### ABSTRACT

There have been numerous attempts to measure power in marketing channels, most relying on perceptions reported by the channel entities. Such measures have been shown to suffer from considerable bias (Phillips 1981). In particular, perceptions from different sides of a channel dyad may not be in close agreement. This study attempts to identify some consequences of such a perceptual disparity.

# The Effects of Discrepant Power Perceptions in a Marketing Channel

John F. Gaski

Power in a marketing channel refers to a channel entity's "ability to control the decision variables in the marketing strategy of another member in a given channel at a different level of distribution" (El-Ansary and Stern 1972, p. 47). Attempts to measure channel power have generally relied on the attributions of the power-

subject (Hunt and Nevin 1974; Wilkinson 1974; Etgar 1976, 1978; Brown and Frazier 1978), although there have been rare efforts to utilize self-reports of the

power-holder (El-Ansary and Stern 1972; Wilkinson 1979). Aside from the difficulty of measuring an "ability" rather than behavior, such methodology allows

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MEASUREMENT The Channel Dyad

for severe informant bias, as Phillips (1981) has pointed out. That is, neither perspective's assessment will necessarily be isomorphic with the true level of power. In addition, there is likely to be little convergence between the two perspectives (see Lippitt et al 1952; El-Ansary and Stern 1972; Wilkinson, 1974; Guiltinan,

Without attempting to reconcile the problem of disparate power perceptions in a channel dyad, but recognizing that such a condition is likely to be prevalent, the research project described here focuses on this disparity as an independent variable for the purpose of identifying its effects on channel phenomena such as

good.3

Rejab, and Rodgers 1980).

conflict, satisfaction, and performance.2

To compare power perceptions from the two sides of a channel dyad, mail questionnaires were sent to the 44 District Sales Managers of the Clark Equipment Company's Melroe Division (to represent the supplier's perspective) and the

634 Melroe dealers in the United States and Canada. This channel is a selective, contractual distribution system for "front-end loaders," an industrial capital

The District Managers answered questions to measure perceived supplier

The self-perceived measure of supplier power appears as the first item in the appendix entry, "District Manager Questionnaire." For all the dealers in his territory, each District Manager was directed to "Indicate, by checking (X) the appropriate space, the ability of each of your dealers to resist Clark Equipment policy initiatives. That is, if they wanted to, how much ability would each dealer have to simply refuse to cooperate with Clark policies?" This was considered to be an

power (over each dealer) and dealer performance. The dealer respondents (General Managers, Presidents, or owners, per list furnished by Clark) provided data to measure perceived supplier power, intra-channel conflict, and dealer satisfaction. The response rate for the District Manager mailing was 97.8% (n = 43); 37.5%(n = 238) for the dealer mailing. Thorough testing assured the representativeness of the dealer respondents. T-test comparisons between early and late respondents.

between respondents and a telephone-sample of nonrespondents, and between respondents and all nonrespondents (on a single characteristic provided by Clark management: Dollar sales to each dealer) revealed no significant differences.

### The Research Instrument

inverse expression of supplier power, i.e., the inability to get a dealer to do something. So with responses scored from four for "No ability to resist" to zero for "Very much ability," higher scores indicate greater supplier power. A single-

ten-item scale to measure dealer perception of Clark's potential influence over his business in eight different policy areas: Price, order quantity, product line, advertising and sales promotion, customer service, inventory, customer credit, and display. Price and order quantity account for two items each in recognition of the

dual-directionality of potential influence; i.e., questions regarding "change" in prices and order quantity would not have been adequate because dealers could react

item scale was necessitated because, with an average of 14 dealers per District Manager, a multi-item scale would have imposed an excessive burden on respon-

