflict gap are briefly summarised as follows:

. Promotional Support

- provide a specific budget for overseas promotional support.
- involve the agent or distributor in the development of the promotional material.
- ensure material is available in the required foreign language.

. Meeting Delivery Dates

- improve production logistics to ensure dates are met.
- use correct control mechanisms/plans eg. Critical Path Analysis, Network Analysis, etc.
- involve agent or distributor in the plans where appropriate.

. Pricing

- ensure pricing strategy results in competitive price structure
- seek agent/distributor advice.

. New Product Development

- involve agent or distributor in the new product development process
- be prepared to adapt product; tailor product to the market
- include agent or distributor on product committees.

. Order and Inventory Size

- agree procedures for handling orders and inventory
- agree procedures on size of orders and inventory.

. Handling Dissatisfied Customers

- set up mechanisms that can be activated for handling queries from agent/distributor when customer is dissatisfied.
- involve agent/distributor in setting up mechanism
- ensure agent/distributor knows who to talk to in order to quickly resolve concerns.

. Product Quality

- agree quality targets in consultation with agent/distributor

These points are not submitted as a comprehensive list of things to do, but rather as indicators of things that can be done. These suggestions fall into the category of Direct Negotiation as a conflict management mechanism, and involve the U.K. exporting manufacturer in making commitments, making compromises, ensuring the overseas intermediary is fully involved, use the agent or distributor as a resource for ideas (eg in new product development) and, above all, to improve communications between channel members. Adoption of conflict management mechanisms should reduce the Conflict Gap found between the U.K. exporting manufacturers and West German agents and distributors.

### 11.3 Satisfaction

The hypotheses to be tested were as follows:

H3 A principal's satisfaction with an overseas intermediary is directly related to the following marketing mix variables:

- amount of time agent/distributor spends selling the product
- knowledge of product
- customer follow-up
- market information
- knowledge of the territory
- level of sales
- commission arrangements
- level of investment
- communications

- order handling
  
- logistics
  
- sales forecasting
  
- market planning
  
- contract terms
  
- payment terms
  
- handling of bureaucratic hassles
  
- the use of business connections
  
- influencing purchasers

**H4** An overseas intermediary's satisfaction with a principal is directly related to the following marketing mix variables:

- product asked for by customers
  
- products are a good growth opportunity
  
- products are well known by customers
  
- product performance compared to competition
  
- manufacturer's knowledge of territory

- sales targets
  
- promotional material
  
- margins
  
- communications
  
- helpfulness and organisation of manufacturer
  
- product quality
  
- product information
  
- order handling
  
- delivery leadtimes
  
- income
  
- credit policies
  
- personal dealings with manufacturer
  
- number of visits by manufacturer
  
- manufacturer's proficiency in foreign language

Four dimensions of channel members' satisfaction were identified: product, marketing, performance and social interaction. Two measures were developed. The first measure indirectly asked for the evaluation of the channel relationship via the U.K exporting manufacturers' and the West German agents' and distributors' beliefs. The second measure directly asked for the manufacturers' and agents' evaluation of the channel relationship (19).

Table 11.1 shows the percentage of respondents who were satisfied with the channel relationship. The UK exporting manufacturers showed higher overall levels of satisfaction than the West German agents and distributors for all the dimensions except the indirect measure for the performance dimension (5.2 percent under that of the agents and distributors).

The items in each dimension for both indirect and direct measures were summed to give an overall satisfaction measure. Intercorrelations among the overall satisfaction measures were highly significant (see Table 9.8).

Item-to-item correlation matrices were developed for all the items that made up the direct and indirect measures of satisfaction for both the UK manufacturers and the West German agents and distributors. A number of highly significant correlations were found and they are summarised as follows:



Table 11.1

Comparison of Satisfaction Measures between  
 UK Exporting Manufacturers and West  
German Agents and Distributors

Measure	UK Manufacturers	West German Agents/Distr.	Memo:
			UK Mfrs Over(Under) Agents/Distr.
<b>Product Dimension</b>			
Direct	77%	45.7%	31.3%
Indirect	65.3%	39.8%	25.5%
<b>Market Dimension</b>			
Direct	39.8%	35.6%	42%
Indirect	71.2%	39%	32.2%
<b>Performance Dimension</b>			
Direct	92.1%	41%	51.1%
Indirect	55.2%	60.4%	(5.2%)
<b>Social Interaction Dimension</b>			
Direct	69.2%	41.2%	28%
Indirect	47.9%	45.4%	2.5%

1. U.K Manufacturers - direct measure (see Table 9.10)

Order handling was significantly correlated with all items used in the direct measure; highly significant correlations were found with payment terms and the handling of bureaucratic hassles. Sales forecasting was also correlated with market planning and the use of business connections. Market planning was correlated with the handling of bureaucratic hassles, using business connections, handling logistics and influencing purchasers; correlations were highly significant. Contract terms was correlated with all items; its correlation with payment terms was highly significant. Payment terms was also significantly correlated with the handling of bureaucratic hassles, using business connections, the handling of logistics and influencing purchasers. The handling of bureaucratic hassles was significantly correlated with the use of business connections and handling of logistics.

2. U.K Manufacturers - indirect measure (see Table 9.11)

The amount of time the agent/distributor spends in selling the manufacturers' products was significantly correlated with the agent's/distributor's knowledge of the product, good customer follow-up, the amount of market information supplied to the manufacturer by the agent/distributor, the level of sales, good channel communications, and the level of investment the agent/distributor was making in the manufacturers products.

Agent's and distributor's product knowledge was directly related to the sales level and the level of investment being made in the product by the agent/distributor. Agent's and distributor's follow-up of customers was significantly related to the level of sales and the investment the agent or distributor was putting into the manufacturer's product. The market information supplied by the agent or distributor was significantly correlated with good communications within the channel.

### 3. West German Agents and Distributors - Direct Measure

(Table 9.12)

The quality of the manufacturers' products was significantly correlated with the market knowledge of the manufacturer. The market knowledge of the manufacturer was highly correlated with the number of visits made by the manufacturers' representatives to the agent/distributor. Personal dealings with the manufacturers' representatives was also significantly correlated with the number of visits to the agent/distributor made by the manufacturers' representatives. Order handling by the manufacturer was highly correlated with the delivery leadtimes for the products.

### 4. West German Agents and Distributors - Indirect Measure

(Table 9.13)

The indirect measure of satisfaction for the West German agents and distributors showed significant relationships between the customer asking for the manufacturer's products and the growth opportunity these products meant to the agent/distributor, the performance of the products compared to competition and good channel communications.

The competitiveness of the margins provided by manufacturers on their products was significantly correlated with the agent's and distributor's acceptance of the margins. Communications within the channel was significantly correlated with the helpfulness of the manufacturer.

In summary, a number of highly significant correlations were identified between issues that made up both the direct and indirect measure of satisfaction. The direction of these correlations, and the items to which other items were correlated, made conceptual sense.

Considerable support was therefore found for hypotheses H3 and H4 that satisfaction within the international marketing channel, using the UK exporting manufacturer - West German agent and distributor relationship as an example, was directly related to a number of marketing mix variables.

#### The Managerial Perspective

Looking at the UK exporting manufacturer - West German agent and distributor relationship from a managerial perspective indicates a need for channel members to reduce the amount of dissatisfaction within the relationship to improve overall channel satisfaction.

The individual items of dissatisfaction were examined in detail. Interpreting the results in Chapter 9, we find that U.K exporting manufacturers' dissatisfaction with West German agents and distributors was primarily concerned with the market dimensions when using the direct measure.

The market dimension (at 19.4 percent of manufacturers) could be subdivided into dissatisfaction with each of the two items in the dimension: 7.6 percent with market planning and 11.8 percent with sales forecasting.

The indirect measure indicated somewhat higher levels of UK manufacturer dissatisfaction with West German agents and distributors. The performance and social interaction dimensions, both rated at 18 percent, the market dimension at 17 percent and, finally, the product dimension at 15 percent. 18 percent of manufacturers were dissatisfied with the West German agent's and distributor's interchannel communications (social interactions dimension), 10 percent were dissatisfied with agent/distributor sales levels (performance dimension) and 15 percent were dissatisfied with the availability of market information from the agent/distributor.

Much higher levels of dissatisfaction with the U.K. exporting manufacturers were reported by the West German agents and distributors. The direct measure indicated that some 36 percent of West German agents and distributors were dissatisfied with the social interaction dimension; 25.7 percent within that dimension were dissatisfied with the U.K. manufacturers' ability to communicate in the German language.

The market knowledge of the UK manufacturer (market dimension) was an item of dissatisfaction with some 31 percent of the West German agents and distributors.

The product dimension was rated by 24.3 percent of agents and distributors as an item of dissatisfaction, however the individual issues of the product dimensions were all rated at less than the 10 percent level. 21.6 percent of West German agents and distributors were dissatisfied with their manufacturer's performance dimension; 13.6 percent of agents and distributors were not satisfied with the income that was received from the sale of the manufacturer's products within the performance dimension.

The indirect measure also indicated higher levels of dissatisfaction with the UK exporting manufacturers as reported by the West German agents and distributors. 36.5 percent of West German agents and distributors were dissatisfied with the market dimension which included 14.4 percent for each of supply of good promotional material by the manufacturer and the market knowledge of the manufacturer, and 7.7 percent for the setting of realistic sales targets by the manufacturer. The product dimension was rated 28 percent and the social interaction dimension was rated 27 percent of West German agents and distributors being dissatisfied with their UK manufacturer. The dissatisfaction level of the performance dimension was lower, with 18 percent of West German agents and distributors being dissatisfied with their manufacturer.

No previous studies of channel member satisfaction in the international marketing context were identified. It is not therefore possible to compare these results with other empirical research. Channel member satisfaction studies in domestic channels have centred on summing issues of satisfaction and then conducting statistical analyses with other channel variables (eg performance). The individual issues and their impact on channel satisfaction and/or dissatisfaction are of interest to marketing managers because specific issues can be addressed to improve the overall level of satisfaction within the channel.

In overall terms it appears that marketing channel satisfaction in the UK exporting manufacturer - West German agent and distributor relationship could be improved by the channel participants working on the issues that were identified as causing dissatisfaction within the channel. The major issues that need to be addressed are as follows:

- A. From the U.K. manufacturers' viewpoint the West German agents and distributors should:
- (i) provide more information about the market
  - (ii) improve channel communications
  - (iii) achieve better levels of sales of the manufacturer's products.

B. From the West German agents and distributors' viewpoint, U.K. exporting manufacturers need to:

- (i) improve their knowledge of the West German market
- (ii) learn to communicate in the German language
- (iii) review the level of income that the agent or distributor receives from the sale of the products
- (iv) improve the organizational interface with the agent/distributor
- (v) improve the supply of good promotional material
- (vi) review the competitiveness of the margins allowed to the agent/distributor.

#### I - Market Information

15 percent of UK manufacturers were dissatisfied with the amount of information about the market supplied to them by their West German agent and distributors. This compares to the 30.9 percent of West German agents and distributors who were dissatisfied with the market knowledge of their U.K. manufacturer. This seems to indicate that both parties have a task to improve communications in the area of marketing information to raise the level of the UK manufacturers knowledge of the West German market. As stated previously, market knowledge is significantly correlated with the level of sales and good channel communications. Better market knowledge should result in better sales; better market knowledge can come from improved communications which are discussed next.



## II - Communications

18 percent of UK manufacturers were dissatisfied with the communications between the manufacturer and the West German agent or distributors. 5 percent of West German agents and distributors were dissatisfied with channel communications. West German agents and distributors, however, also identified that they were dissatisfied with the number of visits made by representatives of the UK manufacturers (at 5.9 percent) and the UK manufacturers' ability to communicate in the German language (25.7 percent).

Good channel communications were significantly correlated (using the indirect measure of satisfaction) with the time spent selling the manufacturers' products, the amount of market information and the level of sales. From the agent/distributor's viewpoint, personal dealings with the representatives from the manufacturer and the market knowledge of the manufacturer were positively related to the number of visits made by the manufacturers' representatives to the agent/distributors. Looking at specific measures to motivate agents and distributors (Table 5.6) it was found that effective lines of communications were ranked 3 in importance by both agents and manufacturers.

Table 5.8 identifies specific measures to increase the sales of British products in West Germany. Manufacturers ranked more frequent visits to the agent/distributors as most important (rank 1) compared to rank 6 by the agents and distributors. Improved communications and the ability to speak German were ranked equal at 4 by both agents and manufacturers.

As Stern et al (20) state:

" Communication among marketing institutions provides the mechanism for coordination activities within the distribution channel. Poor or ineffective communications can be a major roadblock to implementing successful marketing programs.... In fact, inadequate communication or miscommunication may contribute to or result from deep-rooted channel conflict".

It appears that the importance of channel communications has been recognised by the respondents in this research. An essential component of communications in the international marketing context is, of course, foreign language proficiency; the proficiency in languages would contribute to smooth channel communications. The results in this research lend support to other empirical studies which have established that proficiency in foreign languages was associated with success in exporting (21). Another concern found in international channels can be the cultural differences which make communications difficult (22).

### III - Achieve Better Sales of British Products

This was examined in Table 5.8. West German agents and distributors believe that the sale of British products could be improved by the following specific measures:

- Lower prices
- Better quality
- Faster deliveries
- Improved communications (including German language proficiency)

Although the U.K. exporting manufacturers recognised that lower prices was a key measure to improve sales of British products, there was a divergence of views on other measures. Perhaps the most important was that of quality; ranked as second in importance by the agents and distributors it was ranked sixth by the manufacturers. Quality products are associated with success in exporting and any exporting manufacturer who ignores this does so at his peril (23). It would appear from this research that the UK exporting manufacturers' perception of the quality of his products would be a fertile area for future research.

#### IV -Level of Income

13.6 percent of West German agents and distributors identified dissatisfaction with the level of income that they received from the sale of the UK exporting manufacturers' products. Of course the level of income is related to the level of sales. Level of sales was significantly correlated with the commission arrangements. Achieving better level of sales of British products was discussed previously.

#### V - Interorganization Relationships

Some 15 percent of the West German agents and distributors were dissatisfied with the way in which their UK principal was organized. It was found that there was a significant relationship (at the 5 percent level) between the organizational ability of the manufacturer (Table 9.12), and communications and the manufacturers' helpfulness towards the West German agents and distributors. These results suggest that the better the communications, and the more the manufacturer is helpful towards the agents and distributors, then the more organized the manufacturer would appear to the agent or distributor.

## VI - Supply of Promotional Material

Almost 15 percent of West German agents and distributors were not satisfied with the provision of promotional material by their UK principals. It was found that the relationship between the helpfulness of the manufacturer and the provision of good promotional material was highly significant; the more helpful the manufacturer, the more he was likely to provide good promotional material. The provision of good promotional material by the manufacturer was a major source of channel conflict and a number of suggestions to resolve this were presented above.

## VII - Competitiveness of Margins

From both sides of the channel it was found that there were significant correlations between the commission arrangements within the channel and good channel communications. Better communications should result in free and open discussions over subjects such as commission arrangements which can be agreed upon. There was also a significant correlation between sales targets set by the principal and the commission arrangements.

#### 11.4 Satisfaction and Conflict

The hypotheses to be tested were as follows:

H5 A principal's satisfaction with an overseas intermediary is directly related to the level of manifest conflict within the relationship.

H6 An overseas intermediary's satisfaction with a principal is directly related to the level of manifest conflict within the relationship.

Using the measures of satisfaction (indirect and direct) and the measures of conflict (frequency and intensity of disagreements) outlined previously, the relationships between the satisfaction and conflict measures were explored. The correlation matrices are shown in Tables 10.1 and 10.2 for the UK manufacturers and West German agents and distributors respectively.

The indirect measure of satisfaction for the UK manufacturers correlated with the frequency of disagreements at the 1 percent level; the correlation with the intensity of disagreements was lower at the 5 percent level.

The correlation between the direct measure of satisfaction for the UK manufacturers and frequency of disagreements was highly significant. The correlation between the direct measure and the intensity of disagreement was at the lower 1 percent level.

All the correlations between the satisfaction and conflict measures for the West German agents and distributors were highly significant.

The results from these measures give support to both hypotheses H5 and H6 that the satisfaction level within an international marketing channel is directly related to the level of manifest conflict within the channel i.e. the lower the level of conflict the higher the level of satisfaction.

These results support previous research conducted in the domestic channel context. Wilkinson (21) found a weak correlation between satisfaction and conflict and it was in the expected direction. The study by Schul et al (22) found a highly significant relationship between satisfaction and conflict. The Rosenberg and Stern study (23) indicated that the greater a channel member's dissatisfaction with another member's performance then the higher the conflict level between them. Conversely, the greater a channel member's satisfaction with another member's performance then the lower the conflict level between them.

These results indicate the need to lower conflict within the channel by closing the 'conflict gap' previously discussed.

## 11.5 Satisfaction, Performance and Uncertainty

The hypotheses to be tested were as follows:

- H7 A principals satisfaction with an overseas intermediary is directly related to the principal's perceptions of past performance.
- H8 An overseas intermediaries satisfaction with a principal is directly related to the overseas intermediary's perceptions of past performance.
- H9 A principals satisfaction with an overseas intermediary is *inversely* related to the uncertainty within the relationship.
- H10 An overseas intermediaries satisfaction with a principal is *inversely* related to the uncertainty within the relationship.

After reviewing a number of alternative operationalizations of the performance variable it was concluded that the appropriate measure was the sales trend based on the last three years sales data. The correlations between the performance measure and the satisfaction measures were significant and were in the hypothesized direction.

The results indicated that satisfaction was directly related to the performance of the channel when measured by the three year sales trend. The more the performance of the channel was acceptable to the channel members the more likely the channel members would be satisfied with the relationship. Hypotheses H7 and H8 were therefore supported.

These results support those found by Schul et al (24). Their study indicated that channel satisfaction was positively enhanced by higher levels of past performance. Satisfaction in the relationship with overseas agents was associated with export performance by Baker and Abou-Zeid (25). No significant correlations were found, however, in the study by Krapfel and Spekman (26) between performance and satisfaction.

The links between satisfaction and performance and channel uncertainty (about the future of the relationship) were also investigated. Defining uncertainty as the channel participant's plans for the future of the relationship, correlations were examined between the satisfaction and the performance measures.

Significant relationships were found between uncertainty and both the indirect and direct measures of satisfaction, indicating that the more confident channel participants are in the future of the relationship the more satisfied they are with the overall channel relationship. These results provide support for both hypotheses H9 and H10.



## 11.6 Relationship Development States

The hypothesis to be tested was as follows:

H11 Six relationship development states are found in manufacturer-overseas intermediary exporting channels: new, growing, troubled, static, declining and terminated.

This hypothesis was developed from the work of Ford and Rosson (27). Six relationship development states were defined as follows: new, growing, troubled, static, declining and terminated. Using the same measures as reported by Ford and Rosson (28), together with an overall satisfaction measure, the U.K. exporting manufacturers and the West German agents and distributors data were examined to establish the relationship development states for each respondent. Respondents categorised as 'new' were based on the length of association (two years or less) and sales trend information. The 'growing' and 'static' states were based on the sales trend information, but reflecting judgement on the future and satisfaction of the relationship. The 'troubled' and 'declining' categories were based on future plans, as well as on satisfaction levels and sales trend information.

Analysis of these data identified that both the UK manufacturers and the West German agents and distributors could be categorized into five of the hypothesized development states. The sixth state, 'terminated' could only be tested over a period of time (as was done by Rosson (29)).

Nineteen UK manufacturers and twenty three West German agents and distributors were identified as belonging to the 'new' development state. Possibly the most significant finding of respondents in this category was the length of experience with channel relationships. Of the nineteen UK manufacturers categorised as 'new', five were identified as completely new i.e. they had no previous experience with the West German market. The other manufacturers all had previous experience in the West German market, although the present relationship with the agent was 'new'. A similar situation existed with the West German agents and distributors. Of the twenty three West German agents and distributors who were categorised as 'new' only one had a completely new relationship with a UK principal; the other twenty two respondents had been representing UK principals for six years or more (see Table 7.3).

It appears that of the nineteen UK manufacturers in the 'new' category, eight had replaced an existing agent with a new agent, and six had added an extra agent to represent them in the West German market. The West German agents had added additional UK principals to their U.K. representation portfolio.

The largest relationship development state was the 'growing' state; some 49.4 percent of U.K. manufacturer respondents and 36 percent of West German agents and distributors fell into this category. This category appears to last longer than the other categories; 75 percent of the U.K. manufacturers and 69 percent of the West German agents had relationships with their agents and U.K. manufacturers respectively for some six years or more.

Ten percent of respondents fell into the 'troubled' category. The sales trend was found to be static, but moving towards decline and the annual sales figure appeared much lower than those in other development states. The uncertainty measure identified that participants within the relationship were thinking of ending the relationship.

14.3 percent of U.K. manufacturers and 23 percent of West German agents were in the 'static' development state with 5.5 percent of manufacturers and 15.5 percent of agents falling into the 'declining' category.

The development state categories were summarised in Figure 7.2 using the average figures for each development state. This illustrates a marked similarity between the U.K. manufacturers and the West German agents and distributors.

These data give support to Hypothesis H11 that manufacturer-overseas intermediary relationships fall into one of five relationship development states (the sixth stated 'terminated' could not be tested in this research).

Support is also given to the model developed by Ford and Rosson. The strength of the Ford and Rosson research was that it examined dyadic relationships, however, its generalization may have been suspect because of the small number of relationships examined (twenty one). This research has looked at a larger number of exporting U.K. manufacturers and West German agents and distributors and found that the Ford and Rosson model is supported.

From the managerial perspective the results of this study are instructive. Insights are offered to both the manufacturer or the overseas intermediary who are considering becoming involved with each other. The extent to which each party is ready to handle conflict, conflict resolution strategies and channel member satisfaction can determine the outcome of the channel relationship.

