DISTRIBUTION CHANNEL CONFLICT: A STUDY ON THE FMCG SECTOR

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By

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CANDIDATE'S DECLARATION

I, hereby certify that the thesis titled "Distribution Channel Conflict: A Study on the FMCG Sector", submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy' is an authentic record of my research work carried out under the guidance of Prof. (Dr.) Rajan Yadav. Any material borrowed or referred to is duly acknowledged.

The matter presented in this thesis has not been submitted elsewhere in part or entirely to any other university or Institute for award of any degree.

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SUPERVISOR'S CERTIFICATE

This is to certify that the thesis titled, **"Distribution Channel Conflict: A Study on the FMCG Sector",** submitted in fulfilment of the requirement for the award of the degree of Doctor of Philosophy is an original research work carried out by Swati Bhatnagar, under my supervision. The matter presented in this thesis has not been submitted elsewhere in part or fully to any University or Institute for the award of any degree, to the best of our knowledge.

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Delhi, November 2021 **Swati Bhatnagar**

EXECUTIVE SUMMARY

All of us owe our lifestyle to the distribution channels which run through the contribution of various channel partners like Carry Forward Agents, Distributors, wholesalers and dealers who provide products and services to the end consumer. The GDP of any economy flows through the dense network of these distribution channels. Distribution Management has often been overlooked as compared to the glamorous world of advertisement and consumer behaviour in marketing. However, the smooth functioning of these channels is utmost important for us to get our uninterrupted supply of goods and services. In view of same, it becomes extremely important to check the health of any firm’s distribution channels and the opinion of its channel partners about the issues they face in the daily operation of these channels. This investigation becomes all the more important in the backdrop of Distribution 4.0 which is causing immense disruption in the existing channels as new channels of e-commerce and modern trade change the landscape of the Indian retail. What started as multi channels is now soon evolving to the concept of omnichannels where the consumer can place the order anywhere, anytime and collect the same anywhere anytime at his own convenience. This has been the genesis of the new marketplace model which is the online presence backed by an offline fulfilment.

Though lot of studies has been done in the area of consumer behaviour and advertisement, but studies on channel relationships particularly in India have been grossly missing. This is essentially due to the difficulty in collecting data from channel partners who are highly busy with their routine operations. This study is set in the context of the FMCG sector which is the barometer of any economy. The FMCG sector has a long intensive and a complicated channel having numerous channel partners at different levels. The same increases the likelihood of conflict the activities need to be coordinated at different levels and stages. Thus FMCG sector was chosen as the context for the exploration of the phenomenon of Channel Conflict. The study was designed to be different from the previous studies by exploring conflict at four primary levels of FMCG distribution channel: - the manufacturer, the Carry & Forward Agent, the distributor and the retailer. Thus, attempt was made to analyses the antecedents of conflict at each stage as different channel partners at different levels had different drivers of conflict. Important factors were identified from the combination of expert interviews and literature review which led to conflict all the more in the Indian context.

The results of the qualitative and the quantitative analysis confirmed that the factors identified had a significant impact on channel conflict at different levels. The results also confirmed the increasing impact of new channels on channel conflict, particularly at the distributor level. The results of the study indicate that role performance mattered the most for occurrence of conflict at the distributor level and communication at the retailer level. The economic and business objectives were the most vital causes of conflict at the manufacturer and the Carry Forward agent level. The results of the study were further corroborated with of the case study on ITC Ltd, an FMCG major in India. The study is useful particularly for the channel sales managers, the business development managers for strengthening their relationships on the ground and reducing the incidence of channel conflict for the smooth coordination of channel activities that lead to enhanced level of customer satisfaction.

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LIST OF ABBREVIATIONS

AMOS	:	Analysis of a Moment Structure
ANN	:	Artificial Neural Networks
ASM	:	Area Sales Manager
ASV	:	Average Shared Variance
ATL	:	Above the Line
AVE	:	Average Variance Extracted
AVF	:	Availability Visibility Freshness
CCL	:	Conflict Coordination Learning
CFA	:	Confirmatory Factor Analysis
CFI	:	Comparative Fit Index
CFL	:	Channel Conflict
CMB	:	Common Method Biasness
CMIN/DF	:	Chi-square fit statistics/degree of freedom
CMV	:	Common Method Variance
COM	:	Communication
CR	:	Composite Reliability
DEP	:	Dependence
DMS	:	Dealer Management Software
DND	:	Damaged and Destroyed goods
DNE	:	Damaged and Expired goods
DOM	:	Domain Similarity
DS	:	Digital Support
DSF	:	Distributor Sales Force
EFA	:	Exploratory Factor Analysis
EGLS	:	Estimated Generalised least square
FOS	:	Feet on Street
FMCG	:	Fast Moving Consumer Goods
GFI	:	Goodness of Fit Index
GOL	:	Goal Divergence/Goal Similarity
GPS	:	Global Positioning Systems
GST	:	Goods & Service Tax
GT	:	General Trade
GVA	:	Governance value analysis framework

ICC	:	Intra Channel Conflict
LSP	:	Logistics Service Providers
LTO	:	Long Term Orientation
MLP	:	Multi Layer Perceptron
MSV	:	Maximum Shared Variance
MT	:	Modern Trade
MVA	:	Mutivariate Analysis
NFI	:	Normed Fit Index
NN	:	Neural Networks
NC	:	New Channels
PDA	:	Personal Digital Assistants
PER	:	Perceptual Differences
PLS	:	Partial Least Square
POL	:	Trade Policies
POS	:	Point of Sales
RFID	:	Radio Frequency Identification
RMSE:		Root Mean Square of Errors
RMSEA:		Root Mean Square Error of Approximation
ROI	:	Return on Investment
ROL	:	Role Performance
RSI	:	Relationship Specific Investments
RTGS:		Real Time Gross Settlement
SCO	:	Structure Conduct Outcome
SEM	:	Structural Equation Modelling
SET	:	Social Exchange Theory
SFA	:	Sales Force Automation
SKU	:	Stock Keeping Unit
SPSS	:	Statistical Package for Social Sciences
TCE	:	Transaction Cost Economics
TLI	:	Tucker Lewis Index
TSA	:	Transaction Specific Assets
TSI	:	Transaction Specific Investment
VIF	:	Variance Inflation Factor
VRIO	:	Valuable, rare and imperfectly imitable theory
WD	:	Wholesale Distributors
WSP	:	Wholesale Service Providers

CHAPTER-1

INTRODUCTION

This chapter serves as an introduction for the basic purpose of this thesis, which is, to identify and analyse the factors of channel conflict in the backdrop of the latest developments of new channels of modern trade and e-commerce in the FMCG sector. An overview of the Indian FMCG sector, the major players, the distribution channel format in India vs other countries have been discussed. The chapter ends with the specification of how the thesis is organized and structured.

1.1 FMCG Sector in India

The FMCG (Fast Moving Consumer Goods) sector happens to be the fourth largest sector in the Indian economy (IBEF, 2019). It includes the following categories: staples, packaged foods, beverages, consumer health, household and personal care (BCG, 2015). The household and personal care segment is the principal segment in India, contributing almost 50% to the overall market share, healthcare segment contributes 31% and food and beverage segment contributes 19% to the market share (IBEF, 2019). The Indian retail market is projected to reach $1.1-1.3 trillion by 2025 from a level of $0.7 trillion in 2019, with a compounded annual growth rate (CAGR) of 9-11% (LiveMint, 2020). The modern trade is estimated to grow at 20 - 25 % per annum (IBEF, 2018). The divide between the urban and the rural market has got narrower in recent years. For example, the urban market contributes 55 % to the Indian FMCG market vs 45% contribution of the rural market to the revenues of the FMCG firms (IBEF, 2019). With the demand of quality goods and services on the rise in the rural markets of India there has been a growing improvement in the distribution channels of the Indian FMCG companies.

A study by Forbes (2019) was done in the FMCG sector that investigated millions of transactions of a large FMCG firm through the traditional “kirana” vs modern retail channels for over three years. The results of the study suggested that the difference in monthly sales revenue to a distributor across metropolises, mini-metros, cities and rural areas is decreasing over time while the profitability has been increasing across all classes of cities over time. The success of the FMCG companies lies in their ability to deliver to the last mile. They achieve this by developing reliable distribution channels by signing contracts with C&F agents (Carry and Forward agents), distributors, wholesalers, stockists, sub stockists etc. that help access the market. For example, the self-help groups, farmers, microfinance firms have become a very crucial channel for FMCG companies' expansion into rural India.

Distribution Management is often ignored and considered a poor cousin of the happening and glamorous advertisement world, however, it is actually as critical or rather more critical for consumers because sales revenues are directly impacted by the efforts put on the distribution front (Mulky,2013). The retailers, wholesalers, stockists and redistribution stockists act like ground salesperson for the manufacturers. Some of the top FMCG players in India which are listed in NIFTY Index with their respective weightage are depicted in Table 1.1. The NIFTY FMCG Index comprises of 15 stocks from FMCG sector listed on the National Stock Exchange (NSE).

Table 1.1: Top Companies of NIFTY FMCG

Top constituents by weightage	
Company's Name	**Weightage**
ITC Ltd.	28.47
Hindustan Unilever Ltd.	25.02
Nestle India Ltd.	8.20
Tata Consumer Products Ltd.	6.68
Britannia Industries Ltd.	5.24
Dabur India Ltd	4.40
Godrej Consumer Products Ltd.	4.01
Marico Ltd.	3.65
United Spirits Ltd.	3.48
United Breweries Ltd.	2.98

Source: NSE Indexogram, April2022

1.2 Distribution Channels Defined

Scholars of channel literature often use the term marketing channels and distribution channels interchangeably. For example, Stern and El Ansary (1977) define a marketing or distribution channel as "an inter-organization system that comprises a set of interdependent organisations and agencies involved in the task of moving anything of value from its point of conception or production to the point of consumption". Coughlan *et.al.,* (2001), on the other hand, used the term marketing channel only and defined "a marketing channel is a set of interdependent organizations involved in the process of making a product or service available for use or consumption". These channels perform various value-added activities that are called channel flows or marketing flows. There are eight generic channel flows that are carried out in a distribution channel. The same are physical possession, promotion, ownership, negotiation, risking, financing, ordering and payment as depicted in Figure1.1.

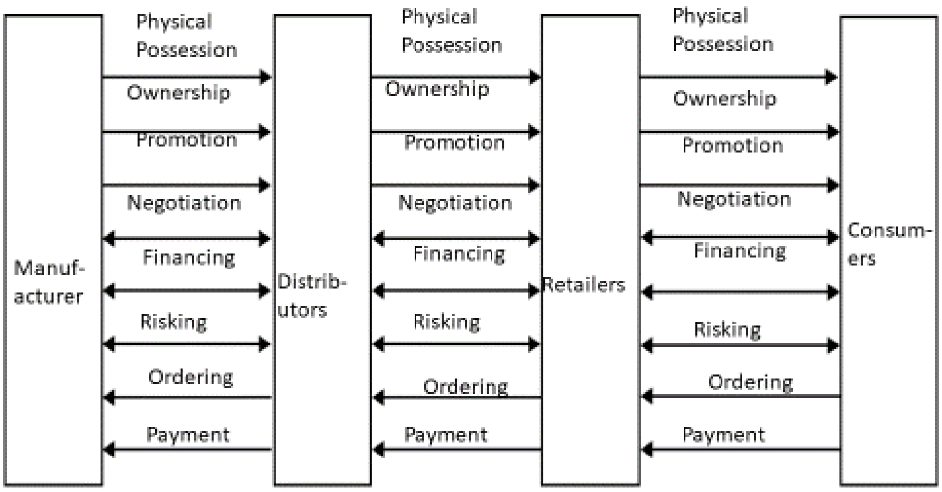

Figure 1.1: Channel Flows in Distribution Channel

Physical possession involves all storage activities, including transportation between channel members. Ownership implies transfer of ownership from one person or organisation to another. Promotion involves activities like sales promotions, media advertising, personal selling, publicity, etc. Negotiation is the effort to arrive at a final agreement in terms of prices and other aspects for the delivery to occur. Financing includes aspects of sale like 30 days' payment cycle, credit clauses, etc. Risking is majorly concerned with price guarantees, insurance, repair, warranties and after-sales service etc. Ordering flow and payment flow deal with the purchase and payment of the product or service. Often, more than one channel member in a distribution channel is required to perform these different channel flows.

1.2.1 Emergence of multiple channels

Variety of retail formats exist in the marketing channels like company's direct salesmen, indirect sales through distributors, agents, etc., call centers and catalogue selling. The popular multiple channels in FMCG sector are General Trade, Modern Trade and e-commerce. When businesses add an online presence or an organized retail format to an existing traditional channel they become multiple channel entities. Multiple marketing channels terminology has evolved greatly in the channel literature. It started with multimarketing (Weigand, 1974), the dual distribution system (Stern and El-Ansary, 1988), the dual multiple channels (Frazier *et.al.*, 1990), the hybrid marketing systems (Moriarty and Moran, 1990) and hybrid distribution systems (Webb, 1997) to multiple channels (Frazier, 1999). These multiple channels can be a combination of both direct and indirect channels which companies use to best serve customers. Thus, multiple marketing channels execute distribution activities through a blend of different types of channels, direct or/and indirect leading to a range of offerings created for diverse market segments. However, there is a possibility of targeting the same customer segment(s) with more than one distribution channel or selling different product versions or brands in different channels.

1.2.2. Challenges with multiple channels

The last decade has seen the prominence of new channels like Modern Trade and e-commerce that compete against, act as a substitute or complement traditional retail channels (Balasubramanian, 1998). This emergence of multiple channels and its increased use by businesses has striking advantages such as greater market coverage, greater sales and reduced costs (Moriarty and Moran, 1990; Forrester, 2004), however, the same can pose challenges as well. Such addition of new channels will cause channel conflict (Smith *et al.*, 1999). Some amount of conflict may be beneficial, but soon the same can destroy, impede actions of other channel members in an interdependent channel relationship (Stern and El-Ansary, 1988). This type of dysfunctional channel conflict can be injurious, as it increases the chances of customer confusion and dissatisfaction, which leads to drop in profitability of the company (Moriarty and Moran, 1990).

1.3. Evolution of the Distribution Strategy in the Indian FMCG Sector

The distribution structure and strategy of the FMCG sector in India, has undergone a lot of changes since 1950. Based upon the key developments, the distribution story in India can be segregated into the following phases: -

Distribution 1.0 (1950 to 1980): This era was essentially the era of traditional distribution model. In this, the goods were transported from the manufacturing facility to the C&F agent in each state, then to the state level distributors, who then sold the goods to the retailers (the kirana stores) through a team of dedicated manufacturer's sales representatives. There was hardly any change in this model for three decades.

Distribution 2.0 (1980 to 2000): This period was marked with small changes in the distribution model like: -

a) Company's sales representatives were transferred to the distributor for the purpose of better control, management and supervision. These were called as Distributor Sales Force (DSF) also referred as Distributor Sales Reps (DBSRs) or Feet on Street (FOS).

b) Some leading companies even started dividing the sales teams into category teams, that would serve General Trade and focused on each category and SKU (stock keeping unit).

c) The leading FMCG companies started adopting technology in order to monitor primary sales both at the level of distributor and that of the branch.

Distribution 3.0: (2000 to 2018): This was the age of some major changes in the distribution model which were essentially:

a) Wider adoption of technology for the purpose of tracking of inventory and sales (both primary as well as secondary) by way of softwares like Dealer Management Systems (DMS) and Sales Force Automation (SFA).

b) Emergence and swift growth of Modern Trade (MT) 2000 onwards and e-commerce, 2014 onwards.

c) Outsourcing of sales personnel by FMCG firms to third parties to decrease complexity for General Trade coverage and deployment of in-store sales promoters to engage end consumers for improving the shopping experience.

d) And last but not the least, the Goods & Service Tax (GST) was rolled out in India in 2018. This enabled the manufacturers to view India as 'One Market' for the first time. They adapted their distribution networks accordingly, doing away with multiple C&F agents and consolidating distributors across the country.

Distribution 4.0-Road Ahead

The Indian FMCG sector is now staring at Distribution 4.0 where disruption and restructuring shall be inevitable (Economic Times, 2019). In such a scenario a vital question is how should FMCG companies plan for the next decade? By 2030, the Indian Retail Industry is slated to double to $1.5 trillion from today's $700 billion (Economic Times, 2019). Though it is hard to predict how big individual retail channel will be, one can presume the General Trade's share in overall retail, though still dominant, to reduce to 50 % (from today's 86-90 %). Moreover, many of General Trade/kiranas in metros and tier 1 & 2 cities will progress and appear more like Modern Trade. The same is already being witnessed. Modern Trade with different formats and sizes, will maintain growth and is expected to have a share of 25 to 30 % by 2030 due to its expansion to tier 1 and 2 cities. E-commerce will easily account for 15-20 % of total retail by 2030 (It accounts for 50 % of retail in China currently). This growth will be driven by internet penetration, affordable smartphones, growth of digital payments and expansion of infrastructure in logistics (Economic Times, 2019). The same has allowed even the smallest retailers to seek advantage of scale, analytics, financial exclusivity and procurement. Besides this, structural changes in the economy like the implementation of GST and promotion of digital payment windows like Unified Payments Interface is also contributing to the growth of this sector (Figure 1.2, Figure 1.3).

Source: IBEF, 2022

Figure 1.2: Trends in the Indian FMCG Sector

1.4. Distribution Formats of the Indian FMCG sector vs that of the developed countries

Past research on channel literature suggests that the marketing channels of developed countries tend to have larger wholesalers and retailers and fewer levels in the channel as compared to the channels of less developed countries (Olson and Granzin, 1992). Indian FMCG sector differs to a great extent from developed countries and has challenges unique to an emerging economy (Figure 1.4). First of all, the Indian retail landscape is dominated by traditional kirana stores. The Indian retail market has more than 14 million retail outlets consisting of traditional outlets like grocers or mom and pop stores or kirana stores (Economic Times, 2019). The Indian streets are flooded with the unorganized kirana stores much more than the organized retail outlets like Big Bazaar, Easyday, Reliance Fresh, Spencers etc. Secondly, the Indian government policies has made it mandatory for FMCG manufacturers to print the "Maximum Retail Price" or the MRP on the package of the product. In United States of America, the retailer decides the price paid by the consumer but here the MRP is printed on the package. Thirdly, manufacturer-led promotions are relatively infrequent as compared to retailer led. Finally, India has the diversity of rural areas and cities of different sizes spread across the country. Increasing urbanisation, increasing incomes and rising aspirations for a better quality of life are some of the factors reshaping the Indian retail space. The developed countries' markets are not only characterized by large organized formats but also significant use of technology and data by channel partners, larger base of informed customers, high level of internet penetration, much more advanced and sophisticated logistics and much stringent implementation of laws and regulations. Due to these reasons, the learning from the developed world cannot be conveniently applied to the Indian FMCG sector. The retail industry in emerging economies such as India presents challenges that are typically not seen in the developed countries context. Indian markets have a much higher base of bottom of pyramid markets or rural markets which poses unique challenges to FMCG firms for their distribution strategy.

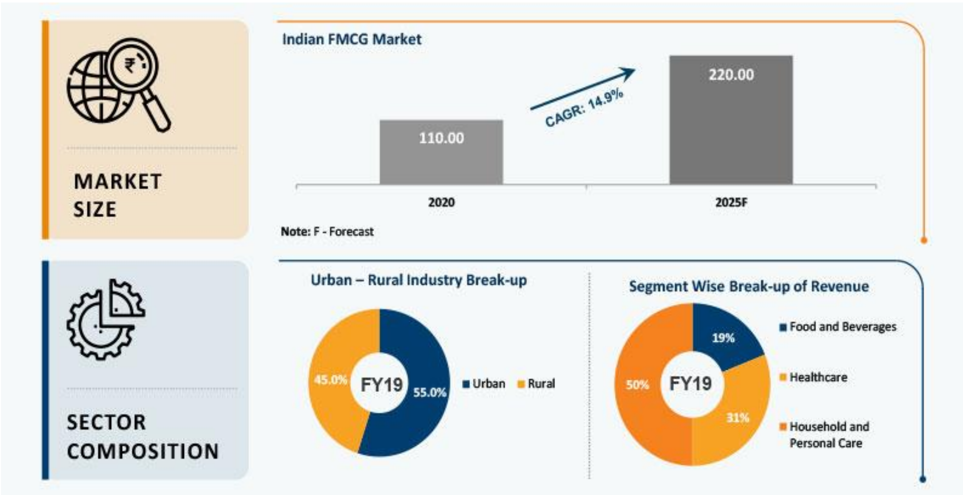

Figure 1.3: FMCG Market Growth rate and sector composition; Source: IBEF 2022

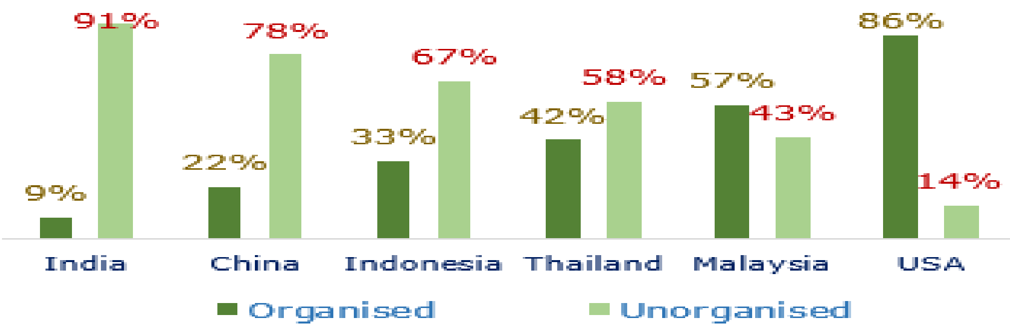

Figure 1.4: Organised vs Unorganised Trade in different countries; Source: TechSci Research, 2015

The FMCG sector in India operates through multiple channels as shown in Figure 1.5 and Figure 1.6. The traditional retail outlets are spread across the urban and rural India, however, the newer formats mostly exist in urban India. The organised retail in India is still around 8% and the online retail is still around 3-4% of the complete retail market (Economic Times, 2019). Most of the retail outlets in India are small in terms of area, employees, and stock keeping units. However, they score in a number of areas for consumers like convenience, home delivery, credit and customized service. The traditional retailers in India are supplied stock by the wholesalers and distributors who purchase in bulk and provide vital services like storage, credit provision, bulk breaking and trade information to the manufacturers. The wholesalers and distributors generally have a narrow range of products and cover defined retailers in a territory. Another category of channel partners in the traditional trade of the FMCG sector is that of exclusive wholesalers also known as stockists or redistributors. These stockists operate in a defined geographic territory and service a specific set of retailers. They employ sufficient number of salesman and promotional personnel to ensure correct stocking and display of the manufacturer’s products.