The dealer-attribution measure of supplier power appears as the first item of the "Dealer Questionnaire" part of the appendix. The set of items associated with the instruction "Please indicate (X) your response to each of the following" is a

quite differently to attempts to increase, rather than decrease, prices or order quantity. That this affords de facto double-weighting to these decision variables was considered no more than an accurate reflection of their importance in a dealer's marketing mix. The measure itself, then, is the sum across ten items of responses scored from zero for "Not at all" to three for "As much as they wanted." Conflict and dealer satisfaction were measured with the Likert scale por-

trayed in the appendix. The first ten items measure conflict, i.e., the dealer's perception that his goal attainment is being impeded by the supplier (see Stern and El-Ansary 1977, p. 283; Stern and Gorman 1969, p. 156; Etgar 1979, pp. 61–2); the last five measure dealer satisfaction, i.e., general approval of the channel arrangement. For satisfaction, responses to favorable statements were scored from

four for "Strongly Agree" to zero for "Strongly Disagree"; responses to negative, or unfavorable, statements were scored from zero for "Strongly Agree" to four for "Strongly Disagree." The scoring was reversed for the conflict scale. Dealer performance was measured with the two-item scale appearing in the District Manager Questionnaire (see appendix). In the first item of the scale, District Managers responded to the question, "How well does each dealer meet sales targets?" Responses were scaled from zero for "Very poorly" to four for "Very

well." The second item presented the question, "How would you rate the performance of each dealer relative to other dealers?" with responses scaled from zero to four for "Very poor" to "Excellent." The scale represents an attempt to combine a more objective rating with a subjective impression of comparative performance.

Since it is acknowledged that both perceptual measures of power are likely to be biased, no allegation of their validity is made. 4 The dealer-attribution measure does possess content validity from the thorough process by which the scale

### Validation

dents.

was developed, involving scanning of the literature and consultation with channel personnel, to assure that the items represent the relevant domain of marketing decision variables. And the supplier self-perception measure appears to be face-

valid in the sense of conforming closely to the accepted definition of power. But the correlation between the two measures is not significant (r = -.028, p = .679), which substantiates the original assertion that intra-dyadic power perceptions will not be convergent.

The measures of conflict and satisfaction are believed to exhibit good face validity and adequate reliability. Cronbach's alpha coefficient for the conflict scale is .892; .764 for satisfaction.

Convergent validity for the performance measure is upheld by a .911 interitem correlation between the two components of the scale. Further evidence of convergent validity is found in the .410 corre ation between the performance measure and the variable Clark-sales-to-dealer (mentioned previously). It would be

expected that these variables would be positively, though not necessarily perfectly, correlated. Since the highest any other measure in the analysis is correlated with performance is .218 (satisfaction), evidence of discriminant validity is also present.

ANALYSIS AND RESULTS

# **Hypotheses** The hypotheses tested can be expressed as:

formance.

- HI: Discrepancies between supplier self-perceived power and dealer-attribution of supplier power will be positively related to channel conflict.
- H2: Discrepancies between supplier self-perceived power and dealer-attribution of supplier power will be inversely related to dealer satisfaction.
- Discrepancies between supplier self-perceived power and dealer-attri-H3: bution of supplier power will be inversely related to dealer performance.

What is being hypothesized, essentially, is that divergent perceptions will be a

confusing and disruptive force within the channel.

Although there does not appear to be an existing "theory of power perception" (as acknowledged by Michener, Lawler, and Bacharach 1973, p. 155), Weik (1972, p. 188) may have been the first to suggest that discrepant perceptions be-

tween marketing channel members "are potential 'time bombs' waiting to disrupt

channel effectiveness and efficiency." (He did not, however, test or consider the effects of discrepant power perceptions.) Analytical rationale for this proposition may be based on role expectations. As long as channel members share the same perception of one's power, their mutual conduct should be consistent with that perceived level of power and, in turn, their expectations of each other's behavior which is dependent on that power. When power perceptions diverge, however, each channel member's behavior will tend to be inconsistent with the other entity's

expectations, and this could lead to role conflict, dissatisfaction, and poor per-

# TABLE 1 Correlations between Dealer/Supplier Power Perception Discrepancies and Selected Dependent Variables

	Conflict	Satisfaction	Performance
$D_x$	188 (.005) <sup>1</sup>	.183 (.007) <sup>1</sup>	n.s. <sup>2</sup>
$D_a$	n.s.	n.s.	n.s.

Numbers in parentheses are significance levels.

### Method

To test the hypothesis two variables were created:

$$D_x = P_d - P_{dm}$$
and 
$$D_a = |P_d - P_{dm}|$$

with  $P_d$  = standardized score on dealer-attribution power scale and  $P_{dm}$  = standardized<sup>5</sup> score on supplier (District Manager)-perception power scale.