## 11.7 Overall Summary

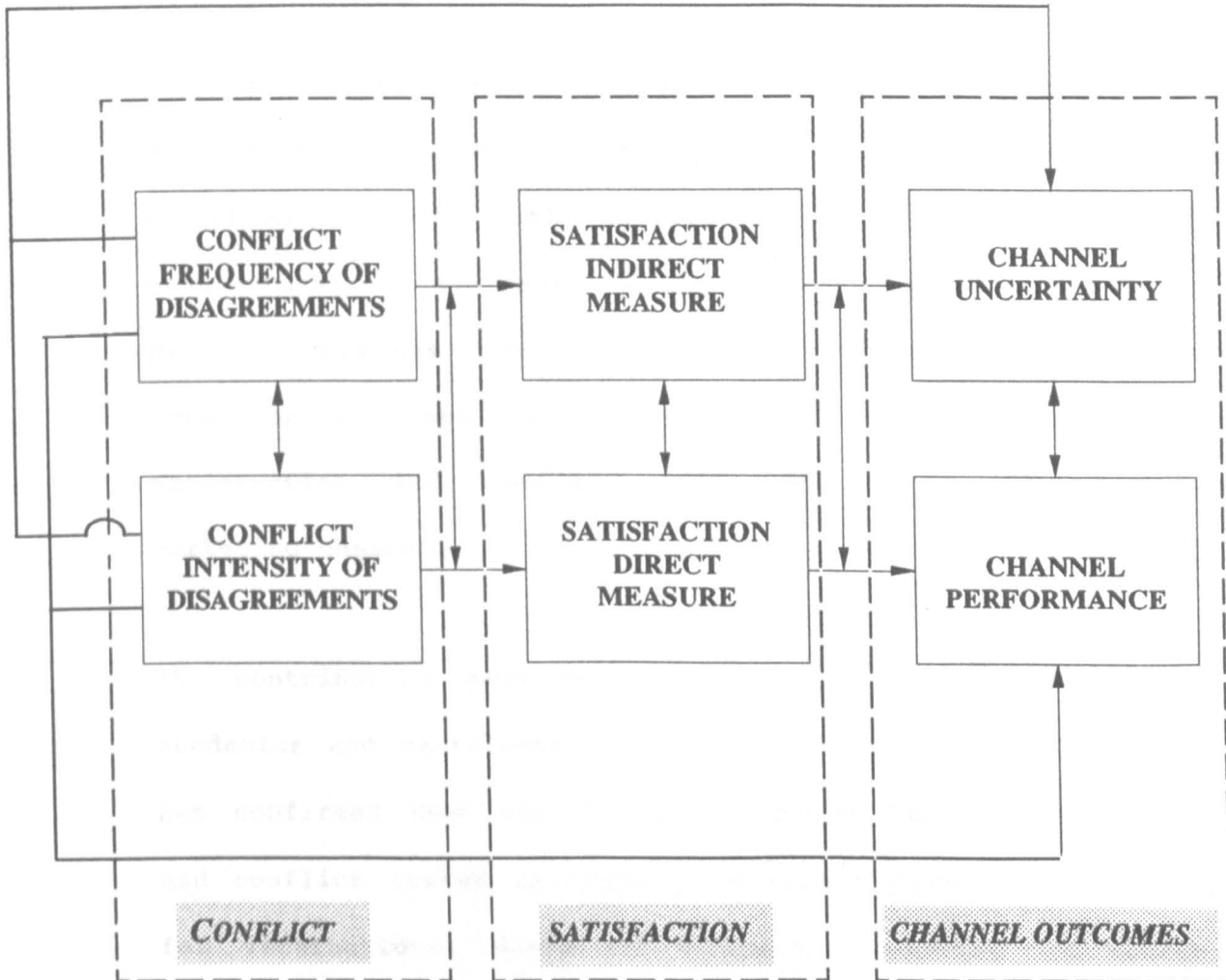
The strands of this research can be summarised in a model of the exporting manufacturer-overseas intermediary channel relationships shown in Figure 11.3. Conflict within the relationship has a negative effect on the level of channel satisfaction. The level of conflict and satisfaction has an impact on the channel outcomes in terms of channel uncertainty and channel performance.

Lower levels of conflict results in higher levels of satisfaction, a more optimistic view of the future of the channel and acceptable levels of performance. High levels of conflict will lead to lower levels of satisfaction, a more pessimistic view of the future of the channel and unacceptable levels of performance.

In the specific channel of the U.K exporting manufacturers and West German agents and distributors a significant difference was found between the U.K manufacturer's view of the relationship compared to that of the West German agents and distributors. A number of specific issues were used to examine channel conflict and satisfaction. These issues identified: (i) a 'conflict gap' (a significant difference in the view of the channel from each participants viewpoint); a number of recommendations were made that would assist in closing this gap and, (ii) levels of dissatisfaction. A number of recommendations were also made that would assist in reducing the level of reported dissatisfaction, particularly that reported by the West German agents and distributors.

FIGURE 11.3

Model of Exporting Manufacturer -  
Overseas Intermediary Channel  
Relationships



## 11.8 Directions for Future Research

This research has applied a number of research methodologies used in domestic marketing channel research to channels in the international marketing context with specific reference to the exporting manufacturer - overseas intermediary marketing channel. Little previous work has been reported in this field, and therefore this work can be seen as the first step in the application of satisfaction and conflict measurements to the international marketing channel.

The contribution made by this research is of interest to both academics and marketers. Firstly, from the academic viewpoint, it has confirmed that the multi-dimensional measures of satisfaction and conflict tested in domestic channels appear to be appropriate for international marketing channels, although, of course, the specific issues used in the measurements would, in some cases, be unique to the particular channel relationship under investigation. The study therefore confirms the repeatability of a number of measures used in previous studies and their application in the international marketing channel context. More importantly, the study has applied these measures to a channel where one of the participants is located in the U.K.; as stated previously, little research has been reported on channel conflict and satisfaction in the U.K..

Secondly, from the managerial viewpoint, the study is relevant in that it has highlighted specific measures that participants in the manufacturer-overseas intermediary channel need to take to improve channel relationships.

The research has, however, highlighted a number of directions for future research. The present research has centred on conflict and satisfaction in the international channel context.

The importance of the behavioural aspects of channel systems should not be underestimated in foreign channels because the differences in cultural patterns places a different emphasis on certain aspects of the relationship eg. person-to-person relationships in Japan or the Middle East. Therefore a number of key factors need to be included in a research program into the behavioural aspects of the U.K. exporting manufacturer-overseas intermediary channel relationship.

#### A Research Agenda

Most empirical work on marketing channels has been conducted in the USA with an emphasis on domestic channels. The present work has indicated that in some respects the behavioural aspects of the international marketing channel are similar to those of the domestic channel. However, the present study was delimited to the key aspects of conflict and satisfaction, together with relationship development states, in the international channel setting.



A proposed model for channel research into the manufacturer-overseas intermediary relationships is illustrated at Figure 11.4. This model adds four important aspects of channel member behaviour that are of interest in the international marketing context. These are sources of power, cooperation, performance and conflict management strategies.

#### Power

El-Ansary and Stern (33) defined power in the marketing channel as follows:

"The power of a channel member is his ability to control the decision variables in the marketing strategy of another member in a given channel at a different level of distribution. For this control to qualify as power, it should be different from the influenced member's original level of control over his own marketing strategy".

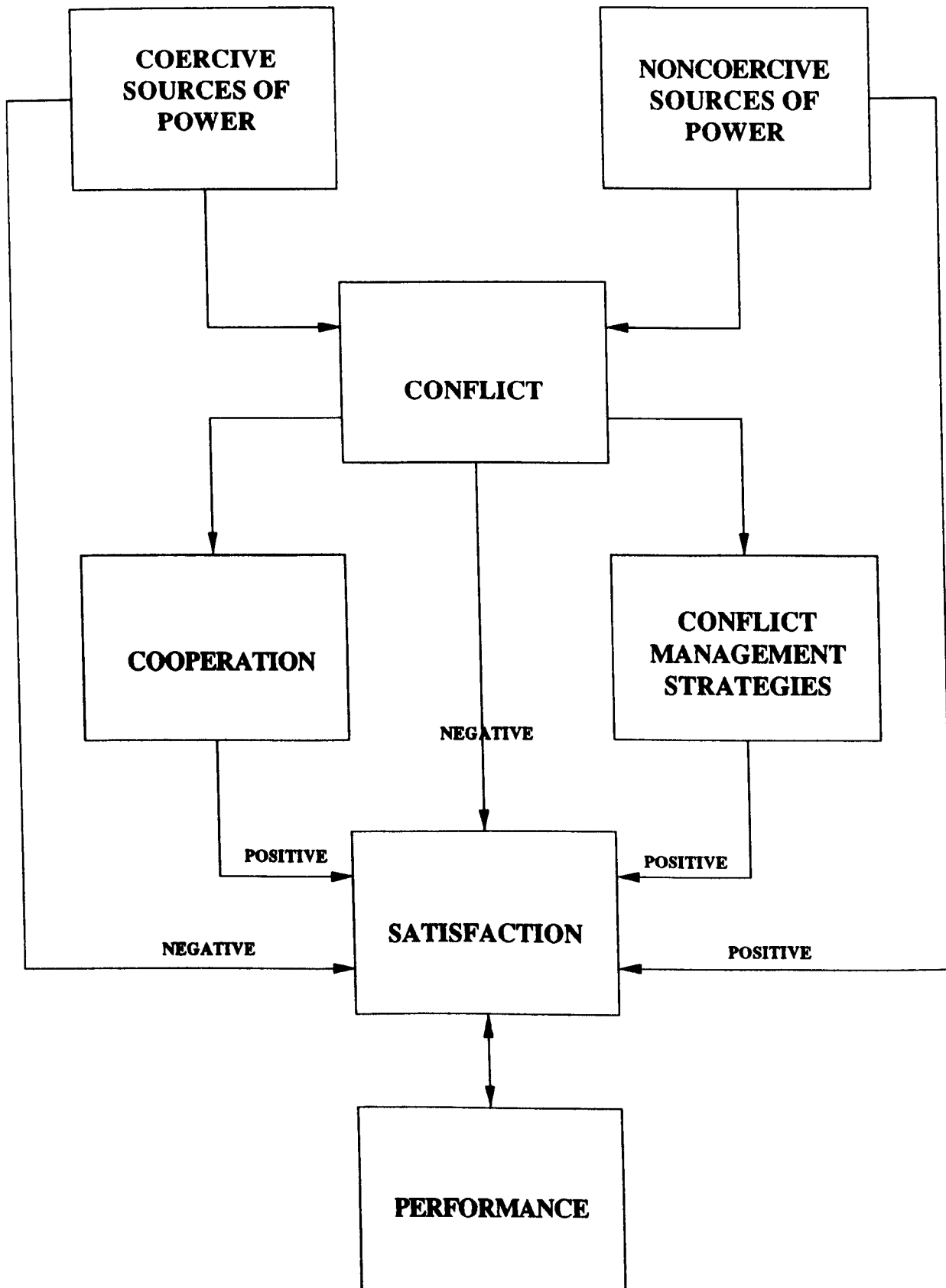
Given this definition of marketing channel power the attraction of power to channel members is understandable.

Gaski (34) stated that:

"....What could be more useful to a commercial entity than the ability to get others, such as suppliers or customers, to adjust their behaviour in conformity to its will? What could be more natural than research interest in the antecedents or consequences of such a capability".

**FIGURE 11.4**

**A PROPOSED MODEL FOR CHANNEL RESEARCH:  
THE MANUFACTURER - OVERSEAS INTERMEDIARY  
RELATIONSHIPS**



The difficulties of managing an international channel, with its long distances and cultural differences, makes the understanding of channel power important to the marketing manager. The links between power and conflict are shown in the seminal review conducted by Gaski (35) of power and conflict in channels of distribution. A number of research questions on the role of power in the international channel of distribution are suggested:

1. Is the power of channel members a function of the sources of power available to them?
2. What influence strategies are used in the international channel?
3. How can a channel member achieve his goals if his ability to exert power is weak or deficient in comparison to that of other members of his channel?
4. Is there a relationship between firm size and its power in the channel?  
(large manufacturer - small overseas intermediary).
5. Can the use of cultural differences by the overseas intermediary (eg foreign language skills, local knowledge) represent power over the manufacturer?

## Cooperation

Channel cooperation was discussed in Chapter 2.5. It was suggested that cooperation in the manufacturer-overseas intermediary channel would result in channel members having good coordination between participants, relationship stability, good communications between participants, large territorial size for the intermediary and high market knowledge of both channel participants (see Table 2.3). Little empirical work has been done relating channel cooperation to other behavioural variables such as channel conflict and performance. Empirical work in this area could help to identify cooperative strategies that channel participants should follow to improve the behavioural aspects of the marketing channel.

## Conflict Management Strategies

The various conflict management strategies available to the manufacturer-overseas intermediary marketing channel were outlined previously. An empirical understanding of the strategies available and the implications of those strategies (in terms of resources required, compromises expected, etc) would be of use to channel participants and to those firms considering to make a start at exporting.

## Performance

It would be instructive to relate the findings on conflict, satisfaction and relationship development states with the performance of the channel.

Finally, the application of the research model by relationship development states would be instructive. The following propositions are suggested:

- P1 Channel participants in the new development state are cooperative.
- P2 Channel participants in the growing, static and declining development states are cooperative and have conflict management strategies in place.
- P3 Channel participants in the troubled development state have higher levels of conflict, low levels of cooperation and no conflict management strategies.
- P4 Levels of channel performance are directly related to relationship development states.
- P5 Sources of power are directly related to relationship development states.

It would also be of interest to replicate the relationship development state research in five years time, using the same sample, to see whether respondents moved from one state to another.

The present research looked at the U.K. exporting manufacturer - West German agents and distributors channel relationship. It would be of interest to examine other relationships with West German agents and distributors e.g. French exporting manufacturers - West German agents and distributors; Italian exporting manufacturers - West German agents and distributors. The result of such an analysis could then be compared to the present research to identify whether other countries have better channel relationships with West German agents and distributors.

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Agents can be classified as follows:

Commission Agent - Does not stock product - passes orders to  
his principal.

Stocking Agent - Stocks the product but does not take title  
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on sales plus fixed sum to cover handling  
and storage.

Del Credere Agent - Agent accepts credit risk on customers.  
Pays principal in the event of default by  
customer.

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*APPENDICES*

***APPENDIX I***

*Major Conflict Research in Marketing Channels*

APPENDIX

Summary of major conflict research in marketing channels

	Rosenberg and Stern (1971) and Rosenberg (1971)	Pearson (1973)	Stern, Sternthal and Craig (1973)
1. Research Design	Survey of 110 Manufacturers, Distributors and Dealers of household durables (mail questionnaire and personal interview).	Field study of 55 channel segments in a retail grocery chain.	Laboratory parasimulation of Manufacturer/Wholesaler channel using 173 students.
2. Measurement of conflict	Perceptual, self-report difference between mean Likert scale responses regarding perceptions of 32 issues by respondents at different levels in channel.	Summated rating on ten-point Stapel scales for 15 cooperation and 15 conflict statements.	Ratings on 23 seven-point semantic differentials containing adjectives characteristic of conflict and cooperation.
3. Conflict State/ Dimension	Perceived/Intensity.	Affective/Intensity.	Affective/Intensity.
4. Validity, Reliability Evidence	Content Validity. No alpha reported, although Likert scale used.	None.	Convergent validity (manipulation check of conflict introduction by comparing perceptual ratings across conflict treatments).
5. Statistical Analysis	<i>t</i> -test, correlation	Correlation. Chi Square test.	Significance test ( <i>F</i> -test).
6. Major Weaknesses	Questionable validity and legitimacy of conflict measure.	No validity reported. No significant results.	Laboratory study with student subjects.
7. Location of Channel	USA.	USA.	USA.

	Foster and Shuptrine (1974)	Rosenberg (1974)	Hunger and Stern (1976)
1. Research Design	Interviews with 167 retailers selling speciality consumer product.	Personal interview of eight executives in eight manufacturing companies.	Laboratory parasimulation of Manufacturer/Wholesaler channel using 108 students.
2. Measurement of Conflict	Rating of 20 items for each of four wholesalers using four-point scale and rating of nine items for each of the four manufacturers on point-of-purchase display effort.	Interviews based on list of open-ended questions.	1. Ratings in two five-point Likert-type scales. 2. Ratings on 17-item Likert-type-scales. 3. Evaluation of intergroup messages.
3. Conflict State/ Dimension	Manifest/Frequency.	Perceived/Manifest.	1. Perceived/Intensity. 2. Affective/Intensity. 3. Manifest/Frequency and Intensity.
4. Validity, Reliability Evidence	None.	None.	1. Convergent validity. 2. Reliability—Spearman's and Edward's criterion of acceptable differentiation. 3. Reliability—interjudge reliability checks.
5. Statistical Analysis	Correlation.	None reported.	Wilcoxon Matched-Pairs. Signed-Ranks Test. Chi Square test.
6. Major Weaknesses	No validity reported. Ignores intensity dimension.	No validity reported. Small sample. No statistical analysis.	Laboratory study with student subjects.
7. Location of Channel	USA.	USA.	USA.

	Lusch (1976a)	Lusch (1976b)	Pearson and Moncky (1976)
1. Research Design	Mail survey of 567 car dealers.	Mail survey of 567 dealers.	Interview of 54 channel segments, each consisting of a retail grocery buyer and his vendor.
2. Measurement of Conflict	Perceptual, self-report frequency of disagreement (index summed across 20 issues).	Perceptual, self-report frequency of disagreement (index summed across 20 issues).	Rating of ten-point scale the applicability of 15 conflict and 15 cooperation statements relating to the relationship with channel partner.
3. Conflict State/Dimension	Manifest/Frequency.	Manifest/Frequency.	Affective/Performance.
4. Validity, Reliability Evidence	Content Validity, 0.89 alpha.	Content Validity: Weak convergent validity (0.50 correlation with unspecified, single-item alternate measure), 0.89 alpha.	None.
5. Statistical Analysis	Simple and Multiple Regression.	Multiple Regression.	Multiple Discriminant Analysis.
6. Major Weaknesses	Ignores intensity dimension.	Ignores intensity dimension of conflict.	No validity reported.
7. Location of Channel	USA.	USA.	USA.

	Kelly and Peters (1977)	Shuptrine and Foster (1978)	Brown (1979)
1. Research Design	Interview with 145 franchisees and distributors.	Interviews with 157 retail stores selling a speciality consumer product.	Mail questionnaire to 210 new car dealers.
2. Measurement of Conflict	Frequency of disagreements between the two levels in the channel using four-point scale over 21 possible conflict issues researched.	Rating of 20 items for each of three wholesalers using five-point scale and rating of nine items for each of the three manufacturers on point-of-purchase display effort.	11-point scale over 15 key issues.
3. Conflict State/Dimension	Manifest/Frequency.	Manifest/Frequency.	Manifest/Frequency.
4. Validity, Reliability Evidence	None.	None.	None.
5. Statistical Analysis	One-way analysis of variance, <i>t</i> -test.	Rank order, Factor Analysis.	Correlation and Factor Analysis.
6. Major Weaknesses	Ignores intensity dimension. No validity reported.	No validity reported. Ignores intensity dimension.	No validity reported. Ignores intensity dimension.
7. Location of Channel	USA.	USA.	USA.

	Rosson and Ford (1980)	Schul, Lamb and Little (1981)	Wilkinson (1981)
1. Research Design	Personal interviews with 19 Canadian manufacturing companies	349 mail questionnaire to franchised real estate brokers.	Personal interview of 60 hotel retailers of bulk beer, examining 75 brewer-hotels dyads.
2. Measurement of conflict	Frequency of disagreement on various activities; disagreements with distributor, frequency of resolving disagreements and mutuality of relationship.	Thirteen key conflict-specific issues—frequency of disagreement using four-point scale. (Index summed across 13 issues.)	Respondent rating of frequency of disagreement with supplier (five-point scale) across 14 issues.
3. Conflict State/Dimension	Manifest/Frequency.	Manifest/Frequency.	Manifest/Frequency.
4. Validity, Reliability Evidence	None.	Reliability Coefficient 0.91. Convergent validity.	Cronbach's alpha 0.85.
5. Statistical Analysis	Correlation.	Path analysis, Multiple regression.	Correlation, Stepwise regression, Multiple regression.
6. Major Weaknesses	No validity reported. Small sample. Ignores intensity dimension.	Ignores intensity dimension.	Small sample. No evidence of validity.
7. Location of Channel	Canada.	USA.	Australia.

	Brown and Day (1981)	Ross and Lusch (1982)	Schul, Pride and Little (1983)
1. Research Design	Mail questionnaire to 210 car dealers.	Food brokers and wholesalers. Fifty-four dyads. Mail questionnaire.	Mail questionnaire to 349 franchised real estate brokers to establish impact of leadership styles on conflict.
2. Measurement of Conflict	Eleven-point scale over 15 issues. Frequency and levels of disagreements.	Ten-point Stapel scale.	Fourteen key issues with intensity of conflict measured on a four-point scale (high to none).
3. Conflict State/ Dimension	Manifest/Frequency and Intensity.	Felt.	Affective/Intensity.
4. Validity, Reliability Evidence	Coefficient alpha 0.83 to 0.90. Content validity. Nomological validity. Convergent validity.	None reported.	Coefficient alpha 0.78 for administrative conflict 0.83 for product/service scale.
5. Statistical Analysis	Correlation, Factor analysis.	Correlation, Wilcoxon matched pairs test.	Factor Analysis. Canonical Analysis.
6. Major Weaknesses		No validity or reliability reported. Little statistical significance. Ignores intensity dimension.	Study states findings to be treated with caution. Several limitations identified.
7. Location of Channel	USA.	USA.	USA.

