CHAPTER 4
CONCEPTUAL FRAMEWORK

Based on the review of literature and the research gaps identified in chapter 2, conceptual framework for the current study has been formulated as detailed below.

4.1. Scope of the Study

Focus of the study is channel relationships for steel and allied products in the geographical area of South India, with special focus on the strategies of manufacturers for forging long-term relationships with channel partners, described as “other marketing actors” (Paravatiar & Sheth, 2000) and the effectiveness of the strategies for achieving the desired outcomes.

4.2. Objectives of the Study

This study, confined to the geographical area of South India, contributes to the existing body of literature on channel relationships. Objectives of the study are:

1. To identify the factors facilitating manufacturers of steel and allied products to establish enduring relationships with downstream channel partners.

2. To develop and test a conceptual model of manufacturer-dealer relational exchanges depicting the causal relationships encompassing the antecedents, mediating variables and the relational outcomes.

3. To analyze and further refine the channel relationship strategies to make them more effective.

4.3. Limitations of the Study

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 and differences in business practices and norms prevalent in various 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.

4.4. Identification of Factors Facilitating Enduring Relationships (Objective 1)

In pursuance of objective 1 viz. ‘identifying the factors facilitating manufacturers to establish enduring relationship with the channel partners’ extensive survey of extant literature was carried out, summary which has been included in chapter 2.

A number of studies carried out globally (Metcalf et al, 1992; Morgan & Hunt, 1994; Jap & Ganesan, 2000; Vazquez et al, 2005; Palmatier et al, 2006, 2007 & 2008; Jambulingam et al, 2011) link the antecedents and outcomes of the channel relationships through a set of mediating and/or moderating variables, inquest of which would help achieve objective 1.

Based on detailed review of literature cited in chapter 2, the following constructs that explain the linkages between strategies and outcomes as also those that have mediating effect on the causal relationships have been shortlisted for further investigations. These constructs have been chosen based on their perceived relevance to the present study, based on the detailed review of similar studies conducted by previous scholars listed below.

4.4.1. Antecedents


2. Supplier Versatility (Palmatier et al, 2006; Samaha et al, 2011; Metcalf et al, 1992)


5. Communication (Morgan & Hunt, 1994)


Justification for including the above variables in the present study and their operating definitions are elaborated below.
1. **Industry Norms (IN):** For any relationship to flourish both the parties have to be genuinely concerned about the well-being of each other. This behavioral expectation shared by both the parties in a relationship is known as a norm. A working definition of norms is “Expectations about behavior that are at least partially shared by a group of decision makers” (Gibbs, 1981).

In the context of channel relationships norms are standards and perceptions of behaviors that are shared by members of distribution channels (Vazquez et al. 2005). Norms vary widely from industry to industry (Heide & John, 1992) and the present study attempts to measure the impact of norms on the effectiveness of channel relationships in steel industry.

2. **Supplier Versatility (SV):** Versatility reflects one’s ability to be flexible and adaptable and is a measure of one’s resourcefulness. A supplier that is versatile can add value to dealers as opposed to one who is not.

In steel industry, given the limited number of suppliers, all things remaining the same dealers prefer suppliers that are versatile. This helps them sustain the high levels of service demanded by their customers, who do not always plan their requirements meticulously and expect the dealer to take full care of their needs.

While the above components of versatility have been dealt with individually in the extant literature (Palmatier et al. 2006; Samaha et al. 2011; Metcalf et al. 1992) I propose to introduce this composite construct, a maiden variable, in the present study as one of the antecedent variables of channel relationships and test its efficacy in enhancing the channel relationships in steel industry.

3. **Dealer Product Dependence (PD):** Steel industry in India is marked by oligopolistic competition. However, there are few manufacturers (for instance SAIL, TATA Steel) that offer the entire range of products and others who specialize in a particular sub-category of products (niche players like Bhushan Steel).

The factors influencing the manufacturing range of steel producers are:

a. Pioneer/First mover advantage

b. Geographical location of the manufacturer that offers a distinct advantage in terms of access to raw material and other inputs and also market for the products manufactured

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c. Access to technology through collaborations (for instance JSW Steel Ltd collaborating with JFE Steel Corporation, Japan)

d. Changed customer needs

e. Expansion and growth strategies of individual players

f. Focus on a niche market where there is less competition

Dealers prefer those manufacturers whose product range, in terms of breadth and depth, takes care of the complete array of customers’ requirement.

According to Palmatier et al (2008), “Product dependence reflects the buyer’s need to maintain a relationship with a selling firm to acquire a specific product.”

A dealer who has greater product dependence responds more positively to the efforts of manufacturer to build an enduring relationship (Ganesan 1994; Heide and John 1988).

4. Competence of Sales Personnel (CSP): Sales personnel who assume a boundary spanning role are the link between the supplier and the channel partners. Their competence or lack of it influences dealer’s need for relationship governance.

A competent sales person ensures that the dealer’s needs are taken care of. For doing so he/she should possess necessary skills and expertise.

From the dealer’s perspective sales person is the face of the company and all business transactions with the manufacturer are generally routed through the sales persons.