 $D_x$ , therefore, measures "excess" power attribution by the dealer, or the amount by which the dealer attribution exceeds the supplier perception, and  $D_a$  is the absolute value of the difference between supplier and dealer assessments of supplier power. The distinction between these two variables allows testing of whether it is just the discrepancy between power perceptions that matters, or if the direction of that discrepancy has an effect.

Correlation coefficients between these variables and conflict, satisfaction, and performance are presented in Table 1. The only significant relationships indicate that excess power attribution by the dealer is inversely related to conflict, and positively related to satisfaction. The absence of significant results involving performance is consistent with the historical scarcity of factors identified as being closely related to channel performance.

### DISCUSSION

Interpretation of these findings is somewhat obscure, but one possible explanation is that as  $D_x$  increases (meaning the dealer attribution of supplier power is relatively high and/or the supplier self-perception of power is relatively low), the dealer "behaves himself" better while the supplier attempts to exercise less power (since he perceives himself to have less) in the sense of forcing changes in the dealer's behavior, all of which leads to more harmonious relations within the channel, therefore less conflict and greater dealer satisfaction.

Although the causal sequence is assumed here, the direction of the coeffi-

<sup>&</sup>lt;sup>2</sup>n.s. = not significant @ 10% level.

ported in Table 2 were obtained. Aside from revealing that most of the effect of the perceptual disparity is due to the dealer-attribution component ( $\gamma_1 = -.233$ ;

 $\gamma_2$  non-significant, but of hypothesized direction), the chi-square value indicates that the model fits the data well. (Any chi-square with a p-value above .10 is considered acceptable; see Bagozzi 1980, p. 105.) In addition, the model was compared with the so-called "null model," i.e., the same as the one shown in Figure 1 but without the structural parameters ( $\gamma$ ), as recommended by Bentler and Bonnett (1980, pp. 595-7). Since the null model is seen to provide a significantly poorer fit to the data ( $X^2 = 19.33$ , p = .001, 4 df), this can be interpreted as further, modest support for the dealer power attribution  $\rightarrow$  conflict/satisfaction

was found to be nonsignificant (see prior section on Validation).

sequence.

causal ordering.

cients lends some support to it. While it is conceivable that a dealer's perception of conflict and satisfaction could affect the dealer-attribution component of the independent variables (though less conceivable how the supplier-perception could be so affected), it is not clear how conflict could have an *inverse* effect on perceived supplier power and, in turn, excess dealer-perception,  $D_x$ . That is, if a dealer perceives more goal impediment by the supplier, would he not perceive more supplier power rather than less, since such goal obstruction (the definition of conflict) is so tantamount to the exercise of supplier power, i.e., getting a dealer to do what he would not have done otherwise? Since the  $D_x$ -conflict correlation coefficient is, in fact, negative, this reverse causal ordering does not seem reasonable. This is offered as limited, but perhaps the best available, support for the stated causal

Another weak form of causal evidence is portrayed in Figure 1 which models (in LISREL format, see Jöreskog and Sörbom 1981) the hypothesized causal sequence between the dealer- and supplier-perception measures of power and a composite of conflict and "dissatisfaction" (defined as the inverse of the satisfaction measure) designated as "dealer discontent." LISREL is a causal modeling package which estimates the unknown coefficients in a set of linear structural equations by the analysis of covariances among observed indicators of underlying constructs. (For a complete elaboration of this methodology, see the preceding citation and also Bagozzi 1980). Here, independent variables (§) are measured with single indicators and are represented as uncorrelated, since the correlation between them

Using the LISREL V structural equation analysis program, the results re-

dealer satisfaction it would be desirable to cultivate the impression among dealers of your firm as a powerful entity, while at the same time inculcating a modest view of your organization's power among your own personnel in critical boundary positions such as sales management. (Given the LISREL results, the former strategy

Regarding managerial implications, the advice is simply that for suppliers or channel managers interested in reducing intra-channel conflict and increasing

would seem to be more important.) This would have the desired effect of increasing the spread of "excess dealer-perceived power," which has been shown here to be positively related to dealer satisfaction and inversely related to conflict.

