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THEORETICAL PERSPECTIVES OF SUPPLIER-BUYER
LONG-TERM RELATIONSHIPS IN INDIA

presented by

Jong Pil Yu

has been accepted towards fulfillment
of the requirements for the

Ph. D degree in Philosophy

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August 23, 2006

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THEORETICAL PERSPECTIVES OF SUPPLIER-BUYER LONG-TERM RELATIONSHIPS IN INDIA

By

Jong Pil Yu

A DISSERTATION

Submitted to
Michigan State University
In partial fulfillment of the requirements
For the degree of

DOCTOR OF PHILOSOPHY

Department of Advertising, Public Relations and Retailing

2006

ABSTRACT

THEORETICAL PERSPECTIVES OF SUPPLIER-BUYER LONG-TERM RELATIONSHIP IN INDIA

By

Jong Pil Yu

The results of this study can be summarized by five main points. First, this study demonstrated the differential effects of satisfaction and conflict in Indian supplier-buyer relationships. Both conflict and satisfaction have an economic and non-economic dimension. Second, Indian suppliers' coercive power sources negatively influence satisfaction (economic and non-economic), and positively influence conflict (economic and non-economic). Also, suppliers' performance positively influences satisfaction (economic and non-economic), and negatively influences conflict (economic and non-economic). Third, economic satisfaction and non-economic satisfaction positively influence cooperation and switching costs, while economic conflict and non-economic conflict negatively influence cooperation and trust. Satisfaction and conflict mediate the relationship between power sources and performance, and cooperation and trust. Fourth, cooperation and trust positively influence commitment, whereas switching costs do not. Specifically, trust and cooperation act as mediating factors between satisfaction and conflict, and commitment. Fifth, the Indian processed food markets are in transition from a sellers' market to a buyers' market. Although buyers reported high dependence on their major supplier (an indicator of a sellers' market), the results of this study show that Indian suppliers use non-coercive power sources more frequently than coercive power sources, which is an indication of a buyers' market.   Practical applications of the findings are discussed.

To My Family &
Dr. Pysarchik

ACKNOWLEDGEMENTS

I wish to thank the important individuals who made the completion of this dissertation possible. My deep thanks and appreciation go to Dr. Dawn T. Pysarchik who has been my committee chairperson. I really appreciate her dedication and inspiration.

I gratefully acknowledge Dr. Brenda Sternquist, Dr. Richard Spreng, and Dr. Kyoung-Nan Kwon, my other committee members for their help and valuable comments. My fellow graduate students deserve my thanks for having read and commented on many parts of this dissertation.

I reserve my very special thanks for my family. My father and mother always supported me and encouraged me to do my best. Indeed, for everything I have today, I am deeply indebted to them. I would be remiss if I did not thank my younger brother.

Specifically, my greatest debt is to my wife, Hye Seon Jeong, for her love, support, and endless sacrifices throughout the process of my graduate studies. Without her patience and support, this dissertation would never have been completed. I would like to thank to my lovely son, Su-Han, and daughter, A-Han, for the full joy they brought me.

Finally, I would like to thank God for blessing me to accomplish all these things.

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CHAPTER I

INTRODUCTION

For several decades, the study of channel relationships has been considered an important academic field in the marketing literature. Most channel relationship studies have focused on explaining how relational processes lead to outcomes such as conflict, satisfaction, trust, dependence, long-term orientation, and commitment. The purpose of such studies is to observe, analyze and interpret the relationships between suppliers and buyers in order to track channel members' performance and to optimize goals.

During the 70s and 80s, such concepts as power sources, satisfaction and conflict were studied widely. Most studies investigated the relationships among power sources, satisfaction, and conflict, and found that coercive power sources have a positive effect on conflict and a negative effect on satisfaction, whereas non-coercive power sources have a negative effect on conflict and a positive effect on satisfaction (Brown and Frazier, 1978; Gaski, 1984, 1986; Gaski and Nevin, 1985; Hunt and Nevin, 1974; Lusch, 1977; Michie and Sibley, 1985; Wilkinson, 1981).

Since the 90s, studies of channel relationships have begun to turn away from focusing on the constructs of power, satisfaction and conflict, and are more likely to highlight the important aspects of a long-term relationship between suppliers and buyers, that is, cooperation, switching costs, trust, long-term orientation and commitment. Several researchers empirically found that cooperation, trust, and switching costs are positively related to long-term orientation or commitment (Anderson and Narus, 1990; Ganesan, 1994; Geyskens et al., 1999; Morgan and Hunt, 1994; Olsen and Granzin, 1993; Skinner et al., 1992; Yu and Pysarchik, 2002).

In fact, many studies considered the supplier-buyer long-term relationship to be the most critical construct to establish optimal business relationships, because suppliers and buyers need to work together in ways that increase benefits and mutual performance, while at the same time reduce costs (Burt and Doyle, 1993; Ganesan, 1994; Morgan and Hunt, 1994; Landeros and Monczka, 1989; Lorange and Roos, 1992).

For example, Ganesan (1994) stressed that the retailer (buyer) can realize competitive advantages such as faster delivery of merchandise, new and better product information, competitive activities, better prices, and promotion and mark-down allowances through a long-term relationship. Likewise, the seller (supplier) can obtain competitive advantages through a long-term relationship, for example, information on better selling products, cooperative promotions, or special in-store merchandise displays.

Despite the importance of channel member satisfaction and conflict, almost all of the previous channel relationship studies have used composite and/or uni-dimensional measurements that have resulted in inconsistent results (Geyskens et al., 1999; Ruekert and Churchill, 1984). Thus, the necessity of multi-dimensional measurements of satisfaction and conflict has been raised. Specifically, investigation of "economic and non-economic satisfaction" (Geyskens et al., 1999; Geyskens and Steenkamp, 2000) and "economic and non-economic conflict" (Yu and

Pysarchik, 2002) has increased in channel relationship studies. Geyskens et al. (1999) were the first to theorize the separate constructs of economic satisfaction and non-economic satisfaction, and found differential effects. Similarly, economic conflict and non-economic conflict, as investigated by Yu and Pysarchik (2002), were found to have differential effects on trust, dependence, and long-term orientation.

In the current study, therefore, both of the satisfaction and conflict constructs will be separated into the respective economic and non-economic dimensions (economic satisfaction, economic conflict, non-economic satisfaction, and non-economic conflict) to examine the differing effects on power sources, performance, cooperation, switching costs, trust, and commitment.

Although a significant number of buyer-supplier relationship studies have been conducted, most were focused on Western countries. As a result, the generalizability of supplier – buyer relationship theory to non-Western countries is questionable. Thus, the current study was conducted to research supplier-buyer relationships in a non-western country – India[1].

- [1]**Population:** 1.1 billion (UN, 2005)
- **Capital:** New Delhi
- **Area:** 3.1 million sq. km. (1.2 million sq. miles), excluding Indian-administered Kashmir (100,569 sq. km/38,830 sq. miles)
- **Major languages:** Hindi, English and 17 other official languages
- **Major religions:** Hinduism, Islam, Christianity, Sikhism, Buddhism, Jainism
- **Life expectancy:** 62 years (men), 65 years (women) (UN)
- **Monetary unit:** 1 Indian Rupee = 100 paise ($1 = 45 Rupees, January 9, 2006)
- **Main exports:** Agricultural products, textile goods, gems and jewelry, software services and technology, engineering goods, chemicals, leather products
- **Gross National Income per capita:** US $620 (World Bank, 2005)

Source:http://news.bbc.co.uk/1/hi/world/south_asia/country_profiles/1154019.stm, Dec 7, 2005

INDIAN ECONOMY

The Republic of India (India), attaining its independence in 1947, was a latecomer to economic reforms. In 1950, the Indian government adopted a "mixed economy" approach, emphasizing private and public enterprise. However, this approach prohibited both entrepreneurship and global competitiveness in a mistaken idea that it needed to keep foreign investment and trade out while it built up its own national economy (Budhwar, 2001). A good example of this was in the area of imported consumer goods for which special licenses were needed that required a lengthy and cumbersome application processes. This not only limited the availability of such consumer goods, but failed to satisfy the growing consumer demand for such products, especially among the young, middle, and upper-middle class population (India: Becoming a global player, 2001).

In the early 1990s, India lifted its decades-old economic system, and adopted a "free market economy" model. During the 1980s, the precipitated balance of payment (BOP) crisis made economic reform inevitable. Therefore the New Economic Policy (NEP) of the Indian government in 1991 had to accept the IMF/IBRD's conditions for a structural adjustment loan[2]. Many reforms such as changes in industrial licensing and convertibility of currency were adopted to open India's long protected market to international competition (Srinivas, 1997).

This dramatic and economically liberal change opened up new opportunities for foreign trade and business, and set in motion profound changes in the Indian market system. Since opening its markets to foreign business, the Indian economy

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[2]Structural Adjustment Loan (SAL) is a type of loan to developing countries. SAL is one of the economic tools supported by the World Bank for structural adjustment. (http://en.wikipedia.org/wiki/Structural_adjustment_loan)

continues to respond positively, making India one of the largest emerging markets in the world. As one researcher noted, “The average [annual] growth rate in the ten-year period from 1992 to 2002 was about 6% which has put India among the fastest growing developing countries” (Ahluwalia, 2002, p. 67). The total GDP rose from $576 billion in 2003 to $648 billion in 2004, and the average GDP growth for 2005 was estimated to be between 6.5% and 7.0% (Travel document systems, 2005). Actually, India's gross domestic product (GDP) grew by 8.1% for the fourth quarter of 2005, making it the world's second fastest growing economy after China. In 2005, India was the world’s fourth largest economy in purchasing power parity (U.S $3.678 trillion) behind the United States, China, and Japan (Wikipedia, 2005).

Because of economic and trade reforms, India has become an attractive market for many multinational firms. Now, India is the world’s third most desirable country for Foreign Direct Investment (FDI), after China and the United States (Dutta, 2006). FDI has risen from $3.5 billion in 2004 to $6 billion in 2005 (Dutta, 2006, p. B3). Foreign companies are allowed to become major stockholders in various Indian ventures and foreign companies doing business in India are able to acquire property, employ domestic workers, and buy and sell shares in Indian companies. FDI of up to 100% is already allowed in many sectors (e.g., non-news publications such as magazine and journals, and airport), and the GOI continues to raise the limits on foreign investment in several sectors (e.g., food and dairy products, transport, telecommunication, banking, mining, housing, infrastructure. etc.) (Reserve Bank of India, 2005; Dutta, 2006; Venkat and Larkin, 2006). Also, India is considered to be a cradle of lucrative and diverse opportunities for foreign exporters. In the foreseeable future, India's infrastructure, transportation, energy, environment, health care, high-tech, and defense sector requirements for equipment and services will exceed tens of billions of dollars, whereas most of these sectors in developed countries are already saturated (U.S. & Foreign Commercial Service and U.S. Department of State, 2003).

MARKET POTENTIAL

India's market potential is much greater than that of many Western European countries because of its enormous and well-educated population, which has the sixth highest purchasing power in the world. After China, India is the second most populous nation in the world having a population of over one billion, and the seventh largest nation by geographical area. Its total population exceeds 1 billion, with the urban population at approximately 300 million, and the rural population exceeding 741 million. India's residents are dispersed across 4,000 urban towns and 625,000 rural towns (Krishnan 2001, p. 83). In addition, the population of India continues to grow. Forecasts have emphasized that 9% of the Indian population will be elderly (over 60 years of age) by 2010, whereas 19% of the U.S and 30% of the Japanese population will be in this age category (Gingrich, 1999, p. 34). Therefore, India has a considerably higher percentage of young people than the U.S or Japan. More young people means more people in the labor force with money to spend and need for conveniences. Two percent or 20 million Indian consumers have a per capita annual income of more than US $13,000, while 8%, or 80 million, make US $3,500, and 10%, or 100 million, have an annual income of US $2,800 (U.S. & Foreign

Commercial Service and U.S. Department of State, 2003, p. 5).

MARKET STRUCTURE CHANGES

Traditionally, India has been a sellers' market, which is a characteristic of a developing country (Atac, 1985; Kale, 1986). Powerful manufacturers controlled other channel partners (wholesalers, distributors, retailers etc.) and often used coercive and high-pressure strategies to manipulate them (Kale, 1986). However, the resulting growth of the Indian economy and the lowering of market entry barriers caused by economic liberalization changed channel relationships between Indian manufacturers and retailers, as well as intermediaries. As a result of economic liberalization, Indian domestic companies face competition from foreign companies and thus seek strategies to transform themselves to be able to survive in evolving distribution channel environments. Pysarchik and Bhargava (1999) suggested that due to structural market changes, channel power has moved away from manufacturers and towards middlemen. Recently, Bandyopadhyay (2004) stressed that market conditions in India are now organized differently, which has created greater competition among suppliers. This has changed the channel structure from that of a sellers' market to a buyers' market. He also stated that this change has strongly influenced traditional Indian supplier-buyer relationships.

PROCESSED FOOD INDUSTRIES IN INDIA

The food retail sector is considered to be the "sunrise" in Indian industry. Next to China, India is the second largest producer of food, and has the potential to lead the world food and agricultural market. India's processed food industry contributed US $29 billion out of a total estimated India food market of US $92 billion in 2005 (India in Business, 2006). Food processing is the fifth largest industry in India, contributing over 6% to the GDP, and accounting for 13% of the country's exports (Reserve Bank of India, 2005, p.15). The semi-processed and ready to eat packaged food industry is over US $1 billion and is expected to increase by over 20% annually through 2010 (U.S. & Foreign Commercial Service and U.S. Department of State, 2003, p. 66).

Historically, Indian consumers have preferred fresh food, and they are not likely to put a priority on convenience and speed especially when purchasing and preparing meals (Pysarchik and Bhargava, 1999). Nevertheless, as the number of working women increases, there have been lifestyle changes that have boosted demand for processed food products that are easily prepared after a day outside the home (Bullis, 1997; International Trade Administration, 2000). Recent reports indicate that packaged meat and frozen vegetables, are slowly becoming accepted by the Indian consumers (International Trade Administration, 2000).

INDIAN SUPPLY CHAIN

Supply chain management in India is complex due to its state-based taxation, geographic distance, and dispersion of consumers. Indian manufacturers deal with a selling and distribution structure made up of three components: distributors, wholesalers and retailers. Generally, large companies operating throughout India have between 400 – 2,300 distributors. In addition, 250,000 – 750,000 retailers are directly controlled by distributors (U.S. & Foreign Commercial Service and U.S. Department of State, 2003). Distributors, frequently referred to as distribution "stockists", operate in specific geographic locations with selected retailers who are serviced on a pre-established periodic basis by sales representatives. Most distributors service multiple non-competitive companies. Stockists assist in the sales and distribution of products through their own sales representatives, thus providing companies with a level of protection from the financial risks involved with collecting money from millions of retailers. Sales training assistance is also provided by the stockists, as well as promotions directed at retailers and consumers (Krishnan, 2001).

The major responsibility of wholesalers is to deliver the merchandise to several retailers under their jurisdiction. Wholesalers have their own staff that survey stock levels and merchandise, and manage the delivery system. They are able to deliver small quantities of goods to a large number of retailers in a timely and economical way (Sachan, Sahay, and Sharma, 2005).

Due to India's geographic dispersion, many companies operate warehouses that spread across the country. The operation of these warehouses is often outsourced to third parties for the sake of cost savings and efficiency. The third party charges a service fee for managing the inventory and billing operations within the warehouse, however, they do not participate in sales and collection activities (Krishnan, 2001).

Most channel intermediaries (e.g., distributors and wholesalers) and retailers are very small and unsophisticated, unlike the large companies seen in the U.S

(Bandyopadhyay, 2004; U.S. & Foreign Commercial Service and U.S. Department of State, 2003).

In general, retailing in India is not organized, and there are very few advanced supply chain management systems. Although India has 5 million retail outlets of various kinds, nearly 96 percent of these are smaller than 500 square feet, which equates to about 2 square feet per capita (compared to 16 square feet in the U.S.). Thus, India's per capita retailing space is the lowest in the world (The Indus Foundation, 2005). In addition, because of multiple ethnicities, cultures, habits, trade rules, and regulations, India's retailing industry must service many diverse markets rather than one large homogenous market (The Emerging Retail Landscape, 2005).

There are two major components to the Indian retailing industry: the traditional retailers such as "kirana," small-sized mom and pop stores, and organized contemporary retailers such as hypermarkets, supermarkets, convenience stores, department stores, and specialty stores. The traditional retail sector includes small to medium size shops, and are usually characterized by low-cost structures and generations of family ownership with little or no taxation (International Business Strategies, 2003). Although the traditional retailers' distribution system is rather complex and inefficient, it services rural and urban areas, where consumers can rely on getting products within easy reach. Also, because of the limited number of supermarkets in urban areas and the non-existence of advanced distribution systems in the rural areas, a limited number of suppliers continue to provide goods to a large number of small and medium retail stores (Krishnan, 2001).

The strongest competition for traditional retailers comes from the organized retail sector in terms of product assortments, quality, and customer services. However, organized retailers struggle with high costs due to higher wages and the need to provide social security benefits, services, and comfort facilities (International Business Strategies, 2003). Despite these difficulties, organized retailers continue to grow in India. After economic liberalization, Indian consumers became familiar with many international brands for sale on Indian market shelves. Because of the higher quality products and the better shopping conditions found in organized retailers' shops, Indian consumers are becoming attracted to these new stores (International Business Strategies, 2003). Although organized retailing currently contributes only 2% of India's total retail sales, it is expected to grow annually by 6% to reach $17 billion by 2010 (International Business Strategies, 2003, p. 5). Also, the number of organized retail stores is expected to rise from 2,500 currently to 5,500 by 2010 (The Emerging Retail Landscape, 2005, p. 102)

In 2006, the GOI approved FDI in the retailing sector for stores that handle single brand products such as Polo Ralph Lauren Corporation or Louis Vuitton. These foreign companies will be allowed to own up to 51% of their operations in India. International single-brand stores don't exist in the traditional retailer sectors, thus, single-brand stores will not directly compete with traditional retailers (Venkat and Larkin, 2006; Bellman, 2006).

STATEMENT OF THE PROBLEM AND SIGNIFICANCE OF STUDY

Previous studies in channel relationships have significantly contributed to the empirical understanding of supplier-buyer relationships. Specifically, the issues of multi-dimensional measurements of satisfaction and conflict have been raised in channel relationship studies. After Geyskens et al. (1999) divided satisfaction into economic and non-economic satisfaction to differentiate from a single satisfaction measure, Yu and Pysarchik (2002) conceptualized economic and non-economic conflict. They empirically determined the differential impacts of satisfaction and conflict on suppliers' power, influence strategies, trust, and long-term orientation among Korean firms. The current conceptual model will focus on the relationships between economic and non-economic factors (economic satisfaction, economic conflict, non-economic satisfaction, and non-economic conflict), and the other constructs. Specifically, the relationships between economic and non-economic factors, and some determinants such as switching costs, cooperation and commitment have not yet been examined. Therefore, this study will be the first to research these relationships.

Second, most of channel relationship studies have conducted in Western countries. Thus, the current study will make an important contribution to the literature in the field by being one of the few to research channel relationships in a developing country. Also, it is anticipated that this study will reveal important implications for understanding market development theory in other emerging markets.

Third, very few studies of Indian supplier-buyer relationships have been published since economic liberalization in the 1990s. Specifically, previous channel relationship studies related to India (Kale, 1986; Frazier, Gill, and Kale, 1989) may no longer be applicable to the more current Indian market environment. A new study is needed to examine the changed environment. For example, due to economic liberalization, suppliers' attitudes toward buyers may have changed because the Indian market structure is evolving from a sellers' market to a buyers' market. Thus, the use of suppliers' coercive attitudes and actions toward retailers would likely be reduced compared to the pre-liberalization period when retailers had fewer supplier alternatives.

Forth, despite the importance of India's huge market potential, the primary problem is that there is little information regarding Indian processed food market environments and distribution channel relationships compared to Western countries. In order to be successful in the Indian processed food markets, global companies need to learn more about the Indian food market structure, distribution channels, business practices, and, especially, cultural differences. Without this information, foreign processed food companies will not be able to compete effectively in Indian markets, and will be disadvantaged in their business relationships with local companies. Thus, this study offers practical and useful information for global companies regarding the Indian supplier-buyer relationship. Specifically, marketing strategies will be suggested for how to develop successful long-term business relationships with Indian manufacturers, intermediaries, or retailers.

RESEARCH OBJECTIVES

The objectives of this study are to investigate changing Indian supplier-buyer relationships and to propose an effective conceptual model using theoretically developed constructs: "coercive power sources," "non-coercive power sources," "performance," "economic satisfaction," "economic conflict," "non-economic satisfaction," "non-economic conflict," "trust," "cooperation," "switching costs," and "commitment."

This study aims to accomplish the following: 1) to analyze the influence of Indian suppliers' power sources and performance on buyers' economic and non-economic satisfaction, and economic and non-economic conflict; 2) to investigate the differential effects of economic and non-economic satisfaction, and economic and non-economic conflict on cooperation, trust, switching costs, and commitment; 3) to provide practical information about business strategies specifically for global food companies who wish to enter India.

CHAPTER II

LITERATURE REVIEW

In this chapter, a review is presented of the literature associated with the key constructs to be included in the conceptual model, and the resulting hypotheses are presented. Specifically, the study focuses on the supplier-buyer relationships between economic and non-economic factors (satisfaction and conflict), and other constructs such as power sources, performance, cooperation, trust, switching costs, and commitment. Because there are very few published articles related to Indian supplier-buyer relationships, most of the hypotheses are based on studies conducted primarily in the U.S. and other Western countries.

POWER AND INLFUENCE STRATEGIES

With regard to suppliers' (manufacturers') attitudes toward buyers (retailers), two main research streams lead marketing channel relationship studies: 1) power and 2) influence strategies. Although power and "influence strategies" represent similar conceptual meanings and have shown similar relationships with the constructs of satisfaction, conflict and trust, they have been separately studied and developed. Thus, in this section, the power and influence strategies literature is separately discussed.

Power

For several decades, power has been considered a critical component to understand supplier – buyer relationships. Generally, power is the ability of one individual or group to control or influence the behavior of another (Morgan and Hunt, 1994; Dahl, 1957; Emerson, 1962). In channel relationship studies, power is defined as the "the ability to evoke a change in another's behavior, that is, the capability to get someone to do something he or she would not have done otherwise" (Gaski and Nevin, 1985, p. 130).

Power Sources

According to Simon (1953), power can be determined from the power sources. Although there are many possible power sources, French and Raven (1959) defined five power sources in their framework, and Gaski and Nevin (1985) summarized these power sources as:

1) *Coercive Power Sources*: B's perception that A has the ability to impose punishments on him.
2) *Reward Power Sources*: B's perception that A has the ability to provide rewards for him.
3) *Legitimate Power Sources*: B's perception that A has the rightful authority to prescribe behavior for him.
4) *Referent Power Sources*: B's identification with A.

