CHAPTER 7
MANAGERIAL IMPLICATIONS AND CONCLUSION

7.1. Overview of the Study

In this study an attempt was made to investigate into the factors that influence the dealer-manufacturer relationships and the effectiveness of the relationship strategies of manufacturers as manifested by their impact on the expected outcomes.

Antecedents, mediating and outcome variables relevant for this study were identified by carrying out extensive review of the extant literature and detailed discussions with experts from industry and academia. An instrument for measuring these variables was developed, tested and finalized. Extensive field survey covering more than 60% of the population was undertaken. 133 responses that were complete in all aspects were included in the final analysis. Both exploratory and confirmatory analyses were performed and eight constructs whose reliability and validity were above the minimum acceptable values laid down by the experts were included in the final model. Measurement model was tested to establish the relationship of observed variables and the corresponding latent constructs. Causal relationships depicted in the structural model also were tested, thereby achieving the first two objectives of the study outlined in Chapter Two.

7.2. Discussion of Variables and Managerial Implications

Presented below is a more detailed discussion of the variables included in the study—some of which are maiden; channel relationship strategies and effectiveness of various elements thereof and the implications of findings for the manufacturers to further refine their strategies, in pursuance of objective 3.

7.2.1. Relationship Strength

Relationship strength represents the proclivity of both manufacturers and dealers to build an enduring relationship. In the extant literature, it has few aliases such as relationship quality, and relationship closeness (Palmatier et al, 2006).

While a number of researchers have categorized commitment and trust as mediating variables (Anderson and Weitz 1992; Jap and Ganesan 2000; Moorman, Zaltman, and Deshpande 1992; Morgan and Hunt 1994; Doney and Cannon 1997; Hibbard et al. 2001; Sirdeshmukh, Singh, and Sabol 2002) there is another school of thought according to which these mediators are at best indicators of the global mediator ‘relationship quality’, which is construed as an overall assessment of the strength of a relationship (Palmatier et al 2006). Relationship quality, an alias of relationship strength, is a multi-dimensional construct that captures the different aspects of an exchange relationship (De Wulf, Odekerken- Schröder, and Iacobucci 2001; Kumar, Scheer, and Steenkamp 1995; Crosby,
Evans, and Cowles 1990). No single dimension or relational construct can fully define the closeness (another alias for strength) of an exchange relationship (Johnson 1999, p. 6).

The composite (multi-dimensional) construct Relationship Strength (RS) included in this study as a mediating variable comprises the following variables:

1. Buyer Trust (BT)
2. Gratitude Based Reciprocal Behaviors (GBRB)
3. Customer Commitment (CC) and
4. Relationship Specific Investments (RSI)

Of the above, RSI are initiated by the manufacturer and the remaining three are the reciprocating responses of the dealer to such investments on the part of the manufacturer.

It has been established in this study that RS indeed mediates the effect of some of the antecedent variables on the relationship outcomes. Therefore it is important for the manufacturers to enhance the strength of the relationship by resorting to relationship specific investments. Few such investments are:

1. Opening of depots at all major markets
2. Training and development of dealers’ sales personnel
3. Maintaining a healthy frequency of visits by sales and technical personnel
4. Promotional support by way of providing Point of Purchase (POP) material, sign boards and show cases for display of samples
5. Setting up service centers for break-bulk activities. This includes facilities for slitting and cropping of steel coils and cutting of steel tubes to required length as determined by the end-users, a value added activity.

7.2.2. Supplier Critical Support

This construct has two items viz. resourcefulness of the manufacturer and his willingness to share critical information with the dealers.

A dealer can be successful only by maintaining healthy relationships with his customers and sub-dealers. In steel industry there are situations when a particular product can become critical and making it available to the end-customers helps dealers to sustain the ongoing relationships with their customers. A manufacturer who is resourceful in terms of production flexibility and ability to respond faster to the market needs is always preferred to those who are rigid in their approach. Stock outs and inability to bail out the customers from difficult situations will cost the dealer his credibility and dependability and whatever crises situations a dealer faces are in turn escalated to the manufacturer. Response of the manufacturers in such situations can make or break relationships. Manufacturers should therefore
1. Respond faster to the urgent requirements of dealers on an exceptional basis. A Dealer Service Cell can be set up exclusively for coordinating with the dealers and addressing their critical requests.