Competence of a sales person is defined as his/her ability to deliver what has been promised (Doney & Cannon, 1997). It reflects the expertise and capability of the sales person across a range of relevant tasks.

People are more likely to seek strong relationships with partners they perceive as more competent. (Crosby et al. 1990)

5. Manufacturer’s Relation Specific Investments (RSI): To strengthen the relationship with channel partners manufacturers resort to investments such as setting up warehousing facilities and service centers, posting company representatives to supplement dealers’ efforts and investing in dealer specific technology. This requires the manufacturer to make irrevocable commitments in terms of capital, technology, equipment and training. These investments
being specific to a relationship cannot be redeployed or recovered, should the relationship be terminated at a later date (Vazquez et al, 2005). These are known as relation specific investments.

Relation specific investments are commitment of resources which a partner invests in the relationship (Wilson, 1995).

Investments by manufacturer, being of a voluntary nature, engender gratitude in the channel members which in turn trigger gratitude based reciprocal behaviors. 10

RSIs being of a benevolent nature also engender trust in channel members, known as trust (benevolence). The other component of trust is known as trust (credibility). 11

Credibility trust reflects the expectation that the partner’s word can be relied on. Benevolence trust is the extent to which one partner is genuinely interested in the other partner’s welfare for mutual benefit (Lindskold, 1978).

6. Communication(CN): Communication is the exchange of information between two parties viz. the sender and the receiver. Information is exchanged through spoken words, written messages or any other mutually agreed means.

In the context of business relationships communication is defined as the formal and informal sharing of meaningful and timely information between the firms (Anderson & Narus, 1984).

It is important that manufacturers maintain an uninterrupted communication channel with the dealers. They should be willing to share any major developments at their end with the channel partners such as likely expansion/reduction of capacity, development of new sizes, adoption of new technologies etc. Any significant developments at the industry level also should be shared by manufacturers with the channel partners.

Effective communication between the manufacturer and channel partners is of vital importance for forging enduring relationships.

10 The concepts of gratitude and gratitude based reciprocal behaviors are explained in greater detail under the sub-head ‘mediating variables’ (4.4.2).
11 Detailed discussion of both the components of trust is included under the sub-head ‘mediating variables’ (4.4.2).
4.4.2. Mediating Variables

Based on the studies of similar nature conducted by previous scholars, discussed in detail in the chapter ‘Review of Literature’ the following variables have been shortlisted for further investigation as the ones mediating the effect of antecedents on the relational outcomes.

1. Relationship Orientation (Palmatier et al, 2008)

2. Gratitude Based Reciprocal Behavior (Emmons and McCullough 2003; Emmons &McCullough, 2004; Palmatier et al,2009; Morales 2005)


Justification for including the above constructs in the present study and their operational definitions are elaborated below.

1. **Relationship Orientation (RO):** While manufacturers strive to forge long lasting relationships with the dealers, it cannot be taken for granted that all the dealers are in favor of entering into such relationships. Some of the dealers may prefer to have transactional exchanges so as to keep all their options open. The extent to which a dealer is inclined to enter into a long term relationship with the manufacturer is called ‘relationship orientation.’ Dealers having such a orientation prefer relational governance in their dealings with the manufacturer. On the other hand dealers who do not have relationship orientation would prefer transactional governance structure in their exchanges with the manufacturers.

   Relationship orientation is the need for the dealer to have a relational governance with respect to the exchanges with the manufacturer (Palmatier et al.,2008). RO influences the dealer’s cost-benefit analysis of the exchanges with the manufacturer and therefore the effectiveness of manufacturer’s Relationship Marketing (RM) efforts.

2. **Gratitude Based Reciprocal Behaviors (GBRBs)**

Commitment and Trust, the two constructs operationalized by Morgan&Hunt(1994)have been widely accepted as the mediating variables between the antecedents and outcomes of

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12 The words customer/buyer are synonymous with dealer in the context of this study.
RM. However it was found by the later scholars that Commitment and Trust could not fully mediate some of the antecedents such as relation specific investments (Palmatier, 2007 p186). Post 2005 scholars were on a constant search for the missing link for fully mediating the effect of antecedent variables on the RM outcomes. After considering several variables such as reciprocity, gratitude and exchange effectiveness they zeroed on gratitude as the third mediating variable (Palmatier et al., 2009).

Gratitude is a feeling, emotion or attitude in acknowledgment of a benefit that one has received or will receive. It provides an emotional foundation for reciprocal behaviors.

There are two key components of gratitude viz. affective and behavioral. While the affective component refers to the feeling of gratitude generated in the recipient of a benefit, the behavioral component pertains to the actions emanating from feelings of gratitude. (Emmons & McCullough, 2004).

Consideration of both affective and behavioral aspects of gratitude is important to understand its role in relationship marketing. (Palmatier et al. 2009).

Affective aspect of gratitude is defined as “feelings of gratefulness, thankfulness or appreciation for a benefit received.” The behavioral aspect that results in gratitude-based reciprocal behaviors (GBRBs) is defined as “actions to repay or reciprocate benefits received in response to feelings of gratefulness” (Emmons and McCullough 2003; Morales 2005).