5) *Expert power sources*: B's perception that A has some special knowledge or expertise (Gaski and Nevin, 1985, p.130).

El-Ansary and Stern (1972) were the first to introduce these power sources to the study of channel relationships, but they failed to find significant relationships between channel members' power and antecedent constructs such as power sources and dependence. Later, Hunt and Nevin (1974) divided power sources into coercive and non-coercive (expert, referent, reward, and legitimate), and found that franchisers' non-coercive power sources increase franchisees' satisfaction, while coercive power sources decrease franchisees' satisfaction. The results of Hunt and Nevin's (1974) study were confirmed by Lusch (1977) and Michie (1978) in studies of the automobile industry and by Wilkinson (1981) in the beer industry.

Using this typology, Gaski (1986) found that: 1) suppliers' use of rewards has a positive effect on expert, referent, and legitimate power sources, and the use of coercive power sources has a negative effect on them (expert, referent and legitimate), and 2) reward and coercive power sources influence suppliers' power and dealer satisfaction, respectively. Rawwas, Vitell, and Barnes (1997) reported similar results; the use of reward power sources by a dominant channel member has a positive impact on expert power sources, referent power sources, and legitimate power sources, whereas the use of coercive power sources has a negative impact on expert and referent power sources.

Influence Strategies

Apart from power, influence strategies also have been widely studied in order to examine suppliers' attitudes toward buyers. Influence strategies are defined as "the means of communication used by a firm's personnel in applying the firm's power" (Kim, 2000, p. 389).

Although power sources have mainly focused on the magnitude of power as perceived by the buyer, Frazier (1984) defined an influence strategy as "a means or method of communication utilized by a firm's boundary personnel in applying its power" (p. 72). Thus, previous studies have focused on what influence strategy is used by a partner. Frazier and Summers (1984) conceptualized a typology of six influence strategies:

1) *Promise strategy*: A channel member pledges to offer a specific reward contingent on the channel partner's compliance.
2) *Threat strategy*: A channel member notifies the channel partner that failure to achieve the desired action will result in a negative sanction.
3) *Legalistic Plea strategy*: A channel member stresses that the channel partner's compliance is required by legal contract.
4) *Request strategy*: A channel member asks the channel partner to act without any sanction or reward.
5) *Information Exchange strategy*: A channel member discusses business issues and operating philosophies with the channel partner.

6) *Recommendation strategy*: A channel member stresses that the channel partner will be more successful if he/she follows the channel member's suggestions.

Frazier and Summers (1986) and Kale (1986) further categorized these six influence strategies into coercive strategies and non-coercive strategies. In coercive influence strategies (promise, threat, legalistic plea), a channel member directly pressures the channel partner to perform specific behaviors by stressing the negative results of noncompliance (Frazier and Rody, 1991). Non-coercive influence strategies (request, business strategy discussion, information exchange, recommendation) focus on the channel partner's beliefs and attitudes about general business issues, and do not involve direct pressure strategies.

Frazier and Summers (1986) found that manufacturers' coercive influence strategies (promise, threat, legalistic plea) are often negatively correlated with dealers' satisfaction while non-coercive influence strategies (request, information exchange) are often positively correlated with satisfaction. However, recommendation does not show any significant relationship with satisfaction. Boyle and Dwyer (1995) reported that non-coercive influence strategies, especially information exchange, has a positive effect on the partners' performance, while coercive influence strategies (threats and legalistic pleas) have a deleterious effect on performance. Simpson and Mayo (1997) reported that a supplier's use of non-coercive influence strategies is associated with an increase in a distributor's commitment, trust, and satisfaction, while the use of coercive influence strategies is associated with reduced levels of commitment and trust.

Furthermore, Geyskens et al. (1999) found that a greater use of non-coercive influence strategies by channel members fosters economic and non-economic satisfaction, whereas a greater use of threat influence strategies reduces economic and non-economic satisfaction. As is similar with power source studies, most of the influence strategy literature indicates that coercive influence strategies are negatively related to satisfaction and positively related to conflict, while non-coercive influence strategies are positively related to satisfaction and negatively related to conflict.

Although most power sources and influence strategies studies have been conducted separately, some researchers have studied them together. For example, Mayo, Richardson, and Simpson (1998) examined the effects of suppliers' use of power sources and influence strategies on buyers' satisfaction. They found that although the use of both significantly impact satisfaction, the use of suppliers' power sources is a better predictor of satisfaction than the use of influence strategies.

Dependence and Role Performance in Buyers' and Sellers' Markets

In channel relationships, dependence is defined as one firm's need to maintain a relationship with another firm in order to achieve a desired goal (Frazier 1983). Channel members' dependence, therefore, has been regarded as a reverse power relationship. That is, if a channel member is highly dependent on its channel partner, the channel partner has power over the member (Emerson, 1962; Frazier, 1983).

Based on previous dependence literature, there are three main approaches to such channel relationships: 1) sales and profit (Anderson, Lodish, and Weitz, 1987; Brown, Lusch, and Muehling, 1983; El-Ansary and Stern, 1972; Etgar, 1976; Kale, 1986), 2) role performance (Anderson and Narus, 1984; Fraizer, 1983; Frazier and Summers, 1986; Skinner and Guiltinan, 1985), and 3) transaction-specific investment (Heide and John, 1988).

According to Emerson's (1962) work on power-dependence relations, a channel member's dependence is determined by the first two approaches: sales and profit, and role performance. The sales and profit approach, as developed by El-Ansary and Stern (1972), assumes that a channel member's dependence on a channel partner will increase if the percentage of sales and profit with this channel partner increases. In this context, the importance of dependence is regarded to be a function of the following:

1) The percentage of the channel member's business contracted with the partner.
2) The size of the contribution that the partner makes to the member's profit.
3) The commitment of a channel member to a partner in terms of the contribution of the latter's marketing policies.
4) The difficulty in effort and cost faced to switch to another supply source or another customer (Frazier 1983, p. 160).

A role performance approach was developed by Frazier (1983) in which he describes how well a channel partner performs its role with a channel member. This approach assumes that when a channel member's perception of its channel partner's performance increases, the channel member's dependence on the partner increases. Therefore, it is very difficult for a channel member to replace a channel partner if the channel member perceives the partner's role performance as critical. Therefore, if a channel partner's role performance increases, the channel member will be more motivated to maintain the relationship with this partner.

The third dependence approach, transaction specific investments[3], was developed by Heide and John (1988). The basic principle of this theoretical approach is that a channel member (agency) will become dependent on its channel partner (principal) if the channel member invests in specific assets with the channel partner. If this were to occur, a channel member will try to bond more closely with the channel partner in order to protect its (channel member's) assets. Heide and John's (1988) study identified several cases in which a channel member's dependence on the channel partner was increased:

1) When the outcomes from the channel member – partner relationship are critical, highly valued, and the magnitude of the exchange itself is greater.

[3] Heide and John (1988) defined transaction-specific investments as "those human and physical assets (tangible and intangible) required to support an exchange and which are specialized to the exchange relationship. If the relationship were to be terminated, the value of these assets would be largely lost because their salvage value outside the relationship is very low. Such nonredeployable assets can be thought of as creating switching costs" (p. 21).

2) When the outcomes from the channel member-partner relationship are comparatively better than the outcomes available from alternative relationships.

3) When few potential alternative sources of exchange are available (p. 23).

In a sellers' market, manufacturers' role performance and retailers' economic dependence are unrelated because the number of manufacturers is smaller than the number of retailers (Frazier, Gill, and Kale, 1989). In this type of market situation, retailers have few options to replace their suppliers when manufacturers do not perform very well. Therefore, manufacturers' role performance does not influence the dependence level of retailers.

On the other hand, in a buyers' market, role performance and retailers' dependence are strongly related. In a buyers' market, manufacturers know that their performance and contribution to retailers' goals increase a retailers' dependence. Therefore, role performance in a buyers' market is more important than in a sellers' market, and produces greater economic dependence (Frazier, Gill, and Kale, 1989). In this market, retailers are not likely to succumb to a manufacturer's coercive action because retailers have alternative manufacturers from which to buy.

In Frazier, Gill, and Kale's (1989) study, the two approaches of sales and profit and role performance were empirically tested to examine the level of dependence. The researchers concluded that the sales and profit approach was more easily explained in a sellers' market, while role performance was more applicable in a buyers' market.

Interestingly, a few studies of Japanese retailers (Sternquist, Cooper, and Ogawa, 1995; Sternquist, Ogawa, and Cooper, 2002) argued that the dependence of Japanese retailers was not driven by the supplier's role performance because of different cultural and unique environmental factors such as absence of price competition, loyalty, trust, and manufacturers provision of sales employees to retailers (consignment system). Chung, Sternquist, and Chen (in press) also reported a non-significant relationship between role performance and dependence in Japan, though role performance has been found to be a critical component to influence retailers' dependence in Western studies (Frazier 1983; Frazier, Gill, and Kale, 1989; Kale 1986).

CONFLICT

Conflict in Channel Relationship Studies

In channel relationship studies, conflict is generally defined as a tension between two or more social entities (individual, group, or organization) that rises from the incongruity between actual and desired responses (Raven and Kruglanski, 1970). Conflict occurs when a channel member perceives that a channel partner is impeding his/her achievement, and stress or tension results (El-Ansary and Stern, 1972; Gaski, 1984).

Functional Conflict and Dysfunctional Conflict

Although conflict is usually considered dysfunctional and destructive, some researchers (Anderson and Narus, 1990; Dwyer, Schurr, and Oh, 1987; Rosenbloom, 1991; Stern, El-Ansary, and Coughlam, 1996) have suggested that if conflict is controlled and managed properly, results from it could be functional and constructive. For example, Pondy (1967) and Thomas (1976) indicated that conflict is not necessarily good or bad, but should be evaluated in terms of its individual and organizational functions and dysfunctions. A low level of tension generates pressure to decrease conflict; however, if conflict continuously persists, its outcome is usually destructive.

Constructive conflict is defined as "an evaluative appraisal of the results of recent efforts to manage disagreements" (Rawwas, Vitell, and Barnes, 1997, p. 52). Constructive conflict implies a low degree of intensity and impersonal characteristics (Pondy, 1967; Thomas, 1976). On the other hand, destructive conflict can cause the channel partners to have hostile attitudes toward one another (Thomas, 1976). The characteristics of destructive conflict show a strong intensity (Pondy, 1967; Thomas, 1976). Actually, Rawwas, Vitell, and Barnes (1997) found that suppliers' coercive power sources positively influence retailers' destructive conflict. Also, retailers' constructive conflict has a positive effect on satisfaction while retailers' destructive conflict has a negative effect on satisfaction.

Economic Conflict and Non-economic Conflict

Although several dimensions of conflict have been developed in various academic fields, uni-dimensional conflict (dysfunctional conflict concept) measures have been widely used in channel relationship studies (Brown and Frazier, 1978; Gaski and Nevin, 1985; Geyskens et al., 1999; Lusch, 1977; Lusch and Brown, 1982; Rawwas, Vitell, and Barnes, 1997; Wilkinson, 1981).

Although Geyskens et al. (1999) dichotomized the constructs of economic and non-economic satisfaction, they considered conflict to be uni-dimensional. Later, Yu and Pysarchik (2002) conceptualized economic and non-economic conflict. They defined economic conflict as a channel member's negative reaction to economic decline, such as decreasing profits or financial loss, and non-economic conflict as a channel member's negative reaction to a non-economic encounter, such as an impolite or disrespectful attitude, or discordant communication with a channel partner. By isolating the two types of conflict, they were able to demonstrate the different effects of economic and non-economic conflicts.

SATISFACTION

Satisfaction in Channel Relationship Studies

Geyskens et al. (1999) defined satisfaction as "a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm" (p. 224). Regarding the relationships among conflict, satisfaction, and other constructs, previous studies have shown the following results:

1) Channel member conflict is negatively related to satisfaction (Brown, Lusch, and Smith, 1991; Wilkinson, 1981).

2) Coercive power sources are positively related to conflict and negatively related to satisfaction (Hunt and Nevin, 1974; Lusch, 1977; Brown and Frazier, 1978; Gaski and Nevin, 1985).

3) Non-coercive power sources are positively related to satisfaction and negatively related to conflict (Hunt and Nevin, 1974; Lusch, 1977; Michie and Sibley, 1985; Wilkinson, 1981; Gaski and Nevin, 1985).

4) Conflict negatively affects trust (Andaleeb, 1996), dependence (Yu and Pysarchik, 2002), and long-term orientation (Ganesan, 1994), while satisfaction positively affects these constructs.

Although most studies have focused on the relationships between satisfaction and other channel constructs (e.g., power sources, conflict), some researchers have raised concerns about the measurement of these constructs. For instance, Ruekert and Churchill (1984) questioned the efficacy of a uni-dimensional measurement of satisfaction and thus developed two types of multi-dimensional satisfaction measures (direct scale, SATDIR, and indirect scale, SATIND).

INTERNATIONAL CHANNEL RELATIONSHIP STUDIES

Several studies have suggested that cultural diversity impacts supplier-buyer relationships, and have shown that a variety of cultural factors significantly influence channel relationships in various countries (Frazier, Gill, and Kale, 1989; Hall, 1976;

Kale, 1986; Kale and McIntyre, 1991; Sternquist, Ogawa, and Cooper, 2002; Yu and Pysarchik, 2002). For example, Hall (1976) indicated that low context cultures, such as Western countries, value competitive and arm's length relationships, whereas high context cultures, such as Asian countries, focus on trust and social relationships in business. Kale and McIntyre (1991) explained supplier-buyer relationships using Hofstede's (1983) four dimensions[3]. They suggested that companies in individualistic societies are more likely to increase conflict and less likely to resolve conflict with a partner than firms in collectivistic societies. Frazier and Kale (1989) and Kale (1986) also suggested that market structure -- buyers' markets in developed countries versus sellers' markets in developing countries -- has a significant impact on supplier-buyer relationships.

Specifically, there are inconsistencies in the relationships among power, satisfaction and conflict in supplier-buyer studies conducted in non-Western countries compared to those of Western cultures. For instance, Liu and Wang (1999) examined suppliers - local distributors relationships in China. They discovered that non-coercive power sources are not related to conflict and cooperation in Chinese channel relationships. They stated that non-coercive power sources were merely used as adjustment methods in Chinese companies. This study showed the limitations of power sources in international channel relationships. Furthermore,

[3] "Power distance" -- This dimension focuses on how a society deals with the perception that people are unequal in physical and intellectual capabilities.
"Individualism" versus "collectivism" -- This dimension focuses on the relationship between the individual and group. Individualistic cultures emphasize the "I" identity while collectivistic cultures emphasize the "we" identity.
"Uncertainty avoidance" -- This dimension focuses on the extent to which different cultures socialize their members into accepting ambiguous situations and tolerating uncertainty.
"Masculinity" versus "Femininity" – This dimension focuses on the relationship between gender and work roles.

Yavas's study (1998) examined the power source measurements that are grounded in U.S research in Saudi Arabia. The results showed that more than half of the power source measurements are not crystallized, that is, they demonstrate low reliability, and many of the inter-item correlations fell outside the required limits. Further, they found that neither coercive nor non-coercive power sources are significantly related to conflict.

Interestingly, Paswan (2003) reported that Indian marketing managers do not regard distribution channel support activities such as trade allowance and incentives, free samples, and financing and credit supports (non-coercive power sources), as critical to business relationships. The study reported that the distribution channel support activities are not related to any of the market oriented goals (e.g., profit, market share, growth rate, sales volume), because Indian managers may consider these support activities as bonus, gratitude, and relation building tools, not as important support activities.

Economic Satisfaction and Non-economic Satisfaction

Geyskens et al. (1999) divided satisfaction into economic and non-economic satisfaction to isolate the two dimensions of the construct. They defined economic satisfaction as "a channel member's positive affective response to the economic rewards that flow from the relationship with its partner, such as sales volume and margins" (Geyskens et al., 1999, p. 224). This suggested that a channel member who is economically satisfied considers the relationship to be one that is effective and productive, and results in successful financial outcomes.

Geyskens et al. (1999) also defined non-economic satisfaction as "a channel member's positive, affective response to the non-economic, psychosocial aspects of its relationship, in that interactions with the exchange partner are fulfilling, gratifying, and easy" (p. 224). Thus, a channel member who is non-economically satisfied believes a relationship is successful if it embodies working together with a partner who is respectful and willing to exchange ideas.

Geyskens et al. (1999) empirically found the following relationships among partners: 1) the use of a threat influence strategy decreases both economic satisfaction and non-economic satisfaction, 2) the use of a non-coercive influence strategy increases economic satisfaction and non-economic satisfaction, and 3) the use of a promise influence strategy increases economic satisfaction and decreases non-economic satisfaction because economic rewards depend on a member's compliance with a partner's request. Under these conditions, retailers' intrinsic motivation and sense of autonomy tend to be undermined because retailers must comply or meet manufacturers' directions and/or requirements to obtain an economic benefit.

Relationship Between Satisfaction (Economic and Non-economic) and Conflict (Economic and Non-economic)

Regarding economic and non-economic satisfaction and economic and non-economic conflict, Yu and Pysarchik (2002) reported the following results:

1) Korean suppliers' (manufacturers') coercive power sources decrease retailers' economic and non-economic satisfaction, while manufacturers' non-coercive power increases economic and non-economic satisfaction.

2) Korean suppliers' coercive power sources increase both economic and non-economic conflict; and non-coercive power decreases non-economic conflict.

3) Korean buyers' (retailers') economic and non-economic satisfaction is negatively related to economic and non-economic conflict.

4) Korean buyers' economic satisfaction is positively related to dependence and trust, while non-economic conflict is negatively related to these constructs.

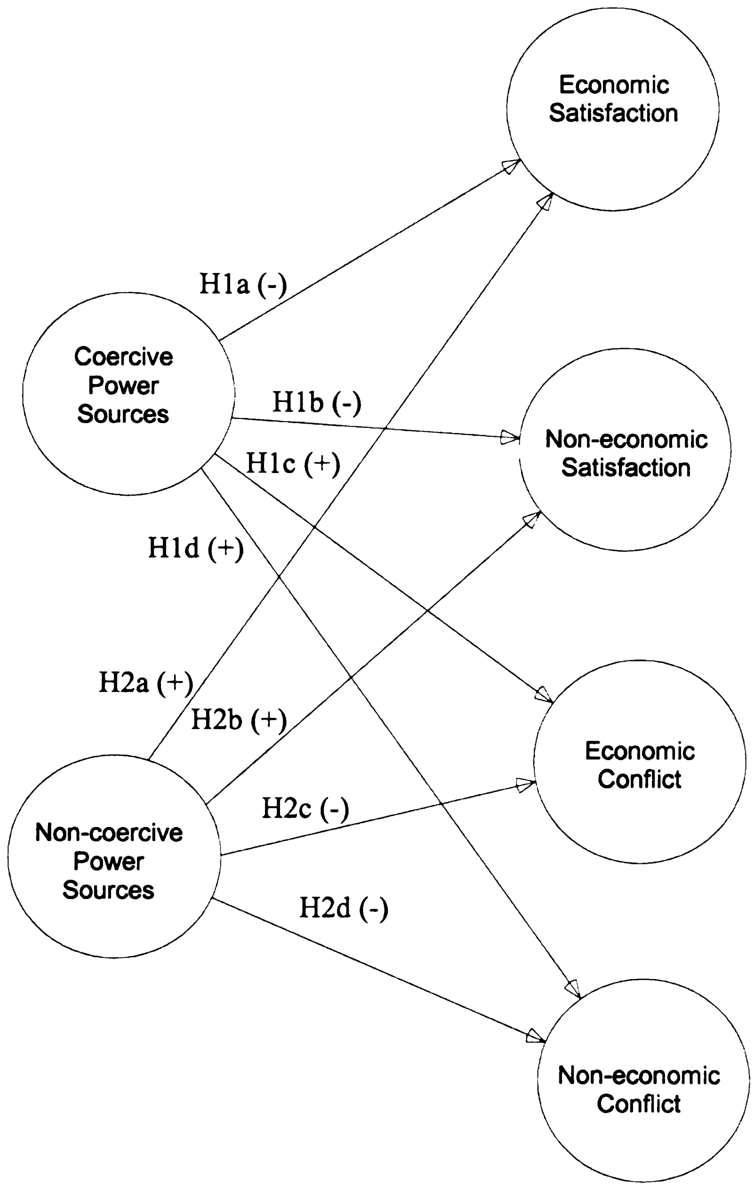
5) Trust is a mediating factor between satisfaction (economic and non-economic) and a long-term relationship.

6) Neither conflict nor satisfaction is uni-dimensional; each has an economic and non-economic dimension.

Consequently, Yu and Pysarchik (2002) revealed the multi-dimensionality of conflict and satisfaction. Based on this background, the following relationships are hypothesized and depicted in Figure 1:

H1a: Indian suppliers' coercive power sources will negatively influence buyers' economic satisfaction.

Figure 1. Power Sources, Conflict, and Satisfaction



H1b: Indian suppliers' coercive power sources will negatively influence buyers' non-economic satisfaction.

H1c: Indian suppliers' coercive power sources will positively influence buyers' economic conflict.

H1d: Indian suppliers' coercive power sources will positively influence buyers' non-economic conflict.

H2a: Indian suppliers' non-coercive power sources will positively influence buyers' economic satisfaction.

H2b: Indian suppliers' non-coercive power sources will positively influence buyers' non-economic satisfaction.

H2c: Indian suppliers' non-coercive power sources will negatively influence buyers' economic conflict.

H2d: Indian suppliers' non-coercive power sources will negatively influence buyers' non-economic conflict.

Disconfirmation of Expectations Model of Satisfaction

Regarding satisfaction in supplier-buyer relationship studies, there are two major academic research streams. The first is channel member's satisfaction in channel relationship studies, which was discussed earlier. The second is from customer satisfaction theory. In most studies of the second research stream, researchers applied customer satisfaction theory to business-to-business relationships, thus most conceptual models are derived from customer satisfaction theories, such as the disconfirmation of expectations model and customer perceived value.

Customer satisfaction research is mainly explained by the disconfirmation of expectations theory, where customer satisfaction is the result of a comparative process between perceived performance and expectation (Oliver, 1980). If the product's performance exceeds expectation, the customer will be satisfied, but if performance is below expectations, the customer will be dissatisfied.

Although the disconfirmation of expectations theory has been well researched with consumer goods and services (Bolton and Drew, 1991; Brown and Swartz, 1989; Churchill and Surprenant, 1982; Oliver, 1980; Spreng, Mackenzie, and Olshavsky, 1996; Tse and Wilton, 1988), Patterson, Johnson, and Spreng (1997) empirically examined this theory for the first time in a business-to-business relationship. Data were collected from a longitudinal survey of consultancy firms and clients. Specifically, Patterson et al. (1997) included purchase situation variables ("novelty," "importance," "decision complexity"), individual variables ("stakeholding" and "uncertainty")[4] and "fairness" in their disconfirmation of expectations model (See Figure 2).