	Eliashberg and Michie (1984)	Ditts (1985)	Arnot and Ogaard (1986)
1. Research Design	Eighty-five franchisees and 43 manufacturer's managers in large industrial installations manufacturer. Mail questionnaire.	Eighty-three home electronic dealerships. Mail questionnaire.	Comparative study of car dealers (Franchisees) in USA and Norway. Field Interviews USA: 55 dyads, Norway: 104 dyads.
2. Measurement of Conflict	Twenty key issues. Five-point scales for frequency and intensity.	Eleven-point scale on 19 issues. Frequency and Intensity.	Five-point scale on 14 issues.
3. Conflict State/ Dimension	Perceived/Intensity.	Manifest/Frequency and Intensity.	Manifest.
4. Validity, Reliability Evidence	Coefficient alpha 0.74 to 0.94.	Coefficient alpha 0.90. Convergent validity. Nomological validity.	Coefficient alpha ranging from 0.83 to 0.91.
5. Statistical Analysis	Correlation. Factor Analysis.	Univariate and multivariate procedures.	Correlation. Multiple regression.
6. Major Weaknesses	Little statistical significance.	Small sample.	No convincingly strong results. Preliminary findings only.
7. Location of Channel	USA.	USA.	USA/Norway.

***APPENDIX 2***

*Summary of Satisfaction Research  
in Marketing Channels*



Summary of Satisfaction Research in Marketing Channels

	Rosenberg and Stern (1971)	Hunt and Nevin (1974)	Lusch (1977)
1. Research Design	Survey of 110 manufacturers distributors and dealers of household durables	Mail survey of 815 fast food franchises	Mail Survey of 567 car dealers
2. Measurement of Satisfaction	Single-item measure of degree of satisfaction with other channel member's performance (5-point scale from "very satisfied" to "very dissatisfied")	Dummy variable. Whether or not franchisee would "do it over again", ie be a franchisee	Index across 16 items in domain using a 4-point scale
3. Validity, Reliability, Evidence	Low convergent validity with alternative measure	None	Content Validity; .653 correlation with single item alternative measure (convergent-validity); .87 alpha
4. Statistical Analysis	t-test, correlation	Multiple classification	Multiple regression
5. Major Weaknesses	Small sample size. Single-item measure	Single-item measure. No validation	
6. Location of Channel	USA	USA	USA
7. Channel Type	Manufacturer/distributor retailer	Franchise	Franchise

Summary of Satisfaction Research in Marketing Channels

	Brown and Frazier (1978)	Michie (1978)	Wilkinson(1979)
1. Research Design	Pilot Study with personal interviews with 26 car dealers	Mail survey of 161 car dealers	Interviews with 50 Suppliers, manufacturers and retailers using 'snowball' technique.
2. Measurement of Satisfaction	Perceptual rating. Seven-point scale from "very dissatisfied" to "very satisfied"	5 point scale representing "level of gratitude" with respect to 15 Warranty-Related policies	Respondents rating how satisfied their own firm was with the performance of each firm named by them. 7-point scale from "very satisfied" to "very dissatisfied"
3. Validity, Reliability, Evidence	Questionable content validity	Content Validity; convergent validity (.515 correlation with alternate measure); alpha of .93	None
4. Statistical Analysis	Correlation	Multiple regression ANOVA	Correlation
5. Major Weaknesses	Pilot study only - limited sample size	Lack of distinction between independent and dependent variables	Small sample size. Single item measure
6. Location of Channel	USA	USA	Australia
7. Channel Type	Franchise	Franchise	Supplier/Manufacturer/Retailer

Summary of Satisfaction Research in Marketing Channels

	Dwyer (1980)	Wilkinson (1981)	Schuletal(1981)
1. Research Design	Laboratory simulation of channel setting using 80 students	Interviews with 60 hotel retailers of bulk beer	349 mail questionnaires to franchised real estate brokers
2. Measurement of Satisfaction	Multi-item (14 items) semantic differential scale to measure the participants satisfaction with their rewards	Respondent rating of degree of satisfaction using 5 point scale averaged across 8 aspects of supplier performance	Twenty three descriptive items 5-point Likert type scale rating satisfaction 'strongly agree' to 'strongly disagree'
3. Validity, Reliability, Evidence	.94 Alpha	.82 Alpha	Coefficient Alpha .96
4. Statistical Analysis	Correlation	Correlation, step-wise regression, multiple regression	Correlation, Path Analysis
5. Major Weaknesses	Laboratory experiment, therefore external validity problem	Small sample	
6. Location of Channel	USA	Australia	USA
7. Channel Type	Manufacturer/Retailer	Retailer	Franchise

Summary of Satisfaction Research in Marketing Channels

	Ruekert and Churchill (1984)	Anderson&Narus (1984)	Schul et al(1985)
1. Research Design	Mail survey to test perceptions of retailers and wholesalers toward manufacturer of consumer batteries and ancillary products. 173 respondents	Mail survey of 153 distributors of electronics components	Mail survey of 349 franchised real estate brokers
2. Measurement of Satisfaction	5-point Likert scale measuring indirectly ranging from "strongly agree" to "strongly disagree" over 36 items. 5-point Likert scale measuring directly ranging from "very satisfied" to "very dissatisfied" over 16 items	3 questions only: 1 - Overall satisfaction 2 - Agree/disagree statement 3 - If do it again choose another manufacturer	5-point scale ranging from 'strongly agree' to 'strongly disagree' over 22 descriptive items
3. Validity, Reliability, Evidence	Coefficient alpha convergent and discriminant validity. Nomological validity	Convergent and discriminant validity reported	Coefficient alpha content validity. Discriminant validity
4. Statistical Analysis	Correlation. Factor Analysis. Lisrel	Lisrel	Canonical correlation
5. Major Weaknesses		Redefined satisfaction and conflict because individual measures not distinct. 3-item measure of satisfaction	
6. Location of Channel	USA	USA	USA
7. Channel Type	Distributor/Retailer	Distributor	Franchise

Summary of Satisfaction Research in Marketing Channels

	Michie and Sibley (1985)	Skinner & Guiltinan (1985)	Gaski & Nevin (1985)
1. Research Design	Mail survey of 123 franchisees of a large farm implement manufacturer	Mail survey of 103 dealers of farm supplies	Mail survey of 238 dealers and 43 district managers of heavy industrial machinery manufacturer
2. Measurement of Satisfaction	5-point scale ranging from 'very dissatisfied' to 'very satisfied' over 18 policy issues	5-point Likertscale over 20 issues to measure dealer satisfaction with the manufacturers role performance	5-point Likert scale over 5 items
3. Validity, Reliability, Evidence	Coefficient alpha. Content validity. Convergent validity. Discriminant validity	Coefficient alpha	Coefficient alpha. Content validity. Discriminant validity
4. Statistical Analysis	Correlation. Factor Analysis	LISREL Correlation	Regression, Correlation
5. Major Weaknesses			
6. Location of Channel	USA	USA	USA
7. Channel Type	Franchise	Distributor	Manufacturer/ Distributor

Summary of Satisfaction Research in Marketing Channels

	Gaski (1986)	Frazier and Summers (1986)	Krapfel and Spekman (1987)
1. Research Design	Mail survey of 21 dealers of a heavy industrial machinery manufacturer	Mail survey of 435 new car dealers	Mail survey of 75 retail florists
2. Measurement of Satisfaction	5-point Likert scale over five items	Single item 7-point scale	7-point Likert scale over 3 items: 1 overall satisfaction measure, 2 measures looking at future of relationships
3. Validity, Reliability, Evidence	Coefficient alpha discriminant validity	Non reported	Coefficient alpha
4. Statistical Analysis	LISREL structured equations	Correlation	Regression
5. Major Weaknesses	Small sample	Single item measure. No validity reported	Single item measure
6. Location of Channel	USA	USA	USA
7. Channel Type	Distributor	Franchise	Retailer

***APPENDIX 3***

*Questionnaire and Covering Letters  
to UK Exporting Manufacturers*

# Middlesex Polytechnic

The Burroughs  
London  
NW4 4BT

01-202 6545 Telex 8954762

Your reference

Our reference

Date

Dear Sir,

The Relationship of Manufacturers and  
their Overseas Agents and Distributors

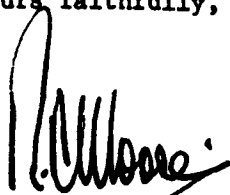
As part of the process of helping to improve the export performance of British industry, and generally raising the understanding and awareness of exporting, the Middlesex Business School is commissioning a number of important research projects.

The first of these is a research project into the Relationship of Manufacturers and their Overseas Agents and Distributors, with special emphasis on manufacturers with agents or distributors in West Germany.

We would be very grateful for your help with this important project and therefore ask you to complete the attached questionnaire. The answers to the questionnaire will be kept confidential and they will be analysed statistically. The name of your company will not be made public, nor will it be identified with the answers.

Please return the questionnaire to us at your earliest convenience in the envelope provided. Thanking you in anticipation.

Yours faithfully,



Richard Moore



The Burroughs  
London  
NW4 4BT  
01-202 6545  
Telex 8954762

Comprising the Schools of Accounting and Finance,  
Hotel and Catering Administration, Law, Organisation and Management

Dear Sir,


The Relationship of Manufacturers and  
their Overseas Agents and Distributors

You recently received a letter dated February 25, 1988 enclosing a questionnaire asking about the relationship between manufacturers and their overseas agents and distributors. We hope the questionnaire has been completed and returned to us. Just in case it has not, we have enclosed a second copy.

Your organization has been selected to represent many companies within the U.K. so your reply is very important to the success of the survey. Please complete the questionnaire, or pass it to the person responsible for Export sales and marketing to complete, and return it today in the enclosed envelope.

Thank you for your help.

Yours faithfully,



Richard Moore.

MIDDLESEX BUSINESS SCHOOL

I RESPONDENT AND YOUR COMPANY (PLEASE FILL IN):

<p>1. NAME OF COMPANY:</p> <p>2. ADDRESS:</p> <p>3. NAME OF PARENT COMPANY (IF APPLICABLE):</p>	<p>OFFICE USE ONLY</p> <p>ID No. _____ 01-03</p> <p>STUDY _____ 04-05</p> <p>Card No. <u>01</u> 06-07</p>																
<p>4. NAME OF RESPONDENT:</p> <p>5. JOB FUNCTION</p> <p>6. SCOPE OF RESPONSE (PLEASE TICK ONE):</p> <p>I am responding:</p> <p>(i) On the practice of the company as a whole _____ 08</p> <p>(ii) On the practice of the division or divisional company _____ 09</p>																	
<p>7. IS YOUR COMPANY OR DIVISION A CONSUMER _____ OR INDUSTRIAL _____ COMPANY (PLEASE TICK)</p> <p>8. MAJOR PRODUCT AREAS OF YOUR COMPANY OR DIVISION:</p> <p>9. PLEASE TICK THE APPROXIMATE SALES OF YOUR COMPANY OR DIVISION:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">LESS THAN £5m</td> <td style="width: 10%; text-align: center;">11</td> <td style="width: 33%;">£20m-£50m</td> <td style="width: 10%; text-align: center;">15</td> </tr> <tr> <td>£5m-£10m</td> <td style="text-align: center;">12</td> <td>£50m-£100m</td> <td style="text-align: center;">16</td> </tr> <tr> <td>£10m-£15m</td> <td style="text-align: center;">13</td> <td>OVER £100m</td> <td style="text-align: center;">17</td> </tr> <tr> <td>£15m-£20m</td> <td style="text-align: center;">14</td> <td></td> <td></td> </tr> </table>		LESS THAN £5m	11	£20m-£50m	15	£5m-£10m	12	£50m-£100m	16	£10m-£15m	13	OVER £100m	17	£15m-£20m	14		
LESS THAN £5m	11	£20m-£50m	15														
£5m-£10m	12	£50m-£100m	16														
£10m-£15m	13	OVER £100m	17														
£15m-£20m	14																

10-1  
-2

II COPY OF FINDINGS:

Please tick if you would like a copy of the findings when they are published. YES \_\_\_\_\_

NO \_\_\_\_\_

III To be returned in the enclosed envelope

TO: R.A. Moore c/o DR. W Barnes, Middlesex Business School,  
Middlesex Polytechnic, The Burroughs, London. NW4 4BT.

P1 Which of the following export markets are of importance to your firm?  
 (Please rank all that apply in order of importance assigning (1) to the most important, (2) to the second and so on, but leaving blank any that do not apply).

<u>Export Market</u>	<u>Rank of Importance</u>	<u>Office Use Col</u>
1. Western Europe	<input type="text"/>	18-19
2. North America	<input type="text"/>	20-21
3. Middle East	<input type="text"/>	22-23
4. Africa (excluding S. Africa)	<input type="text"/>	24-25
5. Japan	<input type="text"/>	26-27
6. Australia	<input type="text"/>	28-29
7. South America	<input type="text"/>	30-31
8. Scandinavia	<input type="text"/>	32-33
9. China	<input type="text"/>	34-35
10. Eastern Europe	<input type="text"/>	36-37
11. India	<input type="text"/>	38-39
12. South Africa	<input type="text"/>	40-41
13. Others (Please state _____)	<input type="text"/>	42-43

P2 Please indicate the APPROXIMATE number of years your firm has been exporting to these markets:

<u>Export Market</u>	<u>Number of Years</u>
Western Europe	<input type="text"/> 44-45
North America	<input type="text"/> 46-47
Middle East	<input type="text"/> 48-49
Africa (excluding S. Africa)	<input type="text"/> 50-51
Japan	<input type="text"/> 52-53
Australia	<input type="text"/> 54-55
South America	<input type="text"/> 56-57
Scandinavia	<input type="text"/> 58-59
China	<input type="text"/> 60-61
Eastern Europe	<input type="text"/> 62-63
India	<input type="text"/> 64-65
South Africa	<input type="text"/> 66-67
Others (Please state _____)	<input type="text"/> 68-69

P3 APPROXIMATELY what percentage of your firm's exports is made by each of the following methods in each of the markets?

(Please indicate the percentage of each type of method in your most important markets).

1. W. E u r o p e	2. N. A m e r i c a	3. I d d l e E a s t	4. A f r i c a  (Ex S o u t h A f r i c a)	5. J a p a n	6. A u s t r a l i a	7. S o u t h A m e r i c a	8. S c a n d i n a v i a	9. C h i n a	10. E a s t e r n E u r o p e	11. I n d i a	12. S o u t h A f r i c a	13. O t h e r s
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OFFICE USE
DUP 01-05 CARD 01
CARD 02 06-07
DUP 01-05 CARD 01
CARD 03 06-07
DUP 01-05 CARD 01
CARD 04 06-07
DUP 01-05 CARD 01
CARD 05 06-07
DUP 01-05 CARD 01
CARD 06 06-07
DUP 01-05 CARD 1
CARD 07 06-07

1. AGENTS												
2. DISTRIBUTORS												
3. SALESMEN (BASED IN UK)												
4. YOUR SALES BRANCH IN OVERSEAS MARKETS												
5. GOVERNMENT IMPORTING COMPANIES												
6. OTHER PLEASE STATE												
APPROX. TOTAL PERCENTAGE	100	100	100	100	100	100	100	100	100	100	100	100
CODING	1-4	5-8	9-12	13-16	17-20	21-24	25-28	29-32	33-36	37-40	41-44	45-52

P4 Which sources of information do you consider as the most accurate guide to a good agent or distributor?  
 (Please rank all that apply in order of importance assigning (1) to the most important, (2) to the second and so on, but leaving blank any that do not apply).

<u>Sources of information</u>	<u>Rank of Importance</u>	<u>Office Use COL</u>
1. British Overseas Trade Board	<input type="text"/>	08-09
2. Commercial Bank	<input type="text"/>	10-11
3. Management Consultants	<input type="text"/>	12-13
4. Trade Directories	<input type="text"/>	14-15
5. Personal knowledge of Territory	<input type="text"/>	16-17
6. Recommendation	<input type="text"/>	18-19
7. Direct Approach by Agent/Distributor	<input type="text"/>	20-21
8. Trade Fairs	<input type="text"/>	22-23
9. Chamber of Commerce	<input type="text"/>	24-25
10. Professional Institutes	<input type="text"/>	26-27
11. British Export House Association	<input type="text"/>	28-29
12. Other (Please state: _____)	<input type="text"/>	30-31
P5 During your search for the most recently appointed agent or distributor please indicate the number of potential agents or distributors that you were able to identify.		
Number Identified during search: _____		32-33

P6 What methods did you use to shortlist potential agents or distributors?  
 (Please rank all that apply in order of importance assigning (1) to the most important, (2) to the second and so on, but leaving blank any that do not apply).

<u>Methods for Shortlisting</u>	<u>Rank of Importance</u>	<u>Office Use</u> <u>COL</u>
1. Desk Review	<input type="text"/>	34
2. Personal visit and knowledge	<input type="text"/>	35
3. BoTB Status Reports	<input type="text"/>	36
4. Bank Reports	<input type="text"/>	37
5. Other (Please state _____)	<input type="text"/>	38

P7 Please identify the key criteria you look for during your review of potential agents or distributors.  
 (Please rank all that apply in order of importance assigning (1) to the most important, (2) to the second and so on, but leaving blank any that do not apply).

<u>Key Criteria</u>	<u>Rank of Importance</u>	
1. Knowledge of Market	<input type="text"/>	39-40
2. Market Coverage	<input type="text"/>	41-42
3. Number and quality of Sales Personnel	<input type="text"/>	43-44
4. Frequency of sales calls	<input type="text"/>	45-46
5. Knowledge of the Product	<input type="text"/>	47-48
6. Service and Stocking Facilities	<input type="text"/>	49-50
7. Quality of service staff	<input type="text"/>	51-52
8. Enthusiasm for the product	<input type="text"/>	53-54
9. Previous success	<input type="text"/>	55-56
10. Costs involved	<input type="text"/>	57-58
11. Extent of dealings with your competitors	<input type="text"/>	59-60
12. Executives career histories	<input type="text"/>	61-62
13. Good Connections	<input type="text"/>	63-64
14. Good Reputation	<input type="text"/>	65-66

P8 When representatives of your firm visit your overseas agents or distributors what objectives are established for your visits?  
(Please circle the most appropriate number on the scale).

<u>Objectives</u>	<u>Vitally</u> <u>Import-</u> <u>ant</u>	<u>Very</u> <u>Import-</u> <u>ant</u>	<u>Import-</u> <u>ant</u>	<u>Fairly</u> <u>Unimport-</u> <u>ant</u>	<u>Totally</u> <u>Unimport-</u> <u>ant</u>	<u>Office Use</u> <u>COL</u>
1. Establishing a good relationship with foreign customers	1	2	3	4	5	67
2. Identify market needs	1	2	3	4	5	68
3. Motivating and controlling agents and distributors	1	2	3	4	5	69
4. Identifying and solving distribution problems	1	2	3	4	5	70
5. Establishing marketing plans	1	2	3	4	5	71
6. Establishing advertising and promotion strategies	1	2	3	4	5	72

P9 How many times per year do representatives of your firm visit your principle overseas agent or distributor in the following markets (Please tick):

<u>EXPORT MARKET</u>	<u>NUMBER OF VISITS PER YEAR</u>					
	<u>NONE</u>	<u>ONCE PER</u> <u>YEAR</u>	<u>TWICE PER</u> <u>YEAR</u>	<u>THREE TIMES</u> <u>PER</u> <u>YEAR</u>	<u>FOUR TIMES</u> <u>PER YEAR OR</u> <u>MORE</u>	
1. Western Europe						08
2. North America						09
3. Middle East						10
4. Africa (excl. S. Africa)						11
5. Japan						12
6. Australia						13
7. South America						14
8. Scandinavia						15
9. China						16
10. Eastern Europe						17
11. India						18
12. South Africa						19
13. Others						20

P10 How many times per year do representatives from your principle agent or distributor in the following export markets visit you:

<u>Export Market</u>	<u>Number of Visits per Year</u>					OFFICE USE COL
	<u>NONE</u>	<u>ONCE PER YEAR</u>	<u>TWICE PER YEAR</u>	<u>THREE TIMES PER YEAR</u>	<u>FOUR TIMES PER YEAR OR MORE</u>	
1. Western Europe						21
2. North America						22
3. Middle East						23
4. Africa (excl. S. Africa)						24
5. Japan						25
6. Australia						26
7. South America						27
8. Scandinavia						28
9. China						29
10. Eastern Europe						30
11. India						31
12. South Africa						32
13. Others						33



OFFICE USE
ID No. 01
STUDY 04
CARD No 10 06

P11 What percentage of cases is the relationship with your agents or distributors satisfactory?  
(Please circle the most appropriate percentage, and complete the total number of agents or distributors in each export market).