2. Hold adequate stocks of all fast moving sizes at the plant and also at the depots located at strategic points so that dealers’ special requests can also be met from readily available stocks.

3. Streamline the logistics to cut short the transportation delays and facilitate quicker inter-depot transfer of stocks to meet dealers’ urgent requirements.

7.2.3. Supplier Versatility (SV) is a measure of the flexibility and adaptability of the manufacturer and his ability to provide complete solutions also has a positive impact on the relationship outcomes as evidenced by the support found by hypotheses H₃, H₅ and H₉. Specific suggestions for manufacturers to leverage this factor are:

1. Go for lean manufacturing systems characterized by shorter tool change time and quicker response to special requests. A pre-determined buffer capacity can be built-in to meet such exigencies.

2. Broaden their product range as per the demands of the end-customers. This, apart from developing new sizes also involves introducing special grades and offering products with close tolerances, special chemistry and mechanical properties.

3. Set up service centers either on their own or by outsourcing it to a third party at all major locations enabling dealers to offer ready to use products such as cut-to-length sheets, slit coils, tubes of exact length as per the component to their customers.

This will go a long way in building mutually rewarding channel relationships.

7.2.4. Industry Norms (IN), which engenders long term manufacturer-dealer relationships, is a very positive factor from the manufacturers’ perspective and the support found by hypotheses H₁, H₈ and H₉ is very much on the expected lines. Given the socio-cultural environment of Southern India and the healthy tradition of “give and take” passed on from generation to generation and magnanimity is deep rooted in the ethos of business partners, manufacturers should use this as a good platform for further strengthening their relationships with dealers by carrying out their dealings in the true spirit of fairness and equity.
7.3. Causal Paths not Supported

Findings of the study suggest albeit surprisingly that Communication (CN) and Competence of Sales Persons (CSP) do not have any significant impact on the relationship outcomes—the first directly and the second mediated through Relationship Strength (RS) as depicted in the causal model (Figure 6.1). The implications of these for manufacturers are discussed below.

7.3.1. Communication

While communication *per se* may not be a very critical factor in this industry, as evidenced by the lack of support for hypotheses H₆ and H₇, there are some exceptional circumstances where in the manufacturer has to keep dealers’ interest before his own. One such situation is price increase, which happens at regular intervals in steel industry. A manufacturer who keeps information about price increases close to his chest and makes unjust gains by holding up supplies to dealers and releasing material after the price increase is announced cannot hope to build healthy long-term relationships with his dealers. Not resorting to opportunistic behavior and upholding the interests of dealers is the critical support provided by the manufacturer that cements his relationships with dealers. Manufacturers therefore have to restrain from opportunistic behavior and taking them into confidence by sharing critical information.

With the advent of information technology and ushering in of the digital era, there has been substantial improvement in the quality and frequency of communications. Routine communications from manufacturers on dispatch particulars, rolling sequence etc are taken for granted by dealers and do not any more construed as differentiators. To borrow from the literature on branding (Keller et al, 2002) these are more of Points of Parity (POP) than being Points of Difference (POD). Routine communications of this nature it appears do not have a major role to play on the relationship outcomes. However, from a manufacturer’s perspective it is important to maintain an effective and uninterrupted communication channel with the dealer as lack of it may become a de-motivating factor for them (dealers).

7.3.2. Competence of Sale Personnel

Steel industry in India is in its maturity stage characterized by severe competition among the manufacturers to sustain their share of business. Sales personnel who should ideally be focusing on offering technical solutions and consultancy to the channel partners, sometimes end up exerting undue pressure on dealers for order booking, increase in share of business, payments etc. This perhaps makes dealers perceive the sales personnel as a hindrance instead
of a facilitating factor for their business. This aspect was dealt in detail by previous scholars (Palmatier et al., 2008) who termed such self-centered behavioral traits by sales personnel as buyer exchange inefficiency, which is a reflection of the buyer’s assessment of the time, effort, and resources wasted in the interaction with the salesperson. Buyer exchange inefficiency negatively affects relationship outcomes (Palmatier et al., 2008).