They found that the disconfirmation of expectations theory could be applied to a business-to-business relationship and found that situation (novelty, importance, and decision complexity) and individual variables (stakeholding and uncertainty)

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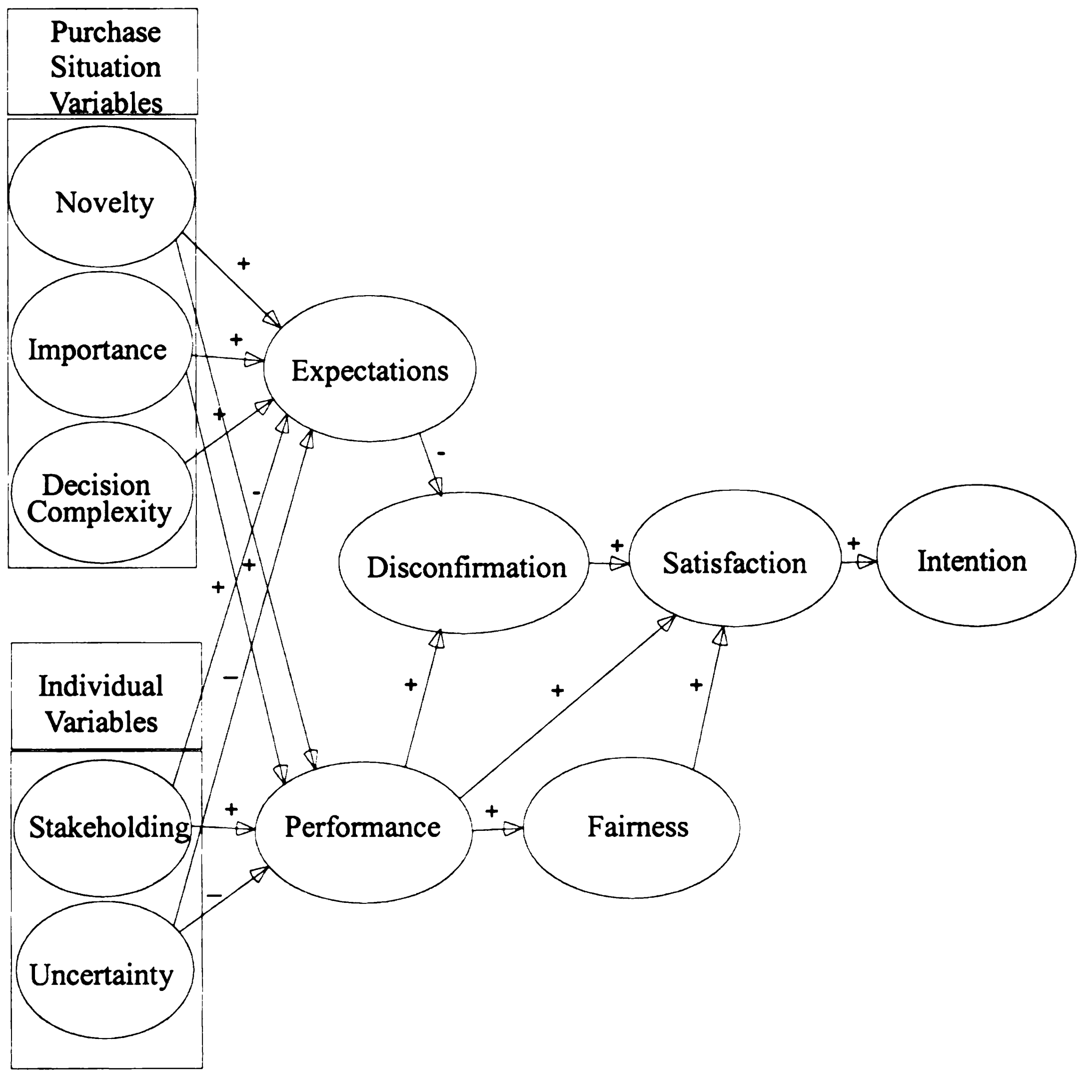
[4] Patterson et al. (1997) define novelty as "The lack of experience of individuals in the organization with similar purchase situations" (p. 7).
Importance of the purchase decision -- "The perceived effect of the purchase on organizational productivity and profitability" (p. 8).
Complexity -- "Technical or product complexity and complexity of the purchase situation" (p. 8).
Stakeholding -- "Those with the most at stake (or risk) because the buying decision will affect them far more than other members" (p. 8).
Uncertainty -- "A lack of adequate information or knowledge concerning the outcome of a purchase situation" (p. 9).
Fairness -- "Expect to be fairly treated" (p. 9).

Figure 2. The Conceptual Model of Patterson, Johnson, and Spreng (1997)



influence expectation and performance in a business-to-business relationship. Although one path was not supported (e.g., stakeholding → expectations), the other paths showed significant relationships.

Later, Patterson (2000) also used disconfirmation of expectations theory in a business-to-business relationship (Figure 3). The study examined the moderating effects of two individual variables (stakeholding and product norm experience) and one purchase situation variable (perceived product complexity) on the relationships among perceived performance, disconfirmation of expectations, and satisfaction. Patterson (2000) empirically found that the impact of performance and disconfirmation on satisfaction are controlled by different contingency conditions such as experience, complexity, and stakeholding. In other words, Patterson et al. (1997) and Patterson (2000) indicated that satisfaction is significantly influenced by performance, one of the critical constructs in the current conceptual model (performance also will be discussed in the Attitudes and Performance section).

Customer Perceived Value

Along with the disconfirmation of expectations model, customer perceived value also has been used to measure satisfaction in business-to-business relationships. Patterson and Spreng (1997) investigated the nature of relationships between value, satisfaction and repurchase intentions (Figure 4). They describe (1) value as "a ratio or trade-off of total benefits received to total sacrifies" (p. 416) and (2) satisfaction as "a consumer's post-purchase evaluation and affective response to the overall product

Figure 3. The Conceptual Model of Patterson (2000)

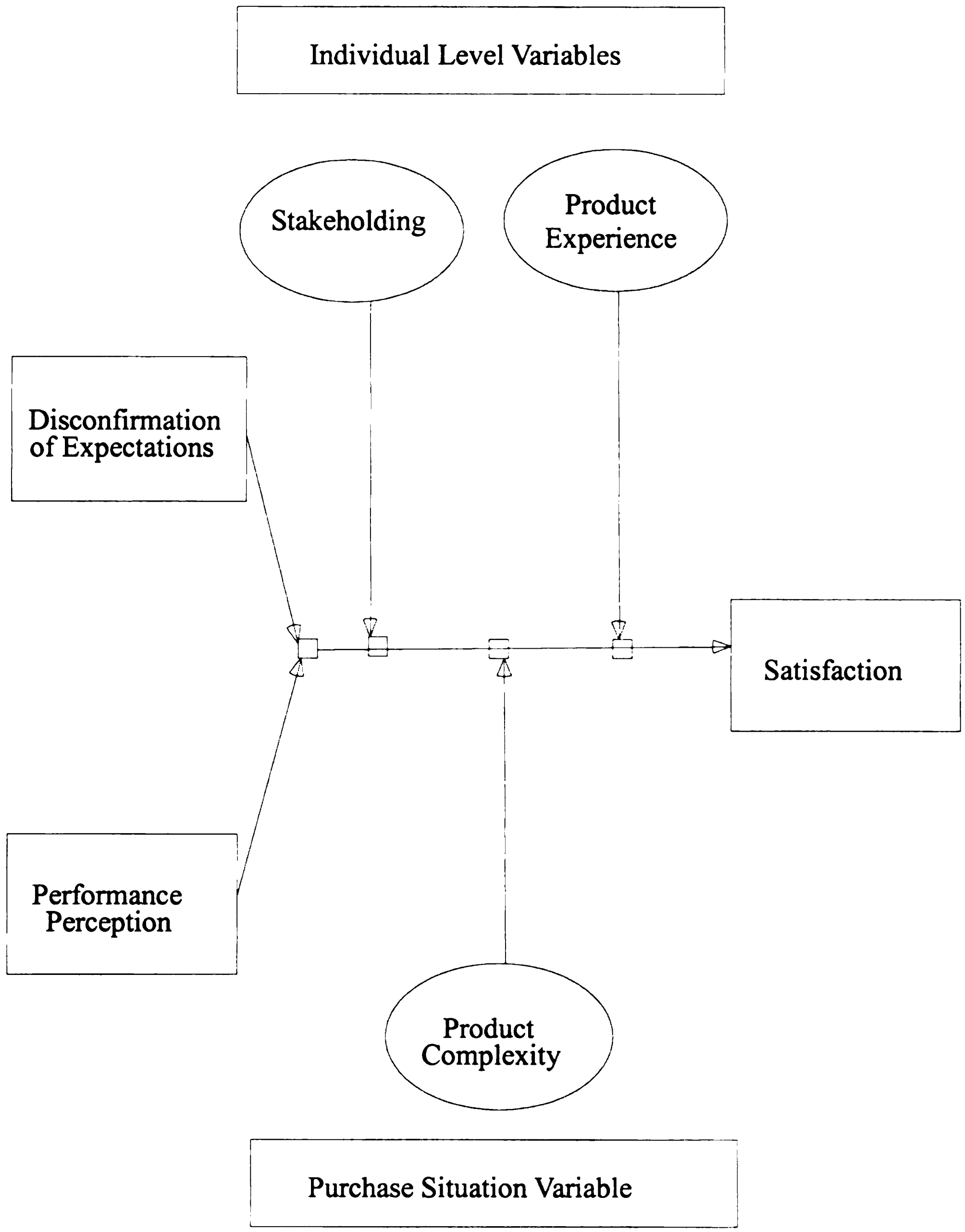
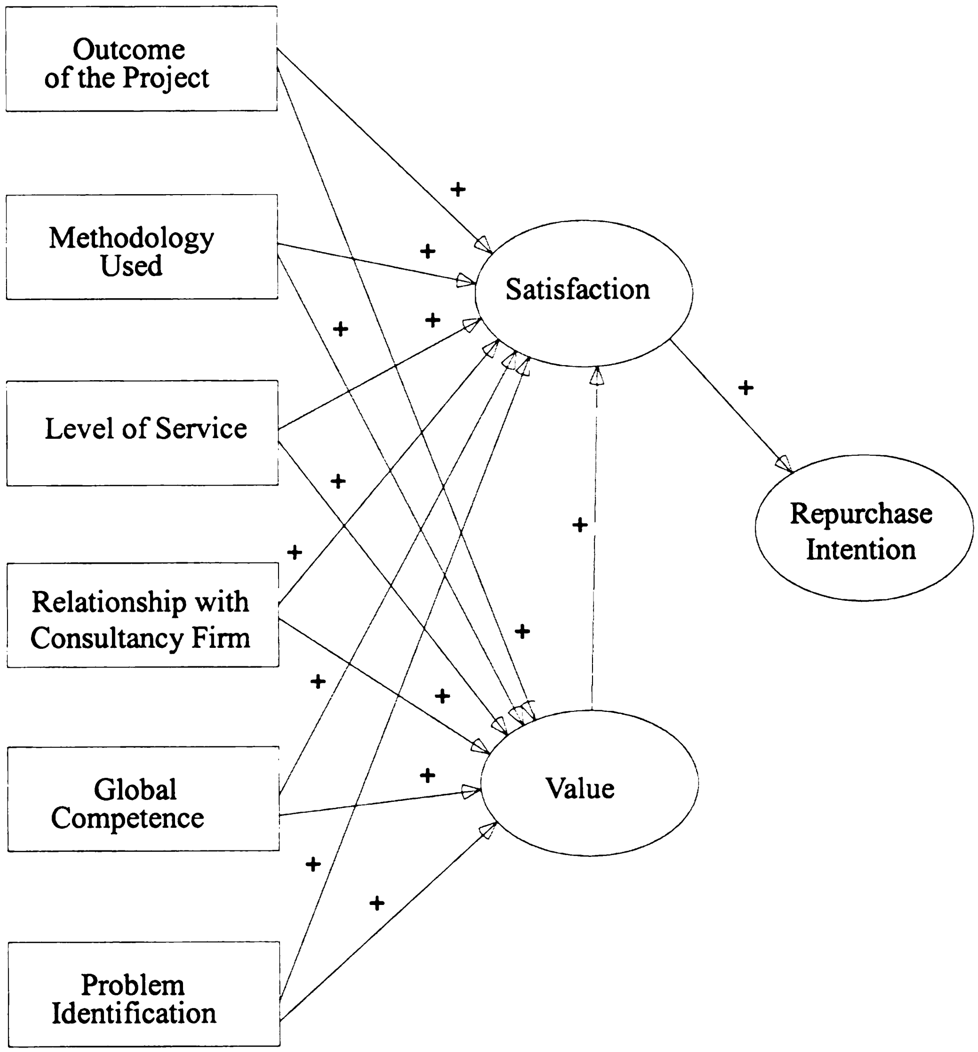


Figure 4. The Conceptual Model of Patterson and Spreng (1997)



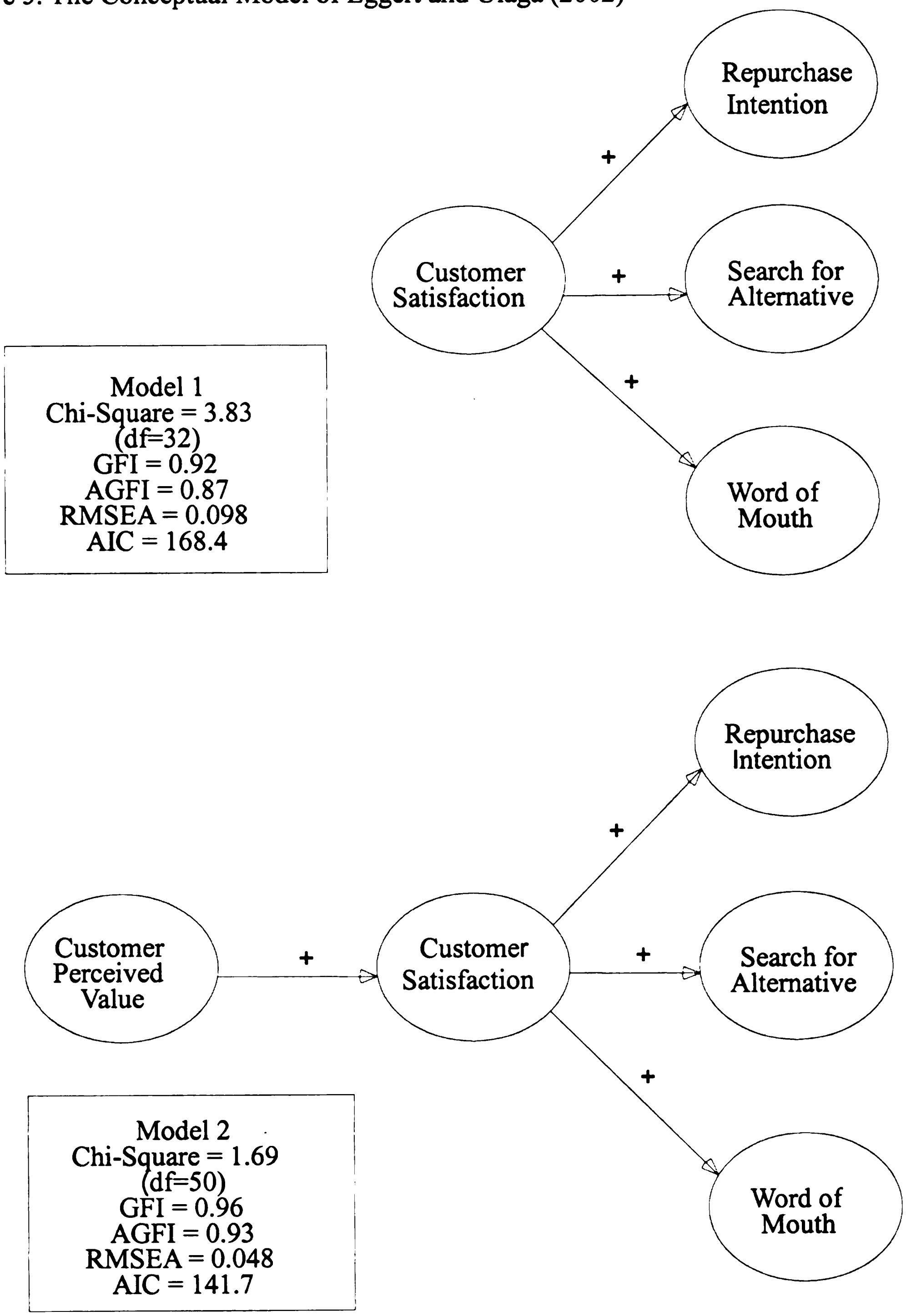
or service experience" (p. 418). In their conceptual model, Patterson and Spreng (1997) hypothesize that several performance dimensions positively influence value and satisfaction, and value and satisfaction are important antecedents of repurchase intention.

The results of their study indicated that all performances (outcomes of the project, methodology used, level of service provided, relationship with the consultancy firm, global competency, and problem identification) significantly influence value and satisfaction. Value positively influences satisfaction, in turn, satisfaction positively impacts repurchase intention. Actually, they found that the effect of value on intention is completely mediated by satisfaction in business-to-business relationships. Although a number of studies have examined the dimensions of satisfaction and service quality in a consumer setting (SERVQUAL), this is one of the few attempts to delineate the dimensions in a business-service context.

Eggert and Ulaga (2002) also examined the business-to-business relationship of value and satisfaction. In their conceptual model, they hypothesized that cognitive variables (customer perceived value) influence affective variables (customer satisfaction), which consequently influence conative variables (repurchase intention, search for alternative, and world of mouth). To estimate the mediating effect of customer satisfaction between the value and conative variables, two different models were compared (Model 1: value → conative variables, Model 2: value → satisfaction → conative variables) (See Figure 5).

They found that Model 2 had a significantly better fit than Model 1. Thus, this study also demonstrated that customer satisfaction mediates a customer's

Figure 5. The Conceptual Model of Eggert and Ulaga (2002)



perceived value and the purchasing manager's conative intentions (repurchase intention, search for alternatives, and word of mouth) in a business-to-business relationship.

POWER THEORY ISSUE

Although the relationships among power sources and other constructs, such as satisfaction, conflict, trust, dependence, have been widely studied in channel relationship studies, few studies have investigated the weak points of power theory. Thus, in this section, I would like to highlight some issues of power theory that have not received much attention.

Correlation Between Coercive and Non-coercive Power Sources

To begin with, the relationship between coercive power sources and non-coercive power sources is ambiguous. As discussed in the power and power sources section earlier in this chapter, coercive power sources increase conflict (decrease satisfaction), while non-coercive power sources increase satisfaction (decrease conflict). Given these results, it may be surmised that these two power sources are negatively correlated to each other.

Surprisingly, however, previous studies have shown conflicting results. Some have yielded positive, negative, or non-significant relationships between coercive and non-coercive (reward) power sources. Table 1 shows correlation coefficients of several studies.

Table 1. Correlation Coefficients between Coercive and Non-coercive Power Sources

Studies	Correlation Coefficient	Sig. level
Gaski and Nevin (1985)	-.166	P < 0.05
John (1984)	.394	P < 0.01
Raven, Tansuhai and McCullough (1993)	-.15	P > 0.50
Rawwas, Vitell, and Barnes (1997)	.432	N/A
Wilkinson (1981)	-.01	P > 0.05
Yu and Pysarchik (2002)	.09	P > 0.05

It can be stated that the use of one power source may not influence the use of another power source. This means that the supplier can exert both coercive and non-coercive power sources at the same time instead of using just a single power source. For example, this might happen in a real business situation when a manufacturer uses both coercive and reward business strategies simultaneously to obtain a retailer's compliance or cooperation.

Accordingly, the assumption that coercive power sources and non-coercive power sources are negatively correlated with each other due to their influences on satisfaction and conflict may not be accurate. Based on this discussion, it is hypothesized that:

H3: There is no relationship between coercive power sources and non-coercive power sources.

Attitudes and Performance

Second, several important factors that may impact buyer's satisfaction are missing in the measurement scales of power sources. For example, in Gaski and Nevin's (1985) study, the original coercive power sources and the non-coercive (reward) power sources items were:

Table 2. Original Items of Coercive and Non-coercive Power Sources

Coercive Power Sources	Non-coercive Power Sources
● Delay delivery	● Provide advertising support
● Delay warranty claims	● Give trade allowances/incentives
● Take legal action against you	● Train personnel
● Refuse to sell	● Provide sales promotion materials
● Charge high prices	● Grant favors (golf, lunches)
● Deliver unwanted products	● Give inventory rebates
	● Furnish supplies
	● Give business advice
	● Give pricing assistance
	● Give free sample
	● Provide ordering assistance
	● Provide inventory mgt. assistance
	● Demonstration products

Source: Gaski and Nevin (1985). Most studies that have focused on coercive and non-coercive power sources used Gaski and Nevin's (1985) original scale measurement or modified the original scale.

As shown in Table 2, Gaski and Nevin's (1985) scales focused on manufacturers' attitudes (punishment or reward) toward retailers, rather than on manufacturers' competitive advantages and/or performance. As discussed in the disconfirmation of expectations model of satisfaction section, however, many studies have shown that suppliers' performances strongly influence buyers' satisfaction. Patterson and Spreng (1997) found that consulting firms' performance dimensions (outcome, methodology, service, relationship, global competency, and problem identification) have a positive effect on clients' satisfaction. Also, Schellhase et al. (1999) identified ten dimensions of a food suppliers' performance and found that five out of ten dimensions have the potential to influence how satisfied retailers are with a supplier:

1) contact person*
2) packing/logistics
3) sales promotion
4) intensity of co-operation*
5) self servicing
6) product management*
7) management of prices and conditions*
8) delivery competence and attractiveness of the trading margin
8) quality and flexibility*
10) wide spread of conditions in the retailing industry

*Significant at the 0.05 level

The results of these studies found that retailers' satisfaction is influenced by a supplier's performance dimensions. These are not analyzed in power theory, which mainly focuses on a supplier's attitudes. Consequently, the complex dimensions of satisfaction can be better explained by combining these two theoretical approaches (suppliers' attitudes from power theory and suppliers' performances from customer satisfaction theories). Although, Schellhase et al. (1999) did not divide satisfaction into economic and non-economic satisfactions, the logical linkages between suppliers' performance and satisfaction can be established because retailers' satisfaction is influenced not only by economic performances such as product management, and management of prices and conditions, but also by non-economic performance such as the attitude of the contact person. Thus, it is hypothesized (Figure 6) that:

H4a: Indian suppliers' performance positively influences buyers' economic satisfaction.

H4b: Indian suppliers' performance positively influences buyers' non- economic satisfaction.