COL	STATE TOTAL NUMBER OF AGENTS/DISTRIBUTORS	EXPORT MARKET	PERCENTAGE OF AGENTS/DISTRIBUTORS	OFFICE U COL
47-49	<input type="text"/>	1.W. EUROPE	100 90 80 70 60 50 40 30 20 10 0	08-1
50-52	<input type="text"/>	2.N. AMERICA	100 90 80 70 60 50 40 30 20 10 0	11-1
53-54	<input type="text"/>	3.M. EAST	100 90 80 70 60 50 40 30 20 10 0	14-1
55-56	<input type="text"/>	4.AFRICA (ex S. AFRICA)	100 90 80 70 60 50 40 30 20 10 0	17-1
57-58	<input type="text"/>	5.JAPAN	100 90 80 70 60 50 40 30 20 10 0	20-2
59-60	<input type="text"/>	6.AUSTRALIA	100 90 80 70 60 50 40 30 20 10 0	23-2
61-62	<input type="text"/>	7.S. AMERICA	100 90 80 70 60 50 40 30 20 10 0	26-2
63-64	<input type="text"/>	8.SCANDINAVIA	100 90 80 70 60 50 40 30 20 10 0	29-3
65-66	<input type="text"/>	9.CHINA	100 90 80 70 60 50 40 30 20 10 0	32-3
67-68	<input type="text"/>	10.EAST EUROPE	100 90 80 70 60 50 40 30 20 10 0	35-3
69-70	<input type="text"/>	11.INDIA	100 90 80 70 60 50 40 30 20 10 0	38-4
71-72	<input type="text"/>	12.S. AFRICA	100 90 80 70 60 50 40 30 20 10 0	41-4
73-74	<input type="text"/>	13.OTHERS	100 90 80 70 60 50 40 30 20 10 0	44-4
75-76	<input type="text"/>			

OFFICE USE	
ID No.	01-03
STUDY	04-05
CARD No	10 06-07

P11 What percentage of cases is the relationship with your agents or distributors satisfactory?  
 (Please circle the most appropriate percentage, and complete the total number of agents or distributors in each export market).

COL	STATE TOTAL NUMBER OF AGENTS/DISTRIBUTORS	EXPORT MARKET	PERCENTAGE OF AGENTS/DISTRIBUTORS	OFFICE USE COL
47-49	<input type="text"/>	1.W. EUROPE	100 90 80 70 60 50 40 30 20 10 0	08-10
50-52	<input type="text"/>	2.N. AMERICA	100 90 80 70 60 50 40 30 20 10 0	11-13
53-54	<input type="text"/>	3.M. EAST	100 90 80 70 60 50 40 30 20 10 0	14-16
55-56	<input type="text"/>	4.AFRICA (ex S. AFRICA)	100 90 80 70 60 50 40 30 20 10 0	17-19
57-58	<input type="text"/>	5.JAPAN	100 90 80 70 60 50 40 30 20 10 0	20-22
59-60	<input type="text"/>	6.AUSTRALIA	100 90 80 70 60 50 40 30 20 10 0	23-25
61-62	<input type="text"/>	7.S. AMERICA	100 90 80 70 60 50 40 30 20 10 0	26-28
63-64	<input type="text"/>	8.SCANDINAVIA	100 90 80 70 60 50 40 30 20 10 0	29-31
65-66	<input type="text"/>	9.CHINA	100 90 80 70 60 50 40 30 20 10 0	32-34
67-68	<input type="text"/>	10.EAST EUROPE	100 90 80 70 60 50 40 30 20 10 0	35-37
69-70	<input type="text"/>	11.INDIA	100 90 80 70 60 50 40 30 20 10 0	38-40
71-72	<input type="text"/>	12.S. AFRICA	100 90 80 70 60 50 40 30 20 10 0	41-43
73-74	<input type="text"/>	13.OTHERS	100 90 80 70 60 50 40 30 20 10 0	44-46
75-76	<input type="text"/>			

OFFICE USE	
ID No.	01-03
STUDY	04-05
CARD No.	11 06-07

WEST GERMANY

If you export to West Germany please answer the following questions.

OFFICE USE  
COL

W1 How many years have you been exporting to West Germany?

Number of Years \_\_\_\_\_ 08-10

W2 Please indicate the number of agents and distributors and the states (or Laender) in which they represent your firm:

<u>German Laender</u>	<u>Number of Agents/Distributors</u>	
1. Schleswig - Holstein	<input type="text"/>	11
2. Hamburg	<input type="text"/>	12
3. Bremen	<input type="text"/>	13
4. Lower Saxony (Niedersachsen)	<input type="text"/>	14
5. North-Rhine Westphalia (Nordrhein-Westfalen)	<input type="text"/>	15
6. Hesse (Hessen)	<input type="text"/>	16
7. Rhineland - Palatinate (Rheinland-Pfalz)	<input type="text"/>	17
8. Saarland	<input type="text"/>	18
9. Bavaria (Bayern)	<input type="text"/>	19
10. Baden - Wurttemberg	<input type="text"/>	20
11. West Berlin	<input type="text"/>	21

In the following questions please answer in respect of each of your Agents or Distributors by indicating in the boxes marked Agent/Distributor A-F.

W3 In respect of your Agents or Distributors in the West German market please indicate, for each agent or distributor, the number of years they have represented you.

<u>Agent/Distributor</u>	<u>Number of Years</u>	
A	<input type="text"/>	21-24
B	<input type="text"/>	25-27
C	<input type="text"/>	28-30
D	<input type="text"/>	31-33
E	<input type="text"/>	34-36
F	<input type="text"/>	37-39

W4 How many products do you market in West Germany through each of these agents or distributors?

OFFICE USE

Agent/Distributor	A	B	C	D	E	F	Number of Products	COL
								40-42
								43-45
								46-48
								49-51
								52-54
								55-57

W5 Please circle for each of your agents/distributors the most appropriate number on the scale for the following statements:

OFFICE USE  
ID NO. 01  
STUDY 04  
CARD NO. 12 06

	Agent/ Distributor	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	COL
1. My Agent/ Distributor spends a considerable amount of time selling my products	A	1	2	3	4	5	08
	B	1	2	3	4	5	09
	C	1	2	3	4	5	10
	D	1	2	3	4	5	11
	E	1	2	3	4	5	12
	F	1	2	3	4	5	13
2. My Agent/ Distributor's knowledge of my products is very good	A	1	2	3	4	5	14
	B	1	2	3	4	5	15
	C	1	2	3	4	5	16
	D	1	2	3	4	5	17
	E	1	2	3	4	5	18
	F	1	2	3	4	5	19
3. My Agent/ Distributor provides good customer follow-up	A	1	2	3	4	5	20
	B	1	2	3	4	5	21
	C	1	2	3	4	5	22
	D	1	2	3	4	5	23
	E	1	2	3	4	5	24
	F	1	2	3	4	5	25
4. My Agent/ Distributor provides me with much information about the market	A	1	2	3	4	5	26
	B	1	2	3	4	5	27
	C	1	2	3	4	5	28
	D	1	2	3	4	5	29
	E	1	2	3	4	5	30
	F	1	2	3	4	5	31
5. My Agent/ Distributor has a good knowledge of the territory	A	1	2	3	4	5	32
	B	1	2	3	4	5	33
	C	1	2	3	4	5	34
	D	1	2	3	4	5	35
	E	1	2	3	4	5	36
	F	1	2	3	4	5	37
6. My Agent/ Distributor is achieving a good level of sales for my product	A	1	2	3	4	5	38
	B	1	2	3	4	5	39
	C	1	2	3	4	5	40
	D	1	2	3	4	5	41
	E	1	2	3	4	5	42
	F	1	2	3	4	5	43

7. The commission arrangements between my company and our Agent/Distributor are good	A	1	2	3	4	5	44
	B	1	2	3	4	5	45
	C	1	2	3	4	5	46
	D	1	2	3	4	5	47
	E	1	2	3	4	5	48
	F	1	2	3	4	5	49
8. Communications between my company and our Agent/Distributor could not be better	A	1	2	3	4	5	50
	B	1	2	3	4	5	51
	C	1	2	3	4	5	52
	D	1	2	3	4	5	53
	E	1	2	3	4	5	54
	F	1	2	3	4	5	55
9. The Agent/Distributor is making the right level of investment in our products to achieve mutual growth	A	1	2	3	4	5	56
	B	1	2	3	4	5	57
	C	1	2	3	4	5	58
	D	1	2	3	4	5	59
	E	1	2	3	4	5	60
	F	1	2	3	4	5	61

W6 Please circle for each of your agents/distributors the most appropriate number on the scale for the following statements:

OFFICE USE ID.NO - 01-03 STUDY - 04-05 CARD NO.13 06-07
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	Agent/ Distributor	Very	Satisfied	Satisfied	Uncertain	Dissat/ isified	Very Dissat/ isified	COL
		1						
1. Agents/ Distributor's order handling	A	1	2	3	4	5	08	
	B	1	2	3	4	5	09	
	C	1	2	3	4	5	10	
	D	1	2	3	4	5	11	
	E	1	2	3	4	5	12	
	F	1	2	3	4	5	13	
2. Agents/ Distributor's sales forecasting	A	1	2	3	4	5	14	
	B	1	2	3	4	5	15	
	C	1	2	3	4	5	16	
	D	1	2	3	4	5	17	
	E	1	2	3	4	5	18	
	F	1	2	3	4	5	19	
3. Agents/ Distributor's Market planning	A	1	2	3	4	5	20	
	B	1	2	3	4	5	21	
	C	1	2	3	4	5	22	
	D	1	2	3	4	5	23	
	E	1	2	3	4	5	24	
	F	1	2	3	4	5	25	
4. Contract terms with Agent/ Distributor	A	1	2	3	4	5	26	
	B	1	2	3	4	5	27	
	C	1	2	3	4	5	28	
	D	1	2	3	4	5	29	
	E	1	2	3	4	5	30	
	F	1	2	3	4	5	31	

5. Payment terms with Agent/Distributor	A	1	2	3	4	5	32
	B	1	2	3	4	5	33
	C	1	2	3	4	5	34
	D	1	2	3	4	5	35
	E	1	2	3	4	5	36
	F	1	2	3	4	5	37
6. Handling of bureaucratic hassles by the Agent/Distributor	A	1	2	3	4	5	38
	B	1	2	3	4	5	39
	C	1	2	3	4	5	40
	D	1	2	3	4	5	41
	E	1	2	3	4	5	42
	F	1	2	3	4	5	43
7. Using business connections	A	1	2	3	4	5	44
	B	1	2	3	4	5	45
	C	1	2	3	4	5	46
	D	1	2	3	4	5	47
	E	1	2	3	4	5	48
	F	1	2	3	4	5	49
8. Handling logistics by the Agent/Distributor	A	1	2	3	4	5	50
	B	1	2	3	4	5	51
	C	1	2	3	4	5	52
	D	1	2	3	4	5	53
	E	1	2	3	4	5	54
	F	1	2	3	4	5	55
9. Influencing purchasers	A	1	2	3	4	5	56
	B	1	2	3	4	5	57
	C	1	2	3	4	5	58
	D	1	2	3	4	5	59
	E	1	2	3	4	5	60
	F	1	2	3	4	5	61

W7 Please circle for each of your agents/distributors the most appropriate number on the scale which describes your OVERALL satisfaction with your agents/distributors:

OFFICE USE	
ID NO.	01-03
STUDY	04-05
CARD NO.14	06-07

	Agent/Distributor						
	A	B	C	D	E	F	
Very satisfied	1	1	1	1	1	1	08
Moderately satisfied	2	2	2	2	2	2	09
Satisfied	3	3	3	3	3	3	10
Uncertain	4	4	4	4	4	4	11
Dissatisfied	5	5	5	5	5	5	12
Moderately Dissatisfied	6	6	6	6	6	6	13
Very Dissatisfied	7	7	7	7	7	7	14

W8 Approximately How many other principals do these agents or distributors represent?

COL

		Number of Principals	
Agent/ Distributor	A	<input type="text"/>	15-16
	B	<input type="text"/>	17-18
	C	<input type="text"/>	19-20
	D	<input type="text"/>	21-22
	E	<input type="text"/>	23-24
	F	<input type="text"/>	25-26

W9 How many different product lines do these agents or distributors handle?

		Number of Product Lines	
Agent/ Distributor	A	<input type="text"/>	27-28
	B	<input type="text"/>	29-30
	C	<input type="text"/>	31-32
	D	<input type="text"/>	33-34
	E	<input type="text"/>	35-36
	F	<input type="text"/>	37-38

W10 In the case of each of these agents or distributors, how many product lines are similar to yours?

OFFICE USE  
COL

		Number of Similar Lines	
Agent/Distributor	A	<input type="text"/>	39-40
	B	<input type="text"/>	41-42
	C	<input type="text"/>	43-44
	D	<input type="text"/>	45-46
	E	<input type="text"/>	47-48
	F	<input type="text"/>	49-50

THE FOLLOWING TWO QUESTIONS ARE DESIGNED TO MEASURE THE FREQUENCY AND LEVEL OF DISAGREEMENTS WITH YOUR OVERSEAS INTERMEDIARIES.

OFFICE USE  
ID NO. 01-03  
STUDY 04-05  
CARD NO.15 06-07

W11 Please identify how FREQUENTLY you were in disagreement with your West German agents or distributors over the following issues:  
 (Please circle the most appropriate number on the scale against each agent or distributor).

Issue	Agent/ Distributor	FREQUENCY Measure							OFFICE USE
		Never	Disagree	Always	Disagree	COL			
1. Size of orders	A	1	2	3	4	5	6	7	08
	B	1	2	3	4	5	6	7	09
	C	1	2	3	4	5	6	7	10
	D	1	2	3	4	5	6	7	11
	E	1	2	3	4	5	6	7	12
	F	1	2	3	4	5	6	7	13
2. Size of inventory	A	1	2	3	4	5	6	7	14
	B	1	2	3	4	5	6	7	15
	C	1	2	3	4	5	6	7	16
	D	1	2	3	4	5	6	7	17
	E	1	2	3	4	5	6	7	18
	F	1	2	3	4	5	6	7	19
3. Handling dissatisfied customers	A	1	2	3	4	5	6	7	20
	B	1	2	3	4	5	6	7	21
	C	1	2	3	4	5	6	7	22
	D	1	2	3	4	5	6	7	23
	E	1	2	3	4	5	6	7	24
	F	1	2	3	4	5	6	7	25
4. Quality of products	A	1	2	3	4	5	6	7	26
	B	1	2	3	4	5	6	7	27
	C	1	2	3	4	5	6	7	28
	D	1	2	3	4	5	6	7	29
	E	1	2	3	4	5	6	7	30
	F	1	2	3	4	5	6	7	31
5. New Product development	A	1	2	3	4	5	6	7	32
	B	1	2	3	4	5	6	7	33
	C	1	2	3	4	5	6	7	34
	D	1	2	3	4	5	6	7	35
	E	1	2	3	4	5	6	7	36
	F	1	2	3	4	5	6	7	37



Issue	Agent/ Distributor	FREQUENCY Measure							OFFICE USE COL
		Never	Disagree	Always	Dissagree				
6. New Product Launch	A	1	2	3	4	5	6	7	38
	B	1	2	3	4	5	6	7	39
	C	1	2	3	4	5	6	7	40
	D	1	2	3	4	5	6	7	41
	E	1	2	3	4	5	6	7	42
	F	1	2	3	4	5	6	7	43
7. Meeting Delivery Dates	A	1	2	3	4	5	6	7	44
	B	1	2	3	4	5	6	7	45
	C	1	2	3	4	5	6	7	46
	D	1	2	3	4	5	6	7	47
	E	1	2	3	4	5	6	7	48
	F	1	2	3	4	5	6	7	49
8. Pricing	A	1	2	3	4	5	6	7	50
	B	1	2	3	4	5	6	7	51
	C	1	2	3	4	5	6	7	52
	D	1	2	3	4	5	6	7	53
	E	1	2	3	4	5	6	7	54
	F	1	2	3	4	5	6	7	55
9. Promotional Support	A	1	2	3	4	5	6	7	56
	B	1	2	3	4	5	6	7	57
	C	1	2	3	4	5	6	7	58
	D	1	2	3	4	5	6	7	59
	E	1	2	3	4	5	6	7	60
	F	1	2	3	4	5	6	7	61

W12 Now we would like you to identify the LEVEL of disagreements

OFFICE USE	
ID NO.	01-03
STUDY	04-03
CARD NO.16	06-07

Issue	Agent/ Distributor	LEVEL of Disagreement							CJL
		Very Low			Very High				
1. Size of orders	A	1	2	3	4	5	6	7	08
	B	1	2	3	4	5	6	7	09
	C	1	2	3	4	5	6	7	10
	D	1	2	3	4	5	6	7	11
	E	1	2	3	4	5	6	7	12
	F	1	2	3	4	5	6	7	13
2. Size of inventory	A	1	2	3	4	5	6	7	14
	B	1	2	3	4	5	6	7	15
	C	1	2	3	4	5	6	7	16
	D	1	2	3	4	5	6	7	17
	E	1	2	3	4	5	6	7	18
	F	1	2	3	4	5	6	7	19
3. Handling dissatisfied Customers	A	1	2	3	4	5	6	7	20
	B	1	2	3	4	5	6	7	21
	C	1	2	3	4	5	6	7	22
	D	1	2	3	4	5	6	7	23
	E	1	2	3	4	5	6	7	24
	F	1	2	3	4	5	6	7	25
4. Quality of products	A	1	2	3	4	5	6	7	26
	B	1	2	3	4	5	6	7	27
	C	1	2	3	4	5	6	7	28
	D	1	2	3	4	5	6	7	29
	E	1	2	3	4	5	6	7	30
	F	1	2	3	4	5	6	7	31
5. New Product Development	A	1	2	3	4	5	6	7	32
	B	1	2	3	4	5	6	7	33
	C	1	2	3	4	5	6	7	34
	D	1	2	3	4	5	6	7	35
	E	1	2	3	4	5	6	7	36
	F	1	2	3	4	5	6	7	37

Issue	Agent/ Distributor	LEVEL of Disagreement							OFFICE USE
		<u>Very Low</u>			<u>Very High</u>				COL
6. New Product Launch	A	1	2	3	4	5	6	7	38
	B	1	2	3	4	5	6	7	39
	C	1	2	3	4	5	6	7	40
	D	1	2	3	4	5	6	7	41
	E	1	2	3	4	5	6	7	42
	F	1	2	3	4	5	6	7	43
7. Meeting Delivery Dates	A	1	2	3	4	5	6	7	44
	B	1	2	3	4	5	6	7	45
	C	1	2	3	4	5	6	7	46
	D	1	2	3	4	5	6	7	47
	E	1	2	3	4	5	6	7	48
	F	1	2	3	4	5	6	7	49
8. Pricing	A	1	2	3	4	5	6	7	50
	B	1	2	3	4	5	6	7	51
	C	1	2	3	4	5	6	7	52
	D	1	2	3	4	5	6	7	53
	E	1	2	3	4	5	6	7	54
	F	1	2	3	4	5	6	7	55
9. Promotional Support	A	1	2	3	4	5	6	7	56
	B	1	2	3	4	5	6	7	57
	C	1	2	3	4	5	6	7	58
	D	1	2	3	4	5	6	7	59
	E	1	2	3	4	5	6	7	60
	F	1	2	3	4	5	6	7	61

W13

Which methods do you consider as the most important for motivating each of your agents and distributors? (Please rank, for each agent and distributor (A-F) all that apply in order of importance assigning (1) to the most important, (2) to the second and so on, but leaving blank any that do not apply).

OFFICE USE	
ID NO.	06-07
STUDY	04-05
CARD NO.	17 06-07

Motivation Factors	Rank of Importance						
	Agent/Distributor	A	B	C	D	E	F
1. Attractive Financial Incentives							14
2. Attractive Credit Terms							15
3. Local Advertising or Promotions							16
4. Training for the Agent or Distributor's employees							17
5. Effective lines of Communications							18
6. Visits by you to the Agent or Distributor							19
7. Visits by the Agent or Distributor to you							20
8. Threats to Discontinue Relationships							21
9. Other Please state:							22
	CODING	08	09	10	11	12	13

W14 What is the sales trends through each of your agents or distributors in West Germany over the last three years?

(Please circle the most appropriate number on the scale).

OFFICE USE  
COL

Agent/ Distributor		GROWING	GROWING	STATIC	DECLINING	DECLINING	
		SHARPLY	SLOWLY		SLOWLY	SHARPLY	
A	1	2	3	4	5	23	
B	1	2	3	4	5	24	
C	1	2	3	4	5	25	
D	1	2	3	4	5	26	
E	1	2	3	4	5	27	
F	1	2	3	4	5	28	

W15 What is the current level of sales of your products through each agent or distributor in West Germany (in £ Sterling)?

Agent/ Distributor	Approx Sales per Year (£'000)	
A	£ _____	29-31
B	£ _____	32-34
C	£ _____	35-37
D	£ _____	38-40
E	£ _____	41-43
F	£ _____	44-46

W16 What are your plans for the future of the relationship with these agents or distributors in West Germany?

(please circle the most appropriate number on the scale).

Agent/ Distributor		END		WORK TOGETHER			
		RELATIONSHIP		MORE CLOSELY			
A	1	2	3	4	5	47	
B	1	2	3	4	5	48	
C	1	2	3	4	5	49	
D	1	2	3	4	5	50	
E	1	2	3	4	5	51	
F	1	2	3	4	5	52	

W17 What specific measures would help most in increasing the sale of British products in West Germany?

(Please rank for all that apply in order of importance assigning (1) to the most important, (2) to the second and so on, but leaving blank any that do not apply).

<u>Specific Measures</u>	<u>Rank of Importance</u>	<u>OFFICE USE</u> <u>COL</u>
1. Improved Communications	<input type="text"/>	53
2. More frequent visits to Agent/Distributors	<input type="text"/>	54
3. Faster Deliveries	<input type="text"/>	55
4. Lower Prices	<input type="text"/>	56
5. Better Quality	<input type="text"/>	57
6. Ability to Speak German	<input type="text"/>	58
7. After Sales Service	<input type="text"/>	59
8. Other Please state: _____	<input type="text"/>	60

THANK YOU FOR YOUR COOPERATION

Richard Moore c/o Dr. W. Barnes  
Middlesex Business School,  
The Burroughs  
London NW4 4BT.