Modern retail, on the other hand, offers a one stop shopping experience with all under one roof advantage. They give periodic promotional offers, lower prices per SKU, wider and deeper assortment, air-conditioned ambience and high quality brands (Mulky, 2013). However, the level of trust and the personalized selling experience which the local retail store provides can never be matched by the hyper market retailers. These traditional mom and pop stores might have less bargaining power due to obvious constraints of assortment, products, price or location, but they possess an intangible, unique and superior edge over the organized channel, which is, the enormous consumer goodwill. The traditional stores excel in having flexible systems and have built remarkable personal relationships in the local catchment area. Personalised services like ordering of special items/quantities or credit purchases are few of the value-added services through which they create superior value for many consumers in India. Thus, FMCG firms just can’t afford to ignore the traditional, widespread unorganized distribution channels.

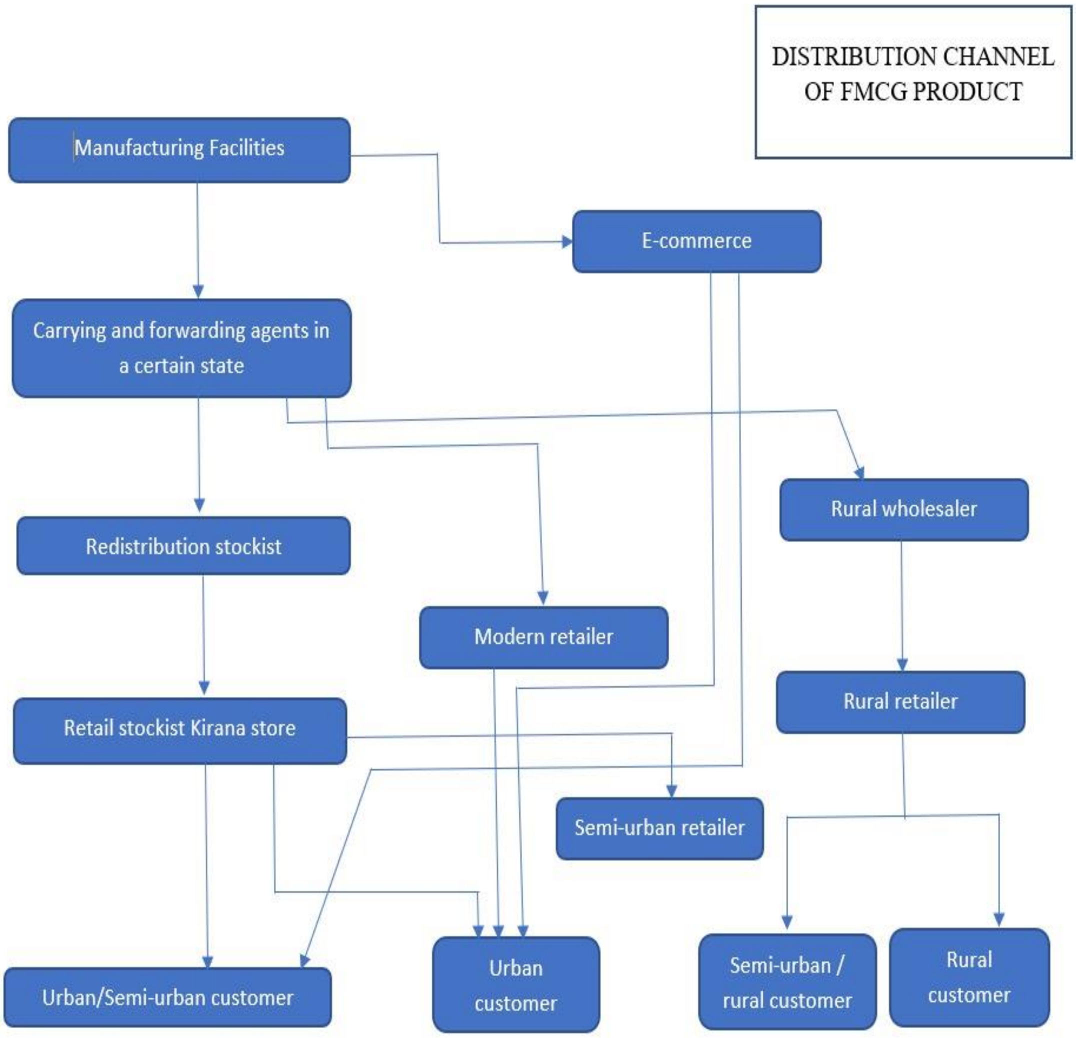

Figure 1.5: Illustration of the multiple channels in the FMCG sector in India

Figure 1.6: FMCG Sales coming from trade channels; Source: Business Standard,2019

There is one more aspect of this changing topography of the Indian distribution channels. While the Modern Trade is fast emerging as a big retail channel for FMCG products, it is also turning out to be a major competitor to FMCG distribution. Most of the large organized retailers are coming up with their own sales and distribution networks that are trying to target General Trade, the Horeca channel (Hotels, restaurants and cafeterias), Supermarkets, etc. The same is creating a significant channel conflict between the traditional distributors and the Modern Trade distribution arms. On the face of it, it may appear that the brands may benefit in the short term due to increased sales, the long-term consequence will surely be the disruption of the distribution network. In addition, Modern Trade's growing distribution to the General Trade channel will also make them sell more of their private labels through them which shall be in direct competition to the national brands. The same will aggravate the battle for shelf space in General Trade in times to come.

1.5. Current Developments in the Distribution Channels of the Indian FMCG Sector

India is witnessing a massive transformation in the FMCG distribution space. The hitherto distribution model is facing disruption and these changes appear to be in line with emerging markets of Central and Eastern Europe, Russia, South East Asia and China. The growth of Modern Trade in the last decade, e-commerce or online retail in the last 7 years, and some of the recent breakthrough hyperlocal delivery models like "Click & Collect", etc. are reshaping the distribution space of India. Shoppers are embracing "omni" mode of shopping, desiring the products to be available "whenever" and "wherever" they shop. FMCG companies will be compelled to adapt their distribution models to facilitate this. As Modern Trade and e-commerce is gaining momentum in India, the General Trade distributor is increasingly getting disillusioned with the margin and landing cost disparity between General Trade distributor and the e-marketplaces and Modern Trade distributor. The only solace for the GT (General Trade) distributor is the basic return on investment assured by the FMCG firms on the stocks purchased. Most of the trade promotions and schemes are given to the Modern Trade and all efforts of key account management is directed to them. In the absence of any focused *relationship management* with the GT distributor can the FMCG firms continue to grow in the long run? What will be the major drivers of relationship management for these important channel partners? How should the stakeholders put forth a business model which allows *both* to coexist instead of one at the cost of other? How should multiple channels be managed? Answers to some of these questions will lay the foundation of the future distribution strategy of the FMCG firms in the Indian market. Multi-channel structures surely provide benefits which just can't be neglected, but they can also generate danger that can put business's survival at stake (Moriarty and Moran, 1990).

1.6. Research Purpose

Channel conflict is a pervasive phenomenon in business relationships, there are conflicts between manufacturers and distributors, distributors and wholesalers, distributors and retailers etc. The conflicts can range from petty disagreements like scheduling and timely delivery to more complicated clashes on profit sharing and litigations. The occurrences of these conflicts dilute the productivity of a distribution channel in the short-term and negatively impacts organizational performances in the long run. Conflict needs to be re- investigated in the backdrop of the new technology rich environment. Therefore, the primary research purpose for this study is to identify the nature and causes of channel conflict at different levels of FMCG distribution channel.

1.7. Research Gaps

There are significant gaps that exist in the area of channel conflict that requires attention from researchers. One of the important gap is the role of conflict in theoretical frameworks. In few studies, it is used as an outcome of a dyadic relationship (for example, Geyskens *et.al.,* 1999; Palmatier *et.al.,* 2007) while in other studies, it is viewed as a mediator in inter-firm relationship research frameworks (Lengers *et.al.,* 2015; Rosenberg and Stern 1971; Runyan *et.al.,* 2010). Also, there is still ambiguity on firms' outlook on channel conflict and how they manage and resolve conflict inside their distribution channels.

Another glaring gap which came out in the literature review on this topic was the absence of studies that explored channel conflict at each channel level. The major reason for the same is the challenge in data collection from a channel partner, be it a C&F agent, distributor or a retailer. One is aware of the difficulty faced to procure data from a businessman as compared to a consumer. No wonder, there are mostly consumer based studies in the marketing domain and very few from the distributors or the channel domain.

The advent of new technologies (such as e-commerce) has transformed the sphere of distribution channel and networks. Firms using multiple channels to reach different types of consumers has become a norm today rather than an exception. Multiple channels are adopted to reduce distribution cost and to access unexplored markets (Chiang *et al.,* 2003; Rangaswamy and Van Bruggen, 2005; Sharma and Gassenheimer, 2009; Sharma *et al.,* 2010; Palmatier *et al.,* 2016). The same appears logically fine but the approach has led to re-demarcation of territories resulting in friction between channels (Lee *et al.,* 2003; Sharma and Gassenheimer, 2009; Sharma *et al.,* 2010). For example, the common retail consumer has an option to purchase from General Trade, Modern Trade or e-commerce. This has intensified competition between the electronic channels, distributors and wholesalers giving rise to more conflict amongst them (Bannon, 2000; Sharma and Gassenheimer, 2009; Sharma *et al.,* 2010; Cunningham, 2013). The recent press articles are also inundated with instances of conflict, such as offline distributors warning Xiomi and Samsung of boycott (Economic Times, 2020); FMCG distributors threatening to boycott FMCG majors over discriminatory pricing (Business Standard, 2019) and many more. Despite the significance of this issue and despite the repeated calls for research on multiple channel conflict (Frazier, 1999; Webb and Hogan, 2002; Rangaswamy and Bruggen, 2005), the topic has received minimal attention in the academic literature. Thus, there is a compelling need to study conflict from the perspective of multiple channels, particularly in the FMCG sector, whose growth is a general barometer of the economy’s health. This study will contribute to the body of distribution channel study and would endeavor to be different by virtue of considering contemporary and new factors disrupting the distribution channel. The fundamental research questions which this study will answer: -

RQ1: ***What is the nature of channel conflict in the new age of multiple marketing channels?***

RQ2: ***What factors of channel conflict assume importance in the FMCG distribution channel?***

RQ3: ***How are manufacturers implementing the multiple channel strategy without running the risk of jeopardizing existing channels?***

1.8. Research Objectives of the Study

The research objectives developed after an extensive literature review and discussion with academic and industry experts were: -

a) To analyze the nature of channel conflicts at each level of FMCG distribution channel.

b) To identify the reasons and causes of channel conflicts at each level of FMCG distribution channel.

c) To understand channel member's attitude and perception towards multi-channel and omni-channel approach.

d) To study the effectiveness of policies and mechanism in resolving channel conflict and promoting channel coordination.

1.9. Scope of the Research Study

The FMCG sector is the backbone of any economy. This study has been done among the channel members of FMCG companies in India. It covers C&F agents, distributors and retailers to understand the nature and reasons of channel conflicts. To make it a holistic study, the perspective of the manufacturer's salesperson on this theme was also integrated. The combination of qualitative and quantitative analysis brought out the key contributors of conflict at different levels of the Indian FMCG distribution channel. The results of the study can be used to plug the loopholes in the channel and improvise its performance. This study is also contemporary as it has covered the impact of the new age distribution channel like e-commerce and organized retail on channel conflict.

1.10. Overview of the Research Design & Method

The study is essentially a combination of exploratory and descriptive research. It was felt that to address the research gaps, the analysis of conflict should be done at each level from the point of origin- the manufacturers, the C&F agent, the distributors and the retailers. A qualitative study was conducted for the senior salesperson and the C&F agents who served as the key informants of the FMCG distribution channel and gave important insights of the business. A descriptive study was used for distributors and retailers where a suitable sample size could be attained. The present research was conducted by deploying a four step methodology as shown in Figure 1.7.

The qualitative research was done by the analysis of all the secondary data in the form of research papers, case studies and articles with a focus on channel relationships. This review helped to develop the research framework and the research tool (structured questionnaire) for the study. Detailed in-depth interview was conducted with 10 Senior Salesperson and 10 C&F agents from different FMCG firms. The interview protocol was standardized across the key informants initially. Subsequent set of interviews got more structured as themes started emerging from the data. The responses were further analysed for patterns, relation and consistencies among concepts. The interview questions were majorly drawn from the research questions of the study. The in-depth interviews were taken during Dec 2020-March 2021.

The quantitative research was carried out for distributors and retailers for whom snowball sampling and convenience sampling was followed respectively. The sample size for stockists and distributors was 266 and for retailers was 347. Most of them were from Delhi and National Capital Region (N.C. R). Care was taken to approach them in the non-peak hours. The data from the distributors and retailers was collected from Aug 2019 to April 2020.

The primary data analysis for the in-depth interviews was done through thematic analysis and case study, while the analysis of the hypothesized relationships for the distributor and the retailer study was done in a multi-stage manner with a combination of Confirmatory Factor Analysis, Structural Equation Modelling and Artificial Neural Networks. The collected data was fed in analysis softwares like Statistical Package for Social Sciences (SPSS) version 21 and IBM Analysis of a Moment Structure 20.0 (AMOS) for analysis.

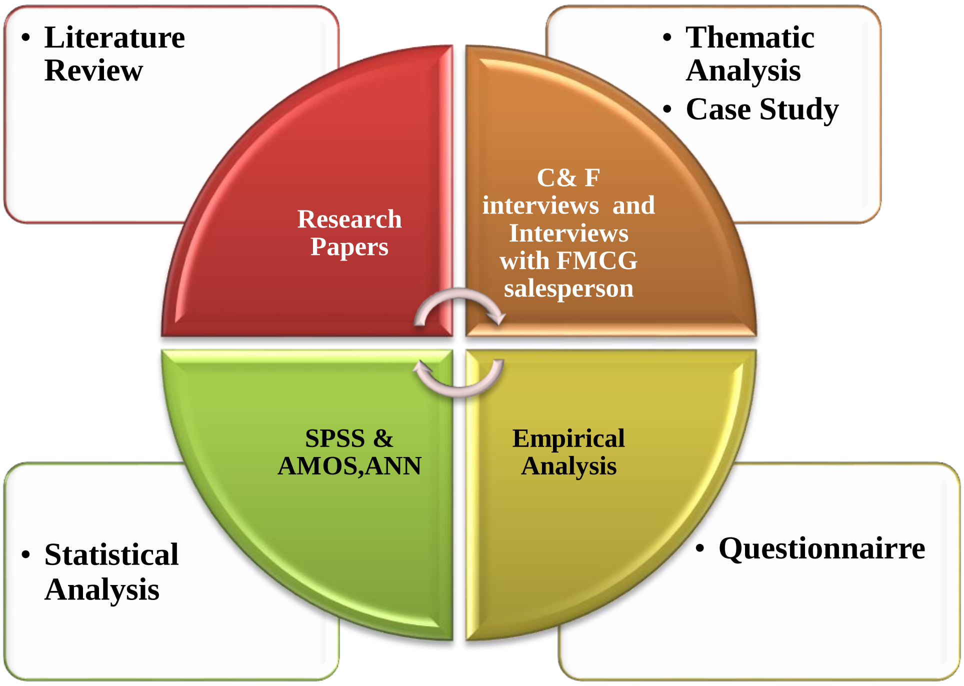

Figure 1.7: Four Step Research Methodology

1.11. Contribution of the Research

The findings of the study have significant implications, not just from theoretical point of view but also from managerial point of view. First of all, this study has made an endeavor to investigate channel conflict at each level of the distribution channel, from the C&F agents, from the distributors and from the retailers. Thus, the major primary participants of the value chain were identified to explore channel conflict. Also, the study would have been incomplete if the channel conflict was not explored from both sides of the dyadic relationship. It was therefore decided to analyse channel conflict and its factors from the FMCG company salespersons as well, to develop a more comprehensive understanding of the conflict in the digital age. The results highlighted that the structural causes of conflict namely Goal Divergence, Dependence, and the attitudinal sources of conflict namely Role performance, Domain Similarity along with channel governance factors like Trade Policies and digital age induced factor of New Channels, all have a significant influence on Channel Conflict. Out of all these factors, the structural causes of conflict are challenging to eradicate from any marketing channel but the other four sources of conflict can be controlled and monitored in a marketing channel. Also, by incorporating Artificial Neural Networks with Structural Equation Modelling the study offers enriching insights for future work in the area of channel relationship.

1.12. Organisation of the thesis

This thesis is organized in six chapters. A brief summary of each chapter is presented below and the chapter plan is depicted in Figure 1.8

Chapter 1

Chapter 1 commences with an introduction of the fast moving consumer goods sector in India, followed by the evolution of the distribution strategy in the general FMCG sector in India. It discusses the emergence of Distribution 4.0 which is being touted as the cause of disruption in the distribution models. Further the comparison of the distribution model in Indian FMCG sector is done with that of the developed nations. This is followed by the discussion on the need of the study, followed by the research objectives, overview of the research design and method. Finally, a review of the findings is discussed followed by the contribution of this research and chapterisation.

Chapter 2

Chapter 2 presents an exhaustive review of literature on the important aspects of the distribution channels. It discusses the concept of channel conflict thoroughly in terms of its causes, its expression, measurement, manifestation and the management of the conflict. Post this exhaustive literature review, the research gaps were identified. This section is followed by the development of the research framework and the hypothesis developed for this study.

Chapter 3

Chapter 3 deals with the research methodology used in conducting this research. It discusses the process of the development of the research tool; the structured questionnaire, its validation and sampling techniques. It also discusses the data analysis techniques used for this study.

Chapter 4

Chapter 4 discusses the primary data analysis. Based upon the analysis of the results of hypothesis testing, various aspects of the distribution channel relationships are discussed and inferred.

Chapter 5

Chapter 5 deals with a detailed case study of ITC Ltd. from the Indian FMCG sector. The case study identifies the elements of conflict in the distribution channel of consumer goods of ITC Ltd.

Chapter 6

Chapter 6 finally summarizes the research on channel conflict management in the thesis. It briefly discusses the findings, states the conclusions and major implications of this study. It concludes with the limitations of the present research work and provides the direction for future research. The chapter plan is illustrated in Figure 1.8.

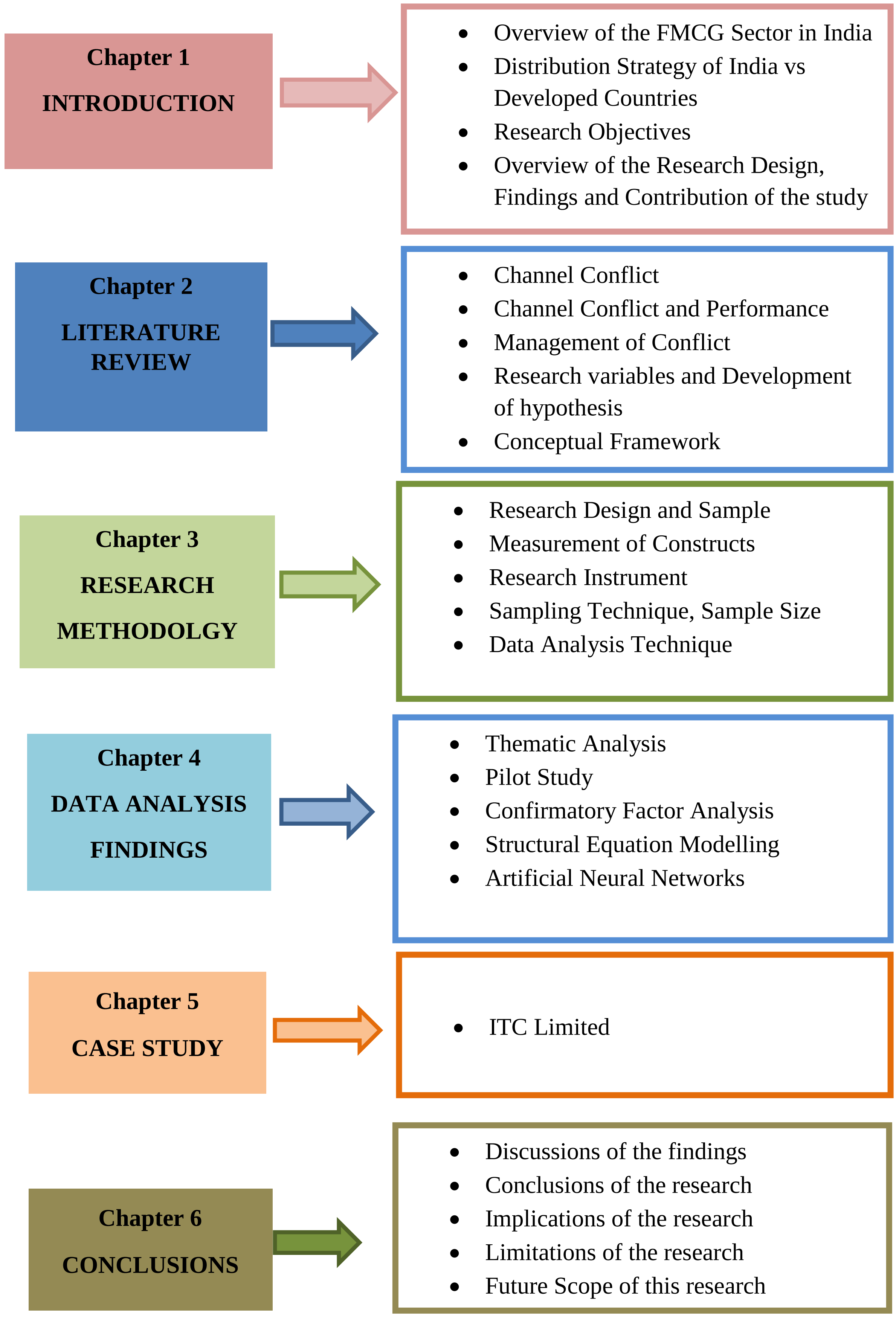

Figure 1.8: Chapterisation of thesis

CHAPTER-2

LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESIS

This chapter of the doctoral research presents a detailed review of literature on channel conflict. It begins with the overview of the distribution channel, inter-organisational conflict, management of conflict, key theories of distribution channel, research gaps, research variables for the thesis, framework of the study and ends with the conclusion.