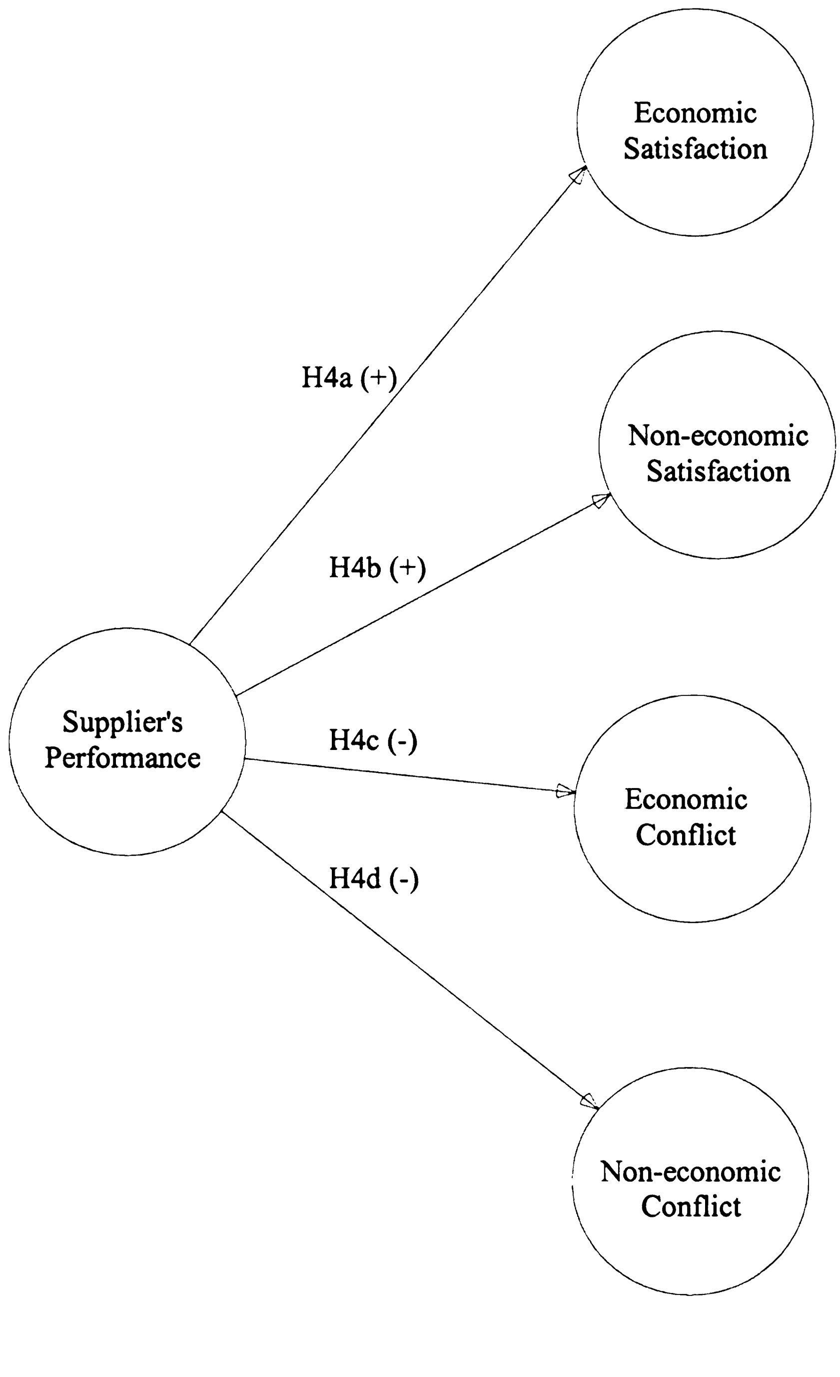
H4c: Indian suppliers' performance negatively influences buyers' economic conflict.

H4d: Indian suppliers' performance negatively influences buyers' non-economic conflict.

Power Sources in India

In general, suppliers' power sources (or influence strategies) in channel relationship studies have been regarded as independent variables (or exogenous variables) which influence satisfaction, conflict, and other variables. However, power sources are actually strongly controlled by factors such as market situation and

Figure 6. Performance, Satisfaction, and Conflict



contextual variables. These characteristics are neglected in most channel relationship studies. For example, in a sellers' market, manufacturers do not need to invest money or effort to create strong or cooperative relationships with retailers because maintaining such relationships is expensive, and it is difficult to estimate the economic benefits. Also, strong manufacturers are more likely to use coercive influence strategies (or coercive power sources) because manufacturers can then acquire retailers' quick response and compliance (Kale, 1986). Retailers must follow the manufacturers' directions or requirements because of the lack of alternative manufacturers.

On the other hand, in a buyers' market, cooperation between manufacturers and retailers is very important for achieving mutual goals (Frazier, Gill, and Kale, 1989). In this market, stronger manufacturers tend to use more non-coercive strategies because retailers have many alternative manufacturers (Kale, 1986). Thus, if manufacturers use coercive influence strategies (or coercive power sources), the conflict level of retailers will be greater than that of retailers in a sellers' market. Bandyopadhyay (2004) reported that the use of Indian suppliers' non-coercive influence strategies (information exchange and recommendation) was greater than their use of coercive influence strategies (promises, requests, legal pleas, and threats) since economic liberalization. This is an indication that general market conditions are shifting from a sellers' market to a buyers' market. Thus, it is hypothesized that:

H4e: When dealing with Indian buyers, Indian suppliers use non-coercive power sources more frequently than coercive power sources.

TRUST

Trust has been defined in several ways. Moorman, Deshpande, and Zaltman (1993) defined trust as "a willingness to rely on an exchange partner in whom one has confidence" (p. 82). Morgan and Hunt (1994) theorized trust as "existing when one party has confidence in an exchange partner's reliability and integrity" (p. 23). Also, Anderson and Narus (1990) defined trust as "the firm's belief that another company will perform actions that will result in positive outcomes for the firm as well as not take unexpected actions that result in negative outcomes" (p. 45). According to Yamagishi and Yamagishi (1994), trust exists when the trustor has a belief that another party will not cheat because of its good will, even though the other party has an incentive to cheat. Ganesan (1994) pointed out two components of trust: "credibility" and "benevolence." Credibility occurs when the channel member believes that the channel partner has special knowledge for achieving its tasks, and benevolence occurs when a channel member has faith that its channel partner has the willingness and motivation to support the channel member (Ganesan, 1994).

Trust, Satisfaction, and Conflict

Some marketing literature posits a positive relationship between trust and satisfaction (Andaleeb, 1996; Anderson and Narus, 1990; Dwyer, Schurr, and Oh, 1987; Park and Oh, 1999), while assuming a negative relationship between trust and conflict (Geyskens et al., 1999). Andaleeb (1996) reported that a supplier's high level of trust increases a buyer's satisfaction in a channel relationship, which confirmed the results of some former studies (Anderson and Narus, 1990; Dwyer, Schurr and Oh, 1987). In a Korean study, Park and Oh (1999) found that a supplier's and a retailer's satisfaction with their past business experience strongly affects trust and commitment. Ganesan (1994) reported that retailers' satisfaction positively influences two components of trust: credibility (welfare) and benevolence (task performance). Also, Geyskens et al. (1999) reported that conflict with the channel partner negatively impacts trust, because disagreement will induce frustration, which then causes distrust and conflict.

Regarding economic and non-economic factors (satisfaction and conflict), Ganesan (1994) mentioned that vendors with notorious reputations for terminating relationships (non-economic conflict) and seeking high profits (economic satisfaction) have difficulty in developing trust with channel members. Geyskens et al. (1999) found that non-economic satisfaction increases trust, and similarly, Yu and Pysarchik (2002) reported that increased levels of economic and non-economic satisfaction positively influence trust, while increased levels of economic and non-economic conflict negatively influence it. Thus, it is hypothesized (Figure 7) that:

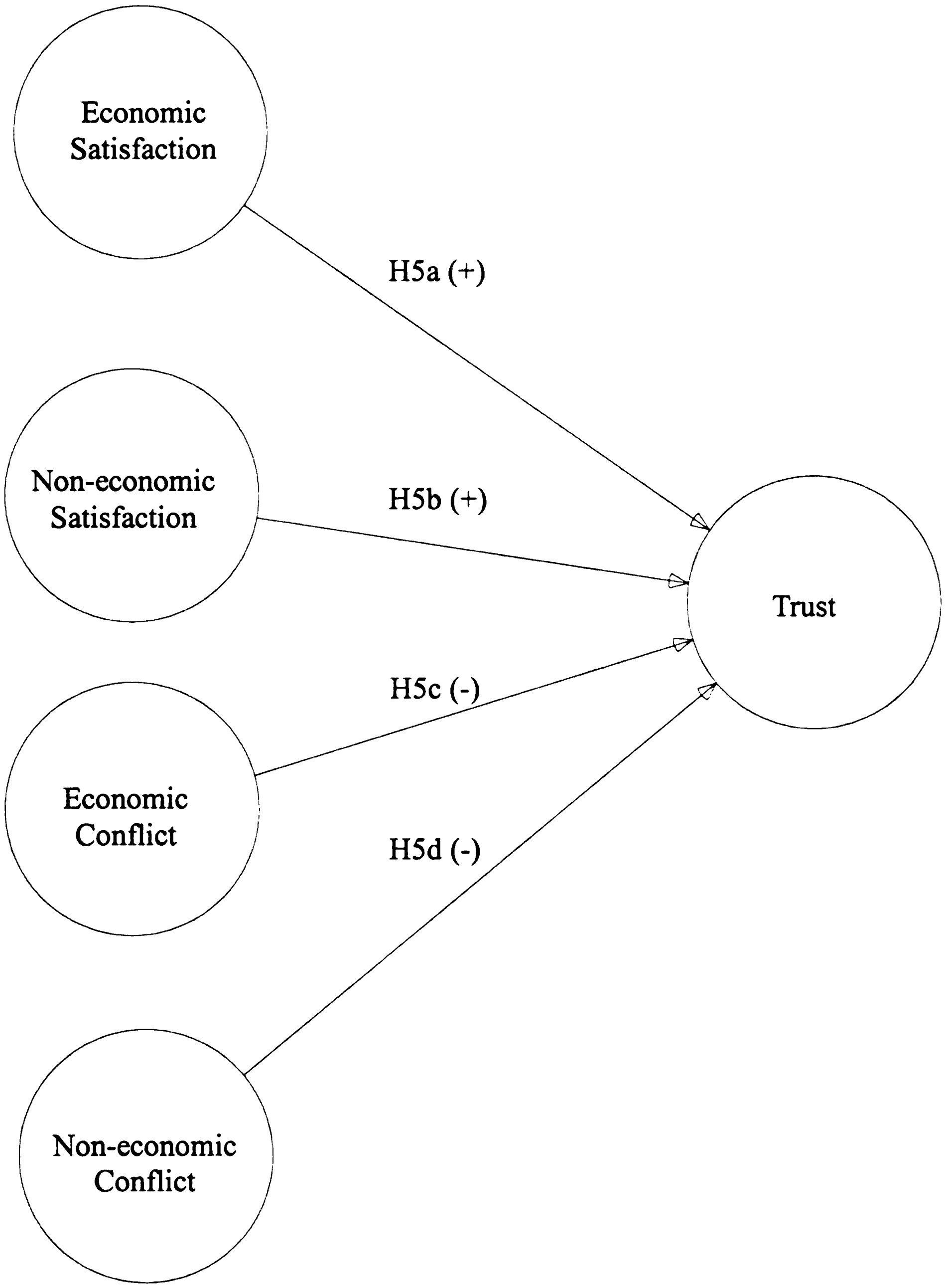
H5a: Indian buyers' economic satisfaction positively influences their trust of suppliers.

H5b: Indian buyers' non-economic satisfaction positively influences their trust of suppliers.

H5c: Indian buyers' economic conflict negatively influences their trust of suppliers.

H5d: Indian buyers' non-economic conflict negatively influences their trust of suppliers.

Figure 7. Satisfaction, Conflict, and Trust



COMMITMENT

Commitment has been recognized as a critical factor for successful long-term channel relationships. Moorman, Zaltman, and Deshpande (1992) defined commitment as "the desire to maintain a valued relationship" (p. 136). Anderson and Weitz (1992) construed commitment as "a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship" (p. 19). Further, Morgan and Hunt (1994) stated that:

> We defined the relationship commitment as an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that is endures indefinitely. (p.23)

The concept of commitment assumes that the relationship between a channel member and a channel partner is stable and will continue long enough for both to realize long-term benefits (Anderson and Weitz, 1992). Based on previous studies, the idea of commitment has produced such important outputs as decreased turnover (Porter et al., 1974), higher motivation (Farrell and Rusbult, 1981), and increased organizational citizenship behaviors (Williams and Anderson, 1991).

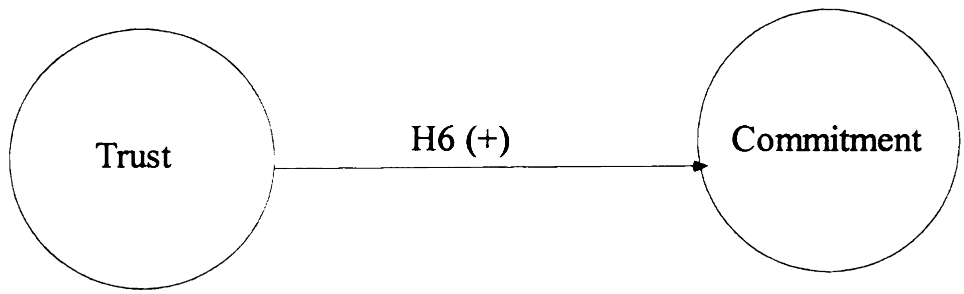
Trust and Commitment

According to Morgan and Hunt's (1994) study, commitment and trust are described as key mediating factors in a successful relational exchange, and trust, especially, is considered a determinant of commitment. Trust implies value that provides enhanced benefits to both channel members and channel partners, and allows them to take risks/uncertainty because opportunistic behaviors are not expected of either party (Morgan and Hunt, 1994). Therefore, a trusting member or partner does not need to get involved in such actions as monitoring its channel partner and/or establishing protection through legalistic contracts, which are costly. These benefits appear to increase a desire to build a strong and continuous relationship, which is the definition of commitment. Thus, if commitment and trust are present, the channel member and partner increase their efficient, productive, and effective relationship.

Morgan and Hunt (1994) suggested that commitment and trust encourage a channel member: 1) to work with its channel partner to preserve a cooperative relationship, and 2) to maintain a long-term relationship with its channel partner and avoid attractive short-term channel alternatives. Several researchers also have found positive relationships between trust and commitment (Andaleeb, 1996; Garbarino and Johnson, 1999; Geyskens et al., 1999; Morgan and Hunt, 1994). Thus, it is hypothesized (Figure 8) that:

H6: Indian buyers' trust positively influences their commitment to suppliers.

Figure 8. Trust and Commitment



Long-term Orientation

Similar to commitment, long-term orientation has been widely studied in the marketing literature. Ganesan (1994) conceptualized the distinction between long-term orientation and short-term orientation in two different ways. First, while short-term orientation focuses on the options and outcomes of the present period, long-term orientation focuses on accomplishing both present and future outcomes. Second, a channel member with a short-term orientation is concerned with the efficiency of market exchange in order to maximize benefits in a transaction, while a channel member with a long-term orientation is concerned about relational exchange in order to maximize benefits through continuous transactions (Ganesan, 1994). Regarding the relationship between trust and long-term orientation, Ganesan (1994) said that :

> A retailer's trust in a vendor affects the long-term orientation of a retailer in three ways: (1) it reduces the perception of a risk associated with opportunistic behaviors by the vendor, (2) it increases the

confidence of the retailer that short-term inequities will be resolved over a long-term period, and (3) it reduces the transaction costs in an exchange relationship. (p. 3)

In general, then, long-term orientation is considered a dependent variable that is influenced by satisfaction, dependence, and trust (Ganesan, 1994; Yu and Pysarchik, 2002). Ganesan (1994) reported that a retailer's dependence and trust (credibility and benevolence) influences long-term orientation. Also, Yu and Pysarchik (2002) found that a retailer's dependence and trust positively influence their long-term orientation, and at the same time non-economic conflict negatively influences it.

In a conceptual model assessed through structural equation modeling (SEM), Chung, Sternquist and Chen (2007) posited long-term orientation as an exogenous variable, which influences retailers' trust and economic dependence rather than an endogenous variable, as in the case of Western culture studies. To test this difference, they developed and compared two models: 1) a *traditional model* where long-term orientation has an impact on trust and dependence, and 2) a *performance model* where role performance influences long-term orientation, trust and dependence. The results of the study showed that the *traditional model* had a greater explanatory power than the *performance model.* In other words, long-term orientation is considered an antecedent of trust and dependence in Japanese supplier-buyer relationships. Thus, once Japanese retailers have a relationship with their supplier, they are more likely to maintain and keep this long-term relationship. Chung, Sternquist and Chen (in press) also stressed that Western companies need to have a long-term orientation when they first establish new business relationships with Japanese companies. Although this kind of relationship is not typical of most

Western companies, it would increase Japanese retailers' trust of and economic dependence on Western companies. This study indicated how cultural differences impact channel relationships.

COOPERATION

Cooperation is defined as "similar or complementary coordinated actions taken by firms in interdependent relationships to achieve mutual outcomes or singular outcomes with expected reciprocation over time" (Anderson and Narus, 1990, p.45). Also, Lucas et al. (1996) defined cooperation as the outcome of a learning process and mutual understanding between suppliers and buyers. Most studies in channel relationships have recognized cooperation as a desirable construct in that it cultivates positive and long-term relationships between suppliers and buyers (Brown and Day, 1981; Frazier and Rody, 1991; Frazier, 1983; Robicheaux and El-Ansary, 1975).

Cooperation, Satisfaction, and Conflict

Generally, cooperation has been known as the opposite construct to conflict (destructive conflict). Balabanis (1998) found that the lower the occurrence of conflict, the greater the level of cooperation between supplier and buyer. In Skinner et al.'s (1992) study, the results showed that the higher the level of conflict (destructive conflict) the lower the level of cooperation since a channel member's unfriendly behavior will definitely undermine its channel partner's cooperativeness, thus destroying an effective relationship and performance.

Previous channel relationship studies have suggested a positive relationship between satisfaction and cooperation (Anderson and Narus, 1990; Dwyer, 1980; Mallen, 1963; Sibely and Michie, 1982). However, there is some disagreement in regard to the sequence of cooperation and satisfaction. Some researchers have used cooperation as a determinant of satisfaction (Olsen and Granzin, 1993), while others have viewed cooperation as an antecedent of satisfaction (Skinner et al., 1992; Anderson and Narus, 1990). For example, Skinner et al. (1992) reported that a higher level of cooperation leads to a higher level of satisfaction because cooperative efforts produce greater channel efficiency and lead to the desired goal, thereby increasing satisfaction. However, Olsen and Granzin (1993) reported that satisfied dealers in channel relationships are more willing to help manufacturers, and thus manufacturers who seek cooperation with retailers should provide satisfaction to the retailers (satisfaction → cooperation).

Morgan and Hunt (1994) stated that cooperation is different from acquiescence. Cooperation implies a proactive response whereas acquiescence is reactive. For example, if a retailer passively agrees to promote a manufacturer's advertisement, this would be acquiescence, whereas if a retailer proactively suggests a better advertisement, this would be cooperation. Thus, in this study, satisfaction is posited as an antecedent of cooperation because a satisfied channel member will cooperate *proactively* with a channel partner, and will be more likely to help a channel partner improve mutual performance (Olsen and Granzin, 1993).

In regard to the relationship between economic satisfaction and cooperation, Geyskens and Steenkamp (2000) said that:

> Economic satisfaction directly impacts channel survival and growth as it deals with economic outcomes. Hence, when economic satisfaction is high, channel members will be inclined to engage in constructive responses and disinclined to engage in destructive responses [cooperative-like behaviors] in reacting to a given problematic situation (p 17).

Also, Geyskens and Steenkamp (2000) said that:

> Increases in social satisfaction [non-economic satisfaction] also encourage constructive responses and discourage destructive responses when problematic incidents occur [cooperative-like behavior]. … Channel members who are happy in their current relationship [non-economic satisfaction] are more likely to stay [commitment] and be supportive or work to improve things [cooperative-like behaviors] than would channel members who do not have this basis for hope (p. 16).

Thus, it is hypothesized (Figure 9) that:

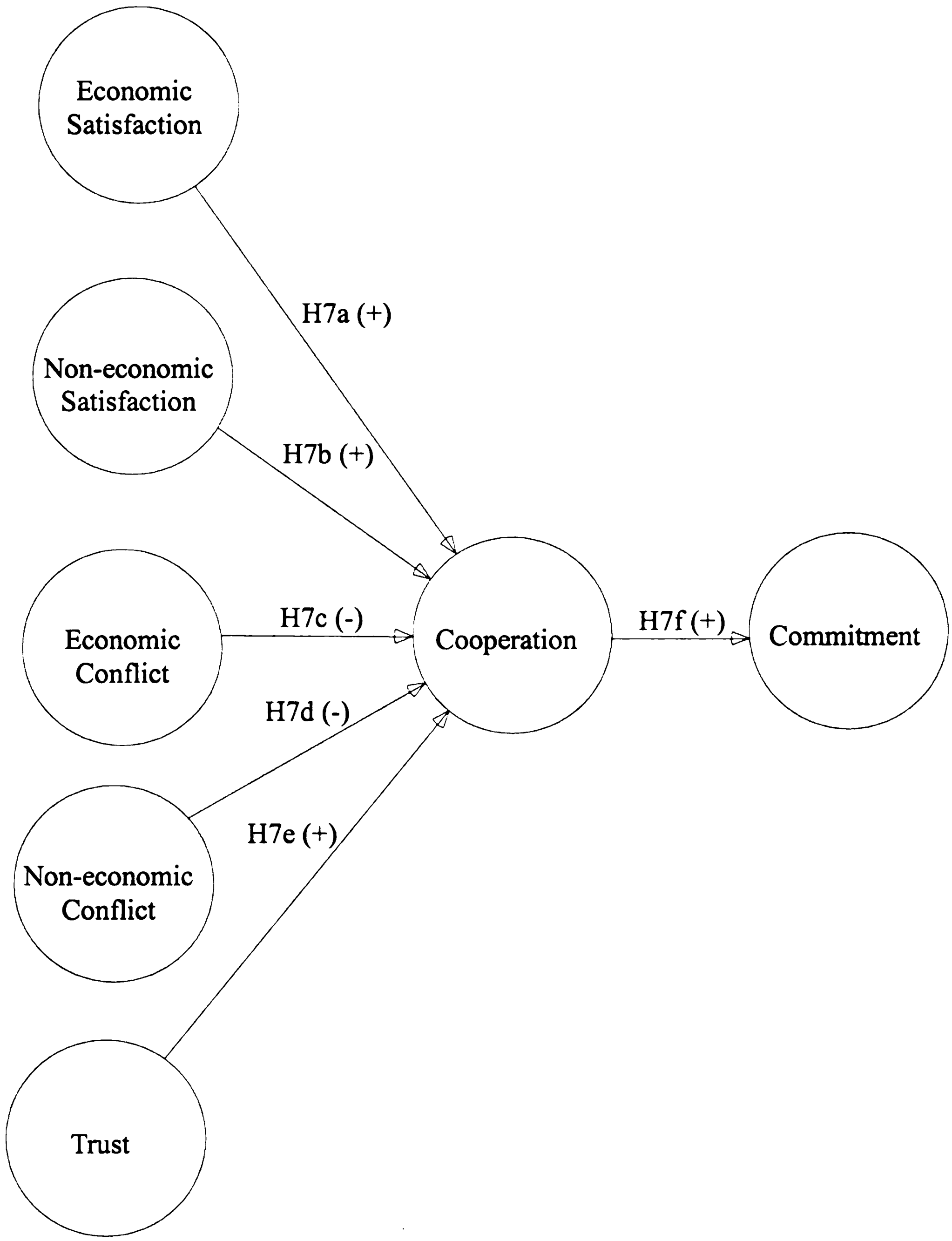
H7a: Indian buyers' economic satisfaction positively influences their cooperation with suppliers.