***APPENDIX 4***

*Questionnaire and Covering Letters  
to West German Agents and Distributors*

# Middlesex Polytechnic Middlesex Business School

The Burroughs  
London  
NW4 4BT  
01-202 6545  
Telex 8954762

Comprising the Schools of Accounting and Finance,  
Hotel and Catering Administration, Information Systems, Law,  
Organisation and Management

## Betr.: Studie zum Verhältnis zwischen westdeutschen Handelsvertretungen bzw. Verteilern und britischen Herstellern

Sehr geehrte Damen und Herren,

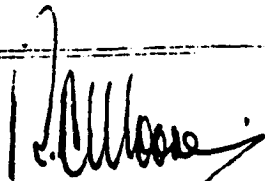
als Beitrag zur Verbesserung der Exportleistung der britischen Industrie und um das allgemeine Bewußtsein für die Bedeutung des Exports zu heben, hat die Middlesex Business School in London eine Reihe von bedeutenden Forschungsprojekten vergeben.

Das erste Forschungsprojekt in dieser Reihe befaßt sich mit dem Verhältnis zwischen westdeutschen Handelsvertretungen bzw. Verteilern und britischen Herstellern.

Wir wären Ihnen überaus dankbar für Ihre Mithilfe an diesem bedeutenden Forschungsprojekt und möchten Sie daher bitten, den beigefügten Fragebogen auszufüllen. Alle Antworten werden streng vertraulich behandelt und nur zu statistischen Zwecken ausgewertet. Der Name Ihrer Firma wird weder veröffentlicht, noch mit irgendeiner Ihrer Antworten identifiziert werden.

Bitte senden Sie uns den Fragebogen im beigefügten Umschlag sobald wie möglich zurück. Für Ihre Mithilfe am Projekt bedanken wir uns im voraus recht herzlich.

Mit freundlichen Grüßen,



Richard Moore  
Projektleiter



# Middlesex Polytechnic Middlesex Business School

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Comprising the Schools of Accounting and Finance,  
Hotel and Catering Administration, Information Systems, Law,  
Organisation and Management

JUN 1988

Sehr geehrte Damen und Herren,

Studie zum Verhältnis zwischen westdeutschen  
Handelsvertretungen bzw. Verteilern und britischen  
Herstellern

Sie erhielten von uns vor kurzem einen Fragebogen zum Verhältnis von deutschen Importeuren und ihren britischen Herstellern. Wir hoffen, daß Sie den Fragebogen bereits ausgefüllt und an uns zurückgesandt haben. Für den Fall, daß dies noch nicht geschehen ist oder der Fragebogen abhanden gekommen sein sollte, haben wir Ihnen eine weitere Kopie beigelegt.

Die Auswahl Ihrer Firma für unsere Stichprobe steht repräsentativ für eine Vielzahl von ähnlichen Organisationen in der BRD. Daher ist Ihre Antwort besonders wichtig für den Erfolg unserer Umfrage. Dürfen wir Sie bitten, den Fragebogen möglichst umgehend auszufüllen und an uns zurückzusenden.

Wir bedanken uns sehr für Ihre Mithilfe.

Mit freundlichen Grüßen,



Richard Moore  
Projektleiter

MIDDLESEX BUSINESS SCHOOL**I. KONTAKTPERSON UND FIRMA (BITTE AUSFÜLLEN)**

1. Name der Firma:
2. Adresse:
3. Name der Muttergesellschaft (falls zutreffend):
4. Name der Kontaktperson:
5. Berufliche Stellung:
6. Hauptproduktbereiche Ihrer Firma:
7. Anzahl der Angestellten in Ihrer Firma:
8. Bitte markieren Sie den ungefähren Umsatz Ihrer gesamten Firma:  

unter 3 Millionen DM	12 Mill DM - 15 Mill. DM
3 Mill. - 6 Mill. DM	Über 15 Mill. DM
6 Mill. - 9 Mill. DM	
9 Mill. - 12 Mill. DM	

**II. Kopie der Forschungsergebnisse**

Bitte kreuzen Sie an, ob Sie nach Veröffentlichung der Studie eine Kopie der Forschungsergebnisse erhalten möchten.

Ja   
Nein

**III. Rücksendung des ausgefüllten Fragebogens im beigefügten Umschlag bitte an:**

R.A. Moore c/o Dr. W. Barnes, Middlesex Business School,  
Middlesex Polytechnic, The Burroughs, London NW4 4BT, England.



A3 Bitte geben Sie die Gesamtzahl der Hersteller an, die Sie vertreten.

Aus Großbritannien: \_\_\_\_\_ Aus anderen Ländern: \_\_\_\_\_

A4 Was sind die Hauptkriterien bei Ihrer Auswahl von potentiellen Herstellern?

Bitte ordnen Sie die Kriterien nach der Rangfolge an, wobei (1) das bedeutendste und (6) das unbedeutendste ist. Bitte lassen Sie eine Zeile frei für Kriterien, die Sie bei der Auswahl nicht in Betracht ziehen.

Hauptkriterien

Rangfolge

Finanzkraft

Qualität des Produktes

Verlässlichkeit des Produktes

Guter Ruf

Guter Markenname

Auf Empfehlung

Sonstige (bitte auflisten)


#### GROßBRITANNIEN

Wenn Sie britische Hersteller vertreten, beantworten Sie bitte die folgenden Fragen:

A5 Seit wie vielen Jahren handeln Sie als Vertreter bzw. Verteiler im Namen britischer Hersteller:

Anzahl der Jahre: \_\_\_\_\_

**BITTE MARKIEREN SIE DIE FOLGENDEN FRAGEN IN BEZUG AUF IHRE JEWEILIGEN BRITISCHEN HERSTELLER (A - F):**

A6 Bitte geben Sie das Gebiet in Westdeutschland bzw. das entsprechende Bundesland an, in welchem Sie den britischen Hersteller vertreten (Mehrfachnennung falls zutreffend):

Hersteller

A B C D E F

1. Im gesamten Bundesgebiet
2. Norddeutschland

Hersteller

A B C D E F

- 3. Süddeutschland
- 4. Schleswig-Holstein
- 5. Hamburg
- 6. Bremen
- 7. Niedersachsen
- 8. Nordrhein-Westfalen
- 9. Hessen
- 10. Rheinland-Pfalz
- 11. Saarland
- 12. Bayern
- 13. Baden-Württemberg
- 14. Westberlin

A7 Bitte geben Sie für jeden britischen Hersteller die Anzahl der Jahre an, die Sie ihn bereits vertreten haben.

Anzahl der Jahre

Hersteller A  
B  
C  
D  
E  
F


A8 Bitte geben Sie weiterhin für jeden Hersteller an, wie oft Sie dessen Fabrik pro Jahr besuchen.

Anzahl der Besuche pro Jahr

Hersteller	A	<input type="text"/>
	B	<input type="text"/>
	C	<input type="text"/>
	D	<input type="text"/>
	E	<input type="text"/>
	F	<input type="text"/>

A9 Bitte markieren Sie für jeden Ihrer britischen Hersteller die zutreffende Zahl in der Rangfolge für die folgenden Aussagen:

	<u>Hersteller</u>	<u>starke Über-</u> <u>einstimmung</u>			<u>starke</u> <u>Ablehnung</u>	
1. Die Produkte meines Herstellers werden von meinen Kunden nachgefragt.	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
2. Die Produkte meines Herstellers bieten meiner Firma Wachstumschancen.	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
3. Die Produkte meines Herstellers sind bei meinen Kunden nicht gut bekannt.	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
4. Die Produkte meines Herstellers laufen viel besser als die der Konkurrenz.	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5

	<u>Hersteller</u>	<u>starke Über-</u> <u>einstimmung</u>				<u>stark</u> <u>Ableh</u>
5. Mein Hersteller kennt den deutschen Markt kaum.	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
6. Mein Hersteller setzt realistische Zielwerte für den Absatz durch meine Firma an.	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
7. Mein Hersteller setzt konkurrenzfähige Gewinnspannen für seine Produkte an	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
8. Wir sind mit den Gewinnspannen, die wir für den Verkauf der Produkte erhalten zufrieden.	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
9. Die Kommunikation mit dem Hersteller ist stets gut.	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
10. Mein Hersteller ist immer hilfsbereit.	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
11. Die Organisation meines Herstellers ist nicht immer gut.	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5

	<u>Hersteller</u>	<u>starke Über-</u> <u>einstimmung</u>				<u>starke</u> <u>Ablehnung</u>
12. Mein Hersteller versorgt mich mit gutem Werbe- material.	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5

A10 Bitte markieren Sie für jeden Ihrer britischen Hersteller die zutreffende Zahl in der Rangfolge für die folgenden Aussagen:

	<u>Hersteller</u>	<u>sehr</u> <u>unzufrieden</u>			<u>sehr</u> <u>zufrieden</u>	
1. Die Qualität des Herstellerproduktes.	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
2. Die Marktkenntnis des Herstellers	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
3. Das Einkommen aus dem Verkauf des Herstellerproduktes	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
4. Kreditfristen des Herstellers	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
5. Persönlicher Kontakt mit Repräsentanten des Herstellers	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5



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	<u>Hersteller</u>	<u>sehr</u> <u>unzufrieden</u>			<u>sehr</u> <u>zufrieden</u>	
6. Anzahl der Besuche von Repräsentanten der Herstellerfirma	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
7. Bestellungsabwicklung durch den Hersteller	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
8. Lieferfristen für die Produkte	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
9. Deutschkenntnisse des Herstellers	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5
10. Technische Produkt- Information	A	1	2	3	4	5
	B	1	2	3	4	5
	C	1	2	3	4	5
	D	1	2	3	4	5
	E	1	2	3	4	5
	F	1	2	3	4	5

- A11 Bitte markieren Sie für jeden Ihrer britischen Hersteller die Zahl in der Rangfolge, die Ihre allgemeine Zufriedenheit mit Ihrem Hersteller am besten beschreibt.

<u>Hersteller</u>	<u>sehr unzufrieden</u>				<u>sehr zufrieden</u>
A	1	2	3	4	5
B	1	2	3	4	5
C	1	2	3	4	5
D	1	2	3	4	5
E	1	2	3	4	5
F	1	2	3	4	5

Die folgenden Fragen sollen die Häufigkeit und den Grad der Übereinstimmung mit Ihrem britischen Hersteller messen.

- A12 Bitte markieren Sie die Häufigkeit der Übereinstimmung bzw. Nicht-Übereinstimmung mit Ihrem britischen Hersteller für die folgenden Punkte:

	<u>Hersteller</u>	<u>Häufigkeit der Übereinstimmung</u>						
		<u>keine Übereinstimmung</u>			<u>volle Übereinstimmung</u>			
1. Bestellmenge	A	1	2	3	4	5	6	7
	B	1	2	3	4	5	6	7
	C	1	2	3	4	5	6	7
	D	1	2	3	4	5	6	7
	E	1	2	3	4	5	6	7
	F	1	2	3	4	5	6	7
2. Umfang der Bestände	A	1	2	3	4	5	6	7
	B	1	2	3	4	5	6	7
	C	1	2	3	4	5	6	7
	D	1	2	3	4	5	6	7
	E	1	2	3	4	5	6	7
	F	1	2	3	4	5	6	7

	<u>Hersteller</u>	<u>Häufigkeit der Übereinstimmung</u>						
		<u>keine Übereinstimmung</u>			<u>volle Übereinstimmung</u>			
3. Umgang mit unzufriedenen Kunden	A	1	2	3	4	5	6	7
	B	1	2	3	4	5	6	7
	C	1	2	3	4	5	6	7
	D	1	2	3	4	5	6	7
	E	1	2	3	4	5	6	7
	F	1	2	3	4	5	6	7
4 Qualität der Produkte	A	1	2	3	4	5	6	7
	B	1	2	3	4	5	6	7
	C	1	2	3	4	5	6	7
	D	1	2	3	4	5	6	7
	E	1	2	3	4	5	6	7
	F	1	2	3	4	5	6	7
5. Neue Produktentwicklung	A	1	2	3	4	5	6	7
	B	1	2	3	4	5	6	7
	C	1	2	3	4	5	6	7
	D	1	2	3	4	5	6	7
	E	1	2	3	4	5	6	7
	F	1	2	3	4	5	6	7
6. Einhaltung von Lieferfristen	A	1	2	3	4	5	6	7
	B	1	2	3	4	5	6	7
	C	1	2	3	4	5	6	7
	D	1	2	3	4	5	6	7
	E	1	2	3	4	5	6	7
	F	1	2	3	4	5	6	7
7. Preisgestaltung	A	1	2	3	4	5	6	7
	B	1	2	3	4	5	6	7
	C	1	2	3	4	5	6	7
	D	1	2	3	4	5	6	7
	E	1	2	3	4	5	6	7
	F	1	2	3	4	5	6	7
8. Begleitende Werbungsunterstützung	A	1	2	3	4	5	6	7
	B	1	2	3	4	5	6	7
	C	1	2	3	4	5	6	7
	D	1	2	3	4	5	6	7
	E	1	2	3	4	5	6	7
	F	1	2	3	4	5	6	7

A13 Bitte markieren Sie nun den Grad der Übereinstimmung mit Ihrem britischen Hersteller in den folgenden Punkten:

		<u>Hersteller</u>	<u>Grad der Übereinstimmung</u>						
			<u>sehr niedrig</u>				<u>sehr hoch</u>		
1.	Bestellmenge	A	1	2	3	4	5	6	7
		B	1	2	3	4	5	6	7
		C	1	2	3	4	5	6	7
		D	1	2	3	4	5	6	7
		E	1	2	3	4	5	6	7
		F	1	2	3	4	5	6	7
2.	Umfang der Bestände	A	1	2	3	4	5	6	7
		B	1	2	3	4	5	6	7
		C	1	2	3	4	5	6	7
		D	1	2	3	4	5	6	7
		E	1	2	3	4	5	6	7
		F	1	2	3	4	5	6	7
3.	Umgang mit unzufriedenen Kunden	A	1	2	3	4	5	6	7
		B	1	2	3	4	5	6	7
		C	1	2	3	4	5	6	7
		D	1	2	3	4	5	6	7
		E	1	2	3	4	5	6	7
		F	1	2	3	4	5	6	7
4.	Qualität der Produkte	A	1	2	3	4	5	6	7
		B	1	2	3	4	5	6	7
		C	1	2	3	4	5	6	7
		D	1	2	3	4	5	6	7
		E	1	2	3	4	5	6	7
		F	1	2	3	4	5	6	7
5.	Neue Produktentwicklung	A	1	2	3	4	5	6	7
		B	1	2	3	4	5	6	7
		C	1	2	3	4	5	6	7
		D	1	2	3	4	5	6	7
		E	1	2	3	4	5	6	7
		F	1	2	3	4	5	6	7
6.	Einhaltung von Lieferfristen	A	1	2	3	4	5	6	7
		B	1	2	3	4	5	6	7
		C	1	2	3	4	5	6	7
		D	1	2	3	4	5	6	7
		E	1	2	3	4	5	6	7
		F	1	2	3	4	5	6	7

		<u>Hersteller</u>	<u>Grad der Übereinstimmung</u>						
			<u>sehr niedrig</u>				<u>sehr hoch</u>		
7.	Preisgestaltung	A	1	2	3	4	5	6	7
		B	1	2	3	4	5	6	7
		C	1	2	3	4	5	6	7
		D	1	2	3	4	5	6	7
		E	1	2	3	4	5	6	7
		F	1	2	3	4	5	6	7
8.	Begleitende Werbeunterstützung	A	1	2	3	4	5	6	7
		B	1	2	3	4	5	6	7
		C	1	2	3	4	5	6	7
		D	1	2	3	4	5	6	7
		E	1	2	3	4	5	6	7
		F	1	2	3	4	5	6	7

A14 Bitte geben Sie für jeden Ihrer britischen Hersteller die Anzahl der verschiedenen Artikel an, die Sie verkaufen.

		<u>Anzahl der Artikel</u>
Hersteller	A	<input type="text"/>
	B	<input type="text"/>
	C	<input type="text"/>
	D	<input type="text"/>
	E	<input type="text"/>
	F	<input type="text"/>

A15 In welchem Ausmaß betreiben Sie Werbung in britischen Handelsverzeichnissen oder in internationalen Zeitschriften?

<u>Häufigkeit der Werbung</u>	<u>Ungefährer Betrag in DM</u>
Nie	<input type="text"/>
Wöchentlich	<input type="text"/>
Monatlich	<input type="text"/>

A16 Welche Anreize halten Sie im Umgang mit britischen Herstellern für die bedeutendsten? Bitte ordnen Sie jeden Hersteller (A - F) auf einer Rangskala von 1 - 6 an, wobei 1 den wichtigsten und 6 den unbedeutendsten Anreiz repräsentiert.

<u>Anreiz</u>		<u>Hersteller</u>						<u>Bedeutungsrank</u>
1.	Attraktive finanzielle Anreize	A	1	2	3	4	5	6
		B	1	2	3	4	5	6
		C	1	2	3	4	5	6
		D	1	2	3	4	5	6
		E	1	2	3	4	5	6
		F	1	2	3	4	5	6
		2.	Attraktive Zahlungsbedingungen	A	1	2	3	4
B	1			2	3	4	5	6
C	1			2	3	4	5	6
D	1			2	3	4	5	6
E	1			2	3	4	5	6
F	1			2	3	4	5	6
3.	regionale Werbung und Werbekampagnen			A	1	2	3	4
		B	1	2	3	4	5	6
		C	1	2	3	4	5	6
		D	1	2	3	4	5	6
		E	1	2	3	4	5	6
		F	1	2	3	4	5	6
		4.	Ausbildung Ihrer Angestellten durch den Hersteller	A	1	2	3	4
B	1			2	3	4	5	6
C	1			2	3	4	5	6
D	1			2	3	4	5	6
E	1			2	3	4	5	6
F	1			2	3	4	5	6
5.	Effiziente Kommunikation			A	1	2	3	4
		B	1	2	3	4	5	6
		C	1	2	3	4	5	6
		D	1	2	3	4	5	6
		E	1	2	3	4	5	6
		F	1	2	3	4	5	6
		6.	Besuche des Herstellers in Ihrer Firma	A	1	2	3	4
B	1			2	3	4	5	6
C	1			2	3	4	5	6
D	1			2	3	4	5	6
E	1			2	3	4	5	6
F	1			2	3	4	5	6

7.	Ihre Besuche beim Hersteller	A	1	2	3	4	5	6
		B	1	2	3	4	5	6
		C	1	2	3	4	5	6
		D	1	2	3	4	5	6
		E	1	2	3	4	5	6
		F	1	2	3	4	5	6
8.	Androhung des Abbruchs der Geschäftskontakte	A	1	2	3	4	5	6
		B	1	2	3	4	5	6
		C	1	2	3	4	5	6
		D	1	2	3	4	5	6
		E	1	2	3	4	5	6
		F	1	2	3	4	5	6
9.	Sonstige (bitte auflisten)	A	1	2	3	4	5	6
		B	1	2	3	4	5	6
		C	1	2	3	4	5	6
		D	1	2	3	4	5	6
		E	1	2	3	4	5	6
		F	1	2	3	4	5	6

A17 Wie hat Ihr britischer Hersteller mit Ihnen Kontakt aufgenommen?

	<u>Art der Kontaktaufnahme</u>	<u>Hersteller</u>
1.	Durch die britische Botschaft in Bonn	A B C D E F
2.	Durch das britische Konsulat	A B C D E F
3.	Durch eine Geschäftsbank	A B C D E F
4.	Direkter Kontakt	A B C D E F

5. Auf einer Messe
- A  
B  
C  
D  
E  
F
6. Sonstige (bitte nennen)
- A  
B  
C  
D  
E  
F

A18 Welche Verkaufstrends zeichnen sich in den letzten drei Jahren für die Produkte Ihrer Hersteller (A - F) auf dem deutschen Markt ab?

Hersteller	starke Anstieg	geringer Anstieg	statisch	geringer Rückgang	starker Rückgang
A	1	2	3	4	5
B	1	2	3	4	5
C	1	2	3	4	5
D	1	2	3	4	5
E	1	2	3	4	5
F	1	2	3	4	5

A19 Wie hoch ist der derzeitige Umsatz der Produkte jedes Herstellers?

Ungefährer Jahresumsatz

Hersteller

A DM \_\_\_\_\_  
B DM \_\_\_\_\_  
C DM \_\_\_\_\_  
D DM \_\_\_\_\_  
E DM \_\_\_\_\_  
F DM \_\_\_\_\_

A20 Auf welchen westdeutschen Messen stellen Ihre britischen Hersteller aus?

Messen (bitte auflisten)

Hersteller

A  
B  
C  
D  
E  
F



A21 Wie sehen Ihre Pläne für die zukünftige Entwicklung Ihrer Geschäftsbeziehungen mit Ihren britischen Herstellern aus?

Hersteller	<u>Engere Zusammenarbeit</u>			<u>Beendigung der Geschäftsbeziehungen</u>	
	1	2	3	4	5
A	1	2	3	4	5
B	1	2	3	4	5
C	1	2	3	4	5
D	1	2	3	4	5
E	1	2	3	4	5
F	1	2	3	4	5

A22 Welche spezifischen Maßnahmen würden Ihrer Meinung nach eine Steigerung des Verkaufs britischer Produkte in der BRD begünstigen?  
Bitte ordnen Sie genannten Maßnahmen auf einer Rangskala von 1 - 8 an, wobei 1 die wichtigste und 8 die unbedeutendste Maßnahme repräsentiert.

1.	Spezifische Maßnahme	<u>Rangordnung</u>							
		1	2	3	4	5	6	7	8
1.	Verbesserte Kommunikation	1	2	3	4	5	6	7	8
2.	Häufigere Besuche der Hersteller	1	2	3	4	5	6	7	8
3.	Schnellere Lieferzeiten	1	2	3	4	5	6	7	8
4.	Niedrigere Preise	1	2	3	4	5	6	7	8
5.	Bessere Qualität	1	2	3	4	5	6	7	8
6.	Deutsche Sprachkenntnisse	1	2	3	4	5	6	7	8
7.	Kundendienst	1	2	3	4	5	6	7	8
8.	Sonstige (bitte auführen)	1	2	3	4	5	6	7	8

Mit recht herzlichem Dank für Ihre Mitarbeit an diesem Projekt!