2.1 Overview of Distribution Channels

One major characteristic of a free market system is the complexity with which products and services get matched with the customer's buying preferences. In advanced societies, businesses coordinate and integrate the resources of different organizations in order to achieve an effective and efficient distribution or marketing channel. The public at large is able to maintain and enjoy a good quality of life by having broad range of products, at the right places, at the right time and in the right quantity due to the dynamic distribution channels (Bowersox and Cooper, 2004). A marketing or distribution channel is a set of interdependent organizations, people and firms, involved in the transfer of title or ownership as the product moves from the producer to the end user (Kumar, *et.al.*, 1995). The significance of marketing channels stems from the fact that bulk of any nation's manufacturing output flows through the distribution channels (Kraft *et al.*, 2015). It is interesting to note that in the pursuit of delivering offerings to the end users, sales via marketing channels account almost one-third of worldwide gross domestic product (World Bank 2012). Various forms of marketing channels that connect producer to an end user includes intermediaries like distributors, wholesalers, retailers, brokers and agents. These inter-organizational systems can be conceived as "super organizations" (Reve and Stern, 1979) as they have the characteristics of complex social organizations or what organization theorists refer as a social action system or an inter-organizational collectivity that ends up becoming an organized behavior system. This definition of a marketing channel implies that as a super organization or as a social action system, marketing channel possesses the basic elements of any organized form of collective behavior. As a result, within the marketing channels, there are a) tasks between channel members which are directed at attaining both collective and individual goals, b) allocation and division of functions and tasks leading to interdependent processes and c) joint actions taking place which result in channels developing a unique identity separate from its members. Channel partners or intermediaries perform specific value added distribution tasks much more profitably and effectively as compared to the manufacturers. Some of the important functions they conduct include transportation, storage, promotion, advertisement and relationship building with customers. Building a channel system and modifying it, requires costly and hard to reverse channel investments as a distribution channel ultimately becomes a network by way of alignment of independent businesses. Marketing channels comprise complex and dynamic systems but much of what they do is invisible to the end consumer. It is, however, the actual arena where the battle of sales happens and the fate of business and sales initiatives gets decided.

2.2. Inter-organizational Conflict

In a distribution channel where there are independent partners, each seeking its own goal, channel conflict is inevitable. Conflict is a state of tension, frustration and disagreement in a channel relationship (Anderson and Narus, 1990; Frazier *et.al.,* 1989). One of the first definition of channel conflict was given by Lusch (1976). Lusch (1976) defined it as a state when one channel member perceives that another channel member is behaving in a manner that is inhibiting or obstructing it from achieving its goals. Due to the interdependence and constant interaction between manufacturers, wholesalers and retailers, marketing channels are prone to channel conflict (Etgar, 1979). Mutual interdependencies in a vertical marketing system tends to create channel conflict. The extent of conflict is much greater in those channels which have high interdependence. The marketing channel can have a mixture of cooperation and conflict. It is natural that the rivalry becomes more explicit than the cooperation. For example, in an industry setting, channel conflict occurs when a supplier or distributor affects someone else to gain a significant position or a large market share (Gaski and Nevin, 1985). It may also occur when a stronger member becomes aggressive to increase its power while the weaker members strive to maintain position (Lusch, 1976; Gaski, 1984; Liu and Sharma, 2011).

The Organization Theory classifies channel conflict conceptually into three classes: -

a) Bargaining model: - In this model, there is essentially a conflict among interest groups over scarce resources. It is generally observed in labour management, staff-line and budgeting process conflicts.
b) Bureaucratic model: - here conflicts are generally seen in a line hierarchy or the vertical hierarchy of an organization and is applicable to superior-subordinate relationships.
c) Systems model: - In this, lateral conflict concerned with a functional relationship is witnessed. Here the issues are more about coordination from the participating members.

2.2.1. Types of Conflict

Channel literature has looked at channel conflict in two distinct ways. At one end there was an attempt to discover the location of conflict by identifying the involved channel members and at the other end the efforts were to discover the stages of conflict by analyzing the different spectrum of channel member interactions.

It was Walters (1977) who classified channel conflict into two groups: horizontal and vertical conflict. Michman (1974) mentioned that horizontal conflict occurs when the channel partners are at the same level or at the same stage in the marketing channel. It can stem from either competitive or non-competitive factors. Horizontal conflict is close to competition as one generally sees firms squabbling over same markets or resources in this case. A typical example of same would be when two distributors or two retailers fight over the same territories or point of purchase material respectively. Vertical conflict on the other hand occurs when channel members who are at different levels but are in the same channel of distribution, oppose each other. Vertical conflict can be competitive or non-competitive in nature. It mainly arises due to functional reasons. For example, a wholesaler and a distributor both part of the same vertical channel of a FMCG manufacturer could be catering to the same customer leading to competition. On the other hand, vertical non-competitive conflict gyrates around policies for organizational and operational activities. For example, delayed shipments can lead to high cost to the channel partners or too many bureaucratic processes may lead to hurdles in the business.

2.2.2 Process Model of Conflict

Pondy (1967) pointed that the past literature discussed conflict in different states ranging from a passive resistance to an evident aggression. These stages are interlinked and go on to make conflict a dynamic process. Thus channel conflict ends up being a sequence of episodes. Each of these episodes leaves an aftermath that leads to the course of succeeding episodes. The study identified the five stages of channel conflict as a) latent conflict b) perceived conflict c) affective conflict d) manifest conflict and e) conflict aftermath (Figure 2.1). It is essential to note that it is not necessary that a conflict passes through every stage.

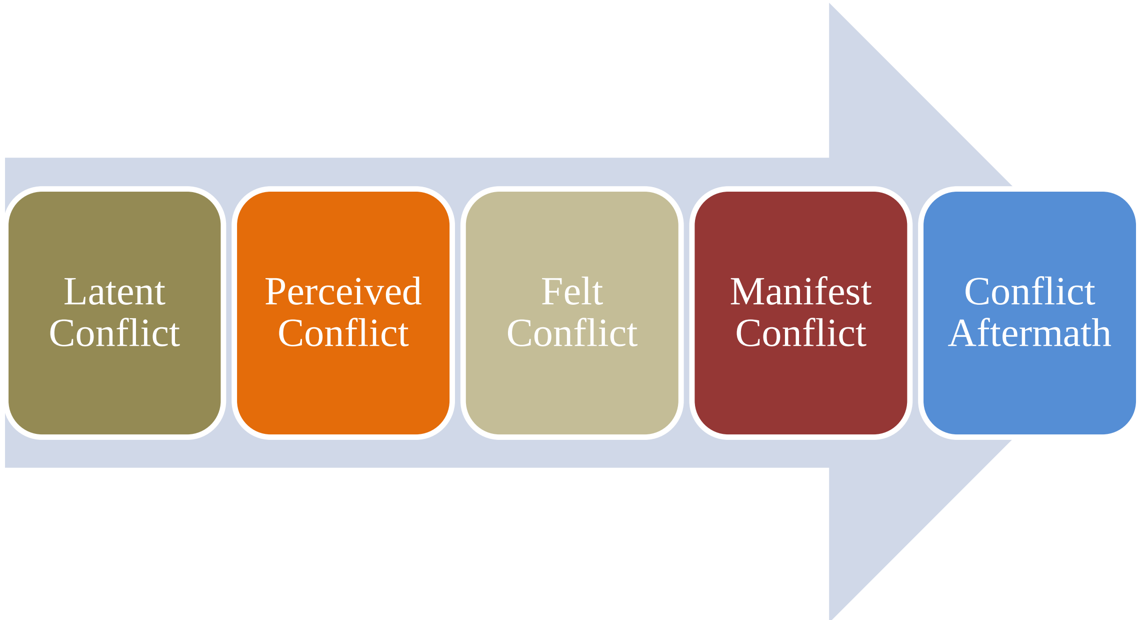

Figure 2.1: Process Model of Channel Conflict

Rosenberg & Stern (1970) as well as Stern & Gorman (1969) came up with a process model of intrachannel conflict which was adapted from the model of Pondy (1967) of interorganisational conflict. The model suggested that interorganisational conflict passed through three stages: -

1) Emergence or appearance of causes of conflict.
2) Behavioral or conflict filled reactions of channel partners and
3) Outcomes of the conflict in terms of performance results.

2.3. Management of Channel Conflict

Pondy (1967) viewed channel conflict as a process and pointed that any distribution channel at a given point of time can have different stages of channel conflict across different business relationships. Some marketing channels are marked with lower levels of emotive reactions (felt conflict), whereas others may have higher levels. It was also derived that shorter channels with less number but important intermediaries have a higher chance of manifest conflict whereas longer channels with more number but less important intermediaries tend to have more of felt conflict. If this is natural to occur, then one needs to manage these stages in order to manage channel conflict. As a matter of fact, Rosenberg and Stern (1971) addressed this very important issue of channel conflict by building on Pondy's framework and conceptualized the management of channel conflict (Figure 2.2) in four stages:

a) Understanding the *structural* and *attitudinal* factors that causes channel conflict.
b) Calibrating the scale and scope of conflict between different channel members.
c) Evaluating the conflict outcomes in the form of performances and
d) Attempting to address conflict by different conflict resolution approaches, where necessary.

It is observed that channel conflict can often be subtle, based on perception, yet substantial in its potential to impact business outcomes. In most cases it is not easy to detect conflict. Channel managers tasked with addressing channel conflict face multiple challenges. This can be eased if the steps for management of conflict are followed. These steps are discussed in detail in the next section.

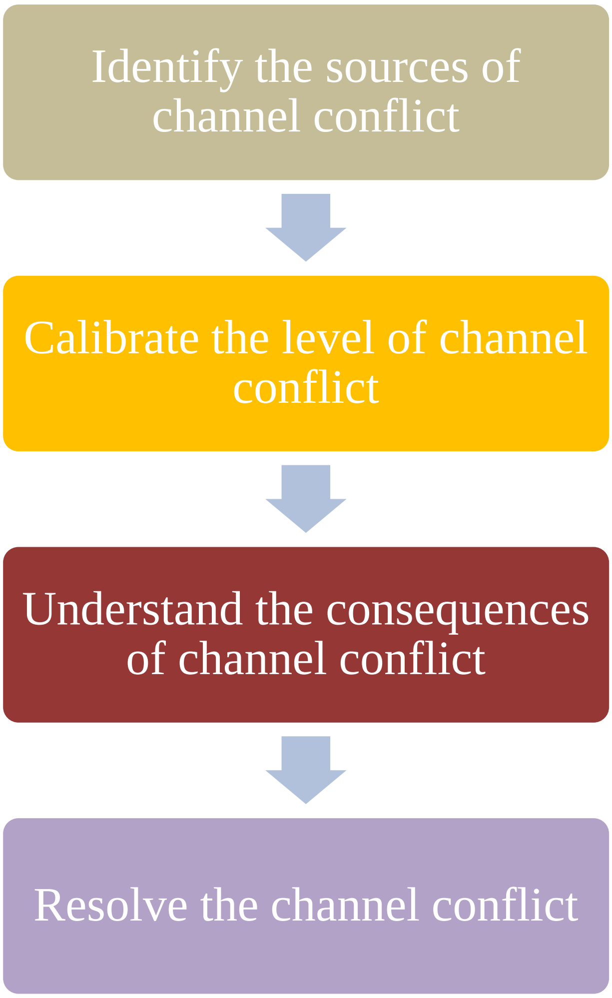

Figure 2.2: Management of Channel Conflict

2.3.1. Sources and causes of conflict

Marketing channel literature has classified channel conflict in different manners. One of the first studies in this area was conducted by Stern & Heskett (1969). The study suggested that channel conflict is a phenomenon when channel partner's goals and motives are in contradiction to each other. It also identified the main causes of conflict as goal incompatibility, differences in domain areas and perceptual incongruities or differences. This work was further expanded by Stern and Gorman (1969) who proposed seven causes of conflict in a conceptual paper; roles, issues, perceptions, expectations, decisions, goals and communications. Rosenberg &Stern (1971) grouped causes of conflict into 4 groups; goals, domain, perceptions and miscellaneous. Lusch (1976) analysed the frequency of disagreement among channel partners and non-coercive and coercive sources of power used in a marketing channel and found that the frequency of disagreement or conflict varied with the extent of non-coercive or coercive power used. Etgar (1979) built upon this work and applied social psychology literature and identified structural and attitudinal causes of channel conflict. The study observed that attitudinal factors arising from behavioral variables impact intrachannel conflict much more than structural variables. The author concluded this both for affective and manifest conflicts. The structural causes of conflict given by Etgar (1979) can be linked to the economic institutional theories; the Transactional Cost Economics (TCE) theory and the Agency theory which were derived from the work of Williamson (1975) and Eisenhardt (1989).

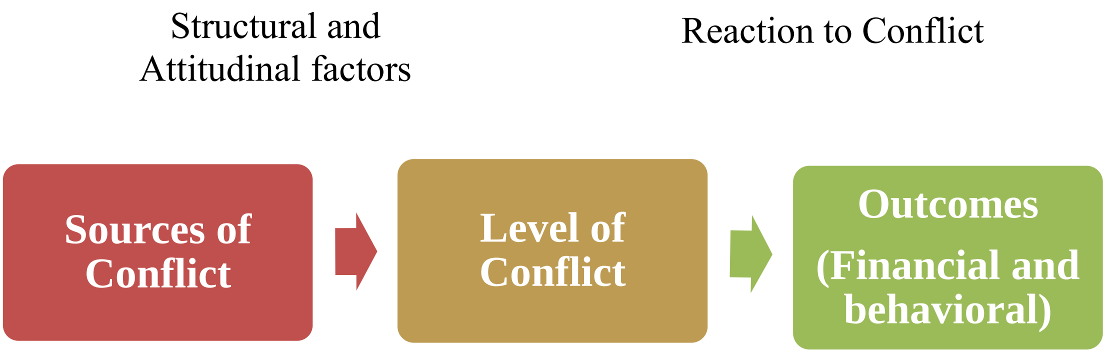

Figure 2.3: Intrachannel conflict process (Rosenberg and Stern, 1971)

Thus the causes of channel conflict can be traced to structural and attitudinal origins (Figure 2.3). The structural sources of conflict are discussed next.

2.3.1.1. Structural Sources of conflict

Structural causes of conflict stem from the clash of the opposites arising due to the functional position in a distribution channel (Etgar, 1979). The common structural causes of conflict are channel member’s goal divergence, domain dissensus and resource shortage.

2.3.1.2. Attitudinal sources of conflict

Attitudinal sources of conflict arise from the way channel members absorb and process the information in a distribution channel and its environment. Some of the key attitudinal sources of conflict are roles, perceptions, expectations and channel communications.

2.3.2. Calibrating the Level of Conflict

Having known the causes of conflict, it is equally important to analyse the extent of conflict. The same can be determined by counting up the issues. For example, Antia *et.al.,* (2013) used the number of litigations as a measure of conflict in a franchise context. Coughlan *et.al.,* (2001) considered three dimensions: intensity, frequency and importance, when analyzing the level of channel conflict. The intensity of conflict is determined by first identifying the reasons that lead to conflict. Then the intensity of conflict or disagreement is captured on a Likert (5-point or 7-point) scale. For example, in an FMCG trade channel if a channel member decides to remove a manufacturer's brand from its portfolio due to some disagreement it indicates that the level of conflict has increased. The frequency of conflict has also been investigated in several studies (Etgar,1979; Brown and Day, 1981; Lee, 2001). Frequency is concerned with how often channel members are involved in opposing views. For example, Etgar (1979) did this study and calculated frequency of conflict in three scenarios (1) when channel partners discontinue selling the manufacturer's products, (2) when channel partners initiate litigation against the manufacturer and (3) when channel partners embroil third party or trade associations to arbitrate with manufacturers. Brown and Day (1981) also did a similar study to measure manifest conflict. They first identified 15 issues that had the potential to cause conflict and then summated all 15 issues to arrive at the final score for frequency of conflict. It was Cadotte and Stern (1979) who suggested that calibration of channel conflict would be incomplete unless the importance of the conflict is considered. However, very few studies have incorporated this in the element of conflict. For example, Ganesan (1993) investigated the importance of conflictual issue on a 7-point scale for each respondent and calculated the average importance of each issue across the respondents. The study compared the importance score of each respondent against that of all the respondents. If the individual score for the issue was less than the average, it was coded unimportant; if the score was above the average, it was coded important. After incorporating all these measures for the purpose of calibration, Coughlan *et al.,* (2001) suggested the collection of four kinds of information to measure conflict in a channel, they were (1) Counting up the issues (2) Analyse the importance (3) Gather data on the frequency of disputes across different issues and finally (4) Capture the intensity of disagreement to arrive at an index of channel conflict.

2.3.3. Consequences of Conflict

The word conflict is perceived negative and is generally undesirable. Boulding (1965) gave the concept of the "level of hostility above which conflict processes will be malign and below which they will be benign". Channel conflicts are generally dysfunctional and disruptive in terms of consequences. However, the complete elimination of conflict may be a dysfunctional goal (Rosenberg and Stern, 1970). Certain conflicts actually make the channel relationship better by leading to positive outcomes. Termed as functional or useful conflict, it provides channel manager a chance to learn, innovate and grow. Only in the event of conflict, a channel manager gets to know that there are issues in the distribution channel which needs attention. In a functional conflict, opposition leads to: -

- More frequent & effective communication.
- Establishment of outlets for grievance addressal.
- Critical review of past actions.
- Development and split of system resources equitably.
- More balanced distribution of power.
- Development of standardized ways to deal with future conflict.

Where no conflict exists, there may be situations of complacency in which innovation would not happen (Rosenberg and Stern, 1970). Thus, peaceful channels are not necessarily better as it might be just a relationship of indifference from both the ends! To arrest this, the channel manager should increase the activity levels and visibility in the distribution channel.

2.3.3.1. Consequence of Channel Conflict on Performance

Channel conflict is of concern in terms of the implications it has on channel performance (Pondy, 1967). Channel satisfaction and performance have been regarded as the two most important outcome variables in dyadic channel literature (Frazier 1983; Gaski and Nevin 1985; Cronin and Baker, 1993). The outcomes of a channel conflict are visible in the financial performance of a channel relationship in terms of sales volume, gross profit and rate of return. In terms of behavioral performance, the outcomes of a channel conflict are visible in the form of reputation, autonomy and innovativeness. Most of the channel members are driven by economic viability. Channel conflict can have both positive and negative effect on channel performance. Boulding's (1965) concept of a threshold level of conflict under which conflict consequences are benign is advisable for a channel relationship. Operationally explained the intensity of conflict and financial performance indicators both rise up to the threshold level. Above this level, the presence of conflict leads to the deterioration of economic performance. In the current scenario where companies are adopting more and more multiple channels, channel conflict is also increasing and the performance of conventional channels is also getting impacted. In fact, with internet causing emergence of new marketing channels, channel conflict is the most serious concern for marketing managers. In context of e-commerce, channel conflict can have positive outcome in the sense that the scarce resources would be used more efficiently and would be put to use where it is needed the most, however, the negative outcome would be that due to frequent squabbles between the channel groups the company stands to lose customer orientation (Webb and Hogan, 2002). Therefore, managing channel conflict such that it maximizes channel performance is an important issue for firms today.

2.3.4. Conflict Resolution Strategies

In order to resolve channel conflict, the first thing to ascertain is the willingness of channel partners to stay in the system. To achieve this, an acknowledgement must be taken from each channel partner that they need to value add and contribute to the performance of the distribution channel. The channel partners should be willing to accept that the working of the channel would make them winner some time and a loser some time. Dant and Schul (1992) suggested that channel partners can cope with the conflict through majorly two approaches: -

- Developing institutionalized mechanisms (arbitration boards, norms of behavior etc.).
- Build relational norms to resolve manifest conflict.

Institutionalized Mechanisms can be used to contain conflict at an early stage and includes mechanisms like joint memberships in trade associations, cooptation (channel partners are consulted for decision making), distributor councils, exchange of personnel programs and use of third parties such as referral boards of arbitration and mediation. The other approach is when channel managers try to build relational norms as they interact with channel partners. Relational Norms also serve to forestall conflict. For example, sharing correct and timely information, sharing information freely, gaining mutual access to customers, assuming joint responsibility for the total customer experience are examples of patterns of behavior which can help in same. Certain styles of conflict resolution as shown in Figure 2.4 can be adopted based on the two parameters of being assertive and cooperative at the same time. A channel manager or a sales professional would thus pick any of the styles (avoidance, accommodation, competition, compromise and collaboration) to deal with the different channel partners in the territory to resolve conflict.

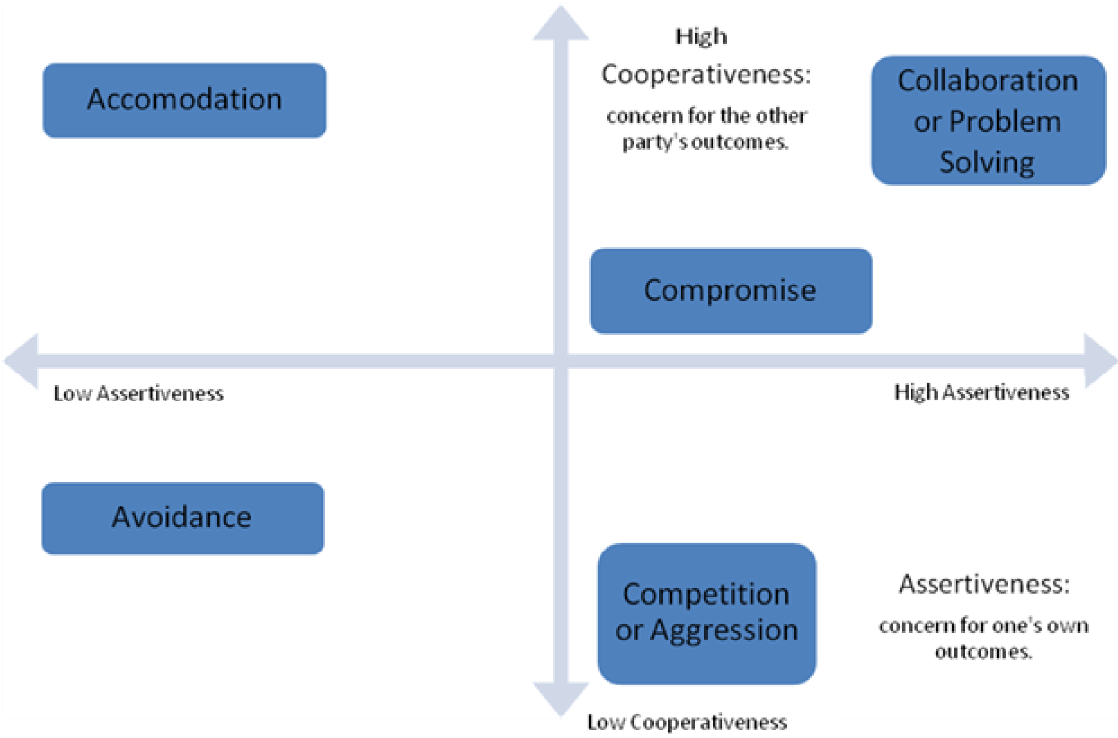

Figure 2.4: Conflict resolution styles

2.4 Key theories of Marketing Channels

Marketing Channel literature has been studied primarily under two major schools of thought; one derived from Economics, the *Economic-based theories* and the other derived from Social Psychology, Sociology, Social Exchange Theory, the *Behavioral based* approach as depicted in Figure 2.5.