H7b: Indian buyers' non-economic satisfaction positively influences their cooperation with suppliers.

H7c: Indian buyers' economic conflict negatively influences their cooperation with suppliers.

H7d: Indian buyers' non-economic conflict negatively influences their cooperation with suppliers.

Figure 9. Satisfaction, Conflict, Trust, Cooperation, and Commitment



Cooperation, Trust and Commitment

Regarding the concept of trust, Anderson and Narus (1990) noted that, "Once trust is established, firms learn that coordinated, joint efforts will lead to outcomes that exceed what the firm would achieve" (p. 45). Similarly, Hagen and Choe (1998) said that trust encourages cooperation because it reduces transaction costs caused by the channel partner's opportunistic behavior. Several scholars also reported that a high level of trust is related to cooperative relationships between individuals and organizations (Casson, 1991; Ouchi, 1981). Morgan and Hunt (1994) also empirically found positive causal relationship between trust and cooperation.

Previous studies have shown that cooperation is positively and significantly correlated to relationship benefits, relationship commitment, trust, and communication (Morgan and Hunt, 1994). Balabanis (1998) stated that one of the goals for a channel member (international trade intermediary) should be to sustain stable, long-term relationships with their channel partners because stable relationships reduce the effort of selecting a new supplier, along with the risk of uncertainty. They empirically found that a greater level of cooperation lead to longer duration (commitment) in business relationships. Also, Anderson and Narus (1990) found that cooperation leads to trust, which increases willingness to collaborate (commitment) in the future (Morgan and Hunt, 1994). Based on these results, it is hypothesized (Figure 9) that:

H7e: Indian buyers' trust positively influences their cooperation with suppliers.

H7f: Indian buyers' cooperation positively influences their commitment to suppliers.

SWITCHING COSTS

Switching costs are defined as the time, monetary, and psychological costs of changing a supplier (Jackson, 1985). Generally, switching costs are described as the buyer's perceived costs of changing from a current supplier to a new supplier (Heide and Weiss, 1995). The construct of switching costs has been widely integrated with several theoretical approaches in supplier–buyer relationships (Anderson, 1985; Dwyer et al., 1987; Frazier et al., 1988).

When trying to switch its existing supplier, the buyer faces two types of switching costs: *setup costs* and *takedown costs*. Setup costs refer to the costs the buyer needs to find a new supplier who will provide the same or better performance (Dwyer et al., 1987). Take down costs refer to the costs incurred when a specific or idiosyncratic investment with an existing supplier becomes valueless after terminating the relationship.

Morgan and Hunt (1994) stated that switching costs are increased by idiosyncratic investment that makes it more difficult or costly to change an existing partner. In other words, transaction specific investments required by suppliers raise buyers' switching costs, thus increasing buyers' dependence and inhibiting their motivation to change existing suppliers. Therefore, the net result of switching costs is that suppliers create reason for buyers to remain in the relationship even though they would prefer to change.

Switching Costs, Satisfaction and Conflict

Regarding the relationship between economic factors and switching costs, Sengupta, Krapfel and Pusateri (1997) indicated that the greater the economic incentives (economic satisfaction) offered by a supplier, the greater the switching costs faced by a buyer, while the lower the price (economic conflict) offered by a potential supplier, the higher the likelihood of customers switching.

According to the definition of switching cost (Jackson, 1985), it encompasses not only monetary cost but also psychological and emotional costs (non-economic factors). When personal relationships, social ties, and trust have been built up over a period of time, the relationship between supplier and buyer is likely to present a psychological exit barrier (non-economic satisfaction), even though the performance of the core service is less than satisfactory.

A buyer is more likely to avoid the psychological and emotional stress and the risk/uncertainty that the termination of the current relationship might bring (non-economic factor) by staying in the relationship, even when it may be less than ideal (Sharma and Patterson, 2000). Consequently, retailers' economic and non-economic factors will strongly influence switching costs. Thus, it is hypothesized (Figure 10) that:

H8a: Indian buyers' economic satisfaction positively influences their switching costs for suppliers.

H8b: Indian buyers' non-economic satisfaction positively influences their switching costs for suppliers.

H8c: Indian buyers' economic conflict negatively influences their switching costs for suppliers.

H8d: Indian buyers' non-economic conflict negatively influences their switching costs for suppliers.

Switching Costs, Trust, Cooperation, and Commitment

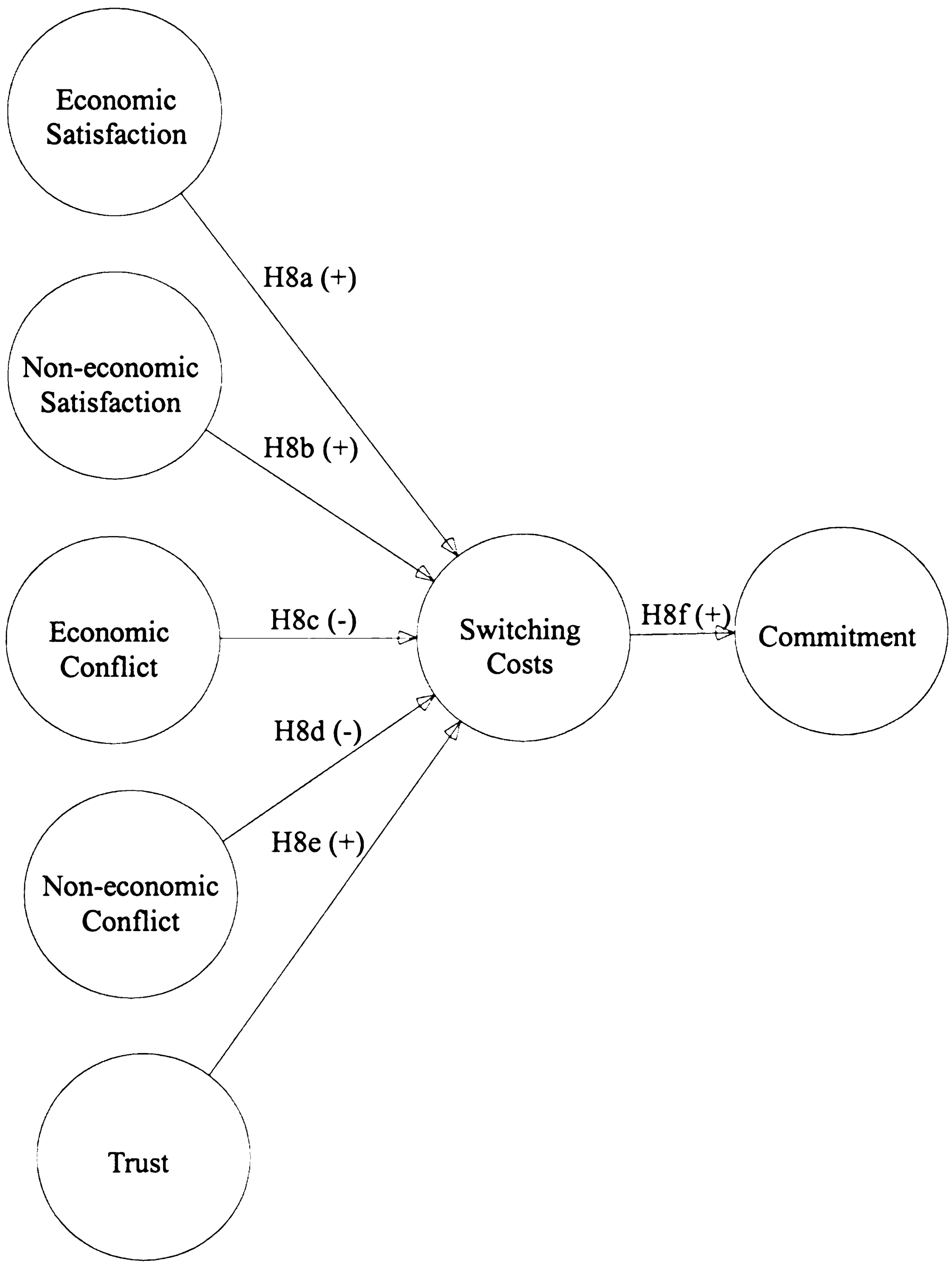
Dwyer, Schurr, and Oh (1987) suggested that a buyer's expectation of high switching costs increases his/her intention to remain in the present business relationship. Morgan and Hunt (1994) stated that:

> Termination costs [switching costs] are, therefore, all expected losses from termination and results from the perceived lack of comparable potential alternative partners, relationship dissolution expenses, and/or substantial switching costs. These expected termination costs lead to an ongoing relationship being viewed as important, thus generating commitment to the relationship. ... Indeed, facing termination costs [switching costs] that are actually very high, a partner may be blissfully unaware of this fact and not be committed to the trading partner. Conversely, facing total costs that are actually very low, a partner unfoundedly may fear being terminated and be committed. Thus, it is the expectation of total costs [switching costs] that produces commitment. (p. 24)

Actually, Morgan and Hunt (1994) found a positive empirical relationship between switching costs and commitment, and a negative relationship between switching costs and a propensity to leave.

Regarding the relationships between switching costs, trust, and cooperation, a high degree of trust and cooperation will increase the switching costs. For example, a channel partner cannot easily exchange a highly cooperative and trustworthy

Figure 10. Satisfaction, Conflict, Trust, Switching Costs, and Commitment



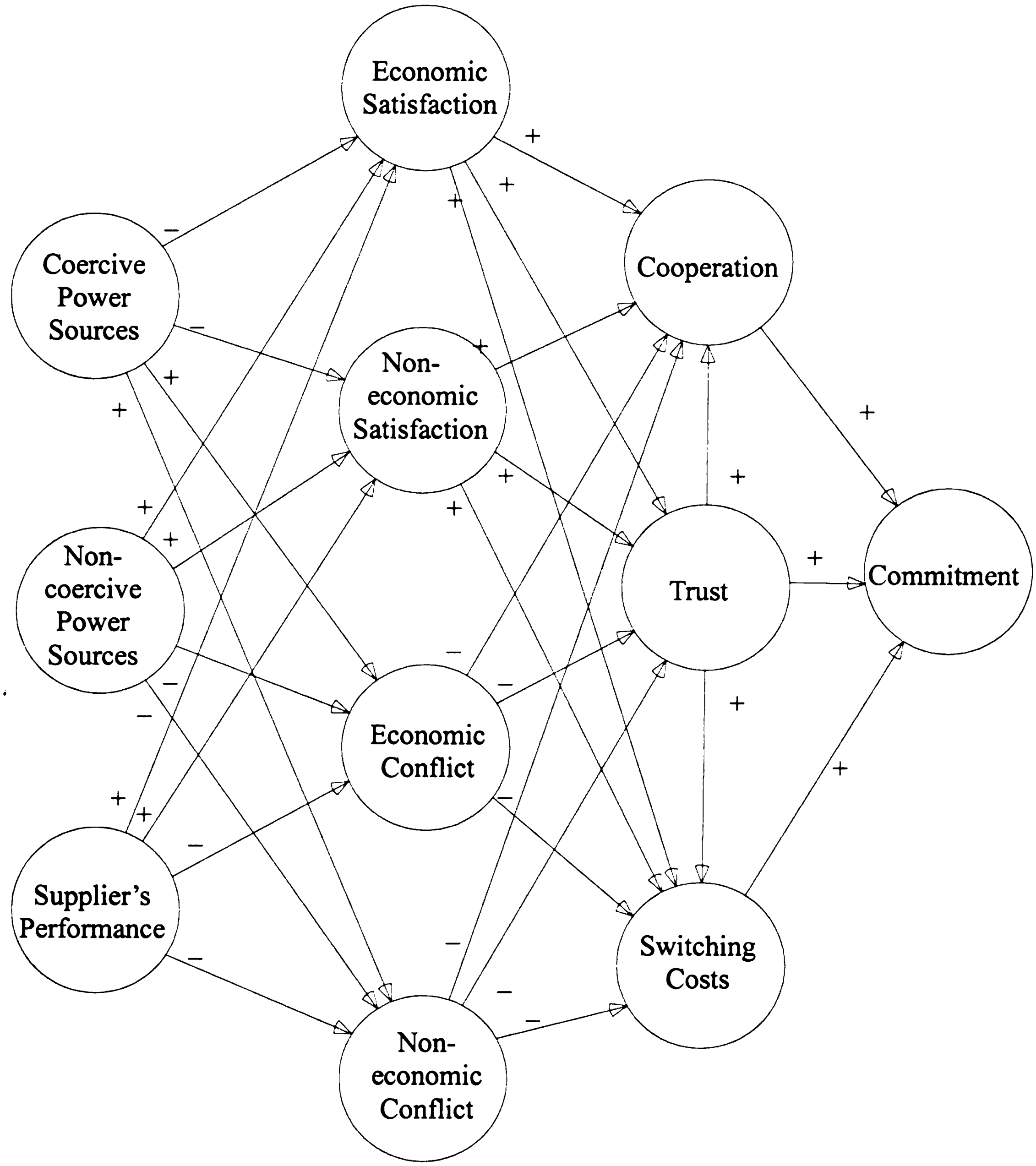
channel member because such a channel member will tend to heighten idiosyncratic investment (nonredeployable), thus increasing the switching costs. Empirically, Nielson (1996) found that trust positively influences switching costs. Also, Finnegan (working paper) reported that suppliers' trust (credibility, one of the components of trust) negatively influences propensity to switch. Thus, it is hypothesized (Figure 10) that:

H8e: Indian buyers' trust positively influences their switching costs for suppliers.

H8f: Indian buyers' switching costs positively influence their commitment to suppliers.

Based on the previous discussion and hypotheses, a holistic conceptual model is shown in Figure 11.

Figure 11. The Holistic Conceptual Model



CHAPTER III

RESEARCH METHODS

In this chapter, sample selection, data collection procedures, and the survey instrument are discussed. Also, measurement items for all constructs are presented. Then, data analysis plans including analysis methods and statistical techniques to test hypotheses are provided.

SAMPLE SELECTION AND DATA COLLECTION

This study is focused on supplier-buyer relationship among Indian companies in the processed/packaged (not fresh) food business. Generally, most Indian manufacturers deal with several types of intermediaries and retailers. Thus, to measure complex Indian supplier-buyer relationships accurately, companies that are supply chain members in the processed/packaged food industries (e.g., wholesaler, stockist, broker, importers, trading company or retailer) were selected as the population to be sampled. Because the purpose of the study was to investigate a channel member's relationship with his/her major supplier, manufacturers/producers were not included in the sample of buyers. The nature of transactions between farmers and manufacturers can be quite different than among other channel partners.

To achieve a representative sample, data were collected from 6 cities (Mumbai, Ludhiana, Kolkata, Hyderabad, Bangalore, and Delhi) between late 2004 and early 2005 in India. Table 3 presents the characteristics of the cities and Figure 12 shows the data collection sites in India. Urban cities were selected for this study because in India processed/packaged foods are purchased by middle to upper income consumers, who typically live in urban areas (See Table 4). Thus, rural cities were excluded from data collection in this study.

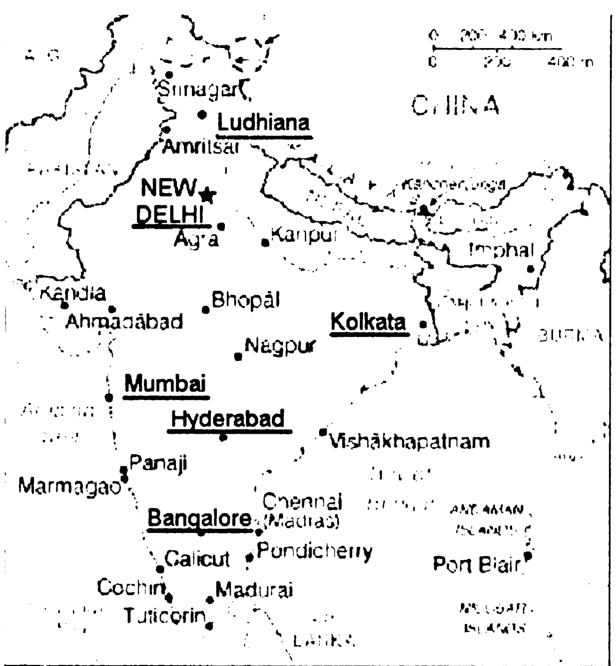
Table 3. Characteristics of Data Collection Sites

Data Collection Sites	Basic Characteristics	
Mumbai (Bombay)	State: Maharashtra Area: 468km^2 Population: 19,400,000 Density: 41,453/km^2 Altitude: 10 meters	Mumbai, formerly known by the British as "Bombay" , is the capital of the Indian state of Maharashtra and is the most populous Indian city. The city, which has a deep natural harbour, is also the largest port in western India, handling over half of India's passenger traffic. Mumbai is the commercial capital of India, and houses important financial institutions.
Delhi	National capital territory Area: 1483km^2 Population: 19,000,000 Density: 12,812/km^2 Altitude: 300 meters	Delhi is a metropolis in India. This city is one of the three towns that make up the National Capital Territory (NCT), the other two being New Delhi and Delhi Cantonment. Delhi is one of the most affluent urban centres in India and is at the heart of India's largest consumer belt.
Kolkata (Calcutta)	State: West Bengal Area: 1,036 km^2 Population: 15,350,000 Density: 14,817 km^2 Altitude: 6 meters	Kolkata was the capital of British India until 1912. The city's name was officially changed from Calcutta back to the original Kolkata in January 2001. The urban agglomeration of Kolkata covers several municipal corporations, municipalities, city boards and villages and is the third largest urban agglomeration in India after Mumbai and Delhi.
Bangalore	State: Karnataka Area: 366 km^2 Population: 6,900,000 Density: 18,852 km^2 Altitude: 920 meters	Bangalore is the largest city of the Indian state of Karnataka. After India gained independence in 1947, Bangalore evolved into a manufacturing hub for heavy industries. Bangalore is called the "Silicon Valley of India" due to the large number of information technology companies located there.

Hyderabad	State: Andhra Pradesh Area: 260 km^2 Population: 6,550,000 Density: 25,192 km^2 Altitude: 536 meters	Hyderabad is the 5th largest metropolis of India. It is known for its rich history and culture with monuments, mosques, temples, and a rich and varied heritage in arts, crafts and dance. Hyderabad is also known as the second Silicon Valley in India after Bangalore.
Ludhiana	State: Punjab Area: 3,744 km^2 Population: 1,650,000 Density: 440 km^2 Altitude: N/A	Ludhiana is the largest city of Punjab. It is a major industrial center of northern India. Famous for its hosiery, textiles and bicycle industry, Ludhiana also is sometimes called the "Manchester of India."

Sources: http://www.citypopulation.de/World.html(October 5, 2005)
http://en.wikipedia.org (October 5, 2005)

Figure 12. Data Collection Sites in India



Source: http://education.yahoo.com/refernce/factbook/in/map.html (October 5, 2005)

Table 4. Rural – Urban Household Income Distribution Comparison (1999 data)

Income Groups	Rural (%)	Urban (%)
Low income (below Rs. 20,000)	65.4	36.7
Lower middle (Rs. 20,001 – 40,000)	23.2	33.1
Middle (Rs. 40,001 – 62,000)	7.5	17.1
Upper middle (Rs. 62,001 – 86,000)	2.5	7.8
High income (over Rs. 86,000)	1.4	5.3

Source: http://www.flonnet.com/fl2114/stories/20040716002009000.htm (December 10, 2005)

To complete this study, the managers or owners (age 18 and above) of the businesses were contacted by research assistants. Two contact methods were used: 1) telephone contact and 2) direct personal contact.

Regarding the telephone contact method, the telephone directory was used for the sampling frame. Every third processed/packaged food business such as wholesaler, stockist, broker, importers, trading company or retailer was selected from the telephone directory. From this information, research assistants made a call list and proceeded to contact the company. In areas where telephones were not prevalent or in places where telephone contact would reduce participation, research assistants randomly selected streets within the area, and then approached owners or managers of every third food business to seek their participation in the study.

Regardless of the contact method, when a research assistant made contact with the business, the research assistant introduced him/herself and asked to speak to the owner or manager. If this person was not available, the research assistant asked for a more convenient time to return or call to speak to the owner/manager. If the initial contact with the owner or manager was successful, the research assistant explained the purpose of this study and either presented or verbally paraphrased the contents of an explanatory letter, which described the objectives of the study, sponsorship, and directions for completion. If an owner/manager agreed to participate in the survey, the research assistant dropped off the questionnaire and made an appointment for a mutually convenient time to pick up the completed survey. At the agreed upon date and time, completed questionnaires were picked up from the respondents. Before the research assistant left the business, he/she reviewed the survey for incomplete or illegible information and, if found, requested that the respondent complete or clarify a response.

INSTRUMENT

The questionnaire used in this study included eleven constructs and 64 items: coercive power sources, non-coercive power sources, economic satisfaction, non-economic satisfaction, economic conflict, non-economic conflict, cooperation, trust, switching costs, performance and commitment. All of the measures for the constructs were developed for and empirically tested in previous studies.

The questionnaire was originally developed in English, however, for respondents who could not read or understand English, the instrument was double-blind back translated into the local languages by a bi-lingual scholar. To achieve comparability, great attention was given to the issue of equivalence of meaning during translation. Moreover, two pretests of the questionnaire were conducted to increase the comprehension and cross-cultural appropriateness of the specific items in the questionnaire. The pretest results indicated that slight modifications in the wording of some items were needed to better reflect the Indian culture and market environment. We also found that suppliers' payment systems and suppliers' products and services are important economic factors to Indian buyers. However, in the original scales (Wilkinson, 1981), these factors are excluded. Thus, to effectively measure the economic satisfaction construct, two additional items ("The discount allowances your supplier gives you for regular and early payment", "The supplier's products and services help me achieve my revenue/business objectives") were developed and added (Table 5). Also, we realized that one of the original items ("The service provided by the manufacturer's salesmen") (Wilkinson, 1981) was not related to economic satisfaction in the India processed food industries. Thus, this item was modified to "The services your supplier provides that save you money." Similarly, to measure non-coercive power sources accurately in the India situation, two items ("The supplier sets monthly/quarterly sales volume targets," and "The supplier sets incentives and promotions based on sales target achievement") were developed based on pretest results (Table 5).