Feeling of gratitude and GBRBs, apart from enhancing trust, also have a positive influence on relationship continuity and seller’s objective performance.

3. Buyer Trust (BT): Trust is the manifestation of faith the relationship partners have on each other. It is the foundation on which relationships are built.

Trust is defined as “A willingness to rely on an exchange partner in whom one has confidence.” (Moorman, Deshpande and Zaltman, 1993)

Anderson & Narus (1990) define trust, focused more on the outcomes 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 would result in negative outcomes for the firm.” Doney & Cannon (1997) distinguish the two components of trust namely credibility and benevolence. The first dimension viz. credibility trust reflects the expectancy that the partner’s word or written statement can be relied on. The second dimension viz. benevolence
trust is the extent to which one partner is genuinely interested in the other partner’s welfare and motivated to seek joint gain (Doney & Cannon 1997; Lindskold, 1978). Channel members trust in the manufacturer engenders commitment and also leads to relationship continuity.

4. Customer Commitment (CC): Commitment is the perceived obligation of the relationship partners to maintain the relationship which they value. Customer in the context of this study is the dealer and customer’s commitment mirrors the genuine desire and conviction to maintain the ongoing relationship with the supplier (in this case manufacturer) in their mutual interest. Commitment among exchange partners is important for achieving valuable outcomes. Commitment to the relationship is defined as “an enduring desire to maintain a valued relationship” (Moorman et al. 1992). Morgan & Hunt (1994) define relationship commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it.” People are unlikely to be committed to something they do not value (Moorman et al. 1992). This is applicable for marketing relationships also. Morgan & Hunt (1994) assert that commitment is the key-stone of relationship marketing. Mediating effect of customer commitment is measured in this study.

4.4.3. Outcome Variables

Outcomes are the consequences of the relationship marketing efforts of suppliers and are measurable. The major outcomes included for measured in this study are:

1. Relationship Continuity (Anderson & Weitz, 1989; Doney & Cannon, 1997; Palmatier et al. 2006)

2. Seller Objective Performance (Palmatier et al, 2006)

These two variables have been adopted from the studies on relationship marketing strategies conducted by previous scholars acknowledged above. The above two variables are elucidated below.

1. Relationship Continuity (RC): RC manifests the outlook of the relationship partners to keep the relationship going. RC is the outcome of the relationship strategies of manufacturers. Relationship Continuity is a reflection of channel members’ perception of the likelihood that the relationship will continue. (Anderson & Weitz, 1989). It is a measure of the longevity of
the relationship and inversely related to the channel members’ propensity to switch suppliers (Doney & Cannon, 1997; Palmatier et al., 2006).

An expectation of continuity reflects the dealer’s intention to maintain the relationship and its likelihood of continued buying (Palmatier et al., 2006).

Unless a channel member is convinced that a relationship is likely to last, manufacturer cannot reap the benefits of a long-term relationship with the channel member (Anderson & Weitz, 1989).

2. Seller Objective Performance (SOP): SOP is a measure of the effectiveness of relationship strategies of manufacturers. Outcomes of relationship strategies are what the manufacturers ultimately are concerned with. Indicators of SOP are the increase in volume of take and share of business of the customer over a period of time, attributed to the relationship strategies of manufacturers.

Seller Objective Performance captures the seller’s improved performance in terms of share of wallet, sales revenue and sales growth attributable to its relationship building efforts (Palmatier et al., 2006).

The above indicators are explained as under:

Share of Wallet: Share of a supplier of the total quantity (value/volume) of the product purchased by the dealer in a given time period.

Sales revenue: Total value/volume of the products purchased by a dealer from the supplier in a given time period.

Sales growth: Percentage increase in sales value/volume effected to a dealer during a given time period over the corresponding period of the previous year.

4.5. Conceptual Model

The conceptual model depicting the antecedents and mediators of relationship outcomes specified above and the corresponding linkages is presented in Figure 4.1.
Figure 4.1: Conceptual Model of Channel Relationship Strategies and their Effectiveness

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<tr>
<th>Antecedents</th>
<th>Mediators</th>
<th>Outcomes</th>
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<tr>
<td>Industry Norms</td>
<td>Dealer R.O&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Relationship Continuity&lt;sup&gt;c&lt;/sup&gt;</td>
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<tr>
<td>Supplier's Versatility</td>
<td>Dealer GBRB</td>
<td>Seller Objective Performance&lt;sup&gt;b&lt;/sup&gt;</td>
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<td>Dealer Product dependence</td>
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<td>Competence of supplier’s sales personnel</td>
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<td>Supplier's RSIs*</td>
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<td>Communication</td>
<td>Dealer Commitment</td>
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1. Relationship Orientation  
2. Gratitude based Reciprocal Behaviors  
3. Credibility & Benevolence  
   a: Relationship satisfaction, lower propensity to leave  
   b: Higher sales volume, higher share of wallet  
   *Relationship Specific Investments

Source: Adapted from Palmatier et al 2006 & 2008