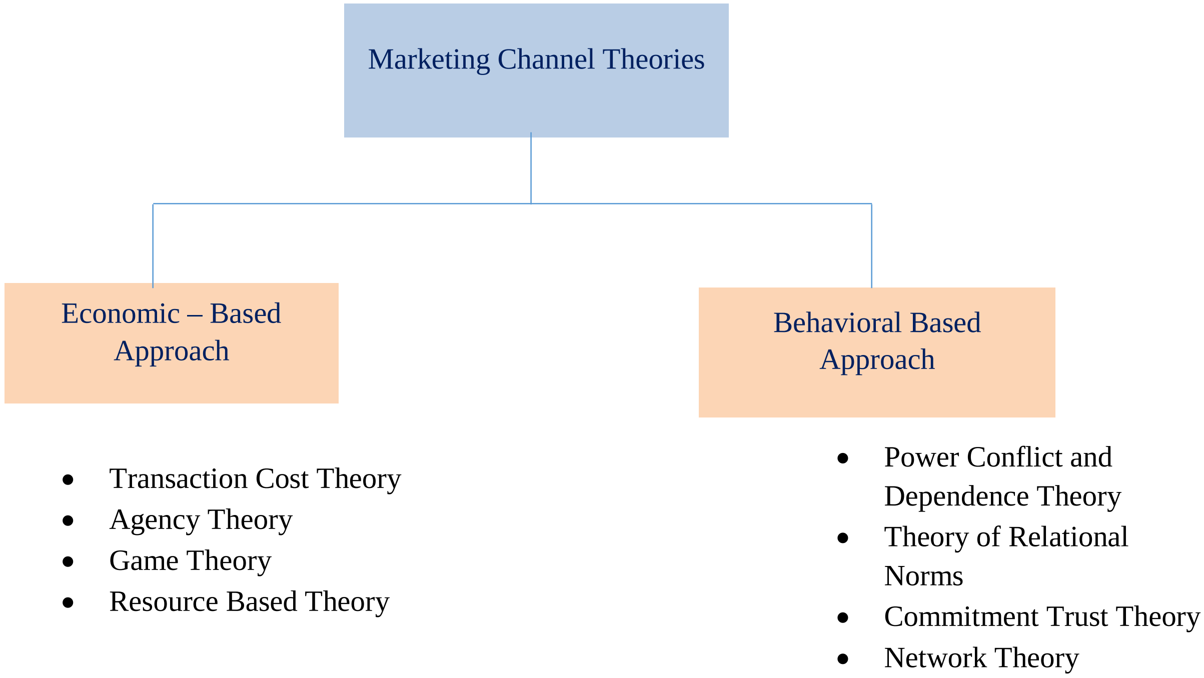

Figure 2.5: Key Channel Theories

2.4.1 Economic Based Theories

The Economic-based theories focus on economic efficiency, functional optimization for resolving situational constraints, costs through channel design and profits. The main emphasis of the economic based theories is to arrive at an optimum channel design considering the limitations of cost and other situational constraints. It delves on channel ownership decisions, channel structure, contracts, use of resources in optimum manner and elimination of inefficiencies. Some of the early works in the area of distribution channel was done by Louis Bucklin and Louis Stern. A lot of constructs from the domain of economics explaining channel functions and performance kicked off from this work. The Economics-based approach in channel literature led to the emergence of Transaction cost economics theory, Agency theory, Game theory and Resource based theory.

2.4.1.1 Transaction Cost Economics (Williamson, 1985)

Transaction cost economics essentially considers an organization as a governance structure instead of a production centre. Due to constraints of bounded rationality and opportunistic behavior firms are often compelled to take the “make” or “buy” decision. For example, the decision to “make” is often hindered due to the lack of cognitive abilities or information, besides they can be exploited by opportunistic exchange partners. Thus, transaction-specific assets (TSAs) and opportunism were the key constructs of the transaction cost theory. The findings of these studies were of major help in explaining channel ownership decisions and consequently channel structure, since according to this theory, the partner attempts to safeguard his TSAs from opportunism whenever there are specific governance problems in free markets. Some illustrative studies in this regard are that of Rindfliesch and Heide (1997); Jap *et. al* (2013); Wang *et.al.*, (2013).

2.4.1.2 Agency Theory (Eisenhardt, 1989)

Agency theory proposes the best possible contract that manages the arrangement in which the principal delegates some task to the agent. The principal can be a manufacturer and the agent can be a retailer. Here, both the entities act according to their self-interest and their individual risk preferences, keeping in mind the environmental uncertainty. Its objective is to determine the most suitable contract in terms of efficiency to govern the arrangement of principal and agent considering the presence of hidden information and hidden actions. Information asymmetries between a principal and agent before entering a contract leads to hidden information. Hidden actions refer to situation when the agent out of self-interest refrains to execute a delegated task which principal may not discover. Agency theory like Transaction Cost Economics theory is useful in explaining channel selection decisions and channel structures in the presence of limited information. Some prominent work in this area were that of Kashyap *et al., (*2012); Dant *et al.* (2013).

2.4.1.3 Game Theory (Neumann and Morgenstern, 1944)

The next theory in this category is the Game theory; here the game theorist mathematically tries to deduce the channel member's strategies that lead to an outcome or a set of outcomes with identified probabilities. It tries to use interactive exchanges to analyze problems that occurs between exchange partners. It considers the decision makers as rational and intelligent and then uses mathematical models to explain cooperation and competition between them. Unlike the previous two theories, game theory models potential strategic actions between adversarial channel entities given a set of constraints. Some of the prominent work based on this theory are that of Coughlan (1985), Jeuland and Shugan (1988) and Nasser *et.al.*, (2013).

2.4.1.4. Resource Based Theory (Penrose, 1959)

It is based on the premise that a firm's resources are VRIO i.e. valuable, rare, imperfectly imitable and organization. If these resources are deployed properly they can help a firm to achieve sustainable competitive advantage. Prior to this theory, a firm's performance was considered to be a function of industry based factors, however Resource Based Theory argues that firms develop, augment and leverage VRIO resources. After all, resources be it physical, financial, human or organizational are majorly assets which can be exploited to achieve objectives. Market based assets can be relational or intellectual in nature. In real situations, firms may not always possess VRIO resources for implementing a competitive strategy. Its strategies and limitations govern the firm's access, acquisition and maintenance of the resources. Resource Based Theory helps explain adoption of valuable sales channel, channel partner's acquisitions of rare information, inimitable new technologies and augmentation of organizational capabilities. Some researchers who have done popular work in this area are Barney and Clark (2007) and Palmatier (2013).

2.4.2. Behavioral based theories

These are derived from sociology, organizational behavior and social psychology. They majorly serve to explain the inconsistencies coming from rational actor assumptions in economic based theories (Watson *et al.,* 2015). The behavior based approach looks at distribution channels from the perspective of human behavior and not just as a necessary economic structure. It suggests that a distribution channel is not just a supply chain but a social system comprising of individuals, their perceptions, attitude and behavior and one needs to work with this system. Some of the prominent theories in this domain are Social Exchange Theory (SET), Power - dependence and conflict theory, Relational Exchange Framework, Theory of Relational Norms, Theory of Commitment and Trust and Network Theory. These theories are derived from social psychology and sociology.

2.4.2.1. Social Exchange Theory (Thibaut and Kelley, 1959)

Yang *et al.,* (2012) suggested that Social Exchange Theory (SET) offers a conceptual framework where marketing channel relationships could be considered as relational exchanges. According to SET, a theory of interpersonal relations and group functioning, individuals and groups interact with others in expectancy of a reward (Thibaut and Kelley,1959). There are some discussions of social exchange theory in relation to channel power given by Anderson and Narus (1984) and Kasulis *et al.,* (1979). In these studies, the exchange relationship between the two channel participants was checked, based upon their interactions. The consequences of the interactions were termed outcomes which represented the rewards attained and costs incurred by each participant for performing a given behavior. The basic motivation for continuing such associations is the expectation of rewards while avoiding punishments (Emerson, 1976). Each marketing channel partner's behaviour can therefore be evaluated by their interaction rewards less their interaction costs (Narasimhan *et al.,* 2009). The theory posited that a channel member will choose its partner based on this partner's capability to deliver the greatest value and the potential to be the best supporting role performer (Frazier *et al.,* 1989; Narasimhan *et al.,* 2009). It is obvious that in channel relationships too, there is an expectation of future mutual benefits emerging from the working (channel) relationship (Ganesan, 1994).

2.4.2.2. Power Dependence Conflict Theory (Richard Emerson, 1962)

The Power, dependence and conflict theory suggests that power is unevenly distributed in marketing channels which can lead to a natural outcome of conflict. Power is preceded by the state of interdependence which encourages channel partners to work together whereas dependence asymmetry can damage channel performance through coercive actions (Kumar *et.al.,* 1995). The use of power and response to channel conflict can be extremely useful in explaining channel outcomes such as structure and performance (El-Ansary and Stern 1972; Gaski and Nevin 1985).

2.4.2.3. Relational Exchange Framework (Dwyer et.al., 1987)

Dwyer *et.al., (*1987) suggested that there is not just a business exchange happening in a distribution channel but also a relational exchange. This social system where business exchanges happen has elements of both channel cooperation and conflict. They came up with a relational exchange framework which was a clear departure from the long existing conviction that distribution channel only has transactional exchange. They tried to establish an analogy between a distribution channel and a marital bond where the innate intent of both parties should be to develop a lasting relationship and avoid conflict. The way to develop this lasting relationship in the marketing channel is by drafting contractual promises which generates benefits, reduces ambiguity and strengthens boundless, content filled interactions.

2.4.2.4. Theory of Relational Norms (MacNeil, 1980)

Another theory is that of relational norms which basically promotes the concept of cooperative behavior and mutual benefits for channel partners. It emphasizes on “norms” which serve to guide and regulate business conduct. It considers the long-term prosperity of channel partners, encourages sharing of equitable profits and costs and strategies to alleviate opportunism (Gundlach *et.al.,* 1995).

2.4.2.5. Theory of Commitment and Trust (Morgan and Hunt, 1994)

This theory states that commitment and trust promotes interorganisational relational performance, mitigates opportunism and prevents member from acting in their own self-interest as depicted in Figure 2.6. Studies on commitment and trust were carried out by Morgan and Hunt (1994); Palmatier *et al.,* (2013).

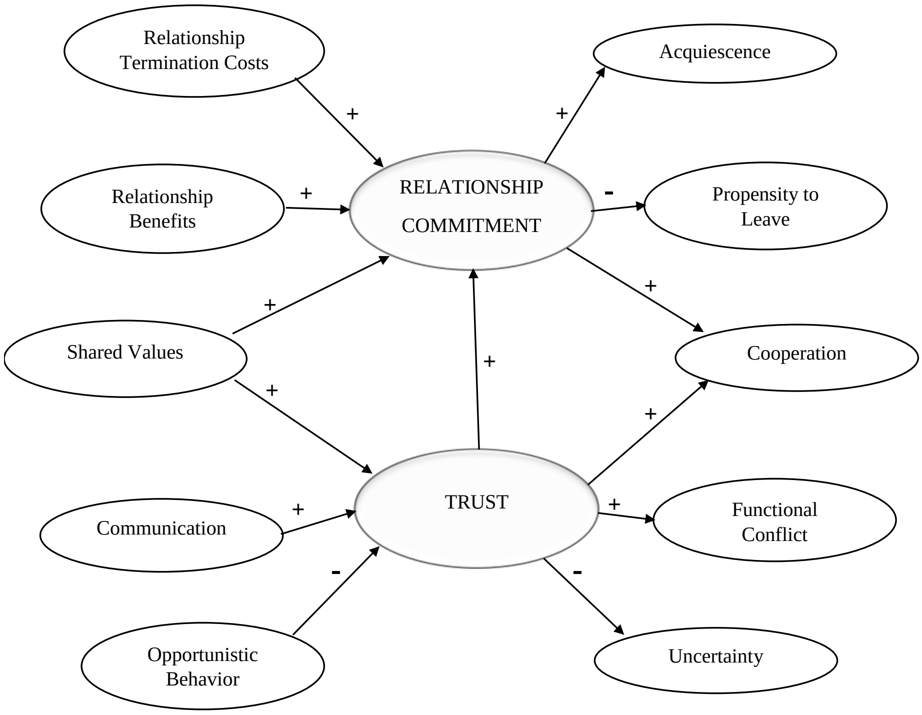

Figure 2.6: The Key Mediating Variable model of Relationship Marketing (Morgan and Hunt, 1994)

2.4.2.6. Network Theory (Baron and Hannon, 1994)

Network theory is another prominent theory based on behavioural domain. The theory does not hinge on self-interest alone as a primary determinant of behavior but considers normative and social structure in which exchanges are embedded (Baron and Hannon, 1994). The network theory suggests that network of channel partners when managed properly are much more superior in terms of information processing and knowledge creation as compared to a conventional vertical integrated organization. Recent research in channel literature is reflecting maturity and diversification of this domain by considering topics on e-commerce and internationalization (Grewal *et.al.,* 2013). The key theories are summarized in Table 2.1.

Table 2.1: Summary of key Channel Relationship Theories

Author/Year	Model/ Theory	Key Constructs	Purpose/Key findings
			Context, Purpose, Findings
Economic Based Approaches			
Williamson (1985)	Transaction Cost Economics	Transaction Specific Assets, Opportunism	Derived from microeconomics, this theory proposes that the exchanges between channel partners in markets are costless, unless market failures make the costs of the "buy" decision exceed the costs of "make" decision. ***Findings:*** It helps in understanding channel ownership decisions, essentially channel structure, as channel partner tries to safeguard their TSAs from opportunistic behavior in case of governance problems.
Eisenhardt (1989)	Agency Theory	Hidden Information Problem, Hidden Action Problem, Moral Hazard, Efficient Contract.	Agency theory derived from microeconomics suggests that in markets there is a principal who delegates work to the agent. ***Findings:*** It focused on identifying the most efficient contract for governing a channel relationship keeping in mind uncertainty of environment and characteristics of both channel members.
Von Neumann and Morgenstern (1944)	Game Theory	Players, Information, Payoffs, Strategy	This theory relies on mathematical models to analyse competition and cooperation among rational decision makers ***Findings:*** Under given constraints, the game theorists mathematically derive channel member strategies that result in an outcome or a set of outcomes with identified probabilities.
Penrose(1959), Wernerfelt (1984)	Resource Based View	VRIO resources, Sustainable competitive advantage	This theory argues that firms develop, add and leverage resources which are valuable, rare, imperfectly imitable and organisations for achieving sustainable competitive advantage. ***Findings**:* This theory analyses and predicts channel member's behavior based on how they gain and use VRIO resources.
Behavioral Approaches			
Emerson (1962)	Power-Dependence and Conflict	Power, Conflict, Exchange Dependence Structure	Derived from social exchange theory, this theory suggests that channel power is unevenly distributed in any inter organisational system. ***Findings:*** The way this asymmetrical dependence is managed determines channel structures, conflict and performance.

Author/Year	Model/ Theory	Key Constructs	Purpose/Key findings
			Context, Purpose, Findings
Mac Neil(1980)	Relational Norms theory	Flexibility,Information Exchange, Cooperation	Relational Norms are important for guiding and regulating standards of trade and conduct. ***Findings****:* Relational norms ensures equitable sharing of costs and benefits and promotes mutually beneficial and cooperative behavior.
Morgan and Hunt (1994)	Commitment and Trust Theory	Commitment, Trust	This theory too is derived from Social Exchange theory and suggests that commitment and trust and not power and dependence are the keys to inter-organizational relational performance. ***Findings*****:** This theory argues that successful channel partners cooperate and leverage their commitment and trust to enhance their performance.
Baron and Hannon (1994)	Network Theory	Embeddedness, Density, Authority	Derived from sociology, this theory promotes that management of network of channel partners is far more superior to vertically integrated organizations. ***Findings:*** This theory provides an excellent framework of how changes in one part affects the others in a channel system.

Some of the most prominent studies in channel relationship literature are mentioned in Table 2.2.

Table 2.2: Prominent Studies of Channel Relationship Literature

S.No	Author/year	Model/technique applied	Variables used	Context /Purpose/Findings
1	Brown and Day(1981)	Factor Analysis, Content Validity and Convergent Validity, Nomological Validity	Independent variable: Frequency of conflict, Intensity of conflict and Importance of conflict Dependent variable: Intrachannel conflict	**Purpose:** To investigate the measures of manifest channel conflict ***Findings:*** Out of all the combinations of frequency, intensity and importance of conflict the measure which combined it multiplicatively was judged superior to others.
2.	Anderson and Narus (1984)	Structural Equation Modelling	Independent variable: Outcomes (Comparison level and that of alternatives) Dependent variable: Cooperation, Satisfaction	**Purpose**: To develop and test a model adapted from SET and that of channels of distribution. ***Findings:*** The two constructs from social exchange theory were found to have a significant impact on manufacturer's control(cooperation) and satisfaction
3.	Schul (1987)	Factor Analysis, Path Analysis	Independent variable: Consideration, Initiating structure Dependent variable: Intra channel conflict (administrative conflict, product/service conflict),Satisfaction	**Purpose**: To investigate the impact of path goal theory on intra channel conflict and satisfaction ***Findings:*** The results indicated that both consideration and the initiating structure dimensions of leader behavior significantly affects franchisees' satisfaction in a franchise. Also, these relationships were found to be mediated by the existing level of conflict being experienced by franchisees. The causal linkages between intra-channel conflict and satisfaction were also established.
4.	Anderson & Weitz (1989)	Simultaneous Equation System via 3 stage Least Square System	Independent variable: Trust, Imbalance of power, Communication, Congruence of goals, Support provided, Competence, Stake in the relationship, Manufacturer's reputation and Age of dyad Dependent Variable: Continuity of the relationship	**Purpose:** To study the antecedents of continuity in industrial channel dyads based on social exchange, bargaining and negotiation. ***Findings:*** A good reputation, increasing stakes for at least one party and by cultivating trust, the stability can be achieved. Trust, in turn can be enhanced by congruent goals, good reputation and good communication. Also, older dyads were found to be more stable and there was an interlocking role between communication and trust.

S.No	Author/year	Model/technique applied	Variables used	Context /Purpose/Findings
5.	Frazier (1999)	Conceptual paper	A review	**Purpose:** To identify gaps in the area of channel management where research needs exist. ***Findings:*** Areas of channel management which still require good deal of research are: - • Intrachannel conflict and its impact on long term channel relationships. • Use and management of multiple channels across the industry life cycles and resource allocation to different channels • How functions are shared/split between channel members and how is combination of push and pull strategy implemented? • When and how internet should be used as sales distribution channel? • How coordination is achieved across channels? • How are goals and plans set and appraisal done for different channels?
6.	Geyskens *et.al.,* (1999)	Metaanalysis, Ordinary Least Squares	Independent variable: Centralization, Dependence, Formalization, Use of threats, Use of promises and Use of non-coercive strategies, Economic satisfaction, Non-economic satisfaction, Conflict (Constructs from SCO framework) Dependent variable: Trust, Commitment	**Purpose:** To develop a model of channel member satisfaction that differentiates between economic and noneconomic satisfaction by unifying the stream of research on power use from the satisfaction studies of the 1970s and 1980s with the work on trust and commitment. They used a SCO (Structure Conduct & Outcome) framework for analyzing the role of satisfaction in marketing channels. ***Findings:*** The results indicated that economic satisfaction and noneconomic satisfaction were distinct constructs with differential relationships to various antecedents and consequences. It also established that satisfaction is both conceptually and empirically separable from the related constructs of trust and commitment
7.	Antia and Frazier(2001)	Multivariate data analysis (Confirmatory factor analysis,	Independent variables: TSI (Transaction Specific Investments), Environment	**Purpose:** To develop an Integrated framework of TCE, relational exchange and network theory to explain the severity of contract

S.No	Author/year	Model/technique applied	Variables used	Context /Purpose/Findings
		Regression, F test)	Volatility, Obligation Criticality, Relationalism, Interdependence Asymmetry, Interdependence Magnitude, Network Density, Network Centrality Control variables: Performance Ambiguity, Cost of Enforcement, Industry/Firm Size, Master Franchisee Dependent variable: Contract Enforcement	enforcement in channel relationships. ***Findings**:* The principal is primarily concerned about maintaining the integrity of channel policies, enhancing system performance and minimizing systemic transaction costs.
8.	Webb and Hogan(2002)	Factor analysis, multiple regression analysis for hypothesis testing	Independent variable: Domain Similarity, Goal Incompatibility, Conflict Frequency Dependent variable: Conflict Intensity**,** Channel Performance	**Purpose:** To establish empirical relationships among antecedents and the consequences of hybrid channel conflict. ***Findings:*** Channel conflict is an important determinant of both channel performance and satisfaction and the relationship between channel conflict and performance is moderated by the product life cycle stage. Also, frequency and not intensity of the conflict has negative effect on channel system performance.
9.	Bigne and Blesa (2003)	Confirmatory factor analysis and SEM	Independent variables: Inter-Functional Coordination, Intelligence Generation, Information Dissemination, Design of Response, Implementation of Response Dependent variable: Trust and Satisfaction	**Purpose:** To study the manufacturer's market orientation and the distributor's trust and satisfaction in the relationship. ***Findings*:** The study concluded that there are positive and significant relationships of inter-functional coordination, intelligence generation, and dissemination of information, design of response and implementation of response with satisfaction. The study also confirmed that trust improves satisfaction of the distributor with the manufacturer.
10.	Yilmaz *et al.*, (2004)	Moderated regression analysis	Independent variable: Dealer Trust; Dealer Dependence (Supplier Irreplaceability, Supplier Importance); Perceived Supplier Dependence (Dealer Irreplaceability, Dealer Importance); Dealer Relationship Specific Investments(RSI), Perceived Supplier RSIs, Supplier Role Performance Dependent variable: Dealer Relational	**Purpose:** To investigate the effect of trust on the relational behaviors of firms in long term channel dyads. ***Findings:*** In an asymmetric channel dyad, trust has the strongest positive effect on the dealer's relational behaviours. In symmetric channel dyads trust exerts a modest positive effect on dealer's relational behaviours.