Table 5. Modified items

Construct	Original items	Added/Modified item
Economic satisfaction (Wilkinson, 1981)		The discount allowances your supplier gives you for regular and early payment.
		The supplier's products and services help me achieve my revenue/business objectives.
	The service provided by the manufacturer's salesmen. (This item is not used in the current study)	The services your supplier provides that save you money.
Non-coercive power sources (Gaski and Nevin, 1985)	The manufacturer provides service. (This item is not used in the current study)	The supplier sets monthly/quarterly sales volume targets.
		The supplier sets incentives and promotions based on sales target achievement.

In the questionnaire, respondents were asked to select their primary (major) supplier of processed (packaged) food, and then respond to the question items with this supplier in mind (See Appendix A). All measurement items for each construct are presented in Table 6.

Exercised Coercive Power Sources and Non-exercised Coercive Power Sources. Exercised coercive power sources and exercised non-coercive power sources were measured by scales previously developed by Gaski and Nevin (1985). A four-item, seven-point scale (1=Never to 7=Always) was used to measure exercised coercive power and a six-item, seven-point Likert-type scale was used to measure exercised non-coercive power sources.

Economic Satisfaction and Non-economic Satisfaction. Wilkinson's (1981) six-item, seven-point Likert-type scale (1=Extremely Dissatisfied to 7=Extremely Satisfied) was used for economic satisfaction. Gaski's (1986) one-item and Andaleeb's (1996) two-item scales (a total of three items) were used to measure non-economic satisfaction with a seven-point Likert-type scale (1=Extremely Disagree to 7=Extremely Agree).

Economic Conflict and Non-economic Conflict. Economic conflict was assessed by the scale previously developed by Gaski and Nevin (1985), which contains a five-item, seven-point Likert-like scale (1=Extremely Disagree to 7=Extremely Agree). No scale exists for measuring non-economic conflict in marketing channels. Therefore, Eggeman, Moxley and Schumm's (1985) four-item, seven-point Likert-type marital conflict scale was adjusted for the study (1=Extremely Disagree to 7= Extremely Agree).

Trust. Raven, Tansuhaj and McCullough's (1993) four item, seven-point Likert-type scale (1=Extremely Disagree to 7=Extremely Agree) was used to measure Trust.

Switching Costs. Switching costs were measured through the scale previously developed by Colgate and Lang (2001), which contained three items that were measured by a seven-point Likert-type scale (1=Extremely Disagree to 7=Extremely Agree).

Cooperation. Skinner, Gassenheimer, and Kelly's (1992) three item, seven-point Likert-type scale (1=Extremely Disagree to 7=Extremely Agree) was used to measure cooperation.

Commitment. Kumar, Scheer, and Steenkamp's (1995) four item, seven-point Likert-type scale (1=Extremely Disagree to 7=Extremely Agree) was used to measure commitment.

Performance. Schellhase, Hardock and Ohlwein's (1999) twenty-two item, seven-point Likert-like scale (1=Extremely Disagree to 7=Extremely Agree) was used to measure supplier's performance.

Table 6. Measurement of Constructs

Items	Scale	Published Study (Cronbach's α)
Exercised coercive power 1. The supplier delays delivery of products (generally). 2. The supplier refuses to sell. 3. The supplier charges high prices. 4. The supplier delivers unwanted products.	(1=Never to 7=Always)	Gaski and Nevin (1985) ($\alpha = .62$)
Exercised non-coercive power 1. The supplier sets monthly/quarterly sales volume targets.* 2. The supplier sets incentives and promotions based on sales target achievement.* 3. The supplier gives trade allowances/incentives. 4. The supplier provides sales promotion materials. 5. The supplier provides financing/credit. 6. The supplier demonstrates products.	(1=Never to 7=Always)	Gaski and Nevin (1985) ($\alpha = .83$)
Economic Satisfaction 1. The price at which the supplier sells products to you. 2. The credit facilities the supplier makes available to you. 3. The discount allowances your supplier gives you for large orders, etc. 4. The discount allowances your supplier gives you for regular and early payment.* 5. The supplier's products and services help me achieve my revenue/business objectives.* 6. The services your supplier provides that save you money.*	(1=Extremely Dissatisfied to 7=Extremely Satisfied)	Wilkinson (1981) ($\alpha = .82$)
Non-Economic Satisfaction: 1. I am satisfied with the products and services I get from my supplier (Gaski, 1986). 2. The relationship between the supplier and me seems to reflect a happy situation (Andaleeb, 1996). 3. The relationship between the supplier and me is very positive (Andaleeb, 1996).	(1=Extremely Disagree to 7=Extremely Agree)	Gaski (1986), ($\alpha = .76$) Andaleeb (1996) ($\alpha = .95$)
Economic Conflict 1. I do not like many of the things my supplier does. 2. My supplier's policies reduce my profits. 3. My supplier makes it difficult for me to do my job. 4. My supplier has not been very fair with me. 5. Dealing with my supplier does not benefit my company.	(1=Extremely Disagree to 7=Extremely Agree)	Gaski and Nevin (1985) ($\alpha = .89$)

Non-economic Conflict 1. Do you both begin to understand each other's feelings reasonably quickly? R 2. Do you both get your points across to each other without too much trouble? R 3. Do you both begin to appreciate each other's points of view on a matter fairly soon? R 4. Does your supplier seem to be supportive of your feelings about your disagreement? R R = Scale reversed	(1=Never to 7=Always)	Eggeman, Moxley and Schumm (1985), in Yu and Pysarachik (2002) (α = .73)
Trust 1. I have many good things to say about my supplier's trustworthiness. 2. I can trust my supplier to be very "up front" with me. 3. I can trust my supplier to keep a trade secret. 4. I am convinced that I can trust my supplier in negotiations.	(1=Extremely Disagree to 7=Extremely Agree)	Schurr and Ozanne (1985) (α = N/A)
Switching Costs 1. Switching to another supplier is too much bother in terms of time and effort. 2. I was concerned about the negative financial outcomes of switching to another supplier. 3. I feel locked into this supplier because of the products I have with the supplier.	(1=Extremely Disagree to 7=Extremely Agree)	Colgate and Lang (2001) (α = N/A)
Cooperation 1. My future goals are best reached by working with my supplier rather than against my supplier. 2. My future profits are dependent on maintaining a good working relationship with the supplier. 3. I do not feel I can count on my supplier to give me the kind of support (such as local advertising) that companies working with other suppliers receive.R	(1=Extremely Disagree to 7=Extremely Agree)	Skinner, Gassenheimer, and Kelly (1992) (α = .83)
Commitment 1. Even if we could, we would not drop the supplier because we like being associated with him/her. 2. We want to remain a member of the supplier's network because we genuinely enjoy our relationship with him/her. 3. Our positive feelings toward the supplier are a major reason we continue working with him/her. 4. We expect our relationship with the supplier to continue for a long time.	(1=Extremely Disagree to 7=Extremely Agree)	Kumar, Scheer, and Steenkamp (1995) (α = .86)

Performance 1. Reliable field personnel. 2. Well-prepared contact personnel. 3. Given me access to senior management in its company. 4. Contact personnel are adequately empowered to make market decisions. 5. Fast reaction in the event of delivery problems. 6. Good ideas for sales promotion campaigns. 7. Logistics discounts commensurate with performance. 8. Good planning of sales promotion activities. 9. Promotion for the trade geared to customers. 10. Promotion to meet the needs of its customers. 11. Problem-free processing of orders. 12. Contact person if there are problems. 13. Good information about new products. 14. Successful product innovation. 15. Products with fast turnaround in stores. 16. Unique or prestigious products. 17. Effective consumer advertising. 18. Transparent system of prices and conditions. 19. Punctual, reliable and complete deliveries. 20. Attractive margins of the products. 21. Quality products. 22. Field personnel that meet the needs of its customers.	(1=Extremely Disagree to 7=Extremely Agree)	Schellhase, Hardock and Ohlwein (1999) (α = N/A)

*Questions were modified in this study based on pre-test results.

CHAPTER IV

RESULTS AND DISCUSSION

In this chapter, the statistical analysis of collected data, interpretation of results, and discussion of findings are presented. First, the demographic characteristics of the sample are described, and then reliability and validity of measurements are reported. Data were analyzed through Structural Equation Modeling (SEM) using Amos 4.0 (Arbuckle, 1999). After Confirmatory Factor Analysis (CFA) was conducted on the measurements, path analysis was conducted to test all hypotheses.

DEMOGRAPHIC CHARACTERISTICS OF THE SAMPLE

Three hundred and one useable questionnaires were collected from six cities in India (Bangalore, Delhi, Hyderabad, Kolkata, Ludhiana, and Mumbai). Descriptive statistics were analyzed to depict the demographic characteristics of the sample (gender, age, and position title) and firm information (average sales per month, number of full-time employees, years in business, form of business, and form of ownership) (Table 7).

The sample consists of 93% males and 7% females ranging in age from 20 to 61, with an average age of 38. The majority (72%) of the respondents were small sole proprietorship companies with fewer than 10 employees (89%). A majority of the respondents indicated they are retailers (64.6%), have been in a business relationship with their major supplier for 5 years or more (75%), and depend upon their major supplier for 60% or more of their processed/packaged food sales (63%).

Table 7. Demographic Characteristics of the Sample

Characteristic	Frequency (N=301)	Percent (%)
Data Collection Sites		
Bangalore	76	25.2
Delhi	50	16.6
Hyderabad	50	16.6
Ludhiana	50	16.6
Kolkata	44	14.6
Mumbai	31	10.3
Gender of Respondent		
Male	274	92.6
Female	22	7.4
Missing	5	
Age of Respondent		
29 and below	61	20.5
30 ~ 39	109	36.7
40 ~ 49	91	30.6
50 and over	36	12.1
Missing	4	
Form of Ownership		
Sole proprietorship	212	72.4
Partnership	42	14.3
Privately Held Corporation	22	7.5
Publicly held corporation	12	4.1
Cooperative	2	0.7
Corporate subsidiary	1	0.3
Other	2	0.7
Missing	8	
Form of Business		
Retailer	192	64.6
Wholesaler	55	18.5
Importer	19	6.4
Trading company	14	4.7
Broker	8	2.7
Stockist	2	0.7
Other (answered more than one form)	7	2.4
Missing	4	

Number Fulltime Employees		
Less than 4	105	38.9
4 ~ 10	135	50.0
10 and over	30	11.1
Missing	31	
Years in Business		
Less than 5 yrs	40	13.5
5 ~ 10 yrs	131	44.3
11 ~ 15	61	20.6
16 ~ 20	35	11.8
21 and over	29	9.8
Missing	5	
Years in Business with Major Supplier		
Less than 5 yrs	74	25.0
5 ~ 10 yrs	167	56.4
11 ~ 15	32	10.8
16 ~ 20	17	5.7
21 and over	6	2.0
Missing	5	
Percentage of Sales by Major Supplier [a]		
0 – 20 %	21	8.3
21 – 40 %	26	10.3
41 – 60 %	47	18.6
60 – 80 %	80	31.6
80 – 100%	79	31.2
Average percentage (67.7 %)		
Missing	48	
Average Sales per Month (Rupees)*		
50,000 and below	43	24.1
50,001 ~ 200,000	52	29.2
20,0001 ~ 1,000,000	64	36.0
1,000,001 and over	19	10.7
Missing	123	
Types of Products Purchased from Supplier		
Processed meat	7	2.3
All products	9	3.0
Soft drinks	20	6.6
Cereals & snacks	38	12.6
General packaged food	46	15.3
Baked products	52	17.3
Dairy	59	20.0
Other (chocolate, pickles, noodles, etc.)	33	11.0
Missing	31	

Position Title		
Owner	154	65.0
Manager	44	18.6
Other	39	16.4
Missing	64	

$1 = 45 Rupee (April 20, 2006)
[a] Dependence measurement question: What percentage of the volume of processed/packaged food you sell is supplied by this primary (major) supplier? ________%

RELIABILITY

The constructs used in this study have been tested in Western countries; however, this study applied these constructs in India supplier-buyer relationships. Thus, current study is exploratory study that researches different cultural context. Although most of the constructs had a Cronbach alpha higher than 0.6, and exceed the recommended requirements of 0.5 – 0.6 for an exploratory study, (Nunnally, 1978; Peterson, 1994), cooperation and trust had somewhat lower reliabilities, .50 and .60, respectively. Thus, using the "if item deleted" technique in SPSS, two items (one item from cooperation and one item from trust) were deleted. After deleting these two items, the reliabilities of the cooperation and trust scales were increased to .68 and .64, respectively. The deleted item from cooperation is "I do not feel I can count on my supplier to give me the kind of support (such as local advertising) that companies working with other suppliers receive", and the deleted trust measure is "I have many good things to say about my supplier's trustworthiness." Thus, a total of 62 items were used in the next step.

The final reliabilities of all eleven constructs (coercive power sources, non-coercive power sources, economic satisfaction, non-economic satisfaction, economic conflict, non-economic conflict, trust, switching costs, cooperation, commitment, and performance) are reported in Table 8.

Table 8. Reliability and Confirmatory Factor Analysis Results

CONSTRUCTS (CRONBACH ALPHA, R^2)	FIRST CFA		SECOND CFA		Average Variance Extracted (AVE)
	Factor loading (λ)	t-value	Factor loading (λ)	t-value	
Coercive power (.69)					
The supplier delays delivery of products (generally).	.68	7.52	.66	7.52	.57
The supplier refuses to sell.	.59	7.08	.59	7.12	
The supplier charges high prices.	.56	6.82	.56	6.84	
The supplier delivers unwanted products.	.55	F*	.55	F	
Non-coercive coercive power (.77)					
The supplier sets monthly/quarterly sales volume targets.	.60	5.37	.70	8.81	.56
The supplier sets incentives and promotions based on sales target achievement.	.75	5.68	.83	9.41	
The supplier gives trade allowances/incentives.	.73	5.66	.70	8.83	
The supplier provides sales promotion materials.	.68	5.57	.58	F	
The supplier provides financing/credit.	.48	4.95	**Deleted (Low λ)**		
The supplier demonstrates products.	.36	F	**Deleted (Low λ)**		
Economic Satisfaction (.74, R^2=.40)					
The price at which the supplier sells products to you.	.59	8.42	.63	8.75	.53
The credit facilities the supplier makes available to you.	.46	6.78	**Deleted (Low λ)**		
The discount allowances your supplier gives you for large orders, etc.	.62	8.78	.57	8.11	
The discount allowances your supplier gives you for regular and early payment.	.61	8.73	.57	8.11	
The supplier's products and services help me achieve my revenue/business objectives.	.48	7.04	**Deleted (Low λ)**		
The service your supplier provides that save you money.	.65	F	.65	F	
Non-economic Satisfaction (.83, R^2=.40)					
I am satisfied with the products and services I get from my supplier.	.74	13.02	.74	13.02	.79
The relationship between the supplier and me seems to reflect a happy situation.	.82	14.35	.82	14.34	
The relationship between the supplier and me is very positive.	.80	F	.80	F	
Economic Conflict (.80, R^2=.39)					
I do not like many of the things my supplier does.	.50	7.68	.50	7.64	.66
My supplier's policies reduce my profits.	.82	11.33	.82	11.31	
My supplier makes it difficult for me to do my job.	.80	11.18	.80	11.20	
My supplier has not been very fair with me.	.70	10.14	.70	10.15	
Dealing with my supplier does not benefit my company.	.64	F	.64	F	

Non-economic Conflict (.79, R^2=.16)	(λ)	t-value	(λ)	t-value	AVE
Do you both begin to understand each other's feelings reasonably quickly?	.76	10.17	.76	10.19	
Do you both get your points across to each other without too much trouble?	.69	9.56	.69	9.58	
Do you both begin to appreciate each other's points of view on a matter fairly soon?	.70	9.60	.69	9.60	.71
Does your supplier seem to be supportive of your feelings about your disagreement?	.65	F	.65	F	
Trust (.64, R^2=.16)					
I have many good things to say about my supplier's trustworthiness.	**Deleted, Low Reliability**				
I can trust my supplier to be very "up front" with me.	.46	6.78	.46	6.76	.52
I can trust my supplier to keep a trade secret.	.52	7.36	.51	7.35	
I am convinced that I can trust my supplier in negotiations.	.89	F	.89	F	
Switching Costs (.64, R^2=.27)					
Switching to another supplier is too much bother in terms of time and effort.	.62	6.80	.62	6.83	
I was concerned about the negative financial outcomes of switching to another supplier.	.77	7.24	.76	7.28	.55
I feel locked into this supplier because of the products I have with the supplier.	.50	F	.50	F	
Cooperation (.68, R^2=.46)					
My future goals are best reached by working with my supplier rather than against my supplier.	.76	11.16	.76	11.15	
My future profits are dependent on maintaining a good working relationship with the supplier.	.67	F	.670	F	.57
I do not feel I can count on my supplier to give me the kind of support (such as local advertising) that companies working with other suppliers receive. R	**Deleted, Low Reliability**				
Commitment (.85, R^2=.31)					
Even if we could, we would not drop the supplier because we like being associated with him/her.	.79	13.92	.79	13.94	
We want to remain a member of the supplier's network because we genuinely enjoy our relationship with him/her.	.71	12.45	.71	12.46	.77
Our positive feelings toward the supplier are a major reason we continue working with him/her.	.74	12.98	.74	13.94	
We expect our relationship with the supplier to continue for a long time.	.80	F	.80	F	
Performance (.91, R^2=.40)					
Summed Scale (22 items summed)		F		F	

*F: Fixed item

VALIDITY

Confirmatory Factor Analysis

To assess convergent and discriminant validity, a Confirmatory Factor Analysis (CFA) was conducted for the eleven constructs using Amos 4.0. Among the 62 items, 22 items measured performance. These were summed and used as a single measure of performance in the CFA (Spreng, 2006). In Sanchez-Rodriguez and Martinez-Lorente's (2004) study, several measurements of performance were summed to be a single item because performance measurements were considered to be formative, as opposed to reflective, where items are considered as observed variables. Thus, a total of 41 items were actually used as observed variables.

Convergent Validity

Convergent validity was assessed by examining the significance of individual item loadings (factor loading, λ) through t –value (Table 8). In the initial CFA, all of the item factor loadings were significant ($p < .001$). The results of the first CFA model fit statistics are $\chi^2 = 2104.5$, df = 725, $p<0.00$, GFI = 0.74, CFI = .74, RMR = 0.17, RMSEA = .08. However, five items had a lambda value (λ) less than .50, which suggested that these should be deleted (Bagozzi and Yi, 1988). The five items included: two from the non-coercive power sources ("The supplier provides financing/credit" and "The supplier demonstrates products"), two from economic satisfaction ("The credit facilities the supplier makes available to you" and "The supplier's products and services help me achieve my revenue/business objectives"), and one from trust ("I can trust my supplier to be very 'up front' with me"). Thus, four of the five items (two from the non-coercive power sources and two from the economic satisfaction) were deleted, however, the trust item was not deleted. Originally, four items were used to measure trust. As already discussed, one item was already deleted in the reliability test (See Reliability section). Thus, if one more item were deleted in the CFA due to the low lambda value, only two items would be used to measure trust. Because of this, the item with a factor loading less than .50 (λ= .47) was not deleted in the second CFA (Calantone, 2006). Consequently, only the two items from non-coercive power sources and the two items from economic satisfaction were deleted in this step.

In the second CFA, all measurement items significantly loaded on their respective latent factors (t-values between 6.82 and 14.34), which indicate factor loadings more than .50 (Bagozzi and Yi, 1988). In addition, the average variance extracted (AVE) was calculated for each measurement scale (Fornell and Larcker, 1981). All AVEs are higher than .50 (Bagozzi and Yi, 1988) (Table 8). Also, the largest standardized residuals ranged from .42 to 1.91. These findings support the convergent validity of the items. The results of the second CFA model fit statistics are χ^2= 1492.3, df = 575, p<0.00, GFI = 0.790, CFI = .804, RMR = 0.137, RMSEA = .073. Even though the chi-square test result was significant, the CFI and RMSEA were considered acceptable considering the large number of items and factors. Therefore the decision was made to continue with the analysis. Table 8 shows the results of the first and second CFA.

Discriminant Validity

For the discriminant validity check, chi-square difference tests were conducted for each pair of constructs (Anderson, 1987; Bagozzi and Phillips, 1982; Steenkamp and Van Trijp, 1991). Significant chi-square differences mean that the pair of constructs is not collinear (Anderson and Gerbing, 1988). The results show that all chi-square differences were significant at the .05 level ($\alpha = 0.05$, $\Delta\chi^2 > 3.84$). For example, the test of discrimination between economic satisfaction and non-economic satisfaction, a presumably highly interrelated pair, showed $\Delta\chi^2 (1) = 20.0$ ($p < .001$). This indicates that all of the constructs reflect high discriminant validity. In addition, AVE values for each pair of constructs were compared with the squared correlation between them. The results show that no squared correlation was larger than the individual AVE values (Fornell and Larcker, 1981). These results establish that the measurement model achieved adequate construct reliability, convergent validity, and discriminant validity.

HYPOTHESIS TESTING

The R^2 for each of the endogenous constructs was calculated to assess for the amount of variance explained, and reported in Table 8. The correlation matrix of constructs was used as an input matrix for path analysis, which is presented in Table 9.

Table 9. Correlations among Variables

	Copw	Ncopw	Ecosa	Necosa	Ecocon	Necocon	Trust	Switch	Cooper	Commit	Perform
Copw	1										
Ncopw	-.04	1									
Ecosa	-.46**	.22**	1								
Necosa	-.47**	.08	.46**	1							
Ecocon	.50**	-.02	-.53**	-.51**	1						
Necocon	.25**	-.04	-.17**	-.45**	.23**	1					
Trust	-.18**	-.06	.25**	.32**	-.33**	-.28**	1				
Switch	-.30**	-.02	.31**	.49**	-.28**	-.26**	.30**	1			
Cooper	-.42**	.04	.45**	.56**	-.60**	-.35**	.39**	.41**	1		
Commit	-.39**	.14*	.34**	.43**	-.39**	-.42**	.40**	.29**	.52**	1	
Perform	-.43**	.24**	.58**	.60**	-.55**	-.38**	.22**	.55**	.42**	.40**	1

*$p < 0.05$, **$p < 0.01$

COPW - Coercive power sources, *NCOPW* - Non-coercive power sources, *ECOSA* - Economic satisfaction, *NECOSA* - Non-economic satisfaction, *ECOCON* - Economic conflict, *NECOCON* - Non-economic conflict, *TRUST* - Trust, *SWITCH* - Switching costs, *COOPER* - Cooperation, *COMMIT* - Commitment, *PERFORM* - Performance

Maximum likelihood estimation was employed to test the path model. The structural parameters and *t*-values for this model are shown in Table 10. The overall fit of the conceptual model was adequate: the model fit (χ^2 = 121.73, df = 20, p=.000) and other statistics (GFI = .933, AGFI= .779, CFI = 0.910, RMR = .0073) show that the model also is a good fit to the data.