Bitte senden Sie den Fragebogen an die folgende Adresse zurück:

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*COPIES OF PUBLISHED WORK*

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## The Selection of Agents and Distributors: A Descriptive Model

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### Introduction

A review of the literature on exporting indicates that many British exporters use agents and distributors to represent them in overseas markets. The purpose of this paper is to highlight significant aspects of the selection process used by firms when they are searching for an agent or distributor. A descriptive model of the selection process is proposed.

**The use of agents and distributors by exporting firms**  
 Philpott<sup>1</sup> identified that the most popular methods of distribution for exporting companies were: the overseas agent/distributor (used by 90% of the companies in his survey), direct sales with no agent (78%) and UK export house (63%) (the survey included multiple response). The survey found that where a large percentage of turnover was directed through one channel, then it was generally through overseas agents/distributors. Export houses and direct sales, although still widely used, were found more suitable for smaller volumes of trade.

Cunningham and Spigel<sup>2</sup> showed that overseas agents were employed by 44 of the 48 companies they surveyed, the smaller firms committing more of their export sales to agents than did the larger firms. This study showed that personal visits by executives to overseas markets were rated most important by a large proportion of firms of all sizes; thereafter, the larger firms placed major emphasis upon overseas distribution facilities, overseas agents and after-sales service, whereas the use of overseas agents was considered vital by smaller and medium-sized firms.

Cavusgil and Kaymak<sup>3</sup> in an empirical analysis of the success factors in export marketing found that foreign distributors and agents play a critical role in export marketing. The majority of exporting firms in their study preferred to use this type of channel rather than

establishing their own sales/service branches overseas. Tooke<sup>4</sup> in a study of the UK Hosiery Industry found that many firms did some business with buyers in the UK, such as the firms buying for American department stores, and with export merchants, and had agents in other markets not covered by these buyers and merchants.

### The Selection Process

The selection of overseas agents represents one of the biggest difficulties of any firm planning to export. Hunt and Howell<sup>5</sup>, in a study of UK engineering firms, found that firms are continually being approached by individuals offering to act as sole agent in a particular market; the problem is to recognise the potentially successful agent. This study found most firms appointed agents on a trial basis for a specific period and paid them on commission. Tessler<sup>6</sup> stated that the only way to choose agents with sufficient circumspection, to choose agents who are really capable, is by the principal knowing the country, knowing the market and knowing the agents from among whom it is possible to make a choice.

Dan T. Dunn<sup>7</sup> in a study of agents and distributors in the Middle East found four selection criteria which were important. These were:

- 1. Financial Strength**  
 Companies need to find representatives who have substantial funds for investment. This capacity for investment is required because representatives must often make 'upfront' expenditures, such as hiring additional sales or service people, some considerable time before sales commence.
- 2. Good Connections**  
 Good connections by the representative with the sectors in which the foreign manufacturer is seeking business is important. The local concern should be known and respected by key purchase influences such as government ministers and business leaders.
- 3. Other obligations**  
 A representative who handles several companies has a track record which can probably be examined in some detail. Local representatives who handle direct competitors or too many companies are recommended to be avoided.
- 4. Personnel Facilities and Equipment**  
 Size and quality of a representative's work force may be a critical selection factor.

Duguid and Jacques<sup>8</sup> confirmed the crucial importance of the right choice of agent. They stated that since a manufacturer is almost inevitably unfamiliar with the market when he appoints an agent for the first time, it is worth his while seeking advice and information. Requirements for an agent naturally vary with each company, however there was a consensus that one of the most important factors was that the agent should need a principal's business.

Thorn<sup>9</sup> reviews the advantages and disadvantages of various routes to finding an overseas agent or distributor. He identified seven routes to finding an overseas agent:

**1. The Volunteer**  
 Agents who write in unsolicited, possibly having seen the principal's publicity or having found the principal's name in a trade directory.

**2. Local Prospective Customers**  
 Requires a visit to the market in question by the principal and finding agents.

**3. Institutions**  
 Identifies potential agents through institutions, such as the British Overseas Trade Board, Chamber of Commerce and trade organisations.

**4. Commercial Searchers**  
 Agency-search companies exist in some territories.

**5. Suppliers of Parallel Products**  
 Non-competing suppliers of products bought by the principal's target customers could be a possible approach. Most candidates arising from such a source will welcome a chance to expand their product range. Complimentary provides them with more to sell at little extra on-cost.

**6. Poaching**  
 A variant on choosing parallel supplier's agents is to poach those of competitors. A rather aggressive action considered by some as unethical.

**7. Advertising**  
 Advertising for representatives can work well, especially if associated with a local trade exhibition.

Having established a short list of agent candidates he recommends that the following procedure is followed:

- (a) Credit Check of each candidate.**
- (b) Visit to the candidate's offices to establish the environment the candidate has chosen to work in, and to see the sort of colleagues he has surrounded himself with.**
- (c) History of the candidate.**
- (d) Other Principals he represents and their success or failure.**
- (e) Introduction to the individuals who will be handling the products.**

Identifying a key man who would take the product to his heart and make it his personal objective to make the sale of the product a success in his country was considered the best approach by Beeth<sup>10</sup>. McMillan and Paulden<sup>11</sup> recommend that one or two of the agent's principals together with one or two of his major customers should be approached (with the agent's knowledge) in order to check the potential agent's 'references'. They believe that the agent would not object to such a check.

A comprehensive review of organisations and the services they provide, how they operate, their contribution to generating intra-regional, and world, trade was provided by Hibbert<sup>12</sup>. Key organisations discussed were: National Exporter's Association, Chamber of Commerce, Export Facilitating Agencies, Export Consortia, Export Promotion Organisations, Export Intermediaries, and Trade Missions.

Forbes<sup>13</sup> found that agents usually come to the notice of potential principals by either:  
 (i) Enquiry made through local British Embassy; to British Overseas Trade Board by a potential buyer and/or agent.  
 (ii) An open ended enquiry through same channel or relevant trade publication.

(iii) An enquiry, by an intending exporter, through the British Overseas Trade Board to the local British Embassy, or through a UK bank and their branch or correspondent.

A private foreign expansion consultancy<sup>14</sup>, has compiled the experience of successful exporters and finds a cycle showing hurdles and pitfalls which occur in the agent search. They found that client companies were bewildered by trying to sort the good from the mediocre potential agents.

They developed a four-phase cycle of agent selection:  
 (1) Discussion and investigation. (2) Agent/Distributor Selection. (3) Decision Phase and (4) First Order Phase. Each phase had its own hurdles and pitfalls.

The key pitfall during the selection phase was found to be the discouragement which the principal's executives face. Such discouragement included objections raised by the potential intermediaries about the product and the size of the potential market.

Ross<sup>15</sup> developed an analytical structure within which the exporter could determine what he would need in order to achieve his export goals. This structure was developed by interviewing a number of American firms to establish those factors which were key when considering what they would require with regards to various distributor characteristics and functions. A list of factors which were important in establishing distributor requirements was established.

The decision process was identified as a system of interactions between the various characteristics and needs of the supplier firm, the needs and constraints arising from the market itself, and the possible distributor characteristics and functions (attributes). This was shown diagrammatically, as follows:

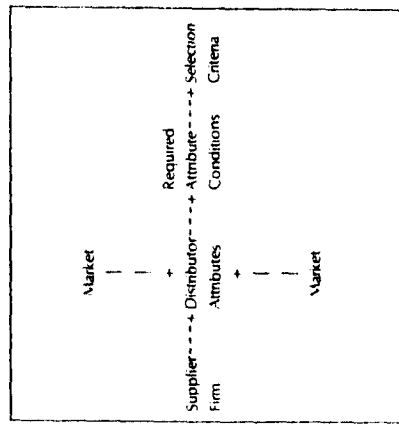
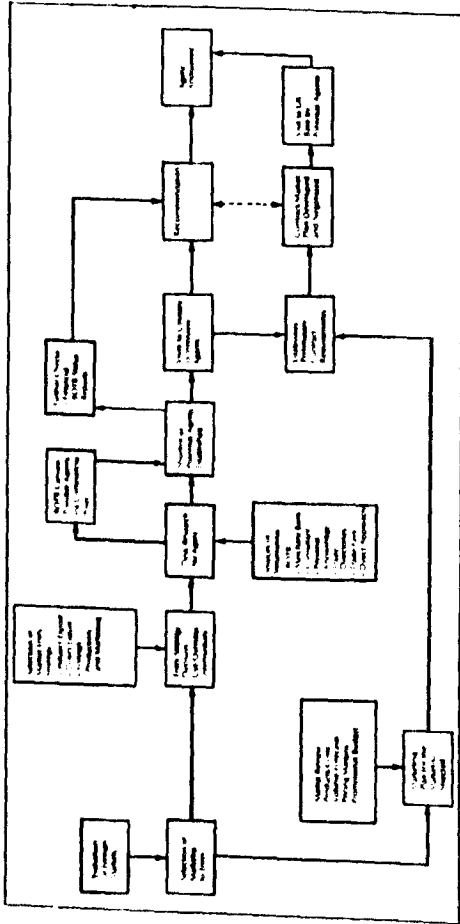


Figure 1 International Marketing Strategy - The Overseas Intermediary Selection Model



The survey identified 25 independent factors together with 13 dependent variables. This produced a matrix form of structure with a multitude of possible influences over the various distributor attributes. The author pointed out that the framework becomes much less involved and complex in use. This was because for any one exporter (a) a number of attributes are of little or no importance and (b) the degree of importance assigned to any one of the independent factors will vary considerably. It was thought that such a framework would serve a number of useful purposes. These were summarised as: (i) identifies areas where problems/opportunities may arise, (ii) ensures the exporter asks the right questions, and (iii) allows the exporter to determine which parts of any problem are environmental or internal.

**The Overseas Intermediary Selection Model**

Following the review of the literature a descriptive model illustrating the selection process can be developed (see Figure 1). This shows that firms go through the following key steps during the process:

- (1) Entry Strategy Decision
- (2) Desk Research
- (3) Shortlist of Potential agents
- (4) Personal Visits
- (5) Recommendation to Board of Directors or Senior Executive
- (6) Appointment of the Agent.

**(1) Entry Strategy Decision**

The different entry strategies that are available to the firm are well documented (see, for example: Bakker<sup>19</sup>, Stock and Lambert<sup>21</sup>; Cateora and Hess<sup>18</sup> and Kotler<sup>14</sup>). Companies which enter the international marketplace

have four principle channel strategies open to them. These are as follows:

- Exporting
- Licensing
- Joint Ventures
- Ownership

Within each of these channel strategies there are several options which are also available. These options could include the sales force of the firm, a subsidiary, agents, trading company and distributors.

Terpstra<sup>20</sup> identified a number of different ways of entering foreign markets, these are summarised, as follows:

**PRODUCTION IN HOME MARKET**

- INDIRECT EXPORT** - Trading company  
 - Export management company  
 - Piggyback etc.

**DIRECT EXPORT**

- Foreign distributor
- Agent
- Overseas marketing Subsidiary

**FOREIGN PRODUCTION SERVICES**

- Contract Manufacture
- Licensing
- Assembly
- Joint venture
- 100% Ownership

In this context we are concerned with the Direct Export strategy in which the manufacturer sells directly to an importer or buyer located in an export market.

**(2) Desk Research for an Overseas Intermediary**

The company, having decided to use an agent or distributor, now faces the difficult task of finding a suitable one to represent it in the foreign markets it wishes to penetrate.

As discussed above, firms have several sources of information to assist them in the choice of suitable agents. The more common sources can be summarised as follows:

1. British Overseas Trade Board (Export Representative Service)
2. Direct Approach
3. Personal Approach
4. Trade Directories
5. Trade Fairs
6. Business Consultant
7. Commercial Bank
8. Chambers of Commerce

Walsh<sup>21</sup> recommends that the firm develops a profile of the various available agencies. This profile should include:

- (a) the precise geographical area the agent should already cover;
- (b) the types of customers or distribution channels to which the agent should already be selling;
- (c) the completeness and frequency of the agent's sales coverage.

He also recommends that the principal should develop his own profile which can be used as a selling document, designed to interest prospective agents.

**(3) Shortlist and Personal Visits**

After the desk research phase the firm is able to draw-up a short list of potential intermediaries who warrant further investigation. This investigation usually consists of personal visits by the appropriate company executive to make contact with the intermediary and to develop joint evaluation of business proposals.

Personal visits are important and were identified as the most important success factor by a very large proportion of all sizes of firms surveyed in the study of successful exporting (Cunningham and Spigel<sup>22</sup>). This approach is also recommended to the small business<sup>23</sup>.

A more recent study<sup>24</sup> found that selecting, motivating and controlling agents was ranked as an important benefit gained from overseas visits.

**(4) Recommendation and Appointment**

A number of further checks may be made by the principal. These would include financial checks made by a commercial bank acting on behalf of the principal or status reports prepared by the British Overseas Trade Board. If these checks prove satisfactory a recommendation will be made to offer the agent or distributor a formal contract. Preliminary contracts will be prepared. A visit by the agent or distributor to the

principal's home base may be made to complete the contract negotiations and to allow the representative to visit the manufacturing plant.

At the start of the process the company may have drawn-up a preliminary marketing plan which will define marketing objectives for the particular market. This plan may now be brought into the contract negotiations so that the principal and representative have an agreed plan with objectives for the first year of trading.

**Implications of the Model**

This descriptive model illustrates the selection process used by firms when they are searching for an agent or distributor to represent them in foreign markets. It attempts to highlight the steps taken by firms and should provide guidance to the management of those firms who are thinking of starting to export. It is important for such firms to recognise the difficulties of finding a good representative, and not to underestimate the time required for the search and selection process. However, if the process is approached in an orderly and logical manner as suggested in the model, the chances of finding a good representative will be increased.

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F.E. College sector. Rather it was judged that a reasonable indication of the nature of the needs of school leavers could be obtained from secondary school guidance staff and local authority careers officers. Those involved in education administration were also contacted, including Deputy Directors of Education and Heads of secondary schools. It was appreciated that this snap-shot approach to gathering information would be qualitative in nature and open to bias. However, it was felt by the Working Party that this strategy was viable and might well give positive advice which would be useful for input to the Working Party discussions.

**3.3 Local industry**

In order to gauge the nature of demand for educational courses from industry it was decided that members of the Working Party should have interviews with Personnel and Training Officers operating within local manufacturing establishments. Those employing larger numbers of young trainees/apprentices and/or using F.E. Colleges for day-release part-time courses were selected and included firms involved in chemical, electronics, mechanical engineering and aviation industries.

Throughout the investigation the members of the Working Party attempted to answer the following questions:

How far do F.E. Colleges tailor their courses to the needs of these three consumer segments of the education market?

What is the relative importance of the F.E. Colleges themselves, local authorities and actual consumers in determining the range of educational services offered? In what ways and to what extent do F.E. Colleges attempt to develop the marketing mix (product, price, promotional methods and channels of distribution) of their educational services to best satisfy the demand that is apparent?

**4. Interview Findings**

In general, the use of marketing principles within the F.E. sector appears to vary to a considerable extent, although there is clearly an increasing awareness in Colleges that some form of marketing has to be introduced. What became clear from the interviews with F.E. providers was that the term "marketing" was variously interpreted. Some providers considered "marketing" to be synonymous with "promotion/advertising" as a tool for selling. Typically it was seen as involving the production of promotional literature, inserting advertisements in the press and having "Open Day" exhibitions. Other providers recognised that "marketing" included the formal assessment of consumer demand, using marketing research methods to help management decision-making in providing the most appropriate product mix.

The Working Party identified numerous instances of good practice on the part of F.E. providers at local authority and College level. Some education authorities have now appointed Marketing Officers to coordinate

full-time or part-time, vocational or non-vocational, assessed or non-assessed. But from the customers' point of view (and therefore from a marketing perspective) the product could be much broader and all-inclusive than this. To the student, actual or potential, it is a benefit which is sought; one which could include new skills and understandings, paper qualifications, enhanced career prospects, a day off work, social contacts, extra-curricular facilities, and so on. College promotional activities which fail to recognise the multi-faceted nature of the product will, therefore, be seriously restricted in their effectiveness.

It is clear, then, that there are special circumstances in education to be taken into account in applying a marketing perspective: non-commercial pressures, multiple aims, diffuse decision-making authority and a somewhat elusive product. The view of the Working Party, however, was that none of these invalidated the marketing approach. On the contrary, the complexity of the marketing mix made it all the more imperative that a systematic attempt be made by Colleges to disentangle the interlocking considerations involved in course planning so that appropriate weight could be given to political, organisational, educational and marketing aims, and a more professional approach adopted where appropriate to market research, product design and course promotion.

**3. General Methodology Used**

The aim of the F.E. College sector is to provide an education service that best suits the needs of the 'consumer' however the consumer is defined. With such a broadly defined market it was beyond the resources of the Working Party to initiate a conventional market survey. Instead it set out to supplement the expertise already existing within the Group by a desk study of relevant literature and more than 40 semi-structured interviews with both educational providers and F.E. College clients.

The major users of F.E. College educational services for the purposes of this study were divided into three market segments - the general community, schools and the careers service and local industry.

**3.1 The general community**

Considerable debate took part among members of the Working Party as to the precise nature of the demand for educational services within the F.E. College sector from the local community. It was decided to seek out the views of a number of educational liaison bodies primarily giving support to encouraging development of adult education in the widest sense. These bodies were considered able to represent a picture of the expectations and needs of the adult community from the F.E. College sector.

**3.2 Schools and Careers Service**

As with the educational needs of the community, it was considered to be beyond the scope of the Working Party to undertake a full survey of school leavers to determine their own particular educational requirements from the

**2. The Marketing Concept**

Implicit in this investigation was the assumption that a marketing perspective was relevant to the organisation of Further Education colleges. An initial task for the Working Party was, therefore, to articulate and examine this assumption. The definition of Marketing provided by the Institute of Marketing as "the management process responsible for identifying, anticipating and satisfying customers' requirements profitably" provided a starting point for this examination, but raised more questions than it answered.

Who, for example are the "customers" of Further Education Colleges? Are they employers, or YTS managing agents with needs for off-the-job training for employees? Are they school guidance or careers teachers, or local authority careers officers looking for College places for young school leavers? Or are they the students themselves - some of whom will choose to come on leaving school, and some who will be "adult returners", who for a whole range of reasons - including enforced unemployment - are seeking retraining or continuing education.

"Who are our customers?" is far from being merely an academic question for College managements. If education is to become more demand-led or responsive then it is important to know whose demands are to be paramount - particularly if there are differences in emphasis between different potential client groups, e.g. a young apprentice or YTS trainee attending college on a day-release basis may be seeking a broadly-based course, while his employer has more specific training requirements.

A more fundamental question, however, concerns the extent to which Further Education should be demand-led at all. Whatever changes in educational philosophy are introduced by the present Government, it is unlikely that "profitability" will ever be seen as the ultimate yardstick by which the success of a College will be measured. At the same time as Colleges are being urged to engage in revenue-earning activity, they are also being used by government as instruments of public policy and social change, and the policy of "giving people what is good for them" is clearly difficult to reconcile with a marketing orientation. Thus, to take a hypothetical example, it is possible to imagine Colleges being instructed by government to ensure that students on vocational courses are taught a foreign language (as in West Germany). It has, furthermore, been the case in traditional F.E. provision, that an element of liberal studies has been inserted in vocational courses at the wish of educational authorities and public examining bodies. In both these cases it would be argued that Colleges were "satisfying customers' requirements", but the requirements would not have been identified by the customers themselves (either employers or students) nor would they necessarily command customer support.

Defining the product of Further Education also causes major difficulties. From a college point of view, the product is presumably seen as a course - short or long,

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# How far can Marketing be Applied within the Further Education Sector?

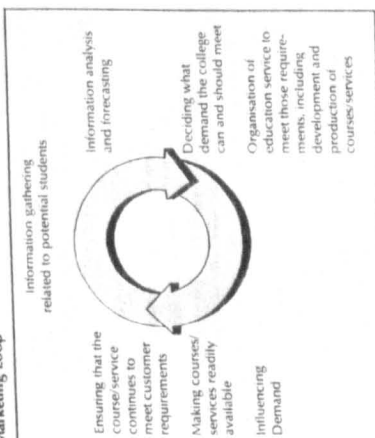
Marilyn A. Stone  
 HERIOT-WATT UNIVERSITY, EDINBURGH  
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 Sandy Thomson  
 JORDANHILL COLLEGE OF EDUCATION, GLASGOW

**1. Introduction**

A Working Party was established in September 1985 at the School of Further Education at Jordanhill College of Education, Glasgow, to examine present marketing practices within the Further Education (F.E.) sector in Scotland. It was intended to investigate how far marketing principles are incorporated into the provision of F.E. College services, and whether the needs of the consumer in its various guises - local community, school leavers and industry - are met by the provision of educational courses through the Colleges. What encouragement is there for those working within the educational system to develop an effective marketing approach throughout the educational establishment?

In essence, is the marketing loop as illustrated below being continuously developed to the advantage of all those concerned with the provision and consumption of educational services?

**Marketing Loop**



## A Cross Cultural Research Project - Using the Mail Questionnaire

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 FORD MOTOR COMPANY LTD.

### Introduction

The unique problems encountered when developing a cross cultural research project using a translated mail questionnaire are reviewed. Reference is made to an actual experience of developing a translated questionnaire and to some of the literature which was found to be helpful.

The research project was an investigation into the intra-channel relationships between a manufacturer in the UK and his overseas intermediaries in West Germany. The mail questionnaire was the selected research instrument. This method was chosen primarily due to the cost advantages of the mail questionnaire over other research methods, particularly when researching overseas companies.

