The measurement of channel operations results by a comparison with expectations

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ABSTRACT

The examination of channel operations has traditionally been through the, "Channel Power," stream of literature (Hunt and Nevin,, 1974; Etgar, 1978; Brown and Frazier, 1978; Kazulis, Spekman and Bagozzi, 1978: John, 1984; Tedeschi, Schlenker and Lindskold, 1971) focusing on this one aspect of marketing channels operation. This clearly gives an update on power issues after each dyadic interaction but does not throw any light on the sociological mechanisms by which channels function (and by which power develops). This research has three goals: first to remove power from the central position and replace it with the sociological mechanisms by which the channel functions and power issues are generated. Secondly, when the three papers are combined as one, the questionnaire will be in a format to reflect the external scales of environmental uncertainty, as developed by Achrol (1986). This follows a long tradition in management research concluding that the main function of management is to deal with uncertainty faced by decision-makers in organizations. The final goal is to measure the results of dyadic interaction by a comparison with expectations.

Keywords: Channel dyad, power, expectations, external scales of influence, sociological mechanisms, expectation/disconfirmation paradigm, persuasion-by-reference, coping tactics

INTRODUCTION

There are three sequential facets to this research. These are briefly described below so that the third part, which is the subject of this paper and originate in part in the first two, will be better positioned.

There are three streams of literature which view the handling of environmental uncertainty as the main function of management. These include Organizational Theory (Pheiffer and Salancik, 1978), the Sociology of Organizations (Thompson, 1967) and Channel Operations (Achrol, 1986b).

In the first facet, Achrol and Stern (1988) employed scales developed by Achrol (1986) to measure the external environment and its influence on management using a two-tier linkage. From this was recommended the use of the following scales in future research on the external environment's influence (in our case, in the channel dyad). These were Environmental Concentration, Environmental Capacity, Environmental Diversity and Environmental Dynamism among Consumers. The future questionnaire will include these scales from Achrol and Stern (1988) to measure external organizational uncertainty's influence on dyadic decisions-makers. These scales will be used in the final paper putting the three sections together and will employ Structural Equation Modeling.

Currently, the examination of channel operations focuses almost exclusively on dyadic power issues. The second focus is to broaden the influences beyond power alone and include the uncertain environment in these influences by the use of sociological mechanisms. This second facet is to suggest two proposed sociological mechanisms through which this influences effects dyadic decision-making. These mechanisms have been tentatively identified as: 1.) the manipulation of the buyer through the use of the seller's promotional activities. 2) The desire of the buying organization to be associated with large, prestigious, high image organizations in order to associate this image with itself. The first of these is manipulation by the seller and the second results from voluntary participation by the retailer.

The final and third facet is the measurement of channel operations results by a comparison with expectations by using the Satisfaction / Disconfirmation Paradigm. This is the section to be reported on in this paper. The writer is seeking guidance in the questionnaire and methodology section.

PROPOSED STUDY OF CHANNEL OPERATIONS BY A COMPARISON WITH EXPECTATIONS (THE SATISFACTION / DISCONFIRMATION PARADIGM)

General

The channel dyad is composed of a buyer and a seller from their respective organizations in which the sociological mechanisms operate and where past dyad meeting evaluations were formed. These evaluations of dyadic interaction are functions of expectations, performance and disconfirmation, all of these being independent constructs. We know that present exchange evaluations and reactions are as important as those prior to the exchange (Babin and Griffin, 1998). This evaluation in the organizational setting is parallel to the expectations / disconfirmation paradigm as used in Consumer Behavior where consumer expectations are compared to product performance. In the consumer setting, performance either confirms expectations (which results in satisfaction), exceeds expectations (+disconfirmation) or fails to reach expectations, (- disconfirmation). The present research depends on a parallel application of the expectations / disconfirmation paradigm to the dyadic meeting of the buyer and the seller of the respective organizations. Oliver (1977) posited that satisfaction may be best understood as an evaluation of the surprise inherent in a product acquisition or and/or consumption experience. Here the organizational buyer is the subject evaluating instead of the consumer but there are after exchange evaluations in this case parallel to the consumer case but focused on political economy issues, value gained in the exchange and VED. In this setting, performance which confirms expectations would support business as usual, performance exceeding expectations which is one form of disconfirmation could enhance channel teamwork and performance. The other form of dis-conformation or failing to meet expectations, could undermine channel teamwork and performance.

Post-dyad meeting evaluations are posited to be functions of expectations, performance and disconfirmation. Post-dyadic meeting evaluations = f (expectations, performance and disconfirmation).

The Measurement of Affective Constructs

Satisfaction can be described as an affect resulting from appraisals of a set of experiences but varies from person to person due to different schematic reference points (expectations) (Locke, 1969; Westbrook, 1980; and Woodruff et al, 1983). The results would meet expectations (satisfaction or business as usual), fail to meet expectations (negative disconfirmation and potential channel conflict) or exceed expectations (positive disconfirmation and potential channel motivation).