S.No	Author/year	Model/technique applied	Variables used	Context /Purpose/Findings
			behaviors(Flexibility, Solidarity, Information Exchange)	
11.	Vinhas and Andersan (2005)	Estimated Generalized least square method(EGLS)	Independent variable: Heterogeneity, Market Growth, Variation in Consumer Behavior, Buying Groups, Standardized Offering Perception, Bundled Products, Years in Business, Size of the firm and Total Sales Dependent variable: Concurrence	**Purpose:** To analyse conflict potential through concurrence under five environmental conditions- customer heterogeneity, growth rate of markets, variation in consumer behavior, customers coming together as a group while purchasing, brand offering perceived standardized. ***Findings*:** Manufacturers use greater concurrent channels as market growth increases and reduce the usage, as variability in customer behavior increases , the more customer purchases as groups and the more customers perceive the product as standardized.
12.	Van Bruggen *et.al.*, (2005)	Factor analysis, regression analysis	Independent variable: Channel Function Performance, Total Interdependence, Relative Distributor Dependence, Relative Customer Dependence Dependent variable: Relationship Quality	**Purpose:** To analyse whether the role of distributors' channel function performance and dependence structure affects the relationship with organizational customers. ***Findings:*** the level of channel function performance is a significant driver of customer perception of relationship quality.
13.	Palmatier *et al.*, (2007)	Regression(Mediation, moderation and chi square tests)	Independent Variable: Dependence, Relational Norms, Communication Mediators: Commitment, Trust and RSIs Dependent variable: Exchange Performance(Sales Growth, Financial Performance, Cooperation and Conflict)	**Purpose:** To develop a resource based view of exchange performance by integrating commitment trust perspective, dependence, relational norms and transaction specific investments for exchange performance ***Findings:*** Commitment, trust and RSI (Relationship Specific Investments) are immediate precursors of exchange performance Relational norms and dependence are not immediate precursors of exchange performance. Moderation results show that in uncertain environment, managers must concentrate on relationship marketing investments.
14.	Lai (2007)	EFA, CFA, Structural Equation modelling	Independent variable: Promise, Information Exchange, Legalistic, Threat, Request, Perception Altered Strategy, Performance Dependent variable: Economic Satisfaction, Social Satisfaction	**Purpose:** To investigate the effect of influence strategies on satisfaction of Taiwan motor dealers. ***Findings:*** The results indicated that the dealer's satisfaction is positively related to the performance and social satisfaction is more important than economic satisfaction. Also promise strategy must be considered separately from coercive strategy and request

S.No	Author/year	Model/technique applied	Variables used	Context /Purpose/Findings
				must be separated from non-coercive strategies
15.	Schmitz and Wagner (2007)	Structural equation Modelling	Independent variable: Products, Marketing, Order Handling, Fairness, Financial Support, Communication, Cultural Sensitivity. Moderators: Competitive Intensity and Output Control Dependent variable: Satisfaction	**Purpose:** To analyse satisfaction in international marketing channels, its antecedents, consequences and to test the moderation role of environmental factors on satisfaction and its consequences. ***Findings*****:** Channel members' satisfaction exerts a particularly strong impact on trust and commitment.
16.	Coelho and Easingwood (2008)	Factor analysis, correlation and regression	Independent variable: Channel Service Outputs (Product Sophistication, Target Market Sophistication, Channel Conflict) Market Resources (Market Maturity), Resource Based Issues (Competitive Strength, Scope Economics, Company Size). Dependent variable: Multiple Channel Usage	**Purpose**: To analyse the antecedents of multiple channel usage ***Findings****:* The results of the study indicate that channel conflict, maturity stage of market, scope economies and the competitive strength, are important considerations in the multi-channel usage.
17.	Palmatier (2008)	Hierarchical Linear Model, Moderator analysis	Independent variable: Contact Density, Relationship Quality, Contact Authority Dependent variable: Customer Value	**Purpose:** To develop a model of customer value by integrating social network and exchange theory ***Findings:*** It is not just relationship quality but also interaction with contact density and authority, that has impact on customer value. Moderation analysis suggests that sellers benefit with increasing contact density where customers have high turnover rates, whereas relationship with key decision makers generates highest returns where customers are difficult to access.
18.	Chang and Gotcher (2010)	SEM	Independent variable: Conflict Values, Joint Marketing Strategy Quality, Joint Profit Performance Control variables: Size, Length of	**Purpose:** To analyse the role of conflict coordination learning (conflict resolution mechanism) in improving marketing channel capabilities. ***Findings*****:** A positive conflict attitude is positively related to

S.No	Author/year	Model/technique applied	Variables used	Context /Purpose/Findings
			Relationship, Purchase Volume Dependent variable: Conflict Coordination Learning(CCL)	CCL; avoidance of conflict behaviors is negatively linked to CCL. Also, joint marketing strategy quality mediates the relationship between CCL and joint profit performance. Under high positive conflict attitude CCL strongly relates to joint marketing strategy quality.
19.	Lusch *et. al.,* *(*2011)	Moderated regression analysis, Mediation through Sobel test	Independent variable: Normative Contract Breach, Channel Member Performance, Satisfaction Moderator Variable: Dependence, Trust, Channel Identity Dependent variable: Propensity to Exit	**Purpose:** To analyse the outcomes of contract breach on channel member performance, satisfaction and ultimately the propensity to exit. To analyse the moderating role of dependence, trust and channel identification on the contract breach on those outcomes ***Findings:*** Normative contract breach due to horizontal business combination reduces downstream channel member's performance and satisfaction and increases their likelihood to exit the channel relationship.
20.	Samaha *et al.,* (2011).	Hierarchical Linear modelling	Independent variable: Relationship Destroying Factors, Relational Behaviors Control variables: Competitive Intensity and Firm Size. Dependent variable: Channel Member Performance	**Purpose:** To develop a holistic framework that integrates multiple relationship-destroying factors into one model and explain the key role of unfairness and the trade-offs associated with using contracts to manage negative behaviors. ***Findings*:** This research reveals that perceived unfairness is a "relationship poison" that directly damages relationships, aggravates the negative effects of both conflict and opportunism and undermines the benefits of using contracts to manage channel relationships.
21.	Rutherford *et al.,* (2012)	Multiple regression, two step multiple regression, chow test (moderation), three step multiple regression	Independent variable: Buyer's Economic Satisfaction, Relational Duration, Communication Frequency Alignment Moderator: Buyer's Gender Dependent variable: Relationship Conflict	**Purpose:** To develop a model that tests mutual contribution of both economic and relational constructs as antecedents of conflict and to check the moderating role of gender on conflict ***Findings:*** the study revealed that economic satisfaction, relational duration and communication frequency are negatively related to conflict. It also confirmed the moderating role of gender; that male and female buyers differ with regards to conflict.
22.	Milan *et. al.,* (2012)	Exploratory qualitative research ,case study & in	Exploratory Study	**Purpose:** To identify mechanism adopted by the distribution channel of the Brazilian truck manufacturing company for

S.No	Author/year	Model/technique applied	Variables used	Context /Purpose/Findings
		depth interview techniques, content analysis techniques		managing conflict which negatively impacts performance with focus on its causes ***Findings**:* Identified role incongruousness, goal incompatibility, lack of resources, disagreement on domain decision, difficulty in communication and differences in perception as main causes of conflict
23.	Chung *et. al.,* (2012)	Non Parametric SEM, PLS	Independent variable: Manufacturer's Web Performance, Uncertainty, Intangible Assets, Manufacturer's Web Functionality, Intermediary Relationship with End Customers, Tangible Assets, Intermediary Web Competence Dependent variable: Transactional and Functional Reliance	**Purpose:** To analyse the perception of manufacturers of the value created by themselves and the intermediaries by drawing upon the governance value analysis framework(GVA) ***Findings:*** Confirmed the complimentary role played by manufacturers websites and intermediaries in growing markets.
24.	Mulky (2013)	Article based on panel discussion of industry experts and academicians	Working paper	Presented an overview of distribution channels, its constituents, design and management with a special focus on India
25.	Cunningham,(2013)	Literature review	Conceptual Paper	**Purpose:** To identify key causes of channel conflict ***Findings:*** Came up with solution for reducing conflict through both internal and external conflict resolution strategies
26.	Kang (2013)	SEM	Independent variable: Relationship Developing Power (Dependence, Communication, Cooperation, Relational Norms, TSI, Termination Cost, Satisfaction and Trust) Relationship Deteriorating Power (Opportunism, Conflict, Goal Incongruence, Alternative Attractiveness and Unfairness) Dependent variable: Dissolution intention	**Purpose:** To propose a relationship assessment approach which analyses the status of the relationship. ***Findings:*** The model developed helps assess the competence of a principal in maintaining relationship with its partner firms and areas where it needs to improve.
27.	Krafft *et.al.,*(2015)	Meta-analysis	Literature Review	**Purpose:** To track the evolution of channel research domains and methodologies

S.No	Author/year	Model/technique applied	Variables used	Context /Purpose/Findings
				Findings: After an extensive investigation of channel management research of last seven decades, the authors came to a conclusion that there is a need for conceptual development, longitudinal studies, use of mix methods in channel research and studies in multichannel approach.
28.	Sukresna *et al.*, *(*2016)	SEM	Independent Variable: Long-term orientation, role performance Dependent Variable: Dependence, Trust , Satisfaction	**Purpose:** To investigate the role of long term orientation and role performance as joint drivers that positively influences dependence, trust and satisfaction in the paired channel relationship of manufacturers and their connecting distributors in the Indonesian market. ***Findings**:* Both LTO(Long Term Orientation) and role performance jointly drive the outcomes of shared marketing channel relationship.
29.	Satyam *et. al.*, (2017)	Conceptual paper	An exploratory and a qualitative study through semi structured interview	**Purpose:** To explore the reasons of channel conflict from a small retailer's perspective. ***Findings**:* Identified five key reasons of channel conflict from retailer's perspective: coercive sources of power, retailer dependence, competitive intensity, retailer's characteristics and distributor's role performance. Channel exit and passive acceptance are the two main outcomes of this conflict. Also, the same is causing a change in channel structure.
30.	Sharma and Parida (2018)	MetaAnalytic review	Conceptual Paper	**Purpose:** To develop a composite model of channel conflict integrating the past channel research with the current context of e-commerce, digitization and internet. ***Findings*:** The results of this meta-analysis suggested that determinants of channel conflict can be categorized into three major domains: organizational, interpersonal (communication, cooperation, relationship activities and opportunistic behaviour) and environmental factors (environmental volatility, competitive intensity and product or market volatility).

Effort was made to collect all the recent researches particularly in the last two decades. However, due to paucity of research in this area particularly from the year 2000 (Krafft *et. al.,* 2015) it was important to include some of the studies from 80s and 90s too. It should be noted that some of the most prestigious research in the area of channel management was carried from 1980-99 (Krafft *et. al.*, 2015).

2.5 Research Gaps

After an exhaustive literature review, the following research gaps were identified: -

i. There is a paucity of research that has investigated channel conflict at multiple level of an intensive FMCG distribution channel.

ii. Lack of studies in the domain of channel conflict particularly, in context of an emerging economy that have different terrains and design.

iii. Channel Conflict has not been analysed by integrating the key constructs from the S-C-O (Structure-conduct-outcome) with conflict as an outcome. Most of the constructs studied so far are borrowed from one or two standalone theories only.

iv. Need for an integrated model encompassing variables like commitment and trust, power and dependence, transaction cost dynamics and resource based view from the major theories of channel relationship.

v. A definite reason for a re-investigation of channel conflict with a much more holistic view of the determinants of channel conflict in the new age distribution system.

All these research gaps were incorporated while developing the structure for this research.

2.6 Research Variables and Hypotheses Development

Internet has become a driving force for businesses today. New marketing channels driven by internet like e-commerce, m-commerce have emerged, and are causing disruption in the conventional physical channel. The micro and macro environment in which companies and channel partners operate has evolved rapidly with the advent of digitization, social media and other management monitoring tools. The phenomenal increase in e-commerce has driven firms to develop multiple channels and new ways of doing business which helps them to reduce distribution cost and reach uncharted markets (Chiang *et al.,* 2003; Rangaswamy and Van Bruggen, 2005; Sharma and Gassenheimer, 2009; Sharma *et al.,*2010; Palmatier *et al.,* 2016). This multichannel strategy has resulted in redefinition of territories leading to more and more friction between channels (Lee *et al.,* 2003; Sharma and Gassenheimer, 2009; Sharma *et al.,* 2010). Competition has also intensified between internet channel, distributors and wholesalers leading to more conflict amongst them (Gassenheimer *et al.,* 1995; Bannon, 2000; Sharma and Gassenheimer, 2009; Sharma *et al.,* 2010; Cunningham, 2013). The operations in the marketing channels have improved with increased levels of transparency, increased speed of delivery of products to customers, decreased levels of manual intervention at each step and use of advanced enterprise resource planning systems and precision technologies to reduce the information asymmetry.

The complexity of channel conflict has increased due to company's concurrent desire to reduce costs to improve efficiency and to exhibit greater visibility which adds to the constraint in building channel firm relationship (Cunningham, 2013). The number of broken channel relationships is on the rise. In some cases, there has even been a breakdown of channel relationships. For example, in the automobile sector, Tata Motors and Cargo motors relationship breakdown (Times of India, 2016), the dispute between Tractors India and Caterpillar was also triggered by possible channel conflict. After a detailed review of literature and input received from the interviews of academicians, senior salesperson of FMCG companies and distributors, nine important variables were identified including channel conflict and long term orientation for the distributor study and five variables for the retailer study including channel conflict. The exploratory research design helped to develop a theoretical understanding of channel conflict construct and its dimensions. Also, it was realized that the long term orientation as an outcome variable was more applicable to a distributor instead of the retailer. This is because a distributor does much heavy transaction specific investments with the manufacturer as compared to the retailer. A retailer is only concerned with timely delivery of inventory and trade support. Thus, for the retailer, only conflict was investigated and not long term orientation. The next section introduces the variable, the concepts and the hypothesized relationships of channel conflict for the distributor with the independent variables and the relationship of conflict with long term orientation of the distributor.

2.6.1 Independent variables for the distributor study

The literature review conducted in the previous section helped to identify key independent variables which have a bearing on channel conflict and long term orientation. The same were goal divergence, domain similarities, role performance, perception and dependence. Besides these, two new dimensions frequently surfaced in the interviews with channel partners as major causes of conflict particularly in context of the digitization in this sector. These were trade policies and new channels (Modern Trade and e-commerce), which were also considered as independent variables that influences channel conflict.

Goal Incompatibility

One fundamental feature of a conventional distribution channel is that all channel partners are independent third parties first, then a part of a complete distribution channel of a manufacturer. Thus, following an independent paths or chasing objective which is not similar to the other connected party is not uncommon in a marketing channel. In a vertically connected marketing system, what is good for one channel partner may not be good for the other channel partner. Thus, goals of one channel partner may not be compatible with each other (Stern and Heskett 1969; Stern and Gorman, 1971). For example, in the context of this study, a manufacturer tries to derive greater profits by forcing lesser margins to distributors, its downstream channel partner and bill more inventory. The distributor also feels victimized for this as the distributor’s storage and working capital gets locked in extra inventory. The distributor recovers this cost by avoiding manufacturer sponsored offers and schemes to the downstream partner, the retailer. Goal incompatibility is the most challenging cause of channel conflict as it stems from the structural reasons of the channel (Rosenberg and Stern, 1971). A situation of intra-channel conflict is inherent part of the channel where parties do not cooperate willingly, do not achieve consensus and are generally seen chasing incongruent goals. This is one of the fundamental causes of channel conflict, hence the hypothesis H_1 postulated for this study is

H_1*: Goal Divergence significantly influences the distributor's conflict.*

Domain Similarity

The distribution channel often witnesses disputes and disagreements over the boundaries of domain. Simply put, domain dissension essential arises when a channel lacks clarity of who -should-do -what- job. Pondy (1967) provided a very appropriate explanation of this and said "the need for autonomy when a channel member seeks to have control over an activity which some other channel member considers as his province, leads to channel conflict". Etgar (1979) also characterized this as a source of conflict and termed this domain dissensus as drive for autonomy. One often observes a manufacturer trying to control the retail prices and the distributors and retailers often dislike the manufacturer interfering in the product line decisions. Hunt and Nevin (1974) linked this domain dissensus with channel power. Power is defined as the ability of an individual or group to control or influence someone else's behavior. Stern and El-Ansary (1992) classified four important domains which is generally observed in the distribution channel context: (1) market population (customers)to be served, (2) the territory that has to be covered, (3) the roles and responsibilities to be performed, and (4) the kind of technology to be used. Domain discord also arises when a channel member thinks that other channel members are not doing the jobs properly in the defined domain (Coughlan *et al.,* 2001). Such situations are highly common in distribution channels. With this, hypothesis H_2 is postulated as:

$H_{2:}$ *Domain similarity in the channel significantly influences the distributor's conflict.*

Role Performance

The productivity of a distribution channel is dependent on the channel members discharging their roles and facilitating the channel flows. A role can be defined as a "set of prescriptions that suggests what the behavior of a channel member should be" (Thomas and Biddle, 1966). In other words, it is a set of obligations and expectations as it determines the behavior expected out of a channel member and also what behaviour channel partner should expect from others (Etgar 1979). In such a context, any act of role deviance would pose to be a major cause of channel conflict as the roles serve as a crucial means of coordination and integration. Therefore, non-performance in roles and responsibilities leading to intra channel conflict occurs when (1) channel partners deviate from their defined roles, (2) Inappropriate channel partners are chosen for discharging the roles and (3) channel roles are not well defined for all channel participants. With this hypothesis H_3 is arrived at,

H_3: *Role performance in a channel significantly influences the distributor's conflict.*

Perceptions

The basic thinking process, the "perception" also can be a cause of channel conflict. Perception is "the process by which an individual selects and interprets the environmental stimuli" (Stern and Gorman, 1971). In lines with human psychology, the interpretation of channel partners also may not be in sync with the reality. The environment stimuli could be same for everyone. For example, a hike in the landing price of the stock by the manufacturer would be interpreted differently by all channel partners. Inaccurate and incomplete information is one of the major cause for such misperceptions. Previous experience, attitudes, and predispositions also play a role in developing the perceptions. Channel partners are so occupied with their own day to day responsibilities that they hardly put efforts to get the complete information. The information processing capacities of channel partners are also different (Etgar, 1979). It could be their genuine inability or simply lack of willingness to assemble the entire picture from separate pieces. According to Rosenberg and Stern's study (1971), sources of conflict classification, different perceptions of reality is not a cause of conflict; in fact, it is an issue that derives from miscommunication or inadequate communication. Thus in order to arrest this issue one needs to have frequent, timely and relevant communication to align perceptions and expectations. Thus, lack of communication leads to perceptual differences causing channel conflict. With this, hypothesis H_4 is postulated as:

H_4: *Perceptual differences in a channel significantly influences the distributor's conflict.*

Dependence

The empirical studies conducted in context of power dependence conflict theory have given a central role to interdependence or joint dependence while elucidating the behavioral and attitudinal dimensions of channel relationships (Anderson and Narus, 1990). Dependence can also be the realization of the firm's inherent requirement to preserve trade relationship with its channel member for achieving its business objectives (Frazier, 1983). With regards to this study, dependence can be regarded as the extent to which a channel member becomes unique, or a distributor or the retailer is dependent on the upstream channel partners for getting an uninterrupted supply. Channel members that are more dependent on the other exchange partner generally end up getting exploited by the dominant party as the less dependent member tends to function unscrupulously. However, due to this sense of dependence, channel member also passively ignores small issues which arise in the business relationship. Thus, hypothesis H_5 is developed as,

H_5: *Dependence on the channel structure significantly influences the distributor's conflict.*

Trade Policies

Channel policies can exacerbate or alleviate conflict (Magrath and Hardy,1987). Explicit contracts play a crucial role in managing channel interactions where all channel partners are interdependent. This interdependence requires the usage of fully spelt out normative agreements (Lusch and Brown, 1996). The enforcement of these pledged policies helps in integration, coordination and performance of roles and responsibilities in marketing channel. It therefore lends the channel a formal structure so that it is difficult for a channel partner to digress from the agreed contracts and nurtures coordination in a distribution channel. These contracts generally cover credit and pricing policies (for example, discounts, margins, extended dates etc.), the initial application fees for becoming a distributor, payment schedules, volume rebates, royalty rates for franchise operations, options of inventory buy-back, quality control mechanisms, promotional programs (such as local advertising support, co-op programs, monthly market development funds, merchandising programs, end consumer promotion etc.). It also covers clauses on training and termination of association. The pilot study conducted highlighted the issues of damaged and destroyed goods faced by the distributor and the retailer. Therefore, this scale was modified in the Indian context by including items on damaged and destroyed goods, expired goods, credit period and cash payments as these were the most common grievances in the FMCG sector. Thus, hypothesis H_6 is postulated as,

$H_{6:}$ Trade policies for the channel significantly influences distributor's conflict.

New Channels

Organisations are increasingly using a number of distribution channels (Friedman and Furey, 1999; Frazier, 1999). This addition of new channels and communication channels provides an opportunity to extend market coverage cost effectively (Moriarty and Moran, 1990). The addition of new channels increases the complexity of customer management and can lead to a lack of integration between channels (Ward, 2001). A good channel management requires that all the channels share knowledge about a customer's relationships with the company (Peppard, 2000). However, despite the rising significance of multiple channels, there is dearth of academic research investigating the dynamics of multi-channel distribution (Zettelmeyer, 2000) and its impact on channel conflict and satisfaction. The traditional channel partners are increasingly taking note of these new channels and are facing competition due to multiple channels in the market. Therefore, it was felt that the impact of new channels on conflict should also be investigated. The hypothesis H_7 postulated for same is,

$H_{7:}$ *Usage of new channels significantly influences the distributor's conflict.*

2.6.2 Dependent Variables

Channel Conflict

Channel conflict occurs when there is some tension, frustration, or disagreement in the relationship (Frazier *et.al.,* 1989; Anderson and Narus, 1990). Conflict occurs when a channel member perceives that the other channel member engages in a behavior that prevents or impedes it from achieving its goals (Gaski and Nevin, 1985). The development of e-commerce has made organisations consider sales through Internet as a new channel of sales. The introduction of online channels in addition to existing distribution channels will cause channel conflict between the Internet and the traditional offline channels (Webb, 2002; Brown and Dant, 2014). An additional channel cannibalizes the sales of existing channels instead of increasing total sales (Choi *et al.,* 2017) Therefore, conflicts can arise between channels (Tsay and Agrawal, 2004).

Long Term Orientation (LTO)

In a channel structure it's important to inculcate long term orientation of channel partners for a productive trade relationship. According to Social Exchange Theory (SET) partners work together in relationships due to the expectation of giving or receiving a reward (Lambe *et.al.,* 2001). Business firms analyze the rewards which are to be derived in a trade relationship in the long term or short term and accordingly adjust their behaviour towards their working partner. Long Term Orientation can be defined as the belief of interdependence between the manufacturer's and distributor's outcomes wherein each party believes that the outcomes will be mutually beneficial in the longer time span (Ganesan,1994).Long term orientation helps in generation of sales and profitability of the entire distribution channel by bringing in cost reductions and increase in process efficiencies as it makes channel partners treat the relationship in a collaborative, problem solving style. The same leads to greater level of performance in the long run (Ganesan 1993; Kalwani and Narayandas, 1995). Thus, with this hypothesis H_8 is developed as:

$H_{8:}$ *Channel conflict significantly influences the long term orientation of the distributor.*

Proposed Framework of the distributor study

After the extensive literature review on the relationships of these independent variables with Channel Conflict and Long Term Orientation, the conceptual framework for the distributor conflict study was developed. The same is depicted in Figure 2.7.