### The Sampling Frame

The study was restricted to manufacturing companies within the United Kingdom with intermediaries located in West Germany.

It was extremely difficult to find accessible ways of identifying manufacturers and their overseas intermediaries. A number of alternatives were pursued without success. One of the alternatives was obtaining lists of overseas intermediaries from the British Overseas Trade Board. These lists were, however, by product category and included a list of potential agents for, say, roof racks or shoes. The lists did not identify agents with their current UK manufacturer.

It was felt that the use of the Kelly's UK Exports directory (1987) was the most practical alternative. This was because it listed companies which were exporting from the UK and included the names and addresses of the companies' agents or distributors in Europe. However, the sample frame produced from this directory was not random, and therefore the "representativeness" of the research data obtained was limited.

The method of selecting the sample was systematic sampling using stratification. Systematic sampling was used because the sampling frame was a register of company names and addresses arranged in alphabetical order. Stratification was achieved because the companies selected were required to be in the business of manufacturing products. Companies in service industries were not included.

250 UK manufacturers were selected, together with 250 overseas intermediaries based in West Germany.

The following methodological limitations were found when developing the sampling frame.

The sample frame was restricted to those companies that had an entry in the directory. (Firms to the directory were paid for by the company.) Systematic sampling (sampling from a list does not give all possible samples of size  $n$  from the population of size  $N$  an equal chance of selection because once the sampling fraction is determined the random selection of the starting point determines the whole sample.)

Stratification by business activity or size (by number of employees or turnover) was not possible due to the nature of the information held in the directory.

A number of companies had agents or distributors who represented these companies in West Germany but were not located in West Germany (many were located in Holland, France or the UK). These firms were therefore not included in the sampling frame. The directory made no clear identification between agents/distributors and wholly owned subsidiaries (except in those cases where the name of the subsidiary was clearly the name of the parent company).

### The Questionnaire

The nature of the research project meant that two different questionnaires had to be developed. The first was for the UK manufacturer and the second, which had to be translated into German, was to be sent to the German agent or distributor of the UK firm.

The questionnaire developed for the UK manufacturer used rank order and 5/7 point Likert scales, with the questionnaire being split into two sections: the first section being of a general nature and the second specifically relating to agents or distributors in West Germany. A concern, found early in the development of the questionnaire, was that a manufacturer may have more than one agent. Indeed, the BoTB suggests in their literature that because West Germany is a Federal Republic a number of agents or distributors need to be appointed to cover each state (BoTB 1985 p.33). It was important, therefore, to distinguish between the appointed agents and to attempt to structure questions that would require an answer for each agent or distributor representing the UK principal.

The consequence of this approach was to extend the length of the questionnaire. The literature suggests, however, that questionnaire length has no significant effect on response rates (Berdie, 1973; Kanuk and Berenson, 1975 and Yu and Cooper, 1983). The questionnaire subsequently developed for the West German agent or distributor was broadly based on the manufacturer's questionnaire but adjusted to the agent's viewpoint. It was assumed that an agent could be representing more than one UK principal so the question design adopted for the manufacturer's questionnaire was also adopted for the German questionnaire, i.e. questions were structured so that an answer was required for each manufacturer that the agent represented.

### Questionnaire Translation

The questionnaire for the West German agent had then to be translated from English into German. The researcher's knowledge of German was limited and therefore translation assistance was obtained from a member of the academic staff (a German national).

The first step in the translation process was to ensure that the translator had sufficient background knowledge of the research project to be able to understand the context of the questionnaire. This was an important step to help the translator to provide an effective translation.

In developing the English version of the questionnaire it was important to recognise that the quality of the written English would also help the translation process.

Brislin, Lonner and Thorndike (1973) reviewed a number of studies in which investigators examined the qualities of written English that translated both poorly and well. The results of this review allowed the authors to develop ten rules which would help researchers write translatable English (p.33):-

1. Use short, simple sentences of less than 16 words.
2. Employ the active rather than the passive voice.
3. Repeat nouns instead of using pronouns.
4. Avoid metaphors and colloquialisms. Such phrases are least likely to have equivalents in the target language.
5. Avoid the subjunctive modes, for example, verb forms with could or would.
6. Avoid adverbs and prepositions telling "where" or "when" (e.g. frequent, beyond, uppen).
7. Avoid possessive forms where possible.
8. Use specific rather than general terms (e.g. the specific animal, such as cows, chickens, pigs, rather than the general term "livestock").
9. Avoid words which indicate vagueness regarding some event or thing (e.g. probably and frequently).
10. Avoid sentences with two different verbs if the verbs suggest different actions.

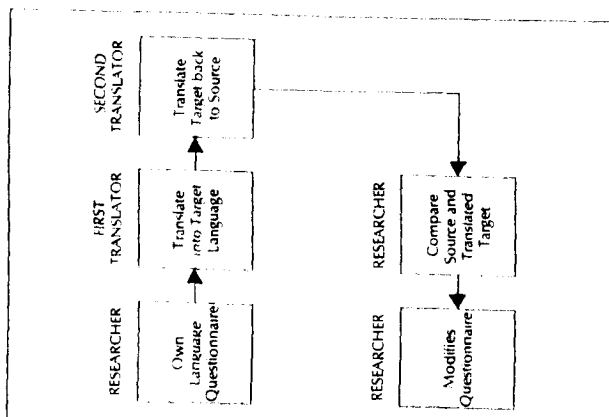
In addition to the above rules the authors also recommended that researchers should (a) provide redundancy, and (b) add context for any difficult phrases. Redundancy is the development of two or more questions for each concept under investigation. This allows the translator to be sure of the meaning of the question when translating the words into another language (one of the questions subsequently becoming redundant).

Adding context to difficult terms allows the translator to see the context in which words are used and therefore assists in obtaining a correct translation. Single words are more difficult to translate than when the word is part of a sentence. The sentence provides the context for a more accurate translation of the word.

The procedure adopted for the translation is known as the Back-Translation technique.

The researcher writes a set of questions in his own language. Two bilinguals are then employed. One translates the questionnaire into the target language and the second blindly translates back from the target to the source. The researcher then has two versions of his questionnaire in the original language, which, if they are identical, suggests that the translated questionnaire is equivalent to the original language form. This Back-Translation technique is summarised in Figure 1. For a full review of the Back Translation technique see Brislin (1970).

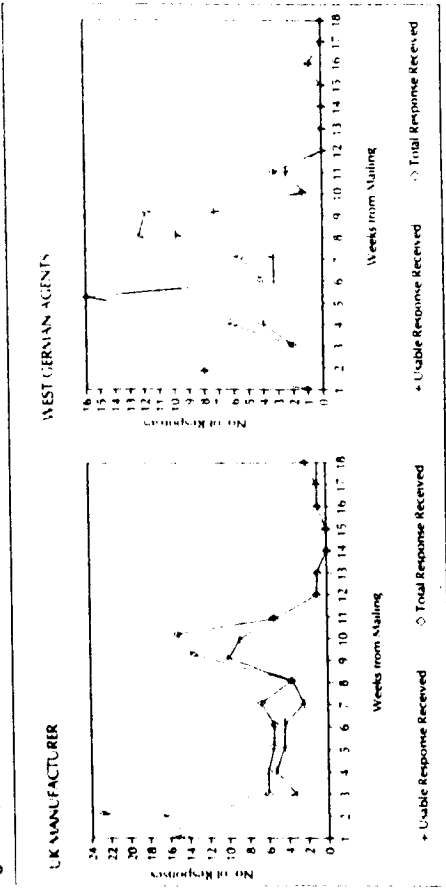
Figure 1 A Model of the Back-Translation Process



The translated questionnaire was then passed to a German national residing in Germany for the questionnaire to be translated back into English. This translated version of the questionnaire was compared to the original English version and the difference analysed. Following this the questionnaire had a number of minor modifications made to it.

A pilot survey was then conducted and the results from the completed questionnaire were reviewed to ensure that the questions had been fully understood. Further minor modifications were possible at this stage - a "fine-tuning" of the questionnaire. This process is summarised in Figure 2.

Figure 3 Questionnaire Response Rate



The covering letter was printed without personalization to ensure that the survey recipient would maintain his anonymity. In the case of the UK manufacturers a cross check with other trade directories was made to establish the appropriate executive to whom the questionnaire should be addressed; in those cases where an appropriate executive could not be identified the envelope was addressed to the Export Sales Manager.

The necessity of prepayment of postage on the return envelope is generally accepted [see Kanuk and Berenson (1975) p.43, and McCrohan and Lowe (1981)]. The cost advantages of using the Royal Mail Freepost Services were estimated that for this project it did not offer a significant saving versus putting a second-class postage stamp on each envelope. However, upon completion of the survey, an analysis of the actual costs of the mailing plus follow-up compared to the freepost service (licence fee plus premium on normal postage) showed that the Freepost service would have been about two thirds the cost of using normal postage. Future researchers and students are commended to review the cost benefit of this mailing service for surveys conducted in the UK.

It was established that the cost of the return letter for the German questionnaire would be DM0.80, and return envelopes were stamped accordingly. However, it was found that some of the returns had additional stamps added to the envelope. Indeed one respondent wrote in English "You want our help - here it is. BUT you should know that posting a letter of 44gms is DM1.80 and not DM0.80. It is not DM1.0 which makes me write this, but your attitude! Typical for the UK!" And this was despite a personal visit to the main post office in Germany by the researcher to establish the exact cost, and to buy the necessary stamps!

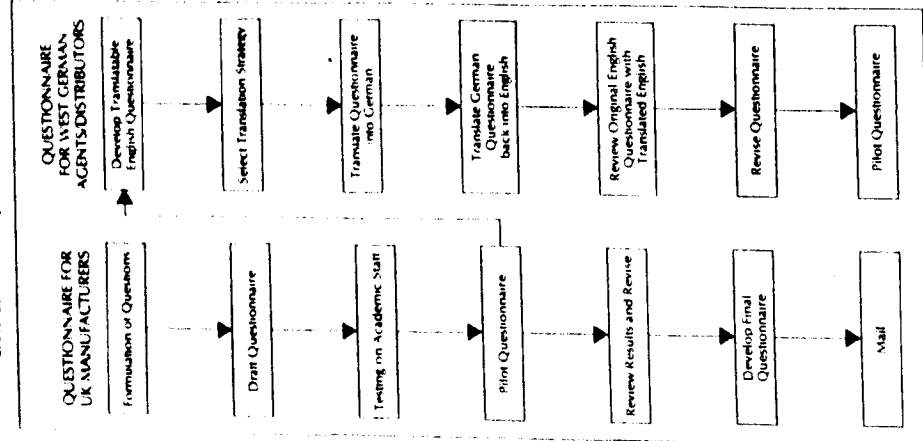
**Response Rate and Quality**

Figure 3 illustrates the response rate and two response waves can be identified. The first follows the initial mailing, and the second wave is as a result of a letter, replacement questionnaire and return envelope mailed at week 8 in figure 3 for the UK manufacturers and at week 6 for the West German agents. VonRiesen (1979) established that replacement questionnaires accompanied by another covering letter and return envelope gave better results than postcard follow-up.

In a number of cases it was found that companies were not exporting to West Germany, although their entry in the directory stated that they had an overseas intermediary based in West Germany.

The total effective survey response for manufacturers and West German intermediaries was 44% and 30% respectively. An analysis of the literature for domestic marketing channels indicated an average usable response rate of 29%. The average usable response rate reported in the literature for research studies into export marketing practices was 36%.

Figure 2 Constructing and Developing a Cross-Cultural Mail Questionnaire



**The Questionnaire Mailing**

The final UK and German questionnaires were accompanied by a covering letter and stamped addressed envelope. The covering letter and the front page of the questionnaire both carried the name and address of the Middlesex Business School. Peterson (1975) observed that the most influential factor for increasing response rate was the source of the questionnaire; a university source increased response rate and quality (but decreased response speed) compared to a business source.

It is worth noting the extended period for obtaining responses. When surveying exporters it has to be recognised that the key informants are often travelling to export markets and completion of questionnaires must be considered a low priority for these busy executives. The total length of time from first mailing to receipt of final response was therefore some four to five months. It should also be noted that this particular research project was dogged by continuing industrial unrest in the Royal Mail (through the Summer of 1988) which also contributed to delays in the mailing and response rate; the first mailing of the questionnaire to the UK manufacturers was delayed by a 48 hour strike by postal workers in North London.

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## Conceptual and Empirical Developments of Marketing Channel Conflict

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*Managers regularly have to struggle with conflict within the marketing channel and it is therefore important that marketing managers should have an understanding of conflict and its meaning in the channel setting. This paper attempts to provide a background to this understanding by reviewing the conceptual and empirical developments in the field of marketing channel conflict. These developments are drawn together into an integrated model of current research into channel conflict.*

### SCOPE OF THE PAPER

Hunt, Ray and Wood (1985) in their review of the marketing channel literature suggested that the following concepts were most representative of the work in the behavioural aspects of marketing channels: bargaining, conflict, cooperation, power, performance, member roles, member satisfaction and political economy (p. 1). The complexity of these behavioural aspects of marketing channels was illustrated by the review of some 118 contributions to the literature.

Conflict is a fact of life in the marketing channel, as it is in any social system, and one with which managers inevitably struggle on a regular basis. Stern and Gorman (1969) summed up the conflict dimension in the following way:

"When a channel of distribution is viewed as a social system, the members of such a channel are, by definition, caught up in a web of interdependency. The actions of behaviour of any one member have consequences for the level of output (measured in terms of individual goals) achieved by the others. This dependency relationship represents the roots of conflict in channels of distribution." (p. 156).

The seminal review of Gaski (1984) developed an integrated overview of the theory of power and conflict in marketing channels. However, the major thrust of the Gaski paper was power. This paper focuses on conflict, and seeks to provide a theoretical background to the concept of conflict in the marketing channel setting. It reviews conceptual definitions from the literature of sociology, organisational behaviour and psychology, as well as those specifically developed in the marketing literature. A review of the empirical marketing literature relating to channel conflict is provided, together with a review of the operationalisation of the conflict construct within this literature. Finally, an integrated model is proposed which pulls together the strands of the research into the current state-of-the-art of channel conflict theory.

### DEFINITION OF CONFLICT

There is little consensus in the literature as to a simple definition of conflict. Fink (1968) provided an exhaustive review of the conflict literature which revealed a large number of divergent views. Pondy (1967) established that the literature described conflict as: (1) antecedent conditions (for example scarcity of resources, policy differences, etc.) of conflictual behaviour; (2) affective states (e.g. stress, tension, hostility and anxiety) of the individuals involved; (3) cognitive states of individuals, i.e. their perception or awareness of conflictual situations, and (4) conflictual behaviour, ranging from passive resistance to overt aggression. Thomas (1976) confirmed the lack of consensus among researchers on a specific definition of "conflict" (p. 890).

Deutch (1969) stated that a conflict exists whenever incompatible activities occur. The incompatible actions could originate in one person, in one group or in one nation. These conflicts were called intrapersonal, intragroup or intranational, but when they reflect incompatible actions of two or more persons, groups or nations these were called interpersonal, intergroup or international.

Raven and Kruglanski (1970) defined conflict as:

"... tension between two or more social entities (individuals, groups or larger organisations) which arises from incompatibility of actual or desired responses." (p. 70).

Pondy (1967) developed a process model of conflict which classified conflict into five (not necessarily sequential) stages:

1. *Latent Conflict*—Underlying sources of organisational conflict subdivided into three basic types:
  - (a) competition for scarce resources
  - (b) drives for autonomy



- (c) divergence of subunit goals.
2. *Perceived Conflict*—perceived conflict: no conditions of latent conflict exist.
  3. *Felt (Affective) Conflict*—personalisation of conflict: anxieties and hostile feelings.
  4. *Manifest Conflict*—behaviour which blocks another member's goal achievement.
  5. *Conflict Aftermath*—resolution or suppression of a conflict episode.

Schmidt and Kochan (1972) proposed that goal incompatibility, perceived opportunity for interference, and interdependent activities among organisational subunits increase the potential for conflict. The model proposed is consistent with Pondy's outlined above, but Schmidt and Kochan conceptualise conflict as the overt behaviour outcome of the process i.e. the actual interference or blocking.

### CONCEPTUAL DEFINITIONS OF MARKETING CHANNEL CONFLICT

The conceptual definitions of conflict summarised above were developed within the disciplines of sociology, organisational behaviour and psychology. Conflict within the marketing channel required its own definition, and one of the first of these was established by Stern and Gorman (1969). Their view was that conflict was a process of system changes:

"... a change occurs in the task environment or within a channel member's organisation that eventually has implications for the channel members... when the other affected members perceive the change as being potentially frustrating to their goals and attempt to remove the cause of frustration, a conflict situation emerges." (p. 172).

Etgar (1979) agreed with the Stern and Gorman (1969) typology that conflict was traditionally defined as existing in a channel when:

"... a component (channel member) perceives the behaviour of another to be impeding the attainment of its goal or the effective performance of its instrumental behaviour patterns." (p. 156).

A descriptive model proposed by Rosenberg and Stern (1970) was based on Pondy's model of interorganisational conflict. The model suggested that conflict involved three stages: the emergence of causes of conflict, behavioural conflict-filled reactions of the channel members, and conflict outcomes in the form of performance results of members firms. Firat, Tybout and Stern (1974) suggested that conflict occurs in a "conflict field". This field illustrated the relationship between interdependence and conflict. The greater the level of interdependence, the greater will be the opportunity for interference of goal attainment, and hence the greater the potential for conflict. Rosenberg (1974) suggested a conflict process which

occurs during critical periods when conflict patterns can be more easily identified. His model starts with marketing goals which differ between channel members and a level of tension is created unless substantial agreement and cooperation is reached among the channel members. At some time tension reaches a level where it can no longer be contained resulting in a flare-up that brings the conflict into the open and disrupts the short-term operations of the channel system. Conflict resolution actions are then taken (such as negotiations or mediation). The outcome may feed back to reshape the firm's goals, affect goal implementation or contribute to a given tension level. A process model of interorganisational relations in marketing channels was developed by Cadotte and Stern (1979). This also elaborated on work previously proposed by Pondy (1967), and presented a dynamic, mathematical model of conflict and power in the channel setting with the following critical elements: conflict potential dependence, conflict perception, resultant force and conflict aftermath.

The potential for conflict between two channel members is determined by the degree of goal, domain and perceptual incompatibility existing between the channel members together with their interdependence. This is followed by the perception or recognition of various areas of potential conflict by the focal organisation which initiates efforts to influence the target organisation's goals, domain conceptions and perceptions. The target organisation then experiences pressure to shift its position on these dimensions and the aftermath of a successful influence attempt (or "power play") on the part of the focal organisation will include a change in one or more of the target organisation's critical dimensions, as well as changes in such things as costs, benefits and the power relationship itself.

### OPERATIONALISATION OF CHANNEL CONFLICT

The major approach used (see, for example, Rosenberg and Stern 1971, Pearson 1973, and Lusch 1976a and Eliasberg and Michie 1984) in channel conflict studies is to identify items over which firms within the distribution channel might disagree. Respondents are then asked to provide an estimate of the degree of conflict or to provide some estimate as to the frequency of disagreements over each issue.

A semantic differential comprising 23 pairs of polar adjectives was included in the questionnaire given to subjects in a laboratory experiment by Stern, Sternthal and Craig (1973). These polar adjectives were characteristic of conflict and cooperation and included such items as flexible-rigid, open-deceptive, and realistic-unrealistic.

Lusch (1976a and b) defined conflict between car manufacturer and dealer as the frequency of disagreement between channel members over 20 issues, as perceived by the dealer. The question asked of the dealers was "Manufacturers and dealers frequently disagree on many issues. For each of the issues..., check the response which indicates your frequency of

disagreement". The response categories were: very frequently; frequently; infrequently; very infrequently. An overall index of conflict was obtained by summing the dealer's perceived conflict with the manufacturer on each of the 20 issues.

Hunger and Stern (1976) used two Likert-type statements to measure each subject's perception of conflict. Felt conflict was measured using a 17-item Likert scale.

Kelly and Peters (1977) followed Lusch's typology with a list of 21 possible conflict issues; Brown (1979) also using this method identified 15 key conflict issues; Wilkinson (1981) 14 issues; Dills (1985) 19 issues.

In a different approach Pearson and Monoky (1976) used conflict and cooperation statements. Each respondent was asked to rate on a ten-point scale the applicability of 15 conflict and 15 cooperation statements to his relationship with his channel partner.

Eigar (1979) measured conflict causes by using a list of 48 conflict statements. The statements attempted to measure the lack of clarity in channel roles, nonfulfilment of manufacturer and dealer roles, divergence in perceptions, divergence in expectations, intrachannel communication noise, divergence of goals, drive for autonomy and competition over channel resources. Each respondent was requested to rate on a six-point scale using intervals from completely disagree to completely agree.

Conflict was operationalised by Rosson and Ford (1980) as the times when the distributor becomes the object of the manufacturer's frustration over the following issues:

1. Frequency of disagreements on various marketing activities (i.e. information exchange, price levels, promotional policy, sales efforts, inventory levels, delivery schedules, product servicing, margins);
2. Frequency of disagreements with UK distributors compared with other overseas distributors;
3. Frequency of resolving disagreements;
4. Mutuality of Relationship.

Brown and Day (1981) set out to establish improved methods of operationalisation for the manifest conflict construct. Fifteen issues were identified as the most sensitive to the manufacturer-car dealer channel relations that were being explored. The importance of each issue to the car dealership's overall profitability was rated on an 11-point scale from "very unimportant" to "very important". Each dealer recorded the frequency on an 11-point scale for which the dealership's managers expressed disagreement with the representative from the manufacturer over particular issues. The intensity of typical disagreements on each issue was rated by the dealers on seven-point scales ranging from "not very intense" to "very intense". Four additional items using a seven-point scale were measured: goal compatibility, overall conflict level, goal impediment and overall affective conflict.