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FIGURE 1
Causal Model of Relationships between Variables

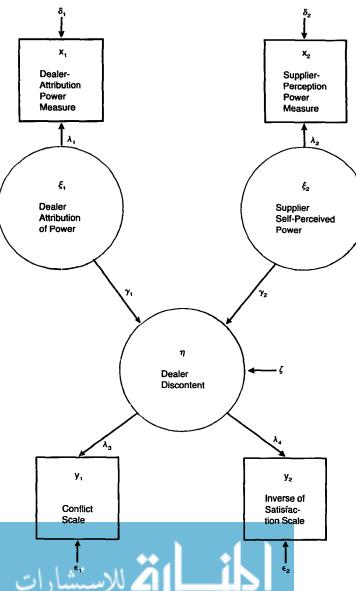


TABLE 2

Results of LISREL Analysis of Relationships Modeled in Figure 1.

Parameter <sup>1</sup>	LISREL Estimate	t-value	Standarized <sup>2</sup> Estimate	
γ,	233	- 3.691	291	$\chi^2 = 0.88$
γ <sub>2</sub>	.001	.024	.002	df = 2
λį	1.0003	.000	1.000	p = .646
$\lambda_2$	1.0003	.000	1.000	•
λ,	1.000 <sup>3</sup>	.000	.801	
$\lambda_{4}^{2}$	1.153	5.244	.924	
7	.587	4.533	.915	
$\delta_1 \\ \delta_2$	.000 <sup>3</sup>	.000		
δ,	ە000.	.000		
$\epsilon_{i}$	.358	2.932		
ε,	.146	.931		

With  $\eta$  = theoretical, endogenous variable measured with error;  $\xi$  = theoretical, exogenous variable measured with error;  $\gamma$  = measure of endogenous variable;  $\chi$  = measure of exogenous variable;  $\zeta$  = error in structural equation;  $\epsilon$  = error in measure of  $\gamma$ ;  $\delta$  = error in measure. A = relationship between exogenous and endogenous variables;  $\delta$  = relationship between unobservable variable and its measure.

The LISREL program does not provide standardized estimates of the errors ( $\delta$  and  $\epsilon$ ).

power. According to Hunt and Nevin (1974), pricing assistance, product line modifications, product preparation, bookkeeping assistance, and the provision of field supervisors are positively related to dealer-perceived supplier power in fast food franchise channels. Etgar (1978) reported that such rewards as financial assistance, help in retail advertising, store management assistance, provision of market information and sales leads, and prompt delivery were strongly correlated with his dealer-report measure of supplier power in a variety of channels. Finally, other research on the channel investigated in this study (Gaski and Nevin 1985) suggests that trade allowances, provision of financing, furnishing supplies, giving business

\*Constrained. One measure of each construct is set equal to one to scale the unit of measurement.

Concerning specific tactics, prior research has indicated that the provision

Concerning specific tactics, prior research has indicated that the provision of certain rewards by suppliers is positively related to dealer perceptions of supplier

advice and pricing assistance, providing inventory management assistance, and demonstrating products seem to have the strongest positive impact on dealer-perceived supplier power.

Some future research directions also suggest themselves. It would be very desirable to address the most evident weaknesses of this project by (1) using identical measuring instruments for both suppliers and dealers, and (2) conducting a

cross-channel investigation, to see if the same relationships prevail in other distribution systems. Such work could greatly strengthen the admittedly weak findings reported here.

Of course, the results represent only one intended contribution of this re-

search project. In addition, the issue of discrepant power perceptions as an independent variable has been raised, and a methodology for investigation has been presented. In general, given the difficulty and uncertainty in measuring true power, perhaps marketing channel research should focus on perceived power instead.

### APPENDIX I

### MELROE DISTRICT MANAGER QUESTIONNAIRE

Self-Perceived Power Measure

Indicate, by checking (X) the appropriate space, the *ability* of each of your dealers to *resist* Clark Equipment policy initiatives. That is, if they wanted to, how much ability would each dealer have to simply refuse to cooperate with Clark policies?

No

	to	Little	Some	Much	much
	resist	ability	ability	ability	ability
(dealers listed)					
Performance Measure					
How well does each dealer meet	sales targets?				
	Very poorly	Poorly	Aver- age	Well	Very well
(dealers listed)					
				_	
How would you rate the perform	nance of each dealer	relative to o	ther dealers?		
	Very		Aver-		Excel-
	poor	Poor	age	Good	lent
(dealers listed)					
			<del></del>		

### APPENDIX 2

## DEALER QUESTIONNAIRE

Dealer-Attribution Power Measure

Please indicate (X) your response to each of the following:

As much as Not Algorithms as Not at all Slightly ately wanted If Clark Equipment wanted you to raise the prices you charge for their products, what is the maximum amount you would raise prices?