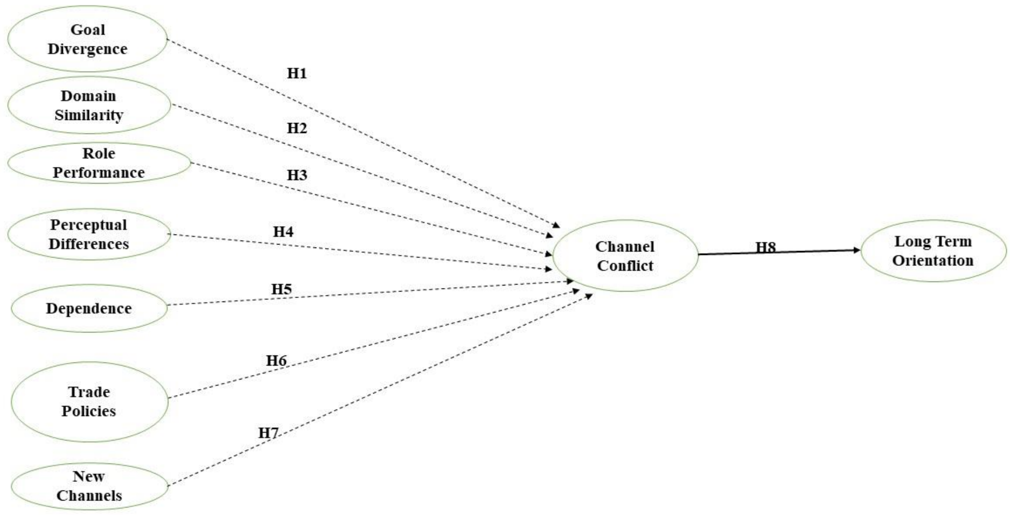

Figure 2.7 Conceptual Framework for the Distributor Conflict Model

The next section discusses the variables identified as the antecedents of conflict at the retailer level.

2.6.3. Independent variables for Retailer Study

The pilot study prior to the formal survey and the literature review helped identify the key constructs in the retailer distributor relationship. The same were conflict, goal similarity, dependence, trade policies and communication with the retailer. It was observed in the pilot study that although retailers acknowledged the implicit constructs, trade policies that are explicitly documented was also a source of conflict. Thus, it appeared appropriate to include trade policies as an important construct for this study in the Indian market context.

Goal Incompatibility

Absence of similar goals in the channel is the most challenging cause of channel conflict as it stems from the structural reasons of the channel. (Rosenberg and Stern, 1971). A situation of intra-channel conflict is inherent part of the channel where parties do not cooperate willingly, do not achieve consensus and are generally seen chasing incongruent goals. This can be seen at the retailer level too when the distributor in pursuit of inventory clearance tries to dump slow moving products and new launches at the retailer and pressurises to stock the same. Thus, both distributor and the retailer consider their own business interests instead of the complete distribution channel. Thus, different goals are one of the major structural antecedent of retailer conflict. The first hypothesis for the retailer study, $H_{1,}$ is postulated as:

H_1*: Goal Incompatibility significantly influences retailer's conflict.*

Dependence

The empirical studies conducted in context of power dependence conflict theory have placed a lot of emphasis on the interdependence while analysing the behavioral and attitudinal dimensions of channel relationships (Anderson and Narus, 1990). Dependence is the realization of the firm's inherent need to preserve the trade relationship with its channel member for attaining its business objectives (Frazier, 1983). In context of this study, dependence can be regarded as the extent to which a retail outlet becomes unique to a distributor or the retailer finding himself dependent on the distributors for getting an uninterrupted supply. Channel members that are more dependent on the other exchange partner generally end up getting exploited by the dominant party as the less dependent member tends to function unscrupulously. This study investigated the distributor and the retailer's relationship and checked whether the retailers consider themselves dependent on the distributor. The more the sense of dependence, the more the retailer will compromise and adjust and have less issues of conflict. Thus, it leads to postulation of second hypothesis $H_{2,}$

H_2: Retailer's dependence on the distributor significantly influences retailer's conflict.

Trade Policies

Channel policies can aggravate or alleviate conflict (Magrath and Hardy, 1987). Explicit contracts play a central role in managing channel interactions where all channel partners are dependent on each other. This interdependence can be managed by using fully spelt out normative agreements (Lusch and Brown, 1996). The enforcement of these pledged policies helps in integration, coordination and performance of roles and responsibilities in marketing channel. The General Trade contracts in FMCG channel mostly cover credit and pricing policies (for example, discounts, margins, extended dates etc.), the initial amount of investment, payment schedules, volume rebates, royalty rates for franchise operations, options of inventory buy-back, quality control mechanisms, promotional programs (such as local advertising support, co-op programs, monthly market development funds, merchandising programs, end consumer promotion etc.). It also covers clauses on training and termination of association. During the pilot study a lot of issues concerning damaged and destroyed goods faced by the retailer, came out. Thus, this scale was modified in the Indian context by including items on damaged and destroyed goods, expired goods, credit period and cash payments as these were the most common grievances of the FMCG retailer. Thus, hypothesis H_3 can be postulated,

H_3: Trade policies significantly influences the retailer's conflict.

Channel Communication

The relational norms theory extended by Macneil in 1980, pointed at information exchange as one of the business norms. Exchange partners expect a basic level of communication in a transaction exchange. Communication derived from information exchange should be timely and complete in a distribution channel. Schmitz and Wagner (2007) in their study of international marketing channel members indicated that communication is a very important construct for satisfaction of channel partners. Social exchange theory as well as extant channel literature suggest causal relationships amongst communication. This study assessed the retailer's conflict with the quality and quantity of communication received from their connecting distributors. Therefore, hypothesis H_4 can be proposed,

H_4: Communication by the distributor significantly influences the retailer's conflict.

With this, the proposed research framework was developed for the retailer conflict model

Proposed Framework for the Retailer Study

Figure 2.8 depicts the hypothesized relationship of the independent variables with retailer's conflict. The key antecedents identified from the literature and the pilot study for the conflict between distributor and retailer were Goal Similarity, Dependence, Trade Policies, and Communication.

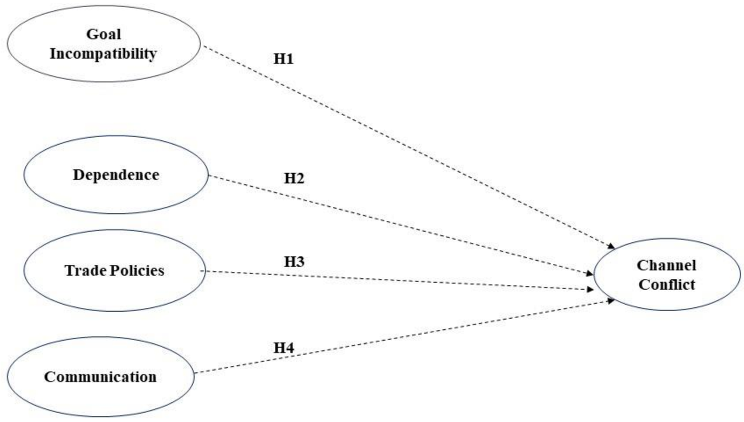

Figure 2.8: Conceptual Framework for the Retailer Conflict Model

2.7. Conclusion

A comprehensive review of the extant literature leads us to identify some of the major theories of channel conflict. Rosenberg and Stern's Intra Channel conflict (ICC) framework, the Process Model drawn from Pondy (1967), the Trust and Commitment (T-C) framework, and Power, Conflict and Dependence framework, the Relational Norms and the Transaction Cost Economics theory were few of the eminent theories of channel literature. Several overlapping constructs from these frameworks were identified, categorized and investigated empirically for a more comprehensive approach of channel conflict, its antecedents, its outcomes and the management. Also, the contemporary developments of multiple channels plaguing the distribution channel have also been integrated with the classical literature to develop the conceptual model for this research. To the best of researcher's knowledge, this kind of an integrated view in context of a developing country remains unexplored in the channel literature.

CHAPTER-3

RESEARCH METHODOLOGY

In this chapter, a description of the research methodology followed to answer the fundamental research questions is presented. The chapter begins with the basic ontological and epistemological assumptions of the research, followed by the sections on research purpose, overview of the research design, development of the questionnaire and discussion of the sampling techniques. The chapter ends with the section on data analysis techniques.

3.1 The Ontological and Epistemological Assumptions

One of the foremost and prominent concern for any researcher is how should the data be collected? Should a research tool, a questionnaire be used or should interviews or case studies be reported? However, according to Saunders *et.al*., (2009), this question on data collection is actually the centre of the "research onion" (Figure 3.1). The research onion is a very effective depiction for the choice of data collection techniques and analysis to be applied for a research problem. Before the researcher arrives at this central core, it is important to discuss the choices and the reason for those choices made so that the research methodology applied is more close to scientific research enquiry.

The first layer of the research onion is about the "research philosophy", a system of assumption and beliefs that shapes the development of knowledge. The task faced by any researcher is to be aware of this belief system and then actively decide whether these beliefs should be incorporated in the qualitative or the quantitative studies or not. There are essentially five major philosophical stands: positivism, interpretivism, critical realism, pragmatism and postmodernism. This study is essentially guided by a pragmatic philosophy as it utilises mixed set of methods in terms of qualitative and quantitative research. The next layer of the "research onion" is the approach towards the theory development. According to Saunders et.al., 2009, there are primarily three approaches to theory development: induction, deduction and abduction.

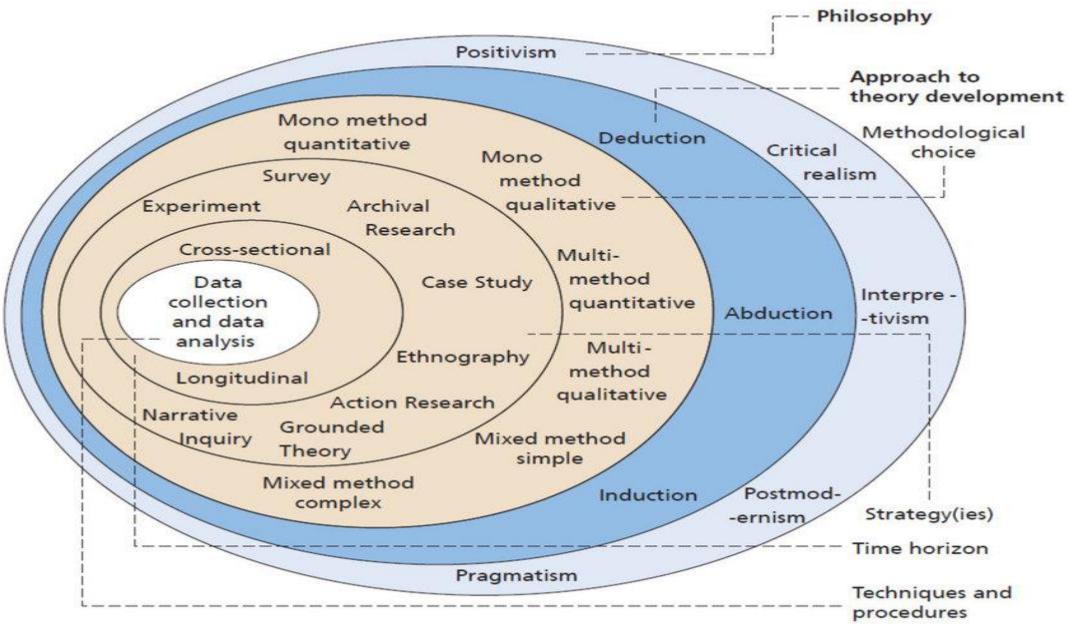

Figure 3.1: Research Onion, Source: Saunders et. al., 2018

This study has used a deductive approach to analyse the phenomenon of channel conflict. The next layer is the choice of methodology which can be a mono method (both for qualitative or quantitative), multi method (both for qualitative and quantitative) or mixed method (simple and complex). A mixed method is used in this study in line with the pragmatic research philosophy. The next layer is about the research strategy which suggests the manner in which the research is carried out (Saunders *et al.*, 2009). It includes different approaches like experimental research, case study research, action research, interviews, systematic literature review or surveys. This study has made use of thematic analysis, case study and survey method. The second last layer of the "research onion" is the time horizon of the study, in which the study is expected to complete (Saunders *et al.*, 2009). It can be cross sectional and longitudinal in nature (Bryman, 2011). This study has used a cross-sectional time horizon for the analysis. Finally, the last core of the "research onion" is data collection and analysis. The study has used both primary and secondary data on which different analysis techniques were applied.

The basic ontological assumption for this study is that channel conflict is a reality in any distribution channel. The FMCG sector possessing such a vast and complicated network of channel partners deal with conflict on a daily basis. To analyse this reality, the epistemological assumption was that a combination of qualitative and quantitative study would be helpful in developing knowledge about this reality. Finally, axiological approach for this study was that a completely neutral stand was maintained on the opinions and data obtained from the respondents and attempt was made to collect completely honest opinions from all the participants for this study, free from any personal biasness.

3.2. Research Purpose and Research Questions

This section discusses the research questions developed based on the basic research purpose post the extensive literature review. The research is set in context of the FMCG sector which deals in convenience goods and has distribution channel network spread all across the country. The FMCG distribution channel operates as a vertical marketing system (VMS) of contractual distribution. The manufacturer leads the channel and achieves coordination and integration between channel partners by binding channel partners with a contract (Kotler and Armstrong, 2007; Kotler and Keller, 2009). In terms of intensity, the channel can be considered as an intensive distribution channel, with a network of C&F agents, distributors, wholesalers, retailers throughout the country. A conventional FMCG distribution channel originates from the manufacturer, connects to the C& F agent, to the distributor, then to the retailer and then to the final consumer. The same is depicted in Figure 3.2.

Figure 3.2: General Trade distribution channel in Indian FMCG sector

This channel length varies across states in India depending upon the size and the population of the urban, tier 2 and tier 3 cities in the overall states. In vast states, a stockist and a sub stockist are also added which function as distributors. A C&F agent is generally appointed for each state and then there are distributors under the C&F agent. For the analysis of channel conflict, it was felt that the investigation should happen at each level, as the antecedents of conflict would be different for each level. The same would help in the triangulation of data and help to analyse the data from multiple sources and enhance the credibility of data. Perspectives from multiple sources would help to get a more comprehensive understanding of the phenomenon of interest. In the first chapter, it was discussed how technology has changed the landscape of distribution network. The advent of Distribution 4.0 has increasingly led to the convergence of the conventional channels and the new age channels. In such a scenario, it is natural to question whether this convergence would be a smooth transition or will it lead to further channel conflict? With this, the broad research purpose set for this study is: -

To explore and describe the nature of channel conflict in context of multiple channels from the perspective of key channel partners in the FMCG distribution channel.

This research purpose was further developed into three fundamental research questions**.** Research questions are essentially refined statements of the research problem. They are guided not just by the definition of the problem but also by theoretical framework and the analytical model. As discussed in the previous section of literature review, the factors of channel conflict and the nature of channel conflict cannot remain fully unaffected in the new digital age. The past framework of channel conflict has to be improvised to accommodate the new age factors leading to channel conflict. With this logic, this study aims to answer the following research questions which are important from the business's perspective: -

RQ1. What is the nature of channel conflict in the new age of multiple marketing channels?

RQ2. What factors of channel conflict assume importance in the FMCG marketing channels?

RQ3. How are manufacturers implementing the multiple channel strategy without running the risk of jeopardizing existing channels?

3.3 Research Design

This study attempts to analyse the various antecedents of channel conflict which assumes importance in the new age distribution channel with focus at each level. A combination of exploratory and descriptive research has been used to achieve the research objectives deliberated in Chapter 1, Section 1.8. The first phase started with exploratory research with the purpose to develop a conceptual understanding of the channel conflict construct and its antecedents. An exhaustive literature review was done to document and analyse the various dimensions of channel conflict at each level to fulfil the first three objectives of the study. Most of the literature of channel conflict was majorly based out of developed countries. Special attention was given to investigate the nature of channel studies done in the Indian context. It was felt that a better view of channel conflict would be developed if it is examined at each level of the primary participants of the distribution channel. Also, the need for an in-depth interview was felt for the two key participants at the origin of the distribution channel, the manufacturer (Sales Personnel) and the C&F agent (Carry Forward Agent) as these participants are difficult to approach. The interviews helped fulfill all the research objectives and helped in getting a practical view of channel conflict phenomenon. The subsequent phase adopted a descriptive research methodology to investigate the channel conflict dimensions for the distributor and the retailer and to check for any variation in the nature of channel conflict at each level. Descriptive studies require large sample sizes which appeared possible in case of distributors and retailers. Separate scales to measure the dimensions of channel conflict were developed for the distributor and the retailer for the purpose of data collection. Multivariate analysis techniques were used to test the hypotheses for the relationships proposed for the distributor and the retailer studies to fulfill the first three objectives in an empirical manner.

The last phase of the study detailed the major outcomes and findings of the quantitative analysis conducted in the previous phase. Further, the case of ITC Ltd., a key player of the Indian FMCG sector, was developed to inspect and validate the findings of the quantitative study done in the earlier phase. The case study was organized around the channel conflict episodes identified and handled by ITC Ltd. and the use of multiple channels by the firm in a synergistic manner. The research design followed for this study is depicted in Figure 3.3.

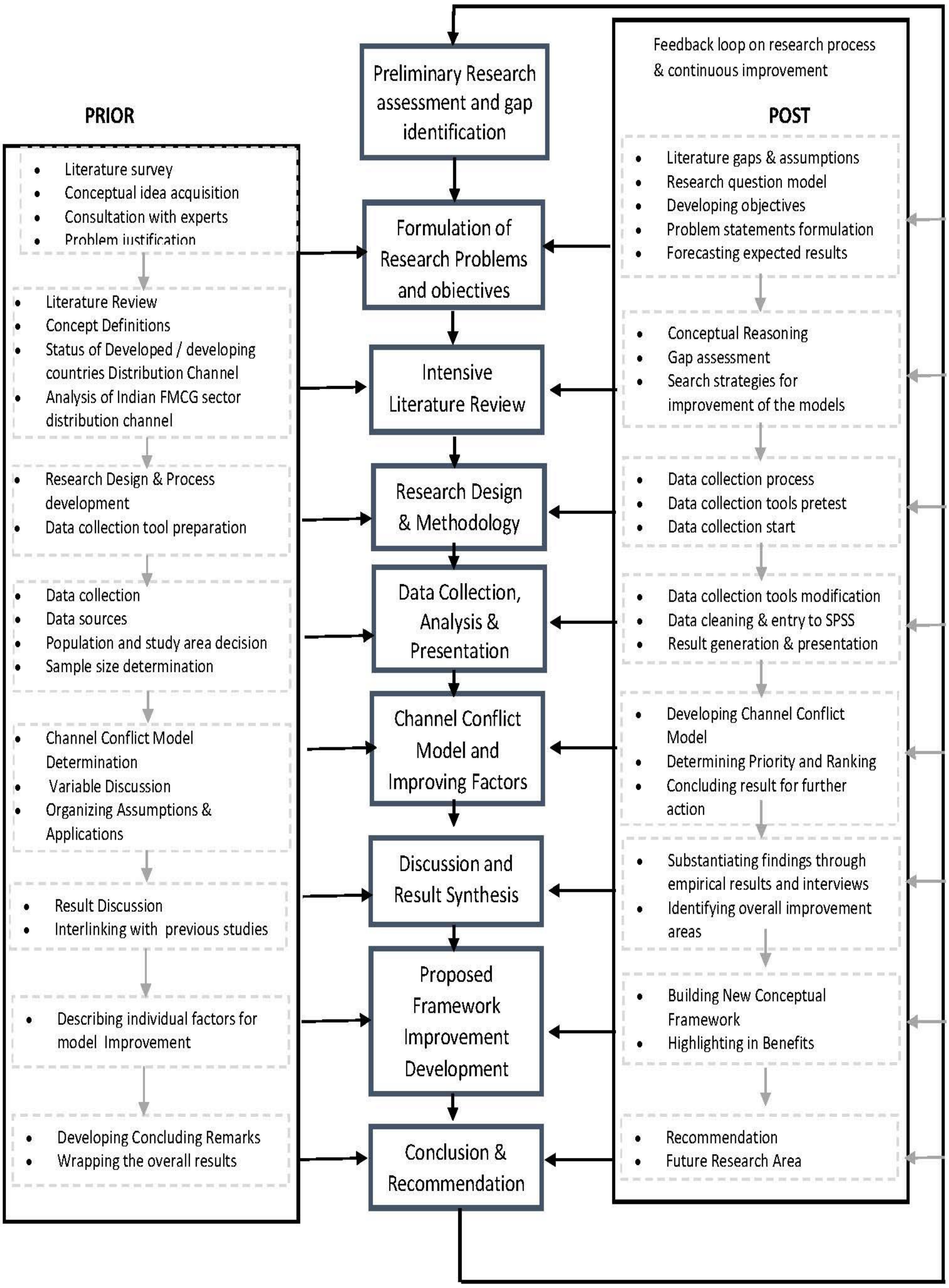

Figure 3.3: Overview of the Research Design

3.4. Research Method for the Exploratory Study

This study opted for an exploratory approach via in-depth interviews of the manufacturer's salesperson and the C&F agents, the primary participants of the FMCG distribution channel. Gummesson (2006) mentioned that qualitative approach is superior to quantitative approach in many ways. It can access the non-linear aspects of a situation, admit the complexity, context of the study and understand the influence of behavioral characteristics of the respondents through a complete vision. Therefore, this approach was found suitable for the analysis of channel relationships between the manufacturers and its channel partners in context of distribution channels (Bonoma, 1985; Eisenhardt, 1989). In total, twenty people were interviewed, 10 C&F agents and 10 senior salespersons (AVPs, VPs, ASMs etc.) from the FMCG firms from Delhi N.C.R. These participants were chosen on criterion of judgment (Gaski and Ray, 2004). The selection criteria for the manufacturer's salesperson were: -

a) Part of the FMCG sales vertical that interacts constantly with the channel partners.
b) Have a certain level of relationship with the channel partners.
c) Possess information of possible existing issues and disagreements in the channel.
d) Know personally most of the C&F agents and distributor's executives.
e) Have a broad knowledge of the channel flows (distribution functions).
f) Hold an executive position that considers the representation of interests of both the manufacturer and the distributors.
g) At least three years of permanency with the manufacturer and
h) Willing to speak out about the channel's problem.

With regard to the selection of the C&F agents, 10 C&F agents of popular FMCG brands were chosen. The selection criteria for them were: -

a) Market where the C&F agent operates should be significant in terms of sales volume.
b) At least five years of working experience with the manufacturer.

c) Hold a key position and should have knowledge of the channel functions and problems.

d) Have a decision authority on the issues of disagreement with the manufacturer and

e) Willing to speak out about the channel's issues.

Before proceeding with this study, it was assumed that conflicts must be existing in a latent or manifest manner in the FMCG distribution channel. The intensiveness and complicated network of channel partners must be creating friction in the channel particularly due to the advent of the new channels and the manufacturers would have been compelled to consider viable conflict management mechanisms to improve the channel efficiency. The main objective of doing the interviews with the manufacturer's sales personnel and C&F agents was to understand their perspective of channel conflict with a focus on its causes. In this context, three specific research objectives were established:

(a) To identify the main themes of existing areas of conflicts between the different channel partners.

(b) To evaluate the impact of new channels like Modern Trade and e-commerce on the trade.

(c) To investigate actions or mechanisms manufacturers and C&F agents are taking to manage these conflicts.