Affective measures often suffer from contamination by cognitive beliefs. For instance, a consumer may be very pleased with his recent purchase of a Toyota truck, feeling very positively about the style and vaulted dependability and durability associated with this brand as well as the perceived positive statement it makes about him. At the same time, he may be very disappointed with the mileage the truck gives. So here we have an example of a very positive affect for the purchase but dissatisfaction on one aspect or cognition concerning the truck. So we have contamination of the affect measure by a cognitive evaluation. There are also those occasions when an affective measure may bring to mind other affective ideas related to it and then their affect confounds the confounds the original affect. We need a measurement device freer from cognitions contamination when measuring affective constructs (Westbrook, 1987). The use of Structural Equation Modeling and Confirmatory Factor Analysis help to overcome these problems of face validity (Bagozzi, 1993). Also, Confirmatory Factor Analysis of post-purchase evaluations and reactions support the affective nature of satisfaction rather than a cognitive interpretation (Babin, Darden and Griffin, 1994).

Another example of construct contamination is contamination by related constructs as indicated in Table 1 (Appendix). When using SEM and CFA, measurement error and contamination of the satisfaction construct by related constructs such as performance, dissonance, disconfirmation, happiness and decision regret are much lessened.

Many research articles into affective measures use bipolar scales (ex, pleasant and unpleasant, satisfaction vs. dissatisfaction). There are also studies which report separate positive and negative sides to affective constructs. Under this parallel view, both the positive and negative sides to the same construct can be measured side-by-side without one side interfering with the other. Emotional measurement scales like PANAS (Positive and Negative Affective

Scales) accept the idea that pleasant feelings are not the opposite of unpleasant feelings (Watson, Clark and Tellegen, 1988. Bagozzi, (1993) offered empirical support for this view. In spite of this, there are still strong different interpretations of this issue. Unipolar measures of satisfaction show better predictive validity than do conventional bipolar measures of satisfaction (Westbrook and Oliver, 1991). By using two distinct constructs, satisfaction and dissatisfaction (distinct meaning a correlation significantly less than -1) would allow for the extraction of more information about satisfaction as indicated in (table 2 (Appendix) (Jones and Sasser (1995) (Zeithamel, Berry and Parasuraman 1996).

This means that a two-factor Confirmatory Factor Analysis model supporting both satisfaction and dissatisfaction constructs would show a significantly better fit than a one-factor model combining the satisfaction and dissatisfaction items into one scale (Babin and Griffin, 1998) Also, there would be stronger statistical support for the two factor solution, which reflects the separate satisfaction and dissatisfaction measures.

One focus of Babin and Griffin (1998) was to recommend items from the satisfaction literature that do not contaminate (with cognitive beliefs) the satisfaction construct and reject those that do (see Table 3). A database following these suggestions will be collected to compare the results from the External Environmental Forces (from Achrol, 1988) with Dyadic Expectations employing the Satisfaction / Disconfirmation Paradigm. A two-factor model will be used (satisfaction and dissatisfaction) to gain these improved statistical results mentioned above.

Achrol and Stern (1988) operationalized measures for the various uncertainties that decision makers in organizations face in the uncertain environment. Their process was guided by three assumptions all considered relevant to the present research. However the third assumption had to be altered as was done below.

1.) The empirical domain for the measures was the output environment of the channel domain. This empirical domain would be the environment in which the output actor functions, deals with most of his customers and is the location of the majority of his/her competitors,

2.) The enactment theory of environments (Weick, 1969) models the environment as a perceptual-cognitive phenomenon and relevant decision-makers with this view operate in this environment. This view is in synch with two other views of the environment, the information view (Aldrich, 1979) and the resource-dependence view (Pheiffer and Salancik, 1978),

3.) The supplier-retailer level of distribution is defined as the unit of analysis. Retailer here included businesses supplying goods and services to final consumers but also to business users. This channel level being the unit of analysis dictates the conceptualization and thus operationalization of the subject being studied. It will also be the unit of data collection for this research which differs from Achrol and Stern (1988). In the case of Achrol and Stern (1988) the phenomenon investigated was environmental uncertainty which would be most felt by the actor in the output environment, but here to be investigated is uncertainty concerning the operation of the two sociological mechanisms proposed to be operating in the channel dyad.

All three of the following three tables are taken directly from the following article: Babin,Barry J. and Mitch Griffin (1998), Journal of Business Research, Vol.41, No. 2, pp. 127 – 136). These writers identified scale items from former research and this as a scale measured satisfaction / dissatisfaction with four satisfaction and four dissatisfaction items which resultedin a two factor model which resulted in good factor loadings, convergent, nomological and discriminant validity. The two factor-model also provided better statistical support. The questionnaire items for the proposed study are to be developed from those in Babin and Griffin, 1998 as indicated in Table 3 (Appendix), which included items from earlier successful research and which have shown good face validity and would also increase statistical support for the results.

HYPOTHESES

There are two sources of hypothesis arising from the two sociological mechanisms operating in the channel dyad, Persuasion by Reference and Coping Tactics. In the case of Persuasion by Reference, which are all those reasons a distributor may be motivated to be associated with a large, well-managed, prestigious, high image suppliers, knowledgeable about markets and supplier of quality, well-known goods. These suppliers are viewed as reliable and fair dealing. There are five hypotheses originating from the Persuasion-By-Reference mechanism.