Table 10. Structural Parameters

Relationship	Unstandardized	Standardized	*t*-value
COPW → ECOSA	-0.32	-0.29	-5.80
COPW → NECOSA	-0.30	-0.28	-5.60
COPW → ECOCON	0.43	0.33	6.73
COPW → NECOCON	0.12	0.11	1.82
NCOPW → ECOSA	0.06	0.09	1.82
NCOPW → NECOSA	-0.05	-0.07	-1.46
NCOPW → ECOCON	0.09	0.11	2.40
NCOPW → NECOCON	0.04	0.06	1.09
PERFORM → ECOSA	0.52	0.43	8.50
PERFORM → NECOSA	0.56	0.48	9.43
PERFORM → ECOCON	-0.60	-0.44	-8.55
PERFORM → NECOCON	-0.41	-0.36	-5.86
ECOSA→ TRUST	0.07	0.07	1.15
NECOSA → TRUST	0.12	0.11	1.75
ECOCON → TRUST	-0.18	-0.20	-3.26
NECOCON → TRUST	-0.19	-0.18	-3.24
TRUST → COMMIT	0.23	0.22	4.30
ECOSA→ COOPER	0.10	0.10	1.95
NECOSA → COOPER	0.26	0.24	4.79
ECOCON → COOPER	-0.34	-0.38	-7.71
NECOCON → COOPER	-0.11	-0.11	-2.35
TRUST → COOPER	0.14	0.14	2.99
COOPER → COMMIT	0.41	0.41	7.49
ECOSA → SWITCH	0.11	0.10	1.66
NECOSA → SWITCH	0.46	0.40	6.86
ECOCON → SWITCH	0.03	0.03	0.56
NECOCON → SWITCH	-0.04	-0.03	-0.64
TRUST → SWITCH	0.16	0.15	2.71
SWITCH → COMMIT	0.05	0.05	1.03

COPW - Coercive power sources, *NCOPW* - Non-coercive power sources, *PERFORM* - Performance, *ECOSA* - Economic satisfaction, *NECOSA* - Non-economic satisfaction, *ECOCON* - Economic conflict, *NECOCON* - Non-economic conflict, *TRUST* - Trust, *COOPER* - Cooperation, *SWITCH* - Switching costs, *COMMIT* - Commitment

Coercive Power Sources, Satisfaction and Conflict

H1a: Indian suppliers' coercive power sources will negatively influence buyers' economic satisfaction.

H1b: Indian suppliers' coercive power sources will negatively influence buyers' non-economic satisfaction.

H1c: Indian suppliers' coercive power sources will positively influence buyers' economic conflict.

H1d: Indian suppliers' coercive power sources will positively influence buyers' non-economic conflict.

H1 proposed the relationships among Indian suppliers' coercive power sources, and buyers' satisfaction and conflict. The results indicate that H1a, H1b, and H1c (H1a: $\gamma = -.29$, H1b: $\gamma = -.28$, H1c: $\gamma = .33$, respectively) are supported ($p < .05$). Also, H1d is acceptable under the one-tail test (H1d: $\gamma = .11$, $t = 1.82 > 1.645$, $p < .05$) (Hays, 1988; Motulsky, 1999). Coercive power sources negatively influence economic and non-economic satisfaction, and positively influence economic and non-economic conflict.

Non-Coercive Power Sources, Satisfaction and Conflict

H2a: Indian suppliers' non-coercive power sources will positively influence buyers' economic satisfaction.
H2b: Indian suppliers' non-coercive power sources will positively influence buyers' non-economic satisfaction.
H2c: Indian suppliers' non-coercive power sources will negatively influence buyers' economic conflict.
H2d: Indian suppliers' non-coercive power sources will negatively influence buyers' non-economic conflict.

H2 proposed the relationships among Indian suppliers' non-coercive power sources and buyers' satisfaction and conflict. The results indicate that H2a is supported under the one-tail test (H2a: $\gamma = .09$, $t= 1.82 > 1.645$, $p < .05$). However, H2b and H2d (H2b: $\gamma = -.07$, H2d: $\gamma = .06$, $p > .05$, respectively) are not supported. Although H2c shows a significant t-value ($\gamma = .11$, $p< .05$), the relationship is positive, which is not in the hypothesized direction. Thus, H2c is not supported as well. Non-coercive power sources positively influence economic satisfaction and economic conflict.

Coercive Power Sources and Non-coercive Power Sources

H3: There is no relationship between coercive power sources and non-coercive power sources.

H3 proposed no relationship between coercive power sources and non-coercive power sources. The results indicate that H3 is supported ($r = -.040$. $p = .484$); the correlation coefficient indicates there is no significant relationship between coercive and non-coercive power sources.

Suppliers' Performance, Satisfaction and Conflict

H4a: Indian suppliers' performance positively influences buyers' economic satisfaction.
H4b: Indian suppliers' performance positively influences buyers' non-economic satisfaction.
H4c: Indian supplier's performance negatively influences buyers' economic conflict.
H4d: Indian suppliers' performance negatively influences buyers' non-economic conflict.

H4a, H4b, H4c, and H4d proposed the relationships among suppliers' performance and buyers' satisfaction and conflict. The results indicate that H4a, H4b, H4c and H4d are supported (H4a: $\gamma = .43$, H4b: $\gamma = .48$, H4c: $\gamma = -.44$, H4d: $\gamma = -.36$, respectively, $p < .05$) are supported. Suppliers' performance positively influences economic satisfaction and non-economic satisfaction, and negatively influences economic conflict and non-economic conflict.

Power Sources in India

H4e: When dealing with Indian buyers, Indian suppliers use non-coercive power sources more frequently than coercive power sources.

H4e proposed a comparison between the frequency of suppliers' coercive and non-coercive power sources. To test this hypothesis, a t-test was performed to compare the frequencies of coercive power sources and non-coercive power sources. The t-test result indicates that the mean value for the use of non-coercive power sources use (mean = 3.98, SD = 1.39) was significantly higher ($t = 18.633$, $p < .001$) than the mean value for the use of coercive power sources (mean = 2.20, SD = .90). Therefore, H4e is supported. Indian suppliers use non-coercive power sources more frequently than coercive power sources.

Satisfaction, Conflict and Trust

H5a: Indian buyers' economic satisfaction positively influences their trust of suppliers.
H5b: Indian buyers' non-economic satisfaction positively influences their trust of suppliers.
H5c: Indian buyers' economic conflict negatively influences their trust of suppliers.
H5d: Indian buyers' non-economic conflict negatively influences their trust of suppliers.

H5 proposed the relationships among satisfaction, conflict and trust. The results indicate that H5c and H5d are supported (H5c: $\beta = -.20$, H5d: $\beta = -.18$, respectively, $p < .05$). Also, H5b is supported under the one-tail test (H5b: $\beta = .11$, $t = 1.75 > 1.645$). However, H5a is not supported ($\beta = .07$, $p > .05$). Indian buyers' non-economic satisfaction positively influences their trust of suppliers, and economic conflict and non-economic conflict negatively influence their trust of suppliers.

Commitment and Trust

H6: Indian buyers' trust positively influences their commitment to suppliers.

H6 proposed the relationship between trust and commitment. The results indicate that H6 ($\beta = .22$, $p < .05$) is supported, which means that trust positively influences commitment.

Satisfaction, Conflict and Cooperation

H7a: Indian buyers' economic satisfaction positively influences their cooperation with suppliers.
H7b: Indian buyers' non-economic satisfaction positively influences their cooperation with suppliers.
H7c: Indian buyers' economic conflict negatively influences their cooperation with suppliers.
H7d: Indian buyers' non-economic conflict negatively influences their cooperation with suppliers.

H7a, H7b, H7c, and H7d proposed the relationships among satisfaction (economic and non-economic), conflict (economic and non-economic), and cooperation. The results indicate that H7b, H7c and H7d are supported (H7b: $\beta = .24$, H7c: $\beta = -.38$, H7d: $\beta = -.11$, respectively, $p < .05$). Also, H7a is supported under the one-tail test (H7a: $\beta = .10$, $t = 1.95 > 1.645$, $p < .05$). Economic satisfaction and non-economic satisfaction positively influence cooperation, and economic conflict and non-economic conflict negatively influence cooperation.

Trust, Cooperation and Commitment

H7e: Indian buyers' trust positively influences their cooperation with suppliers.
H7f: Indian buyers' cooperation positively influences their commitment to suppliers.

H7e and H7f proposed the relationships among trust, cooperation, and commitment. The results indicate that H7e and H7f are supported (H7e: $\beta = .14$, H7f: $\beta = .41$, respectively, $p < .05$). Trust positively influences cooperation, and cooperation positively influences commitment.

Satisfaction, Conflict and Switching Costs

H8a: Indian buyers' economic satisfaction positively influences their switching costs for suppliers.
H8b: Indian buyers' non-economic satisfaction positively influences their switching costs for suppliers.
H8c: Indian buyers' economic conflict negatively influences their switching costs for suppliers.
H8d: Indian buyers' non-economic conflict negatively influences their switching costs for suppliers.

H8a, H8b, H8c and H8d proposed the relationships among satisfaction, conflict and switching costs. The results indicate that H8b is supported (H8b: $\beta = .40$. $p < .05$) and H8a is also supported under the one-tail test (H8a: $\beta = .10$, $t = 1.66 > 1.645$, $p < .05$). However, H8c and H8d are not supported (H8c: $\beta = .03$, H8d: $\beta = -.03$, respectively, $p > .05$). Economic satisfaction and non-economic satisfaction positively influence switching costs.

Trust, Switching Costs and Commitment

H8e: Indian buyers' trust positively influences their switching costs for suppliers.
H8f: Indian buyers' switching costs positively influence their commitment to suppliers.

H8e and H8f proposed the relationships among trust, switching costs and commitment. The results indicate that H8e ($\beta = .15$, $p < .05$) is supported, but H8f is not supported ($\beta = .05$, $p > .05$). Trust positively influences switching costs while switching costs do not influence commitment.

To assess the mediating effects of trust and cooperation, the individual relationship between satisfaction (economic and non-economic) and conflict (economic and non-economic) with commitment were tested. The results show that only non-economic conflict negatively influences commitment (economic satisfaction: $\beta = .08$, $p > .05$, non-economic satisfaction: $\beta = .06$, $p > .05$, economic conflict: $\beta = -.03$, $p > .05$, non-economic conflict: $\beta = -.22$, $p < .05$). Thus, it can be concluded that trust and cooperation act as mediating factors in the conceptual model.

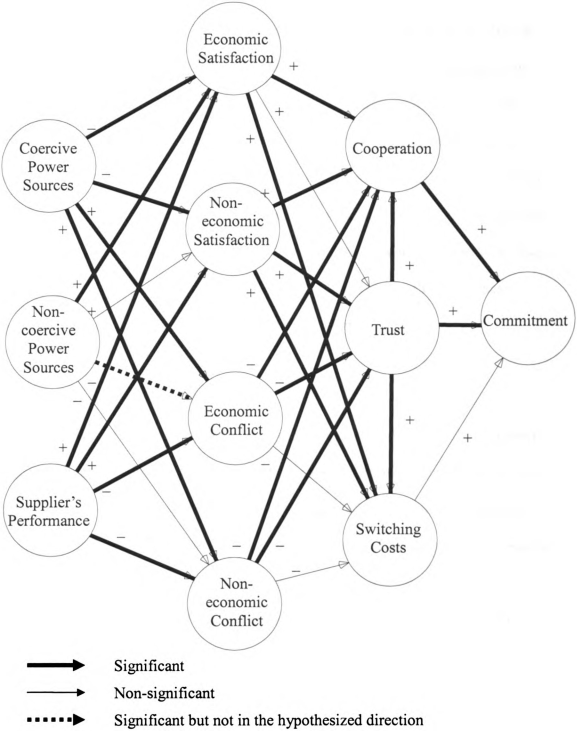
The summary of hypotheses testing is shown in Table 11. Also, Figure 13 shows the path results.

Table 11. Summary of Hypotheses Testing

Hypotheses		Results
H1a:	Indian suppliers' coercive power sources will negatively influence buyers' economic satisfaction.	Supported
H1b:	Indian suppliers' coercive power sources will negatively influence buyers' non-economic satisfaction.	Supported
H1c:	Indian suppliers' coercive power sources will positively influence buyers' economic conflict.	Supported
H1d:	Indian suppliers' coercive power sources will positively influence buyers' non-economic conflict.	Supported
H2a:	Indian suppliers' non-coercive power sources will positively influence buyers' economic satisfaction.	Supported
H2b:	Indian suppliers' non-coercive power sources will positively influence buyers' non-economic satisfaction.	Not supported
H2c:	Indian suppliers' non-coercive power sources will negatively influence buyers' economic conflict.	Not supported
H2d:	Indian suppliers' non-coercive power sources will negatively influence buyers' non-economic conflict.	Not supported
H3:	There is no relationship between coercive power sources and non-coercive power sources.	Supported
H4a:	Indian supplier's performance positively influences buyers' economic satisfaction.	Supported
H4b:	Indian supplier's performance positively influences buyers' non-economic satisfaction.	Supported
H4c:	Indian supplier's performance negatively influences buyers' economic conflict.	Supported
H4d:	Indian supplier's performance negatively influences buyers' non-economic conflict.	Supported
H4e:	When dealing with Indian buyers, Indian suppliers use non-coercive power sources more frequently than coercive power sources.	Supported
H5a:	Indian buyers' economic satisfaction positively influences their trust of suppliers.	Not supported
H5b:	Indian buyers' non-economic satisfaction positively influences their trust of suppliers.	Supported
H5c:	Indian buyers' economic conflict negatively influences their trust of suppliers.	Supported
H5d:	Indian buyers' non-economic conflict negatively influences their trust of suppliers.	Supported
H6:	Indian buyers' trust positively influences their commitment to suppliers.	Supported
H7a:	Indian buyers' economic satisfaction positively influences their cooperation with suppliers.	Supported
H7b:	Indian buyers' non-economic satisfaction positively influences their cooperation with suppliers.	Supported

H7c:	Indian buyers' economic conflict negatively influences their cooperation with suppliers.	Supported
H7d:	Indian buyers' non-economic conflict negatively influences their cooperation with suppliers.	Supported
H7e:	Indian buyers' trust positively influences their cooperation with suppliers.	Supported
H7f:	Indian buyers' cooperation positively influences their commitment to suppliers.	Supported
H8a:	Indian buyers' economic satisfaction positively influences their switching costs for suppliers.	Supported
H8b:	Indian buyers' non-economic satisfaction positively influences their switching costs for suppliers.	Supported
H8c:	Indian buyers' economic conflict negatively influences their switching costs for suppliers.	Not supported
H8d:	Indian buyers' non-economic conflict negatively influences their switching costs for suppliers.	Not supported
H8e:	Indian buyers' trust positively influences their switching costs for suppliers.	Supported
H8f:	Indian buyers' switching costs positively influence their commitment to suppliers.	Not supported

Figure 13. Significant Relationships among Variables



DISCUSSION

Despite the huge market potential of India, very few studies of Indian supplier-buyer relationships have been published since economic liberalization in India. Moreover, there have been few studies of processed food in India. In this study, therefore, Indian processed food industries were selected to investigate new Indian supplier-buyer relationships. One of the unique aspects of the study is to analyze the differential effects of satisfaction and conflict. Using dichotomized (economic and non-economic) measures, the ways in which Indian buyers' economic satisfaction, non-economic satisfaction, economic conflict and non-economic conflict are related to other constructs such as power sources, performance, cooperation, trust, switching costs and commitment, are researched. The results of the hypothesis testing are discussed and interpreted in the next section.

Processed Food Market Environment

The results of this study show that certain characteristics of a sellers' market remain strong in the Indian processed food markets. According to the demographic characteristics, Indian processed food buyers are dependent on their major supplier for 67% of their sales, on average. This indicates that a buyer in an Indian processed food industry is highly dependent on one supplier, which is a characteristic of a sellers' market. Moreover, thirty percent of the buyers were dependent on their major supplier for more than 80% of their sales. Also, more than 75% of the buyers have been in a business relationship for 5 or more years with their major supplier. This implies that Indian buyers may not have many attractive alternative suppliers.

Thus, the Indian processed food markets are sellers' markets. Also, switching costs do not impact long-term relationships due to the unavailability of alternative suppliers in India.

However, recently, several studies have suggested that market conditions in India are moving from a sellers' market to a buyers' market, and Indian suppliers use non-coercive power sources more frequently than coercive power sources (Bandyopadhyay, 2004). The results of the current study indicate that Indian suppliers use non-coercive power sources more frequently than coercive power sources, (an indication of a buyers' market), yet buyers also report high dependence on their major supplier, which is an indicator of a sellers' market. Thus, we conclude that Indian processed food markets are in transition from a sellers' market to a buyers' market.

Impact of Suppliers' Coercive Power Sources, Non-coercive Power Sources, and Performance

As expected, coercive power sources are negatively related to economic satisfaction and non-economic satisfaction, and positively related to economic conflict and non-economic conflict. Other studies (Geyskens et al., 1999; Yu and Pysarchik, 2002) have demonstrated the effects of coercive attitudes on economic and non-economic satisfaction, and the current study confirms their results. However, the results show that non-coercive power sources positively influence economic satisfaction and economic conflict, while they do not significantly affect non-economic satisfaction and non-economic conflict.

Non-coercive power source scale items developed by Gaski and Nevin (1985) are mostly associated with economic issues, such as providing trade allowances/incentives, sales promotion materials and financing/credit. These scale items would be regarded as non-coercive power sources that increase economic and non-economic satisfaction in Western countries' studies, but may not in the Indian environment. Although suppliers' non-coercive attitudes/actions significantly influence Indian buyers' economic satisfaction, they do not have an impact on non-economic factors (satisfaction and conflict) in the Indian study. Moreover, non-coercive power sources significantly and positively influence economic conflict. As discussed earlier, Pawan (2003) suggested that Indian managers regard non-coercive attitudes or actions as insignificant in Indian supplier-buyer relationship. Also this study also shows consistent results with Pawan's (2003) study. Thus, it can be concluded that Indian buyers' concept of non-coercive power sources is different from that of Western buyers.

Regarding suppliers' performance, the results show that Indian suppliers' performance is a key factor in influencing buyers' satisfaction and conflict. The current study confirms the results of previous studies in customer satisfaction theory (Patterson et al., 1997; Patterson, 2000). This finding suggests that an assumption of power theory that buyers' satisfaction and/or conflict are based on suppliers' attitudes/actions (power sources) needs to be supplemented. The current study demonstrated that buyers' satisfaction and conflict are influenced not only by suppliers' attitudes/actions (power sources) but their performance as well.

Impact of Economic Satisfaction, Non-economic Satisfaction, Economic Conflict and Non-economic Conflict

Regarding satisfaction, the results indicated that both economic and non-economic satisfaction influence cooperation and switching costs. In other words, channel members who are satisfied economically and non-economically are more likely to maintain relationships with their present suppliers, and cooperate to improve work efficiency than would channel members who are not satisfied.

It is interesting to note, however, that economic satisfaction does not influence trust, while non-economic satisfaction does. Based upon the original construct, non-economic satisfaction reflects a more holistic assessment of satisfaction as compared to economic satisfaction, which is more focused on specific aspects of economic satisfaction such as price, credit facilities, discount allowance and revenue/business objectives. Also, according to Yamagishi and Yamagishi's (1994) findings, trust is related to non-economic factors with a partner because it is established through a partner's confidence rather than through specific economic benefits or rewards. This could be an explanation for the relationships between satisfaction (economic and non-economic) and trust in the current study.

From a conflict point of view, both economic and non-economic conflict negatively impact trust and cooperation. This means that buyers' trust and cooperation are reduced by economic and non-economic conflict with their suppliers. Especially, in markets where buyers are highly dependent on their major suppliers-- sellers' market environment-- conflict (economic and non-economic) would be critical because bad-business relationships with their suppliers are directly related to their survival (Frazier, Gill, and Kale, 1989).

In addition, according to Hofstede's four cultural dimensions (Hofstede, 1983), India is a collectivist society. In collectivist cultures, social relationships are more important in terms of controlling channel relations than in individualist cultures because members seek to avoid conflict with others to maintain group harmony. These cultural underpinnings contribute to our understanding of why conflict (economic and non-economic) impacts trust and cooperation in Indian supplier-buyer relationships. Yu and Pysarchik (2002) also found that non-economic conflict is negatively related to a long-term orientation among Korean retailers. Korea also is considered to be a collectivist country.

The results also show that satisfaction and conflict (economic and non-economic) play a mediating role between the antecedent constructs of power sources and performance and those of cooperation, trust, commitment and, to a lesser extent, switching costs. Therefore, it is important for suppliers to understand the significance of satisfaction and conflict in sustaining long-term relationships.

Impact of Cooperation, Trust, Switching Costs, and Commitment

Regarding the antecedents to a long-term relationship, the results indicate that 1) trust significantly influences cooperation, commitment and switching costs, 2) cooperation also significantly influences commitment, but 3) switching costs do not significantly influence commitment. This implies that a high level of trust and cooperation between channel partners will lead to a commitment to the relationship.

This study also found that buyers' trust and cooperation play a mediating role between the two factors of satisfaction and conflict, and commitment. As previously discussed, economic and non-economic factors (satisfaction and conflict) directly influence trust and cooperation with the exception of economic satisfaction → trust. Trust and cooperation also sequentially influence commitment. This means that economic and non-economic factors indirectly impact commitment through trust and cooperation. Yu and Pysarchik (2002) had a similar finding in a study of Korean manufacturer-retailer relationships; trust was found to be a mediating factor between satisfaction (economic and non-economic satisfaction) and long-term orientation.

One of the notable findings of the study involves switching costs. The results show that only satisfaction factors (economic and non-economic) influence switching costs, whereas conflict factors (economic and non-economic) do not. Despite significant market changes in India, the processed food markets still have some characteristics of a sellers' market (dependence on and long-term relationship with major supplier). Thus, this is not a surprising result. Under these circumstances, even though conflict may occur, buyers do not disengage from their business relationships with present suppliers regardless of switching costs, because there are few, if any, alternatives. These factors provide insight into why switching costs are not related to conflict and commitment in India.

CHAPTER V

SUMMARY AND CONCLUSIONS

In this chapter, a summary of key points that were discussed in Chapter I – Chapter IV are presented: introduction, significance of study, research objectives, literature review, research design, methods, and empirical study findings are summarized. Also, managerial implications of the research findings, limitations and recommendations for future studies are reported.

SUMMARY OF INTRODUCTION AND RESEARCH OBJECTIVES

In the early 1990s, India lifted its decades-old inwardly-focused economic system, and adopted a "free market economy" model. This dramatic and economically liberal change opened up new opportunities for foreign trade and business, and set in motion profound changes in the Indian market system. Recently, India has become an attractive market for many multinational firms. Now, India is the world's third most desirable country for Foreign Direct Investment (FDI), after China and the United States. Specifically, the food retail sector is considered to be the "sunrise" in Indian industry. Next to China, India is the second largest producer of food, and has the potential to lead the world food and agricultural markets.