The interview questions were designed from the above mentioned research objectives for the in-depth interview. Once the interview responses were collected, they were subjected to a thematic analysis technique to derive meaningful correlation between the practical episodes of channel conflict and the underlying theoretical causes of channel conflict.

3.5. Participants

The participants for this study included FMCG firm's sales personnel, C&F agents, distributors and retailers in the Indian FMCG sector. The manufacturer's sales personnel and the C&F agents were consulted for the exploratory study and the distributors and the retailers were considered for the descriptive study. The criteria for the respondents was already established. Most of the C&F agents, distributors and retailers were actively associated with the FMCG firms for more than 5 years and were based out of Delhi NCR region. Therefore, these respondents were best suited to participate in this study.

The demographic details of the distributor, such as the number of companies the distributor dealt with, the duration of the association with the manufacturers, location and turnover were recorded. The distributors were majorly small and mid-sized firms and usually represented more than one FMCG firm. They were majorly from North India. The distributor was the single informant or the principal owner. The response of the distributor was deemed fit due to the relative size of sample firms. The unique knowledge of the distributor on this topic ensured that the key informant bias is not there in this study (Phillips 1982). Before collecting the responses, the distributor was asked to select the manufacturer whose products were majorly dealt with and then provide information for that manufacturer. Similarly, the demographics of the retailers in terms of number of years in the trade, annual turnover, location and name of the shop were recorded.

3.6. Sampling Technique

The sampling technique used for this study was purposive sampling for manufacturers and C&F agents, non-probability snowball sampling for distributors and convenience sampling for retailers which is supposed to be appropriate for such studies (Hair *et al.,* 2010). A probability sampling can be done if there is a sampling frame where the population is well defined. Since the sampling frame for the primary participants of FMCG sector is dynamic and does not exist in a formal manner, a non-probabilistic convenience sampling was used for this study. The senior sales personnel, Vice President Sales, Business Development Managers, Area Sales Manager of the FMCG sector were approached for distributor details. These respondents couldn’t provide us the formal distributor list for confidential reasons, however they gave references of few distributors from their territory. Further, to get more references, some retailers were also visited. They were requested to provide the phone numbers of the distributor’s salesmen who service them. Here some success was achieved. The salesmen were contacted and explained the intent of the study and from them the details of the distributor were requested. This way references of distributors led to further references causing a snowball sampling for the distributor study. The retailers due to their ubiquitous presence in India, were not difficult to locate in Delhi NCR region. A convenience sampling was done for the retailers based on the convenience of accessibility.

3.7. Sample Size

Predefined set of rules for sample size does not exist in literature. The number of variables and the complexity of the model determines the sample size. It should be basically sufficient to represent the population whose investigation is being done. Generally, studies on quantitative analysis require a sample size of 200 to 400 elements (Netemeyer *et al.,* 2004; Hair *et al.,* 2010). As a general thumb rule a ratio of 5 responses for each variable is considered suitable for sample size (Bentler and Chou 1987, Hair *et al.,*2010). SEM was the main data analysis technique used for this study and generally a sample of 150-200 responses is considered adequate for testing the model (Muthen and Muthen,2002; Kline, 2005, Weston and Gore,2006). A total of 350 distributors were contacted through both online and offline sources. From this, 281 responses were received, a response rate of around 80%. This was achieved due to a thorough pre-qualification process of the respondents who were explained the intent of the study and assured of their confidentiality. The data sheet was then checked for missing data and unengaged responses which were subsequently removed from the refined data set. The final eligible responses of the distributors were 266. The final distributor questionnaire had 32 items and the retailer questionnaire had 17 items. As per the 5 responses: 1 item rule, the sample size was more than sufficient. Similarly, a total of 362 responses were collected from the retailers. After data cleaning for missing and unengaged responses, a final sample size of 347 responses was attained for the retailers. Thus, the sample size fulfilled the criterion. Previous studies on distributors like that of Anderson and Narus (1984) had used a sample size of 153 distributors; Kumar *et.al., (*1992) in the study of reseller's performance used a sample of 98 resellers of Firm 1 and 63 resellers of Firm 2 and used 13 sales executives from Firm 1 and 8 executives from Firm 2. Yilmaz *et.al,* (2005) in the study of relational behaviours of channel dyads used a sample of 192 automobile dealers in Turkey. Thus, the literature also supports the sample size used for this study.

3.8. Data Collection

Two sets of data were collected for this study. For the exploratory study, interviews were scheduled with the manufacturer's sales personnel and the C&F agents as per their convenience. A thorough in-depth interview was taken with these primary participants of the channel. The interviews were majorly focused on the channel relationships and nature of disputes which occur in trade. The other data was for the descriptive study. This data collection was done in two phases; first it was done for the pilot study and then for the final analysis. A pilot study was conducted for the development of structured questionnaire both for the distributors and the retailers. This helped to become familiar with the context of the study and get insights of the FMCG channel setting. It was also used to check the reliability of the questionnaire. For the purpose of pilot study, offline data collection through personal visits was done. This provided a chance to amend the questionnaire and sequence it properly wherever needed. Respondents were asked to answer the questions on a five point Likert scale. Post this, a final survey for data collection was done through both online and offline means. The online survey was done by creating Google link of the questionnaire through Google forms, which could be used by the participants anytime to fill the online questionnaire. The Google survey link was shared with the distributors and the retailers through applications of message delivery like emails and other electronic based media. This method was more useful since the distributors and retailers were able to fill it as per their convenience. This also took care of the incomplete surveys. Distributors and retailers who agreed to be met upon personally were duly visited. For the retailers, the data was collected majorly over personal visits as they were more comfortable to respond at their shops rather than answering questions over emails. Very few responses were collected over e-mails. Getting data from the retailer was extremely challenging as they were into direct customer dealing and avoided giving time in many cases. The data from the distributors and retailers was collected from August 2019 to April 2020. The in-depth interviews with the C&F agents and manufacturer's sales personnel were taken from December 2020 to March 2021. Care was taken to approach the respondents in the non-peak hours to get a detailed feedback.

3.9. Research Instrument: Questionnaire Development & Administration

For the descriptive studies, surveys were conducted to collect quantitative primary data. This primary data was standardized so that further analysis could be done in a coherent and uniform manner. A questionnaire is a structured instrument with formalized series of questions used for obtaining information from respondents verbally or through a written response. Two questionnaires were developed; one for the distributor and one for the retailer after thorough research of secondary literature on similar themes. Based on the opinion of industry experts and academicians, the questions for different constructs were finalized in a logical order to elicit the response from the participants. Overall, nine constructs were identified for the distributor study and five constructs for the retailer study as discussed in Section 2.6, Chapter 2. Both the questionnaires were developed on a five-point Likert scale where, 1-stood for strongly disagree, 2-disagree, 3- neutral, 4-agree and 5-strongly agree. Likert scale was used to enhance the precision in the degree of expression of the respondents. A pilot study was conducted with 55 distributors and 75 retailers to check the structure and the reliability of the questionnaire. During the pilot study, few questions were dropped and few rephrased for further refinement.

The first section of the distributor questionnaire consisted of a declaration to the respondents wherein the context of the study and the basic purpose of the study was discussed. The respondents were assured on the confidentiality of their details. The questionnaires were drawn from the SCO (Structure-Conduct-Outcome) framework. The briefing was then followed by the first series of questions finalized for each construct that were identified as antecedents of the conflict for a distributor due to structural, attitudinal and organizational sources in the channel. The second section consisted of constructs that measure the outcomes of channel relationship and the final section captured the demographics of the distributors of the FMCG sector like the location, turnover, number of agencies of the distributors, number of sales personnel etc.Most of the constructs were adapted from extant literature barring two, which were developed through expert opinion of academicians and industry experts. The details of the constructs and the sources from where they were adopted are mentioned in Table 3.1.

Table 3.1: Constructs for the Distributor Questionnaire and their sources

Constructs	Sources
Goal Divergence (GOL)	Etgar (1979)
Domain Similarity (DOM)	Ruekert and Walker(1987)
Role Performance (ROL)	Ruekert and Walker(1987)
Trade Policies (POL)	Pilot Study
Dependence (DEP)	Yilmaz *et al.*(2005)
New Channels (NC)	Pilot Study
Perceptual Differences (PER)	Etgar (1979)
Channel Conflict (CFL)	Kumar *et. al.,* 1995, Frazier *et. al.*, 1989
Long Term Orientation (LTO)	Cannon *et. al* (2010), Ganesan (1994)

The retailer questionnaire had five constructs. The first section of the retailer questionnaire consisted of a brief declaration on the context and the basic purpose of the study. The retailers were also assured on the confidentiality of their details and that the study was being done purely for academic reasons. This was followed by series of questions finalized for each construct that were identified as key antecedents of the conflict for a retailer arising due to structural, attitudinal and organizational sources in the channel. The details of the constructs and their sources are mentioned in Table 3.2.

Table 3.2: Constructs for the Retailer Questionnaire and their sources

Constructs	Sources
Goal Similarity	Webb and Hogan(2002)
Dependence	Sukresna et.al.,(2016), Yilmaz et al.(2005)
Trade Policies	Ganesan, S. (1993) and modified for this study
Communication	Mohr and Spekman (1994)
Conflict	Kumar *et. al.,* 1995, Frazier *et. al.*, 1989

The questionnaire developed for the present study demonstrated content validity as the measurement items were selected based on an exhaustive review of literature on channel conflict and feedback from academicians and sales managers of the FMCG firms during the pre-testing phase of questionnaire. The content validity also got established during the pilot study as per the guidelines by Forza (2002).

3.10. Data Analysis Techniques

The data analysis techniques were applied for both kinds of studies; the exploratory and the descriptive studies. For the exploratory study in which the in-depth interview was conducted for manufacturer's sales personnel and the C&F agent, thematic analysis was applied. For the descriptive studies, the conceptual framework was proposed for both the distributor and the retailer after identifying the key relational constructs from structural or attitudinal sources of channel conflict. For the descriptive study a multi-stage analysis was conducted using tools of IBM SPSS and IBM SPSS AMOS.

3.10.1. Qualitative Data Analysis

Qualitative data analysis is helpful in understanding of the human condition in different contexts for a perceived situation (Bengtsson, 2016). The process of qualitative data analysis operates by reduction of the volume of text collected, identification and grouping categories together and look for some understanding of it. All qualitative analysis requires interpretation. However, the depth and the level of abstraction of these interpretations depends on the method of analysis (Silverman, 2001; Patton, 2002).

Thematic Analysis is one of the methods of qualitative data analysis which was used for the analysis of the in-depth interview conducted with the C&F agents and the manufacturer's sales personnel. It is used to identify, analyze, organize, describe and report themes that exist in a data set to produce reliable and insightful findings (Braun and Clarke, 2006). It is also a very useful method for inspecting the perspectives of different survey participants as it highlights similarities and differences and generates unanticipated insights (Braun and Clarke, 2006).

3.10.1.1 In-depth Interview Analysis

Qualitative research gains significance due to its "context-based relevance and appropriateness" (Carson *et al.,* 2001). One can establish internal validity of a phenomena in a credible way (Riege, 2003) by having close access to the real phenomenon (Gummesson, 2002). In this pursuit, in-depth interviews were conducted with mid-level and senior sales managers (Vice Presidents, Assistant Vice Presidents, Area Sales Managers, Business Development Managers etc.) across FMCG organizations including ITC Ltd., Himalaya Wellness Company Ltd., Dabur India Ltd., Johnson and Johnson Private Ltd. etc. In total, 10 interviews were conducted with the respondents handling distribution of goods in territories supervising the distributors and 10 Carry & Forward agents of different FMCG companies in North India. The objective was to get varied perspectives from managers across different FMCG companies having expertise and experience in the area under study and get deeper insights of channel conflict. For researching a complex issue (such as channel conflict), this approach is well accepted (Marshall and Rossman, 1989). Individual interviews were the only option of collecting data because of time-constraints of mid-level to senior managers. It was also believed that a more honest feedback would be received in individual interviews than in group situations. Semi-structured interviews were the most effective way to get this in-depth information (Easterby-Smith *et al.*, 1991).

For conducting the interviews, consistent protocols were adhered. At first, keeping the aims and objectives of the research in mind, potential interviewees who could contribute meaningfully from a range of sales functions were identified. The interviewees were then approached and telephonic interviews were scheduled. Some of the interviews were conducted at the respondents' premises and some interviews at the premise of the researcher. In all these interviews, the key research purpose and the subsequent research questions were used for the interview. The three specific research questions developed for the study were: -

a) *What is the nature of channel conflict in the new age of multiple marketing channels?*

b) *What factors of channel conflict assume importance in the FMCG distribution channel?*

c) *How are manufacturers implementing the multiple channel strategy without running the risk of jeopardizing existing channels?*

The questions were rephrased and supplemented with practical examples wherever needed for better understanding and subsequent analysis. Once the interviews took place, a presentation on these findings was developed. The interview responses were subjected to a thematic analysis technique to derive meaningful correlation between the practical episodes of channel conflict and the underlying theoretical causes of channel conflict.

3.10.1.2. Case Study Method of Research

The case study method of research is a particularly useful approach for analysing the real world business situations (McCutcheon and Meredith, 1993). It is a complete analysis of an individual entity (be it an individual, group or an organisation) with respect to different nuances of totality. It facilitates direct observation of the field, which is all the more important in a domain like this where maximum action takes place in the ground between the channel partners who are embedded in the network. In this method, qualitative intuition and reasoning is used via observation, interviews, content analysis, document reference etc. It is a non-statistical approach and a method of organising the data so that the totality of the social unit can be obtained. One of the best advantages of a case study method is that it can be a great help in the hypothesis formulation and can be used prior to the design of the questionnaire. However, it has also been criticized for its lack of rigor (Ellram,1996) and often the difficulty in generalisation based on an individual experience. If carried out in a structured and well documented manner, it facilitates an in-depth analysis of contemporary phenomena. For ensuring rigour in the case study method, certain quality criteria have been suggested which should be complied with. It comprises case selection, data collection, validity and reliability. Case study method continues to be a good method of research to support and complement empirical studies. Yin (2003) suggested techniques for organizing and conducting the case study based research successfully. The author adopted six steps to carry out a case study research as depicted in Figure 3.4

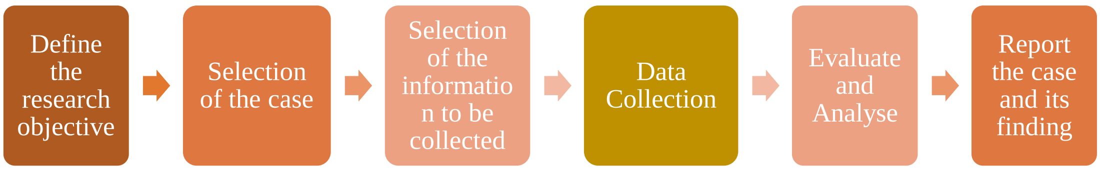

Figure 3.4: Steps in Case Study Research

In order to confirm the linkage of the findings of this study with the functioning of FMCG manufacturers, one of the major players from this industry was identified for discussion as case study. The company was ITC Ltd., a homegrown Indian FMCG multinational firm. The reason behind choosing this company was that it is one of the behemoths of the Indian FMCG sector and is known for its pioneering distribution network particularly in this domain. Its channel structure is a complete study on its own and is often discussed as case study in the academia.

3.10.2. Quantitative Data Analysis

Quantitative Data Analysis was conducted to validate the proposed model of the distributor and the retailer's conflict. This analysis began with data screening and reliability testing during the pilot study stage. This was followed by testing the validity of constructs through Confirmatory Factor Analysis (CFA), hypothesis testing through Structural Equation Modelling (SEM) and sensitivity analysis through Artificial Neural Networks (ANN). IBM's software package of statistics SPSS version 20.0, Microsoft Excel 2013 and IBM® SPSS AMOS Version 20.0 were the software tools used for Quantitative Data Analysis.

3.10.2.1. Confirmatory Factor Analysis (CFA)

The Confirmatory Factor Analysis was conducted to determine whether the factors "conform" to what's expected on the basis of pre-established theory**.** CFA is a statistical technique that helps check the hypothesis that whether a relationship between observed variables and the underlying latent constructs exists. The knowledge of theory and empirical research, are utilized to postulate the relationship a priori and the hypothesis is then tested statistically. SPSS AMOS is used to conduct the CFA. There are various indices which are used to establish the factor structure. The prime metrices are χ^2/df (CMIN/df), Goodness of Fit (GFI), Normed Fit Index(NFI), Tucker Lewis Index(TLI), Comparative Fit Index(CFI) and the Root Mean Square Error of Approximation (RMSEA). The values of these metrices should fall within a certain range to confirm the factor structure. For a better fit, there should be less difference between expected and observed covariance matrices. Thus, the more the value edges to zero the better the model fit (Gatignon, 2010). The χ^2/df estimate should be between the range of 2 to 5 for an acceptable limit (Ullman, 2001; Schumacker and Lomax, 2004). GFI indicates the fit between proposed and observed covariance matrix. The GFI value should be between 0 and 1. The value of 0.9 is considered an acceptable model fit (Baumgartner and Hombur, 1996). The NFI analyses discrepancies between the χ^2 estimate of the proposed and the null model (Bentler and Bonett, 1980). The NFI estimates should be in the range of 0 and 1 and values above 0.90 are considered to be a good fit (Hu and Bentler, 1999). The TLI and the CFI checks absolute fit between the proposed and the independent model. The values of these descriptive statistics are directly related to the discrepancy in the overall fit of the two models. Thus, the greater the discrepancy the greater the values of these descriptive statistics. The value of TLI and CFI should be greater than 0.90 for an acceptable or a good fit of the model (Hu and Bentler, 1999). The RMSEA tests the discrepancies of the model proposed with the help of parameter estimates and covariance matrix of the population. The RMSEA value should be in the range of 0 to 1. The RMSEA value less than 0.06 implies that the model is fit (Hu and Bentler, 1999).

A CFA is incomplete if the validity and the reliability is not tested. One cannot establish the causal model through SEM until the validity and reliability is established. For validity, the convergent and discriminant validity is checked and the reliability is checked through composite reliability while performing a CFA. Few measures useful for establishing validity and reliability are Composite Reliability (CR), Average Variance Extracted (AVE), Maximum Shared Variance (MSV) and Average Shared Variance(ASV). The thresholds for these values are as follows:

- ✓ Reliability; CR > 0.7
- ✓ Convergent Validity; AVE > 0.5
- ✓ Discriminant Validity; MSV < AVE, ASV < AVE, Square root of AVE greater than the inter construct correlations.

3.10.2.2. Structural Equation Modelling (SEM)

Our conceptual framework was checked for the causal relationship of the antecedents with the dependent variable through Structural Equation Modelling(SEM). SEM is a powerful tool which can detect interrelated and dependent relationships between constructs that is otherwise difficult to detect through other multivariate analysis tools (Hair *et al.,* 2006). The structural equation modeling checks two important aspects of the procedure (a) a causal (regression) processes represented by a series of structural equations and (b) the structural relations are modeled pictorially for a clearer conceptualization of the theory getting studied. The hypothesized model gets tested statistically in a simultaneous analysis of the entire system of variables to determine the extent to which it is consistent with the data. For the evaluation of goodness-of-fit for the model, measures of indices χ^2/df, RMSEA, GFI, NFI, CFI and Incremental Fit Index (IFI) are used (Schumacker,1992; Hair *et al.*,1998; Iacobucci, 2010). The proposed relationships as stated in the hypotheses for the distributor and the retailer model were tested for significance using the p value as derived from the structural results.

3.10.2.3 Artificial Neural Networks (ANN)

The significant findings received through SEM results were integrated with ANN technique for further corroboration of the hypotheses. The integrative approach of SEM and ANN offers a more holistic understanding of the relationship of the variables. SEM establishes the causal structures whereas ANN helps us in ranking the exogenous variables in order of their importance. ANNs are akin to human brain which uses the environment to acquire knowledge through the process of learning (Haykin, 2001). The ANNs are better than the traditional statistical methods as the contribution of independent factors on a single dependent variable can easily be derived through regression and also offers higher prediction accuracy (Chong, 2013). Also, traditional techniques like multiple, discriminant regression and even SEM, assumes linear relationship, however to capture the complexity of psychological aspect like channel conflict, artificial intelligence or AI is a much superior technique. It develops much accurate nonlinear models (Wong *et.al.,* 2011). The ANN analysis uses Multilayer Perceptron (MLP) training algorithm.

An ANN model has a hierarchy of layers consisting of a layer of input, one or more hidden layer and a layer of output. A hyperbolic tangent is used by the hidden layer as an activation function. The network model’s accuracy is checked by the value of root mean square error (RMSE). Wang and Elhag (2007) proposed that Neural Networks should be adjudged by changing the count of hidden nodes from one to ten.

The significant independent variables were used as covariates, in the input layer of the network model. Channel Conflict was taken in the output layer of the model as it was the dependent variable.

3.11 Mapping of Research Methodology Adopted for Achievement of Objectives

The objectives developed for this study and the methodology adopted to fulfill these objectives can be summarized in Table 3.3 as follows: -

Table 3.3: Research Methodology adopted for the Objectives

S. No	Objectives	Research Technique
1.	To identify the nature of channel conflict in the FMCG distribution channel.	Literature Review, In-depth Interviews
2.	To identify the causes of channel conflict.	In-depth Interviews, CFA, SEM, ANN
3.	To understand channel members attitude and perception towards multi-channel approach	In-depth Interviews, CFA, SEM, ANN
4.	To study the effectiveness of policies & mechanism in resolving channel conflict & promoting channel coordination.	In-depth interview, Case Study

3.12. Conclusion

This chapter laid down the details of systematic process or the blue print which was followed for analyzing the objectives set for this study. It started with basic research purpose followed by the overview of the research design then the details of the participants, followed by the details of the sampling technique and the sample size, data collection, research instrument and finally the details of the data analysis technique covering thematic analysis, case studies, confirmatory factor analysis, structural equation modelling and artificial neural networks.

CHAPTER-4

DATA ANALYSIS

In this chapter, analysis for the purpose of fulfilling the research objectives is conducted for the complete conventional distribution channel of the FMCG sector. This chapter starts with the overview of the data analysis, then the analysis of the data is presented at the manufacturer level, carry and forward agent level, distributor level and finally at the retailer level.