Six alternative measures of manifest conflict were obtained from the data by using different combinations of the three responses: importance of each issue, frequency of disagreements and intensity of disagreements. All six measures were evaluated with respect to reliability, content validity, nomological validity and convergent validity.

The researchers concluded that the best measures of conflict were the importance of each issue multiplied by the frequency of disagreements and the intensity of disagreements.

Intrachannel conflict was defined operationally as the intensity of affective conflict over 14 key issues by Schul, Lamb and Little (1981) and Schul, Pride and Little (1983). Intensity of conflict was measured on a four-point scale ranging from high to none.

Ross and Lusch (1982) measured felt conflict and cooperation with ten adjectives using a ten-point Stapel scale. Five that were cooperative (coordination, coalition of interests, respectfulness, mutual confidence, companionship) and five that were conflictual (unreasonable demands, crossness, inconsistency, emotional outbursts, dissension). Absence of agreement between channel members was measured using a list of ten activities or functions with a five-point rating scale.

It appears from the above that the accepted approach for the measurement of manifest conflict is to first identify items over which firms within a distribution channel might disagree and then ask respondents to provide their subjective estimates as to the degree of conflict contained in each item. These items are then summed or averaged to arrive at an index of conflict within the channel being studied.

Comparisons of the similarity with which retailers in a particular channel of distribution would rate the services of their wholesale suppliers relative to the principal service dimension provided by the manufacturer were researched by Foster and Shuptrine (1974) to identify the potentiality of channel conflict. This work was further reported and extended in Shuptrine and Foster (1976). The ratings obtained from the research were indicative of the calibre of the performance of domain-related activities of the interdependent channel members. The results of this research were suggestive that information about the role and domain performance in the assessment of a key participant for whom other firms compete for support provided an indication to potential channel conflict. No outcomes of channel conflict were proposed.

## EMPIRICAL DEVELOPMENTS OF MARKETING CHANNEL CONFLICT

A number of researchers have examined conflict in the distribution channel and have used a variety of research designs and measurements, including laboratory parasimulations, field surveys and mail surveys.

Rosenberg and Stern (1971) and Rosenberg (1971), in a survey of

manufacturers, distributors and dealers of household durables, found that "the longer the respondents had been with either distributors or dealers a structural factor), the higher the conflict level with the manufacturer" and "the greater one member's dissatisfaction with another's performance, the higher the conflict level between them" (p. 441). This research claimed a causal role for conflict.

Pearson's (1973) study of a retail grocery chain concentrated on the conflict-performance measure, however, the results were not statistically significant.

A parasimulation approach was adopted by Stern, Sternthal and Craig (1973) to test experimentally the effectiveness of different conflict management strategies which included the introduction of superordinate goals and an exchange-of-persons program.

Another parasimulation (a continuation of the work of Stern, Sternthal and Craig 1973) was reported by Hunger and Stern (1976), and this study found that superordinate goals were effective in reducing felt conflict.

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Lusch (1976a) found that car dealers who frequently disagree with their manufacturers do so at the cost of decreasing their return on assets turnover. He concluded that minimising conflicts with manufacturers appeared to be the best strategy for car dealers. However, Pearson (1973), mentioned above, was unable to establish a relationship between conflict and performance. In a continuation of the car dealer study, Lusch (1976b) examined the link between coercive sources of power and intrachannel conflict. He concluded that noncoercive and coercive sources of power have significant impacts on intrachannel conflict; noncoercive sources tend to increase it. Etgar (1978) challenged the results presented by Lusch; he thought the results may be incorrect because the research disregarded the dynamic aspects of power-conflict relations. Lusch (1978) refutes Etgar's arguments in his reply.

Pearson and Monoky (1976) identified the existence of a relationship between the operational performance of a channel of distribution and its position on a conflict-cooperation continuum. Their analysis indicated that the higher performance groups manifested to a greater degree the cooperative dimensions whilst the reverse was true regarding the conflict

dimensions which tended to be manifested to a greater degree by the low performance groups.

In a study of franchisees and distributors, Kelly and Peters (1977) found similar results to Lusch, i.e. operators with higher levels of conflict often performed at lower levels.

Brown (1977), in a pilot study, examined the feasibility of using conjoint-measurement to operationalise conflict and to evaluate the contribution of various factors to perceived conflict. The study indicated that this may be a useful technique in determining the relative contribution of conflict issues to the seriousness or overall level of perceived conflict. However, it was a laboratory study using students as the sample and validity and reliability evidence were not presented.

The relationship between explicit influence strategies and conflict was explored by Brown and Frazier (1978) in another pilot study involving the distribution channel for new cars. They concluded that the car dealer's perceptions of conflict with their manufacturers were correlated with their perceptions of how frequently manufacturers used explicit strategies (or power sources) over dealer decision issues. They found that the use of particular power sources were positively correlated with channel conflict and inversely related to dealer satisfaction.

Two broad sets of conflict were identified by Etgar (1979): attitudinal and structural differences among channel members. Attitudinal sources of conflict were found to be usually associated with disagreements about channel roles, expectations, perceptions, and channel communications; structural causes of intrachannel conflict could be divergence of goals pursued by the different channel members, drives for autonomy and control, and fights over scarce resources. The study indicated that attitudinal rather than structural causes of conflict are major generators of affective as well as manifest conflict within distribution channels.

The management of channel conflict resolution was investigated by Brown (1979) within distribution channels for new cars. The results indicated that car dealers expend the most effort in resolving conflicts relating to those issues over which they have little or no control.

In a survey of 19 manufacturers, Rosson and Ford (1980) found considerable support between levels of conflict and performance.

Using a path analysis approach, Schul, Lamb and Little (1981) showed that there was an effect of satisfaction on conflict, i.e. when a franchisee was satisfied with his franchise arrangement, they tended to experience less conflict with the franchisor and vice-versa.

A causal modelling approach was adopted by Wilkinson (1981). He found that coercive power was viewed as being affected by the level of conflict and the overall level of power of the channel member. Conflict was affected (inversely) by the degree of channel member satisfaction and power.

Domain dissensus and perceptual incongruity as causes of conflict were investigated by Ross and Lusch (1982). The results indicated no significant

relationships between either perceptual incongruities or domain dissensus and the level of conflict.

Schul, Pride and Little (1983) examined the impact of different types of channel leadership behaviour on channel members' perceptions of intrachannel conflict in a franchise distribution channel. The results indicated that conflict arising from both administrative and product-service issues diminishes when the franchisor is perceived to exhibit a leadership style emphasising participation, support and direction.

The relationships between the level of conflict and certain business issues perceived by members of a marketing channel and the channel members' business goals were investigated by Eliasberg and Michie (1984). These relationships were examined from the point-of-view of each of the dyadic parties involved. The results suggested that the relationships were not established similarly on both sides of the dyad. The relationships depended on the set of goals, the perceived conflict issue, and the measure used.

Dilts (1985) in a study of a comparative, cross-channel examination of channel conflict, found that the level and nature of conflict experienced by retailers varied across channel structure.

Manifest conflict was negatively correlated with satisfaction in the preliminary findings of Arndt and Ogaard (1986). Their study was a cross-cultural study conducted in California and Norway of conflicts among dealers and manufacturers in the car industry of each country. They suggested that conflict results in dissatisfaction with the other party, opportunistic behaviour and similar opportunism attributed to the other party.

### RESEARCH METHODOLOGY

The research reviewed above has been conducted in a variety of channel settings, predominantly in the USA. Mail questionnaire was the main collection method, with personal interviews also important as a research method. The size of the sample surveyed varies significantly with 11 of the studies having more than 100 respondents.

### CONCLUSION AND SUGGESTIONS FOR FURTHER RESEARCH

Much of this research can be integrated into a model of the current state-of-the-art of channel conflict theory (see Figure 1). A summary of the research is contained in the Appendix using the format developed by Gaski (1984, pp. 15-20).

Empirical research has provided links between attitudinal sources of conflict, conflict management strategies, coercive and noncoercive sources of power and leadership behaviour and the various conflict states (perceived,

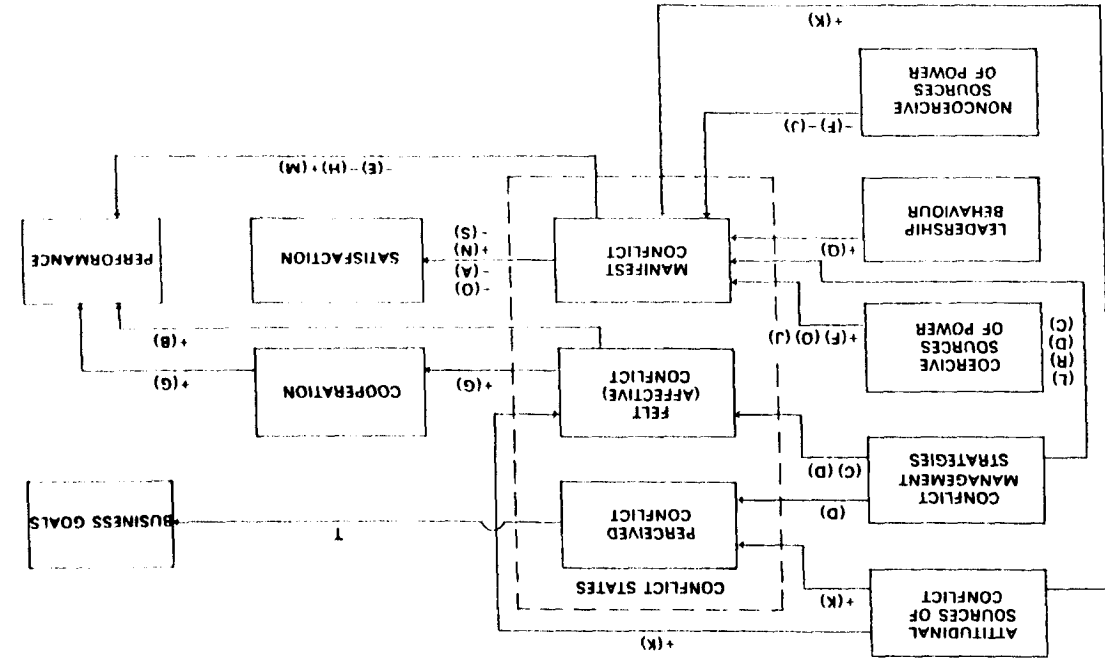


FIGURE 1 Model of Research into Channel Conflict: + = Positive relationship; - = Negative relationship; A = Rosenzberg and Stern (1971); B = Pearson (1973); C = Stern, Sternthal and Craig (1973); D = Hungler and Stern (1976); E = Lusch (1976a); F = Lusch (1976b); G = Pearson and Monoky (1976); H = Kelly and Peters (1977); J = Brown and Frazier (1978); K = Edgar (1979); L = Brown (1979); M = Brown (1979); N = Schul, Lamb and Little (1980); O = Wilson (1981); P = Schul, Pride and Little (1983); Q = Schul, Pride and Little (1983); R = Dilts (1985); S = Arndt and Ogaard (1986); T = Eliasberg and Michie (1984).

felt and manifest). Little convincing work, however, has been done relating the outcomes of channel conflict to the business environment.

There are some links between conflict and performance which suggest that greater conflict leads to poorer performance and the more conflict found within the channel the more dissatisfied channel members are with the relationship.

Where is all this research leading? Has this research resulted in better management practice and understanding of the problems associated with conflict in the channel? The research appears to have confirmed the "gut feel" that many managers must have, for example:

- i) "the greater one (channel) member's dissatisfaction with another's performance, the higher the conflict level between them." (Rosenberg and Stern 1971);
- ii) Noncoercive sources of power increase intrachannel conflict (Lusch 1976b);
- iii) High levels of conflict results in lower performance levels (Pearson and Monoky 1976, Kelly and Peters 1977);
- iv) In some way the level of conflict is linked to the satisfaction of channel participants (Schul, Lamb and Little 1981).

The most important question is, surely, what can be done about the dysfunctional aspects of conflict in the channel. A research strategy needs to be developed that provides direction for future marketing managers. This strategy should therefore attempt to provide answers to the weaknesses in previous research as well as moving the area forward by researching conflict resolution strategies. Stern (1971) and Stern and El-Ansary (1988) have proposed various strategies for managing conflict in the channel environment, but little empirical work has been done in the area. The majority of channel behaviour research has concentrated on conflict and power. Future empirical research should be conducted using the satisfaction, cooperation and performance constructs.

One of the major weaknesses of channel research, and in particular the construct of conflict, must be the concentration of single channel member research. Clearly the researching of all the participants in a channel would significantly contribute to a better understanding of overall channel behaviour, and the conflict aspects in particular.

Finally, the predominant trend of research has been to concentrate on the franchise channel (in the USA). Whilst franchise channels offer many advantages to the researcher can we be sure that the findings can be generalised to other channel formats in other countries?

## MARKETING CHANNEL CONFLICT

Summary of major conflict research in marketing channels	
1. Research Design	Rosenberg and Stern (1971) Survey of 110 Manufacturers, Distributors and Dealers of household durables (mail questionnaire and personal interview).
2. Measurement of conflict	Perceptual, self-report Altrabatic difference between mean Likert scale (32 responses regarding perceptions of issues by respondents at different levels in channel).
3. Conflict State/Dimension	Perceived/Intensity.
4. Validity, Reliability, Evidence	Content Validity: No alpha reported, although Likert scale used.
5. Statistical Analysis	t-test, correlation
6. Major Weaknesses	Questionable validity and legitimacy of conflict measures.
7. Location of Channel	USA
1. Research Design	Pearson (1973) Field study of 55 channel segments in a retail grocery chain.
2. Measurement of conflict	Summated rating on ten-point and Stapel scales for 15 cooperation and 15 conflict statements.
3. Conflict State/Dimension	Affective/Intensity.
4. Validity, Reliability, Evidence	None.
5. Statistical Analysis	Correlation (Chi Square test).
6. Major Weaknesses	No validity reported.
7. Location of Channel	USA
1. Research Design	(Stern, Sternthal and Tang) (1975) Laboratory paramulation of Manufacturer/Wholesaler channel using 173 students.
2. Measurement of conflict	Rankings on 23 seven-point semantic differentials containing adjectives characteristic of conflict and cooperation.
3. Conflict State/Dimension	Affective/Intensity.
4. Validity, Reliability, Evidence	(Consistent validity manipulation check of conflict introduction by comparing perceived ratings across conflict treatments).
5. Statistical Analysis	Significant t-test.
6. Major Weaknesses	Laboratory study with student subjects.
7. Location of Channel	USA

1. Research Design	Foster and Shuptrine (1974) Interviews with 167 retailers selling speciality consumer product.	Rosenberg (1974) Personal interview of eight executives in eight manufacturing companies.	Hunger and Stern (1976) Laboratory parasimulation of Manufacturer/Wholesaler channel using 108 students.
2. Measurement of Conflict	Rating of 20 items for each of four wholesalers using four-point scale and rating of nine items for each of the four manufacturers on point-of-purchase display effort.	Interviews based on list of open-ended questions.	1. Ratings in two five-point Likert-type scales. 2. Ratings on 17-item Likert-type scales. 3. Evaluation of intergroup messages.
3. Conflict State/Dimension	Manifest/Frequency.	Perceived/Manifest.	1. Perceived/Intensity. 2. Affective/Intensity. 3. Manifest/Frequency and Intensity.
4. Validity, Reliability Evidence	None.	None.	1. Convergent validity. 2. Reliability Spearman's and Edward's criterion of acceptable differentiation. 3. Reliability interjudge reliability checks.
5. Statistical Analysis	Correlation.	None reported.	Wilcoxon Matched-Pairs Signed-Ranks Test Chi Square test
6. Major Weaknesses	No validity reported. Ignores intensity dimension.	No validity reported. Small sample. No statistical analysis.	Laboratory study with student subjects.
7. Location of Channel	USA.	USA.	USA.

1. Research Design	Lusch (1976a) Mail survey of 567 car dealers.	Lusch (1976b) Mail survey of 567 dealers.	Pearson and Monoky (1976) Interview of 54 channel segments, each consisting of a retail grocery buyer and his vendor.
2. Measurement of Conflict	Perceptual, self-report frequency of disagreement (index summed across 20 issues).	Perceptual, self-report frequency of disagreement (index summed across 20 issues).	Rating of ten-point scale the applicability of 15 conflict and 15 cooperation statements relating to the relationship with channel partner.
3. Conflict State/Dimension	Manifest/Frequency.	Manifest/Frequency.	Affective/Performance
4. Validity, Reliability Evidence	Content Validity, 0.89 alpha.	Content Validity: Weak convergent validity (0.50 correlation with unspecified, single-item alternate measure), 0.89 alpha.	None.
5. Statistical Analysis	Simple and Multiple Regression.	Multiple Regression.	Multiple Discriminant Analysis.
6. Major Weaknesses	Ignores intensity dimension.	Ignores intensity dimension of conflict.	No validity reported.
7. Location of Channel	USA.	USA.	USA.

	Kelly and Peters (1977)	Shuptrine and Foster (1976)	Brown (1979)
1. Research Design	Interview with 145 franchisees and distributors.	Interviews with 157 retail stores selling a speciality consumer product.	Mail questionnaire to 210 new car dealers.
2. Measurement of Conflict	Frequency of disagreements between the two levels in the channel using four-point scale over 21 possible conflict issues researched.	Rating of 20 items for each of three wholesalers using five-point scale and rating of nine items for each of the three manufacturers on point-of-purchase display effort.	11-point scale over 15 key issues.
3. Conflict State/Dimension	Manifest/Frequency.	Manifest/Frequency.	Manifest/Frequency.
4. Validity, Reliability Evidence	None.	None.	None.
5. Statistical Analysis	One-way analysis of variance. <i>t</i> -test.	Rank order. Factor Analysis.	Correlation and Factor Analysis
6. Major Weaknesses	Ignores intensity dimension. No validity reported.	No validity reported. Ignores intensity dimension.	No validity reported. Ignores intensity dimension.
7. Location of Channel	USA.	USA.	USA.

	Rosson and Ford (1980)	Schul, Lamb and Little (1981)	Wilkinson (1981)
1. Research Design	Personal interviews with 19 Canadian manufacturing companies	349 mail questionnaire to franchised real estate brokers.	Personal interview of 60 hotel retailers of bulk beer, examining 75 brewer hotel dyads
2. Measurement of conflict	Frequency of disagreement on various activities; disagreements with distributor, frequency of resolving disagreements and mutuality of relationship.	Thirteen key conflict specific issues frequency of disagreement using four-point scale. (Index summed across 13 issues)	Respondent rating of frequency of disagreement with supplier (five-point scale) across 11 issues
3. Conflict State/Dimension	Manifest/Frequency.	Manifest/Frequency.	Manifest/Frequency
4. Validity, Reliability Evidence	None.	Reliability Coefficient 0.91. Convergent validity.	Cronbach's alpha 0.85
5. Statistical Analysis	Correlation.	Path analysis. Multiple regression.	Correlation, Stepwise regression, Multiple regression
6. Major Weaknesses	No validity reported. Small sample. Ignores intensity dimension.	Ignores intensity dimension.	Small sample. No evidence of validity
7. Location of Channel	Canada.	USA.	Australia.

	Brown and Day (1981)	Ross and Lusch (1982)	Schul, Pride and Little (1983)
1. Research Design	Mail questionnaire to 210 car dealers.	Food brokers and wholesalers. Fifty-four dyads. Mail questionnaire.	Mail questionnaire to 349 franchised real estate brokers to establish impact of leadership styles on conflict.
2. Measurement of Conflict	Eleven-point scale over 15 issues. Frequency and levels of disagreements.	Ten-point Stapel scale.	Fourteen key issues with intensity of conflict measured on a four-point scale (high to none).
3. Conflict State/Dimension	Manifest/Frequency and Intensity.	Felt.	Affective/Intensity
4. Validity, Reliability Evidence	Coefficient alpha 0.83 to 0.90. Content validity. Nomological validity. Convergent validity.	None reported.	Coefficient alpha 0.78 for administrative conflict 0.83 for product/service scale
5. Statistical Analysis	Correlation, Factor analysis.	Correlation, Wilcoxon matched pairs test.	Factor Analysis. Canonical Analysis
6. Major Weaknesses		No validity or reliability reported. Little statistical significance. Ignores intensity dimension.	Study states findings to be treated with caution. Several limitations identified.
7. Location of Channel	USA.	USA.	USA.

	Eliashberg and Michie (1984)	Dilts (1985)	Arnot and Ogaard (1986)
1. Research Design	Eighty-five franchisees and 43 manufacturer's managers in large industrial installations manufacturer. Mail questionnaire.	Eighty-three home electronic dealerships. Mail questionnaire.	Comparative study of car dealers (Franchisees) in USA and Norway. Field Interviews USA: 55 dyads. Norway: 104 dyads.
2. Measurement of Conflict	Twenty key issues. Five-point scales for frequency and intensity.	Eleven-point scale on 19 issues. Frequency and Intensity.	Five-point scale on 14 issues.
3. Conflict State/Dimension	Perceived/Intensity.	Manifest/Frequency and Intensity.	Manifest
4. Validity, Reliability Evidence	Coefficient alpha 0.74 to 0.94.	Coefficient alpha 0.90. Convergent validity. Nomological validity.	Coefficient alpha ranging from 0.83 to 0.91.
5. Statistical Analysis	Correlation. Factor Analysis.	Univariate and multivariate procedures.	Correlation. Multiple regression.
6. Major Weaknesses	Little statistical significance.	Small sample.	No convincingly strong results. Preliminary findings only.
7. Location of Channel	USA.	USA.	USA/Norway.



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