Unlike consumer goods where sales personnel have to pitch hard for promoting their products and services, aggressive selling by industrial sales personnel may prove to be unproductive or sometimes counter-productive as established by this study. Manufacturers should therefore not resort to aggressive sales tactics that may force the dealers to look for alternatives. Further most of the dealers are connected to the manufacturers electronically through local area networks (LAN) or wide area networks (WAN) and therefore have access to the latest information pertaining to status of pending orders, dispatches and stocks available and may not see much of a value addition happening during their interactions with sales people.

7.4. Areas for Further Research

This study is geographically confined to Southern region. To get more insights into the relationship facilitating factors and inhibitors vis-a-vis outcomes a study encompassing the entire geographical area of India should be undertaken. This, apart from enlisting a larger number of respondents also brings out the regional differences, if any in the context of channel relationships in steel industry.

Alternative statistical techniques such as multivariate regression analysis can also be employed, with a larger sample, to validate the findings of this study.

Impact of information technology is an intriguing aspect of channel relationships which needs to be researched, as the industry is gearing itself to usher in digitalization of information.

The strategies adopted by public sector steel manufacturers vary significantly from the ones adopted by their private sector counterparts. An in-depth study to compare and contrast the relationship strategies of these two groups will be very useful for the steel marketers not only in India but also across the globe.

Of late manufacturers, particularly in the private sector are gradually resorting to forward integration wherein they gain ownership of distribution channels, described by scholars as progressive disintermediation. The positive and adverse impact of this shift in strategy from the perspective of end-users and its repercussions on the channel relationships is worth investigating.
7.5. Conclusion

This study, first of its kind in India, makes a significant contribution to the existing body of literature in the domain of channel relationship management by investigating the factors that influence the channel relationship strategies of steel manufacturers in the Southern region of India. Based on extensive survey of the extant literature the variables relevant for the study were identified. The variables identified were grouped into antecedents, mediating variables and outcome variables. A measuring instrument was developed and field survey conducted. 133 responses were obtained and the data subjected to Exploratory Factor Analysis (EFA) . Based on the findings of EFA the extracted variables were regrouped and relabeled. Two new variables viz. Supplier Versatility (SV) and Supplier Critical Support (SCS) were added to the existing body of literature, a original contribution of this study. A composite construct named Relationship Strength (RS) was also conceived and successfully operationalized. Confirmatory Factor Analysis (CFA) was conducted to validate the constructs and measurement model was tested using Structural Equation Modeling (SEM). A conceptual model depicting the causal relationships was developed for testing the extant theories .This model was tested using SEM. Out of the nine paths depicted in the causal model, six were found to be significant. Goodness of Fit indices indicated that the model was a good fit to the data. Alternate models also were tested as per the established procedures before retaining the base model. All the three objectives set for this study have been achieved.

Both exploratory and confirmatory approaches were successfully adopted in this study so as to make it more relevant to the geography it is conducted. Managerial implications of the findings and suggestions for manufacturers to further fine tune their strategies have also been added to make this study relevant to industry.

This study also has few limitations, discussed in detail in chapter 4. Some of them are:

1. This study is limited to dealers of steel and allied products operating in South India and the findings therefore cannot be generalized owing to the cultural differences in different sub-geographies of India.

2. Focus of this study is on the factors affecting the manufacturer-dealer relationships, mainly from the perspective of dealers which may or may not be vetted by the entire population of manufacturers.

3. The relationships studied are mature relationships in a B2B context and the findings therefore may not be relevant for budding relationships.
4. Sampling techniques adopted for capturing the views of the respondents makes this study susceptible to the common errors associated with sampling techniques.

Future scholars would hopefully overcome these limitations.

Areas for further research also have been outlined in section 7.4. The list however is not exhaustive. Structural Equations Modeling has been effectively made use of in this study and this should encourage future scholars to use such advanced tools and techniques for data analysis and modeling.

References:


Rothermund, D, (1993),An Economic History of India, New York: Croom Helm.


----------------------------------------------------------------------


----------------------------------------------------------------------