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		Not at all	Slightly	Moder- ately	as they wanted		
If Clark Equipment wanted you to lower t prices you charge for their products, what the maximum amount you would low prices?	the Lis						
If Clark Equipment wanted you to increathe quantity of their products you order, while the maximum amount you would increated quantity?	hat						
If Clark Equipment wanted you to decreat the quantity of their products you order, while is the maximum amount you would decreat order quantity?	hat						
If Clark Equipment wanted you to change to composition of your product line, what is to maximum amount you would change you product line?	the						
If Clark Equipment wanted you to change type of advertising and sales promotion y do for their products, what is the maximu amount you would change your advertisi and sales promotion?	ou um						
If Clark Equipment wanted you to chan your customer service policy, what is t maximum amount you would change yo customer service?	ihe						
If Clark Equipment wanted you to chan your inventory procedures, what is the mu imum amount you would change your inventory procedures?	2X-						
If Clark Equipment wanted you to chan your customer credit policy, what is the maimum amount you would change your cutomer credit?	ax-	<u>-</u>					
If Clark Equipment wanted you to change t way you display their products, what is t maximum amount you would change yo display of their products?	the						
Conflict & Satisfaction Measures							
Please indicate (X) how strongly you agree	Please indicate (X) how strongly you agree or disagree with each of the following statements.						
	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree		
My business would be a lot better off if it weren't for Clark Equipment.							
I don't like many of the things Clark Eqpt. does.							
Clark Eqpt.'s policies reduce my profits.			-				
Clark Eqpt. makes it difficult to do my job.	ZI I	•					
Clark Eqpt. has been very fair with me.	114						
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As much as

	Strongly Agree	Agree	Agree Nor Disagree	Disagree	Strongly Disagree
Sometimes Clark Equpt, prevents me from doing what I want to do.					
Clark Eqpt. helps me in getting the job done.					
Clark Eqpt. doesn't seem to have my company's best interests at heart.					
Clark Eqpt.'s policies make things diffi- cult for me.					
Dealing with Clark Eqpt. benefits my company.					
In general, I am pretty satisfied with my dealings with Clark Eqpt.					
I would discontinue selling Clark Eqpt. products if I could.					
Clark Eqpt. is a good company to do business with.					
If I had it to do over again, I would not do business with Clark Equipment.					
I am satisfied with the products and service I get from Clark Equipment.					
·					

Neither

### REFERENCE NOTES

 Unfortunately, researchers of power in marketing channels, while accepting "the ability to alter another's behavior" as the definition of power, have tended to operationalize the construct as "the

- actual alteration of another's behavior' (El-Ansary and Stern 1972; Hunt and Nevin 1974; Etgar 1976, 1978; Dwyer 1980; Phillips 1981), which is not the same thing. For instance, a manufacturer may have the ability to alter a distributor's marketing policies without actually doing so.

  2. For those readers concerned about the proper theoretical location for this research, it may be considered part of an emerging offshoot of channel power and conflict theory (see Gaski 1984). Weik (1972) showed that perceptions from different positions within the channel are generally divergent, and Ross and Lusch (1982) examined some effects of a particular type of perceptual incongruity.
- 3. The customary mode of analysis in channel power and conflict research has been to examine the characteristics of a single channel system, e.g., a manufacturer and its distributors (Hunt and Nevin 1974; Lusch 1976a, 1976b, 1977; Etgar 1976). Presumably, this approach reflects a pragmatic recognition of the enormous data collection task that would be involved in a multi-channel cross-sectional study. In conformity with this precedent, the research project described here utilizes a single distribution system.
- single distribution system.
  4. There is no claim of validity as measures of power, that is, which is the whole point of the study. The measures are held to be valid representations of perceived power, of course, for the reasons given.
- 5. While the dealer attribution scale was standardized across all respondents, the District Manager ratings were standardized "within" each District Manager, i.e., across the District Manager's set of responses, to overcome the inter-rater reliability problem. Although the use of different measures of perceived power may be less than ideal, it was necessitated, as mentioned previously, by the infeasibility of a multi-item District Manager-perception scale.

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