Although most studies of channel relationships have been conducted in developed countries, where the market environment is significantly different from that of developing countries, few empirical studies have been focused on the latter.

Thus, this study will make an important contribution to the literature by being one of the few to research channel relationships in a developing country and in the value-added food industries of India. Moreover, very few studies of Indian supplier-buyer relationships have been published since economic liberalization in the 1990s. Specifically, previous channel relationship studies related to India may no longer be applicable to the current dynamic Indian market environment. New studies are needed to examine the evolving environment.

Despite the importance of India's huge market potential, the primary problem is that there is little information regarding Indian processed food market environments and distribution channel relationships compared to the information available about Western markets. In order to be successful in India, global companies need to learn more about the Indian food market structure, distribution channels, business practices, and cultural differences.

This study aims to accomplish the following: 1) to analyze the influence of Indian suppliers' power sources and performance on buyers' economic and non-economic satisfaction, and economic and non-economic conflict; 2) to investigate the differential effects of economic and non-economic satisfaction, and economic and non-economic conflict on cooperation, trust, switching costs, and commitment; 3) to provide practical information about business strategies specifically for global food companies who wish to enter India.

SUMMARY OF LITERATURE REVIEW

In Chapter II, a review is presented of the literature associated with the key constructs included in the conceptual model, and the resulting hypotheses are presented. Specifically, the study focuses on the supplier-buyer relationships between economic and non-economic factors (satisfaction and conflict), and other constructs such as power sources, performance, cooperation, trust, switching costs, and commitment.

H1 proposed the relationships among Indian suppliers' coercive power sources and buyers' satisfaction and conflict. H2 proposed the relationships among Indian suppliers' non-coercive power sources and buyers' satisfaction and conflict. H3 proposed the correlation between coercive power sources and non-coercive power sources. H4 proposed the relationships among suppliers' performance and buyers' satisfaction and conflict. H5 proposed the relationships among buyers' satisfaction, conflict and trust. H6 proposed the relationship between trust and commitment. H7 proposed the relationships among satisfaction, conflict, cooperation, trust and commitment. H8 proposed the relationships among satisfaction, conflict, switching costs, trust, and commitment.

SUMMARY OF RESEARCH METHODS

To measure complex Indian supplier-buyer relationships accurately, companies that are supply chain members in the processed/packaged food industries (e.g., wholesaler, stockist, broker, importers, trading company or retailer) were selected as the population to be sampled. Data were collected from six urban cities

(Bangalore, Delhi, Hyderabad, Kolkatta, Ludhiana, and Mumbai) between late 2004 and early 2005 in India. Urban cities were selected for this study because in India processed/packaged foods are purchased by middle to upper income consumers, who typically live in urban areas. Two contact methods were used: 1) telephone contact and 2) direct personal contact. Six parallel self-report survey instruments were used to collect data; each focused on one of the six product categories: meat, fruits and vegetables, diary products, soft drink, snacks and cereal, and baked products.

The questionnaire used in this study included eleven constructs and 64 items: coercive power sources, non-coercive power sources, performance, economic satisfaction, non-economic satisfaction, economic conflict, non-economic conflict, cooperation, trust, switching costs, and commitment.

The questionnaire was originally developed in English, and then double-blind back translated into the local languages by a bi-lingual scholar for respondents who could not read or understand English. To achieve comparability, great attention was given to the issue of equivalence of meaning during translation. Moreover, two pretests of the questionnaire were conducted to increase the comprehension and cross-cultural appropriateness of the specific items in the questionnaire.

SUMMARY OF RESULTS

Three hundred and one useable questionnaires were collected from the six Indian cities. After the reliability of the eleven constructs was tested, Confirmatory Factor Analysis (CFA) was conducted to assess convergent and discriminant validities. Through reliability and CFA tests, six items were deleted from the original measurement items. The correlation matrix of constructs was used as an input matrix for path analysis, and tested through maximum likelihood estimation. A summary of the results follows.

Coercive Power Sources, Satisfaction and Conflict

Coercive power sources negatively influence economic and non-economic satisfaction, and positively influence economic and non-economic conflict (H1a, H1b, H1c, and H1d are supported).

Non-Coercive Power Sources, Satisfaction and Conflict

Non-coercive power sources positively influence economic satisfaction (H2a is supported, but H2b, H2c, and H2d are not supported).

Coercive Power Sources and Non-coercive Power Sources

The correlation coefficient between coercive and non-coercive power sources shows no significant relationship (H3 is supported).

Suppliers' Performance, Satisfaction and Conflict

Suppliers' performance positively influences economic and non-economic satisfaction, and negatively influences economic conflict and non-economic conflict (H4a, H4b, H4c, and H4d are supported).

Power Sources in India

Indian suppliers use non-coercive power sources more frequently than coercive power sources (H4e is supported).

Satisfaction, Conflict and Trust

Indian buyers' non-economic satisfaction positively influences their trust of suppliers, and economic and non-economic conflict negatively influence their trust of suppliers (H5a is not supported, but H5b, H5c, and H5d are supported).

Trust and Commitment

Trust positively influences commitment (H6 is supported).

Satisfaction, Conflict and Cooperation,

Economic and non-economic satisfaction positively influence cooperation, and economic and non-economic conflict negatively influence cooperation. (H7a, H7b, H7c, and H7d are supported).

Trust, Cooperation and Commitment

Trust positively influences cooperation, and cooperation positively influences commitment. (H7e and H7f are supported).

Satisfaction, Conflict and Switching Costs

Economic and non-economic satisfaction positively influence switching costs. (H8a and H8b are supported but H8c and H8d are not supported).

Trust, Switching Costs and Commitment

Trust positively influences switching costs. (H8e is supported, but H8f is not supported).

SUMMARY OF DISCUSSION

The results of this study can be summarized by five main points. First, this study demonstrated the differential effects of satisfaction and conflict in Indian supplier-buyer relationships. Both conflict and satisfaction have an economic and non-economic dimension. Second, Indian suppliers' coercive power sources negatively influence satisfaction (economic and non-economic), and positively influence conflict (economic and non-economic). Also, suppliers' performance positively influences satisfaction (economic and non-economic), and negatively influences conflict (economic and non-economic). Third, economic satisfaction and non-economic satisfaction positively influence cooperation and switching costs, while economic conflict and non-economic conflict negatively influence cooperation and trust. Satisfaction and conflict mediate the relationship between power sources and performance, and cooperation and trust. Fourth, cooperation and trust positively influence commitment, whereas switching costs do not. Specifically, trust and cooperation act as mediating factors between satisfaction and conflict, and commitment. Fifth, the Indian processed food markets are in transition from a sellers' market to a buyers' market. Although buyers reported high dependence on their major supplier (an indicator of a sellers' market), the results of this study show that Indian suppliers use non-coercive power sources more frequently than coercive power sources, which is an indication of a buyers' market. Practical applications of the findings are discussed.

MANAGERIAL IMPLICATIONS

For global companies, a key requirement for success will be how to develop long-term relationships with local companies. Thus, this study suggests practical and useful information for successful marketing strategies to establish long-term supplier-buyer relationships in the processed or valued-added food markets of India.

First, global companies entering India must recognize that value added food industries are in a transition period. This suggests that historical supplier-buyer practices are unlikely to produce long-term relationships. Therefore, to increase buyers' satisfaction, global companies need to enhance their performance with buyers. To effect positive performance, suppliers should stress the importance of positive attitudes and practices to their field personnel who work with the local buyers, emphasize product quality and product delivery, while avoiding coercive attitudes or actions such as refusal to sell products, charging high prices, or delivering unwanted products. However, companies should keep in mind that suppliers' non-coercive attitudes or actions (e.g., giving incentives, trade allowances, sales promotion materials) provide only one aspect of a buyer's satisfaction, not overall (non-economic) satisfaction. Consequently, when global companies enter Indian markets, they must be mindful of these important dimensions of supplier-buyer relationships.

Second, economic and non-economic factors positively influence cooperation and trust except in the instance of economic satisfaction → trust. Therefore, we recommend that companies who wish to have trusting and cooperative relationships with Indian buyers should focus on practices that establish both economic and non-economic satisfaction. Suppliers must recognize that economically satisfied buyers and non-economically satisfied buyers behave differently. That is, economic satisfaction does not engender trust in a supplier, while non-economic satisfaction does.

In addition, trust and cooperation positively influence long-term relationships (commitment), and act as mediators between satisfaction and conflict, and commitment. Therefore, global food suppliers are more likely to establish long-term business relationships through trust and cooperation when suppliers focus on economic factors (offering credit, discount allowances, cost saving services, and economic incentives) and enhancing positive interactions and psychosocial relationships, and frequent communications (non-economic factors).

LIMITATIONS AND FUTURE STUDIES

This study has a common limitation related to most survey research. The focus of the study was on a targeted set of related industries, those of processed foods. Thus, future studies should expand the research to other types of industries to increase the generalizability of the results. If the market conditions or supply chain structures are different from the processed food markets, the supplier-buyer relationships might be different. For instance, in a buyers' market, buyers' perceived switching costs may significantly influence their commitment to a relationship with a supplier, which was not the case in the current study.

The long-term versus short-term orientation of different cultures is another potentially interesting dimension of supplier-buyer relationships. According to Ganesan (1994), short-term oriented retailers are concerned with immediate or current options and outcomes, whereas long-term oriented retailers are not only concerned with current and future results, but focus on achieving long-term goals. Short-term oriented retailers depend on the efficiencies of the market exchange in order to maximize their profits in a transaction (economic factor) whereas long-term oriented retailers are equally focused on relational exchanges to increase profits through a series of transactions (economic and non-economic factors) (Ganesan, 1994).

The current study analyzed supplier-buyer relationships among Indian suppliers and buyers. Previous research suggested that companies from collectivist countries such as Korea, China, Japan or India are more long-term oriented, whereas the U.S. and Western European countries are more short-term oriented. Thus, a comparative study of economic and non-economic factors between long-term oriented countries and short-term oriented countries would likely yield some interesting and potentially different results. Such research would make an important contribution to our understanding of the impact of process dynamics, culture and the changing market structure on supplier-buyer exchanges. As we move more toward a global market place, this information becomes increasingly more important for successful seller-buyer interchanges.

APPENDIX A

SURVEY INSTRUMENT

MICHIGAN STATE
UNIVERSITY

This questionnaire will take approximately 20 minutes to complete. You indicate your voluntary agreement to participate by completing and returning this questionnaire. You may discontinue participation at any time.

In this survey you will be asked a number of questions about your relationship with your **primary (major) supplier of processed (packaged) food products**. If you have more than one primary (major) supplier, pick one to focus your responses on in the survey. Please respond to each question by circling the number (1-7) that best reflects your views about your relationship with **this supplier**.

Please check the box next to the supply chain member that is your primary (major) **supplier** of processed (packaged) food products:

- ☐ Manufacturer
- ☐ Wholesaler
- ☐ Importer
- ☐ Other (please specify) ______________________
- ☐ Broker
- ☐ Stockist
- ☐ Trading Company

Please write the name of the city where this primary (major) supplier is located ______________

For how many years have you conducted business with this primary (major) supplier? _____ years

Please list the types of food products you purchase from this primary (major) supplier ______________

____

What percentage of the volume of processed/packaged food you sell is supplied by this primary (major) supplier? _______%

What was your primary (major) supplier's annual sales for the year 2002? __________

Section I

Please indicate the frequency with which your primary (major) supplier has engaged in each of the following actions with you (1=Never, 2= Very Seldom, 3=Seldom, 4=Occasionally, 5=Frequently, 6=Very Frequently, 7=Always).

		Never ←			Occasionally		→	Always
1.	The supplier delays delivery of products (generally).	1	2	3	4	5	6	7
2.	The supplier refuses to sell.	1	2	3	4	5	6	7
3.	The supplier charges high prices.	1	2	3	4	5	6	7
4.	The supplier delivers unwanted products.	1	2	3	4	5	6	7
5.	The supplier sets monthly/quarterly sales volume targets.	1	2	3	4	5	6	7
6.	The supplier sets incentives and promotions based on sales target achievement.	1	2	3	4	5	6	7
7.	The supplier gives trade allowances/incentives.	1	2	3	4	5	6	7
8.	The supplier provides sales promotion materials.	1	2	3	4	5	6	7
9.	The supplier provides financing/credit.	1	2	3	4	5	6	7
10.	The supplier provides inventory management assistance.	1	2	3	4	5	6	7

Section II

Please indicate your level of satisfaction with each of the following actions taken by your primary (major) supplier (1=Extremely Dissatisfied, 2= Very Dissatisfied, 3=Somewhat Dissatisfied, 4=Neutral, 5=Somewhat Satisfied, 6= Very Satisfied, 7= Extremely Satisfied).

		Extremely Dissatisfied ←			Neutral		→	Extremely Satisfied
1.	The price at which the supplier sells food products to you.	1	2	3	4	5	6	7
2.	The credit facilities the supplier makes available to you.	1	2	3	4	5	6	7
3.	The discount allowances your supplier gives you for large orders, etc	1	2	3	4	5	6	7
4.	The discount allowances your supplier gives you for regular and early payment.	1	2	3	4	5	6	7
5.	The supplier's products and services help me achieve my revenue/business objectives.	1	2	3	4	5	6	7
6.	The services your supplier provides that save you money.	1	2	3	4	5	6	7

Section III

Please indicate how strongly you agree or disagree with each of the following statements with regard to your general perceptions about your primary (major) supplier (1=Extremely Disagree, 2= Strongly Disagree, 3=Somewhat Disagree, 4=Neutral, 5=Somewhat Agree, 6= Strongly Agree, 7= Extremely Agree).

		Extremely Disagree ←			Neutral			→ Extremely Agree
1.	My primary (major) supplier's products are very important for my anticipated future profit as a percentage of my company's overall future profit (five years hence).	1	2	3	4	5	6	7
2.	The profits that I have generated from my primary (major) supplier have decreased over the years.	1	2	3	4	5	6	7
3.	It would be very easy to discontinue doing business with my primary (major) supplier?	1	2	3	4	5	6	7
4.	I am satisfied with the products and services I get from my supplier.	1	2	3	4	5	6	7
5.	The relationship between the supplier and me seems to reflect a happy situation.	1	2	3	4	5	6	7
6.	The relationship between the supplier and me is very positive.	1	2	3	4	5	6	7
7.	The supplier controls my business relationship with my customers.	1	2	3	4	5	6	7
8.	My supplier is crucial to my future performance.	1	2	3	4	5	6	7
9.	It would be difficult for me to replace my supplier.	1	2	3	4	5	6	7
10.	I am dependent on my supplier.	1	2	3	4	5	6	7
11.	I do not have a good alternative to my supplier.	1	2	3	4	5	6	7
12.	My supplier is important to my business.	1	2	3	4	5	6	7
13.	I have many good things to say about my supplier's trustworthiness.	1	2	3	4	5	6	7
14.	I can trust my supplier to be very "up front" with me.	1	2	3	4	5	6	7
15.	I can trust my supplier to keep a trade secret.	1	2	3	4	5	6	7
16.	I am convinced that I can trust my supplier in negotiations.	1	2	3	4	5	6	7
17.	My future goals are best reached by working with my supplier rather than against my supplier.	1	2	3	4	5	6	7
18.	My future profits are dependent on maintaining a good working relationship with the supplier.	1	2	3	4	5	6	7
19.	I do not feel I can count on my supplier to give me the kind of support (such as local advertising) that companies working with other suppliers receive.	1	2	3	4	5	6	7
20.	I do not like many of the things my supplier does.	1	2	3	4	5	6	7
21.	My supplier's policies reduce my profits.	1	2	3	4	5	6	7
22.	My supplier makes it difficult for me to do my job.	1	2	3	4	5	6	7
23.	My supplier has not been very fair with me.	1	2	3	4	5	6	7
24.	Dealing with this supplier does not financially benefit my company.	1	2	3	4	5	6	7
25.	I have confidence that my supplier provides the best deal.	1	2	3	4	5	6	7
26.	The staff of my supplier know me.	1	2	3	4	5	6	7
27.	I receive preferential treatment from my supplier.	1	2	3	4	5	6	7
28.	I feel a sense of loyalty to my supplier.	1	2	3	4	5	6	7
29.	I feel obligated to conduct business with this supplier due to our long business relationship with my family.	1	2	3	4	5	6	7
30.	Switching to another supplier is too much bother in terms of time and effort.	1	2	3	4	5	6	7
31.	I was concerned about the negative financial outcomes of switching to another supplier.	1	2	3	4	5	6	7
32.	I feel locked into this supplier because of the products I have with the supplier.	1	2	3	4	5	6	7
33.	A complaint that I had was resolved by the supplier.	1	2	3	4	5	6	7
34.	All suppliers are the same.	1	2	3	4	5	6	7
35.	I was uncertain of the outcome if I changed suppliers.	1	2	3	4	5	6	7
36.	To accomplish his own objectives, sometimes my supplier alters the facts slightly.	1	2	3	4	5	6	7
37.	To accomplish his own objectives, sometimes my supplier promises to do things without actually doing them later.	1	2	3	4	5	6	7
38.	Sometimes, I have to alter the facts slightly in order to get what I need.	1	2	3	4	5	6	7
39.	I have sometimes promised to do things without actually doing them later.	1	2	3	4	5	6	7
40.	My customers will find it very difficult to replace my company as a supplier.	1	2	3	4	5	6	7
41.	My customers face low switching costs in terminating their business relationships with my company.	1	2	3	4	5	6	7
42.	My suppliers compete intensely with each other for my business.	1	2	3	4	5	6	7

Section IV

Please indicate how strongly you agree or disagree with each of the following statements with regard to your general perceptions about your primary (major) supplier (1=Extremely Disagree, 2= Strongly Disagree, 3=Somewhat Disagree, 4=Neutral, 5=Somewhat Agree, 6= Strongly Agree, 7= Extremely Agree)

The supplier has:	Extremely Disagree	←		Neutral		→	Extremely Agree
1. Reliable field personnel.	1	2	3	4	5	6	7
2. Well-prepared contact personnel.	1	2	3	4	5	6	7
3. Given me access to senior management in its company.	1	2	3	4	5	6	7
4. Contact personnel are adequately empowered to make market decisions.	1	2	3	4	5	6	7
5. Fast reaction in the event of delivery problems.	1	2	3	4	5	6	7
6. Good ideas for sales promotion campaigns.	1	2	3	4	5	6	7
7. Logistics discounts commensurate with performance.	1	2	3	4	5	6	7
8. Good planning of sales promotion activities.	1	2	3	4	5	6	7
9. Promotion for the trade geared to customers.	1	2	3	4	5	6	7
10. Promotion to meet the needs of its customers.	1	2	3	4	5	6	7
11. Problem-free processing of orders.	1	2	3	4	5	6	7
12. Contact person if there are problems.	1	2	3	4	5	6	7
13. Good information about new products.	1	2	3	4	5	6	7
14. Successful product innovation.	1	2	3	4	5	6	7
15. Products with fast turnaround in stores.	1	2	3	4	5	6	7
16. Unique or prestigious products.	1	2	3	4	5	6	7
17. Effective consumer advertising.	1	2	3	4	5	6	7
18. Transparent system of prices and conditions.	1	2	3	4	5	6	7
19. Punctual, reliable and complete deliveries.	1	2	3	4	5	6	7
20. Attractive margins of the products.	1	2	3	4	5	6	7
21. Quality products.	1	2	3	4	5	6	7
22. Field personnel that meet the needs of its customers.	1	2	3	4	5	6	7

Section V

Please indicate how often you and your primary (major) supplier engage in the activities mentioned in each question (1=Never, 2= Very seldom, 3=Seldom, 4=Occasionally, 5=Frequently, 6=Very Frequently, 7=Always). When you and your supplier discuss a disagreement over an important issue how often:

	Never	←		Occasionally		→	Always
1. Do you both begin to understand each other's feelings reasonably quickly?	1	2	3	4	5	6	7
2. Do you both get your points across to each other without too much trouble?	1	2	3	4	5	6	7
3. Do you both begin to appreciate each other's points of view on a matter fairly soon?	1	2	3	4	5	6	7
4. Does your supplier seem to be supportive of your feelings about your disagreement?	1	2	3	4	5	6	7

Section VI

Please indicate how strongly you agree or disagree with each of the following statements with regard to your general perceptions about your primary (major) supplier (1=Extremely Disagree, 2= Strongly Disagree, 3=Somewhat Disagree, 4=Neutral, 5=Somewhat Agree, 6= Strongly Agree, 7= Extremely Agree).

	Extremely Disagree	←		Neutral		→	Extremely Agree
1. I believe that over the long run my relationship with the supplier will be profitable.	1	2	3	4	5	6	7
2. Maintaining a long-term relationship with the supplier is important to me.	1	2	3	4	5	6	7
3. I focus on long-term goals in this relationship.	1	2	3	4	5	6	7
4. I expect my supplier to be working with me for a long time.	1	2	3	4	5	6	7
5. Even if we could, we would not drop the supplier because we like being associated with him/her.	1	2	3	4	5	6	7
6. We want to remain a member of the supplier's network because we genuinely enjoy our relationship with him/her.	1	2	3	4	5	6	7
7. Our positive feelings toward the supplier are a major reason we continue working with him/her.	1	2	3	4	5	6	7
8. We expect our relationship with the supplier to continue for a long time.	1	2	3	4	5	6	7

Section VII

Please indicate how strongly you agree or disagree with each of the following statements with regard to your general perceptions about your primary (major) supplier (1=Extremely Poor, 2= Very Poor, 3= Poor, 4=Neutral, 5=Good, 6= Very Good, 7= Excellent).

		Extremely Poor ←			Neutral		→	Excellent
1.	Supplier's flexibility on special requests.	1	2	3	4	5	6	7
2.	Supplier's responsiveness to special orders.	1	2	3	4	5	6	7
3.	The supplier consistently accommodates customer requests.	1	2	3	4	5	6	7

Section VIII. Please respond to the following questions about yourself (person completing the survey).

Please indicate your gender:
1) Male_____
2) Female ______

Please indicate your age:
1) 29 and below___
2) 30~39 ___
3) 40~49 ___
4) 50 and over ___

What is your position title? ____________________

Please check the box that most accurately describes your company's form of business:

☐ Retailer
☐ Wholesaler
☐ Importer
☐ Other (please specify) ___________________________
☐ Broker
☐ Stockist
☐ Trading Company

Please check the box that most accurately describes your company's form of ownership:

☐ Sole Proprietorship
☐ Publicly Held Corporation
☐ Partnership
☐ Other (please specify) ___________________________
☐ Corporate Subsidiary
☐ Privately Held Corporation
☐ Cooperative

Please write the name of the city/town where your company headquarters is located ___________

How many years has your company been in business? ______years

How many full time employees are there in your company? ________

What is the average sales volume per month for your company? ________________________________

Are there other branches of this company? If so, how many? _________

Where are the other branches located? ____

Thank you for participating in this study.

Please contact the researchers if you wish to receive a summary of the results of the study.

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