Satisfaction Factor

The first factor in the two-factor model measures the satisfaction the buyer derives from the dyadic negotiations with the seller. This factor will be measured by his/her choice from the following possibilities.

Extreme satisfaction
Very much satisfied
Satisfaction
Some satisfaction
No satisfaction

H1: Buyers will show more satisfaction when dealing with a larger supplying organization
H2: Buyers will show more satisfaction when dealing with a more prestigious suppliers
H3: Buyers will show more satisfaction when receiving better quality of goods / services from a supplier
H4: Buyers will show more satisfaction when suppliers display a higher knowledge of the promotional environment
H5: Buyers will show more satisfaction when dealing with a more reliable supplier

The second mechanism, Coping Tactics, gives rise to four more hypotheses. These include all those influences the supplier can use in the dyad to gain compliance with the marketing and promotional plans developed by the supplier including his promotional plan, and the use of some tactics viewed as aggressive or even coercive. Sometimes this compliance is readily forth-coming but at other times there is resistance to overcome. So, this can be coercive. These are also to be rated on the scale used above.

H6: Buyers will show more satisfaction when more Economic rewards are received in a transaction
H7: Buyers will show more satisfaction when the Psychological environment is more positive
H8: Buyers will show more satisfaction when a lower degree of aggression is used in the negotiations
H9: Buyers will show more satisfaction with a lower the degree of coercion is used in the negotiations

Dissatisfaction Factor

The second factor in the two-factor model measures the related dissatisfaction and once again, there are the same two mechanisms, "Persuasion-by-Reference," and, "Coping Tactics." This, the dissatisfaction side of the two-factor solution, will be rated on a scale similar to the one above, but replacing, "satisfaction," with, "dissatisfaction." The choices would be:

Extremely dissatisfied
Very much Dissatisfied
Dissatisfied
Some dissatisfaction
No dissatisfaction

H10: Buyers will show more dissatisfaction with dealing with a larger supplying organization
H11: Buyers will show more dissatisfaction when dealing with a more prestigious supplier
H12: Buyers will show more dissatisfaction when receiving a higher quality of products/services from this supplier
H13: Buyers will show more dissatisfaction when a higher level of knowledge of the promotional market is shown by this supplier
H14: Buyers will show more dissatisfaction with a more reliable supplier

The second proposed mechanism, "Coping Tactics," gives rise to four more mechanisms

H15: Buyers will show more dissatisfaction when more Economic reward are shown in the transaction
H16: Buyers will show more dissatisfaction when the Psychological environment is more positive
H17: Buyers will show more dissatisfaction when a lower degree of aggression in the negotiations
H18: Buyers will show more dissatisfaction with a lower degree of coercion is used in the negotiations

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APPENDICES

TABLE 1: CORRELATIONS OF OTHER CONSTRUCTS WITH SATISFACTION AND DISSATISFACTION

CONSTRUCT	CORRELATIONS WITH: SATISFACTION	DISSATISFACTION	RELIABILITY
MOOD	.15 (.07)	-.12 (.08)	.83
COGNITIVE DISSONANCE	-.57 (.03)	.58 (.03)	.73
FUTURE PURCHASE INTENTIONS	.87 (.04)	-.79 (.05)	.83
EXPECTATIONS	.59 (.06)	-.46 (.07)	.77
DISCONFIRMATION	-.32 (.08)	.19 (.09)	.73
ATTITUDE	.77 (.03)	-.62 (.04)	.85

Standard errors are shown in parentheses below the corresponding estimate

TABLE 2: SATISFACTION AND DISSATISFACTION ITEM LOADING ESTIMATES				
ITEM	1-FACTOR SOL'N.	2-FACTOR SOL'N.	ERROR TERM	OVERALL MODEL
S1	.88	.90	.90	.89
S2	.86	.86	.86	.87
S3	.84	.86	.86	.86
S4	.87	.88	.87	.85
D1	-.77	.81	.81	.78
D2	-.81	.84	.84	.84
D3	-.73	.75	.75	.76
D4	-.93	.88	.88	.87

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TABLE 3: SUCCESSFUL SATISFACTION / DISSATISFACTION ITEMS DRAWN FROM PREVIOS RESEARCH AND THE SCALES USED

NAME	ITEM	SCALE
S1	Which of the following choices best describes the level of satisfaction you experienced with (name 0F business)	Extreme satisfaction Very much satisfied Satisfaction Some Satisfaction No Satisfaction
S2	Use the following percentage scale to indicate your level of satisfaction. Please circle the percentage best describing your level of satisfaction with (name of business)	Not at Satisfied Completely satisfied 0% 10% 90% 100%
S3	I feel satisfied with my experience with (name of business)	5-point Likert Scale
S4	Please respond to the following based on how you feel about your overall experience with (name o business). (1 = not at all satisfied to 7 = very much satisfaction felt)	Not at all Very much 1 2 3 4 5 6 7
D5 D6 D7 D8	D5, D6, D7 and D8 are worded exactly as above except that the word, “Satisfaction,” is replaced by, “dissatisfaction,” in each item. They also use the same scale types as above	