4.1 Overview of Data Analysis

The data collected from all the primary participants of the distribution channel was analysed for the nature of channel conflict. A multi stage analysis was conducted to ascertain the results for the study. The same consisted of a combination of qualitative and quantitative techniques for all the key participants of the FMCG distribution channel as depicted in Figure 4.1. The qualitative technique of in-depth interviews with senior salespersons (VP Sales, AVP Sales, Area Sales Managers, Business Development Managers etc.) and C&F agents was done on which later thematic analysis was applied. The quantitative techniques were used for distributors and retailers. It consisted of Confirmatory Factor Analysis, Structural Equation Modelling and Artificial Neural Networks. The software tools used for the same was IBM SPSS and IBM SPSS AMOS. Also the analysis of the demographics of the respondents, the pilot studies, the results of reliability test, assumptions of the MVA (multivariate analysis) essential for applying CFA, SEM and ANN have been discussed. For the empirical analysis, before administering the questionnaire a pilot study was conducted for the purpose of refining the questionnaire with 55 distributors in the FMCG sector. This helped to improve the sequencing and logical consistency of the questionnaire. Several statements were rephrased to make it easier from distributors' perspective. Similar pilot study was done for the retailer's questionnaire too with the responses of 75 retailers. After the refinement of both the questionnaires, the survey form was shared with distributors and the retailers. A total of 350 distributors were approached using both online and offline sources. Out of 350 distributors, 281 responses were collected from both the sources. The data sheet was then checked for missing data and unengaged responses which were subsequently removed from the refined data set. The final eligible responses were 266 distributors. For the study of retailers, personal visits at the outlets were done as they were more comfortable to respond at their shops rather than answering questions over emails. Very few responses were collected over e-mails. The retailers were investigated on the quality of existing relationship with their connecting distributors. A total of 347 FMCG retailers' responses were considered for the final analysis from the total 362 collected responses. The following sections elaborates the data analysis and results obtained for each of the primary participants of the FMCG distribution channel: - the manufacturer, the C&F agent, the distributor and the retailer.

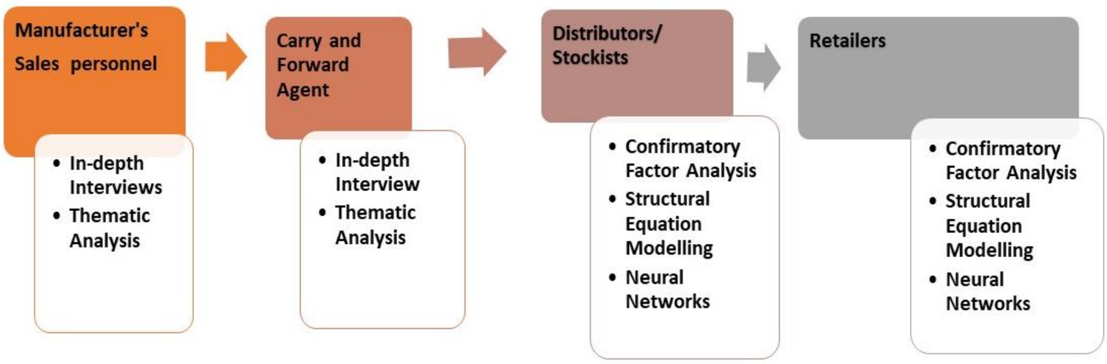

Figure 4.1: Data Analysis techniques used for analyzing conflict at different channel levels

4.2 Study I: The Manufacturer's Perspective-Thematic Analysis

The in-depth interviews taken with the senior salespersons in the FMCG firms like Dabur India Ltd., Beiersdorf AG, Hindustan Unilever Limited, Patanjali Ayurved Limited, ITC Ltd., Pepsico India, Hindustan Coca-Cola Beverages Pvt. Ltd. were followed by thematic analysis. Thematic Analysis offers a flexible approach and can be modified according to the needs of the study. It offers a rich, detailed and a complex account of data (Braun and Clarke, 2006).

Organizations are socially constructed and the people in the organization construct these realities. They are "knowledgeable agents" who are aware of what they are trying to do and can explain their actions, thoughts and intentions (Gioia *et.al.*, 2012). Therefore, the senior salesperson of FMCG sector were considered knowledgeable agents who would best serve as respondents. The endeavor of this study was to represent their voices in the early phase of data collection so that richer insights and new concepts may be discovered instead of simple affirmation of existing concepts. The conflicts brought to surface by the manufacturer's salesperson interview were identified. The interviews were of immense help to get familiarized with the depth and breadth of channel conflict in the FMCG distribution channel. The telephonic interview was recorded after taking the permission of the participants. These sales personnel were assured of anonymity to get honest and detailed information.The recordings were listened repeatedly in an active manner to derive meaning and pattern from the data. The next step was the production of initial codes from the data. This theorizing activity requires researchers to keep reexamining the data. This qualitative coding offered a way of interacting with and rationalising the data (Savage, 2000). It helped to simplify and focus on the unique elements of the data. Thus, the unstructured data lead to the development of ideas about the data (Morse and Richards, 2002). In this phase, important sections of the audio recording were identified and labels were attached to index them as they were linked to a theme or issue in the data (King, 2004). These thematic networks helped to delve deeper into the meaning of the audio clips and identify the patterns that underlie them (Attride-Stirling, 2001). 10 codes of daily conflict, linked to their potential sources were developed initially from the audio clips. The same were then clustered into four major themes which were business objective, economic objectives, competition and service issues. The thematic discussion is presented next.

4.2.1 Economic Objective

Economic goals are the most important driver of business relationships. In the in-depth interviews also, this facet came out very explicitly. The salesperson who is mapped to the distributor has to ensure that the return on investment (ROI) gets generated month on month. The salespersons acknowledged that it would be difficult to keep the channel partner in trade if the ROI does not get generated. The distributors may adjust between one two months, but surely not beyond that. Despite the greater levels of competition from new channels like Modern Trade and e-commerce, ROI of 12-14% on an annualised basis must be generated. Another indirect form of conflict that stems from the economic concerns is the claim settlement. Claim Settlement issues of DND

(Damaged and destroyed) goods whose settlement cycle generally extends over a month from the company's end, locks the working capital for the distributors and the C&F agents. Claim settlement issues also happen when company gets bullish and runs promotional schemes across the channel, but the inventory does not get liquidated in the market. This stock is claimed by the distributor to the company at a negotiated rate of 0.5 %. Also, the promotional schemes are often credited late to the downstream channel partners as the upstream partner refrains from extending it till the time the same gets realised. For example, the distributor would not extend the promotion benefit to the retailer, till the time the distributor gets credited by the manufacturer. However, the promotional schemes are committed to the retailer for the purpose of sales. The retailers are assured of credit of the schemes in a certain future period. Many times this process gets delayed which once again leads to conflict of distributor with the manufacturer. Manufacturers also keep demanding more and more investment or "funding" in resources like warehouse, vehicles, sales executives by downstream partners in their business. However, C&F agents and distributors resist this move till the time they are assured of their ROI. Thus, economic objectives surely are a major cause of channel conflict as channel partners are ultimately traders and enter the channel with a joint business plan where at least 14 % of annualized returns has to be ensured. The evidence of these issues is depicted in Table 4.1.

Table 4.1: Data supporting Interpretation of Channel Conflict:Manufacturer's perspective on Economic Objective

Theme	Sample Quotes	Interpretation
Economic Objective	• *"As we keep loading the distributor with more and more inventory, the distributor often complains, how will I make my ROI?"(AVP, Sales)* • *"At the end of the day he is a trader and looks forward to at least 14-16 % ROI annually." (AVP, Sales)* • *"No distributor will stick to the business if he is not making money."(Area Sales Manager)* • *"Distributor wants the claim settlement to happen timely." (Area Sales manager)* • *"All FMCG firms operate on advance cash only then the inventory is handed."(Sales Executive)*	Thus, these conversations clearly imply that economic objective runs foremost in the minds of the channel partner as well as the manufacturer and all the participants are wary of investments in the business. The downstream channel partners deploy their working capital in the business and do not appreciate if its stuck in business for a long period.

4.2.2. Business Objectives

The manufacturer generally increases the sales targets for the complete channel by 20 to 25 % annually irrespective of market growth, which translates into stiffer targets for downstream partners. Though the business objectives translate to economic benefits, but sales volume pressure is visible across the channel. It also came out that these business objectives are generally dictated by the manufacturers causing frustration in downstream partners as they feel that manufacturer is oblivious of the ground realities. Manufacturers always want that the stock should be timely supplied and marketed, there should be greater frequency of order taking and no out of stock out situation, under any circumstances. This translates into volume pressure across the channel for existing as well new product launches. The pressure is greater for new launches as manufacturers have to ensure that the stocks are on the shelves at least 15 days before the promotion goes live. The target for the C&F agents set by the manufacturer is timely supply whereas distributors and other downstream partners are given territory coverage and business development objectives. The quotes and interpretations of this issue is depicted in Table 4.2.

Table 4.2: Data supporting Interpretation of Channel Conflict: Manufacturer's perspective on Business Objective

Theme	Sample Quotes	Interpretation
Business Objective	• *"As a salesperson I have to ensure that the distributor is covering all contact points(retailers). If he does not, then we remove him from the territory or add another distributor in the same territory."(Business Development Manager)* • *"For any of our new launches we need to ensure that we give them sufficient time to market." (AVP, Sales)* • *"Every company increases targets by 20% every year in order to survive."(Area Sales Manager)* • *"Our main job is to distribute targets to C&F agent or a distributor, C&F agent's main job is to get distributors."(Area Sales Manager).*	It can be derived that the manufacturer is essentially concerned about achieving desired market coverage and sales volume targets. The manufacturer leverages the brand's strength and dominates downstream partners. FMCG firms do their planning and forecasting, simply push targets and force downstream partners to dump inventory.

4.2.3. Service Issues

The inventory is often not placed timely in the market despite the launch of ATL (above the line) promotions. The timely inventory availability is often a cause of conflict at the C&F agent level. A lot of time the dispatch of inventory occurs at non-peak hours which is often inconvenient to channel partners. The upstream partner does this to save his own cost. Also, the quality of transportation and dispatch generally keeps falling as the stock moves from manufacturer to the next level, till it reaches the consumer. Thus, there are many instances where inventory gets damaged or not delivered in the right state or delivered at odd hours. The C&F agents bills downstream partners on behalf of the company. The common issue faced at this level is the quality of transport used for dispatch of goods to the downstream level. There are often situations where the C& F agent compromises on the quality of transportation and handling which damages the stock. This again becomes a cause of conflict between the manufacturer and the channel partners. Besides the C&F agents, the distributors look for support from the sales personnel to achieve targets and getting bills cleared for claim settlement. The evidence of same is depicted in Table 4.3.

Table: 4.3: Data supporting Interpretation of Channel Conflict: Manufacturer's perspective on Service Issues

Theme	Sample Quotes	Interpretation
Service Issues	• *"Brands often try to avoid claim settlement payments if damage has happened at the distributor end." (AVP, Sales)* • *"Companies often get bullish on certain brands and bundle promotional schemes around it but if the same does not get sold, the downstream partners get disappointed."(Area Sales Manager)* • *"There is always a push from brands to its distributors to increase their transportation fleet and feet on street."(Area Sales Manager)*	It can be derived from these statements that the downstream channel partners want support and equal focus from brands. The channel partners need service support on issues of bills clearance, claim settlement and promotional activities.

4.2.4. Competition

FMCG sector is a competitive market which has huge number of players. At the retailer level, there is immense competition. Lot of brands try to lure the retailer by giving greater margins making it difficult for other brands' distributors to sell the stock to retailer. In terms of new channels, Modern Trade had given competition to the General Trade till 2017, but the last two years of the pandemic has seen tremendous growth of e-commerce. This was definitely at the cost of Modern Trade which was a clear casualty in the same period. The effect of these new channels of e-commerce and Modern Trade has been majorly on the C&F agent and the distributors who face trouble achieving their sales commitments. These new channels will surely become a cause of conflict in the coming period. The evidence of the same can be referred in Table 4.4.

Table: 4.4: Data supporting Interpretation of Channel Conflict: Manufacturer's perspective on Competition

Theme	Sample Quotes	Interpretation
Competition	• *" The territory that has Modern Trade outlet cannibalizes sales of General Trade, the management wants separate sales volume from each channel, even if the customer is common." (Business Development Manager)* • *"Retail sales, institutional sales are all a result of company's strategies, they create competition between their own teams, whatever be the case, in the end, the company benefits." (AVP, Sales)* • *"The company strongly chases targets , distributor ,C&F agents know that if they do not complete targets the company will find substitute for them."(Area Sales Manager)*	These statements indicate that the FMCG brands have knowingly fueled competition among different sets of multiple channels. The channel partners realize that at the end of the day it benefits manufacturers and they have no option but to increase performance else get substituted. The channel partners are uncomfortable with this increased competition but are aware of limited options.

The revelation of these themes confirms that conflicts exist in any distribution channel, thereby confirming the widely accepted theory that conflict is an inherent part of distribution channels relationships (Koza and Dant, 2007; Kotler and Keller, 2009). Also, the interdependence between the channel partners, the C&F agent, distributors and the retailers are very much obvious. It is difficult to be accurate in determining and pinpointing the cause and location of conflict, i.e. up to what level one source of conflict operates and from what level another source of conflict operates. For example, role performance attribution to conflict could also be a result of perceptual differences of channel partners. The results also show that these conflict issues have a negative effect on different channel partners' performance. For example, poor transportation quality at the C&F agent level adds on to the inventory grievance at the distributor level. The same issue is faced at the retailer level.

It can be derived from the interviews of the sales person that though conflict has a negative impact on channel performance but at the same time it stimulates the distributor's sales force to increase market coverage. All different verticals of sales, institutional (key accounts like Modern Trade), e-commerce marketplaces or General Trade, end up working for their portfolios amidst competition and give their best efforts to generate sales. This is overall good for the manufacturer. Thus, the conceptual model of Rosenbloom (1973), that was later extended by Singh (2006), which suggested that conflicts can have three types of effect on the efficiency of the channel: negative, null and positive appears to be relevant in this study also. Both the first two research objectives: a) to identify the main themes or areas in which channel conflict occurs in the FMCG distribution channel and b) to study the impact of new channels on FMCG channel conflict; got answered through the interaction with the sales managers.

Our third research objective was to investigate the strategies the companies are coming up with to manage these multiple channels to contain conflict. The insights received for this question was very enriching. It came out, that the FMCG firms are consciously differentiating the product basket for different channels. This differentiation is happening in terms of variants, new launches and SKU sizes. For example, Dabur India Ltd. is selling its Desi Ghee from the e-commerce channel. The companies are consciously studying the categories which get sold in different channels and accordingly launch SKUs across different channels. It is realized that the smaller sized SKUs are more popular at the General Trade (retail level) whereas bundled products and larger size SKUs go with the Modern Trade and e-commerce. This differentiation is based on the profiling of the customers who visit the unorganized retailer vs the ones who visit the organized retailer. FMCG firms are increasingly looking at options where online presence is backed by offline centres. New channels (Modern Trade and e-commerce) are being used for experimentation, new launches and innovative products are being sold for direct to consumer initiatives. FMCG firms give weightage to favoured retailers for servicing e-commerce platforms. General Trade is evolving and getting modernized day by day. It achieves volume targets by selling routine products and the new channels achieve value targets. New channels are also helping in upgrading the customer especially at platforms like Amazon. Also, new channels give more scope for experimentation, innovation in terms of packaging, bundling of products, special packs at higher prices etc. The salesperson admit that FMCG firms should be conscious about their pricing policies across different channels so that all channels can grow and coexist. Thus, our last research objective also got fulfilled through these in-depth interviews.

4.3 Study II: The C&F agents' perspective on Channel Conflict-Thematic analysis

The C&F agent is an extension of the firm and is the first entity where goods are unloaded after the dispatch from the manufacturer's warehouse. The C&F agent generally operates for a flat fees and provides warehouses of varying capacities and transportation services. In India, a C&F agent generally is appointed for each state, however, post the GST roll out, lot of consolidation has happened at the C&F agent level. After the implementation of GST, the FMCG firms were compelled to re-examine their supply chain networks and optimize the number of warehouses, locations and networks. For this study, 10 C&F agents were identified working for some popular brands like Hindustan Coca-Cola Beverages Pvt. Ltd., Hindustan Unilever Ltd, Dabur India Ltd. etc. Exhaustive interviews were conducted at a convenient time specified by the C&F agents. The in-depth interview lasted for more than 30 minutes on an average. The interview questions stemmed out of the research objectives. Thematic analysis was applied to the interview conversation similar to the previous section. The initial assumption was that there should be less issues at the C&F agent level, as the C&F agent is generally the extension of the manufacturer. However, it was observed that there are issues of conflict even at the C&F agent level too. 15 codes (keywords) of conflict emerged from the C&F agent's interviews. These were further revisited and categorized into five themes. The same were economic objectives, business objectives, service issues, inventory issues and trade policies. These themes in context of the C&F agents are discussed next.

4.3.1. Economic Objective

The FMCG companies operates on advance payments and delivers the inventory only when the payments are realized. The dominating nature of manufacturer is visible as often same day payment through RTGS is demanded to fulfill the order. The manufacturer's play on the reputation of their brand and expect greater funding from the C&F agent at all times. Credit period is given in extremely special situations. Untimely claim settlement also locks working capital for the C&F agent and results in economic losses for the C&F agent. Another interesting issue that emerged was that manufacturers often indulge in creating artificial shortage of products among C&F agents so that they can bargain better for prices by creating panic buying situations in trade. All these episodes reflect the economic objective of the manufacturer creating conflict at the C&F agent level. The evidence of the same can be referred to in Table 4.5.

Table 4.5: Data supporting Interpretation of Channel Conflict: C&F agent's perspective on Economic Objective

Theme	Sample Quotes	Interpretation
Economic Objective	• *"C&F agents works on a margin of 5% generally, we play on volumes."(C&F agent, Dabur)* • *"The company always want funding from us." (C&F agent, HCCB Ltd.)* • *"If a brand gives us turnover over Rs. 3 cr then only we invest in warehouses, below Rs.3cr we are only concerned about ROI." (C&F agent, Dabur India Ltd.)* • *"If sometimes we are unable do RTGS of Rs.30-40 lakhs, brands refuse to deliver inventory." (C&F agent, HCCB Ltd.)* • *"C&F agent often compromises on the quality of transportation, the same depends on the amount of reimbursement the C&F agent gets from the manufacturer." (C&F agent, Dabur India Ltd.)*	It can be inferred from these statements of C&F agents that the economic objective is the major concern between the manufacturer and the C&F agent. This is logical as ultimately it's a joint business plan for both of these entities.

4.3.2. Business Objectives

The manufacturer constantly applies pressure on the C&F agent for timely supply to avoid out of stock situation in the market. The pressure of sales and to dump inventory as fast as possible to all the distributors creates tension as C&F agent feels that the manufacturers are ignorant of the ground reality of customer's preference. According to the C&F agents, manufacturers only believe in pushing inventory and increase targets each year for them by 20-25%. In case the C&F agent expresses inability to meet targets, the manufacturer threatens to opt for other C&F agent in the territory. This is the reason why most of the C&F agents comply to the manufacturer's demands. This is supported in Table 4.6.

Table 4.6: Data supporting Interpretation of Channel Conflict: C&F agent's perspective on Business Objective

Theme	Sample Quotes	Interpretation
Business Objective	• *"Company would never alter their targets; we only have to scale up our performance." (C&F agent, Johnson and Johnson Pvt. Ltd.)* • *"We don't raise complaints of the competition faced, because if we don't do business some other C&F agent will do" (C&F agent, Pepsico India)* • *"If there is an option to purchase from a national distributor why would a distributor buy from a regional C&F agent?" (C&F agent, Bisleri International Pvt. Ltd.)* • *"The General Trade team tries to increase distribution to wholesalers to handle competition from online channels" (C&F agent, Bisleri International Pvt. Ltd.)*	Thus, it can be drawn from these statements that the manufacturers are very clear about their strategic business objectives and know how to achieve it. There is little consideration for the issues of the C&F agent.

4.3.3. Inventory Issues

Manufacturer often does not give the inventory corresponding to the billed amount and product variant demanded by the C&F agent. The product portfolio is designed according to the manufacturer's decisions. It is ensured that the less selling variant also gets pushed in the product basket. When these slower moving inventory remains unsold, it leads to reduction of the C&F agents' incentives. It also emerged from the interviews that lot of companies make the C&F agent bear the loss of damaged and expired products which is again a concern. The evidence of the same is given in Table 4.7.

Table 4.7: Data supporting Interpretation of Channel Conflict: C&F agent's perspective on Inventory Issues

Theme	Sample Quotes	Interpretation
Inventory Issues	• *"Manufacturers do not give you inventory of the complete billed amount, they plan inventory allotment themselves and ignore our demands." (C&F agent, HUL)* • *"We just want a timely supply of inventory from company."(C&F agent, Dabur India Ltd.)* • *"Whatever losses of damaged and expired stock, is borne by us only"(C&F agent, Pepsico India)*	Thus it can be inferred that the inventory allocation and issues related to damage and expired products also contributes to the conflict.

4.3.4. Trade Policies

The policies of damaged, destroyed or expired products are perceived unfair, as the losses that come out of such products are borne by the C&F agent itself. Another issue that came out was the policy of territory infringement. A C&F agent on an average services 150-200 distributors and is burdened with the daily task of fulfillment of orders. A lot of times, C&F agents are unable to check infiltration in the territory. The C&F agent expects stringent trade policies on this issue from the manufacturer. The absence or implementation of these policies leads to conflict. Policies on LSPs (Logistic Service Providers) also emerged as a reason for conflict. As reported, many times there are fluctuations in rates of LSP due to environmental reasons. Very few companies have flexible policies in this regard.

Emergence of new channels like Modern Trade and e-commerce had increased competition for the C&F agent initially but due to the widespread protests, the manufacturers have now agreed to cap institutional sales. It came out in the interviews that the C&F agents and the distributors are the most affected parties due to the emergence of Modern Trade and e-commerce. The institutional sales operate at very competitive rates which the General Trade channel partner can never match. This is because institutional sales happen at the national level but the General Trade sales happen at local level. Therefore, key accounts or institutional clients get better deals that spurs predatory pricing across the channels. The General Trade channel partners got some respite with the capping of inventory for institutional sales but the overall impact remains yet to be seen. The statements on the same theme can be referred in Table 4.8.

4.3.5. Service Issues

C&F agent's main job is to fulfill the order of distributors to ensure timely delivery of stock in the right state. A lot many times C&F agent tries to compromise on the quality of logistic services for the purpose of fulfilling downstream orders. The C&F agent does this to save cost but the same creates service issues for the downstream channel partner who often complains that the inventory does not reach timely or in right condition. Thus, service issues at the C&F agent level also leads to conflict with the manufacturer as depicted in Table 4.9.

Table 4.8: Data supporting Interpretation of Channel Conflict: C&F agent's perspective on Trade Policies

Theme	Sample Quotes	Interpretation
Trade Policies	• *"As a C&F agent we are not allowed to sell goods to other territories." (C&F agent, Johnson and Johnson Pvt. Ltd.)* • *"All these new channels have impacted our business to a great extent. Only after our intervention the company was compelled to cap the inventory for online platforms." (C&F agent, Pepsico India)* • *"Many a times our distributors go directly to Metro, Big Basket etc.and procure stock from them." (C&F agent, HUL)* • *"For a C&F agent if the transportation rates go up, it can be a major concern." (C&F agent, Pepsico India)* • *"The brands do not care about ground realities and continue to dominate us" (C&F agent, Bisleri International Pvt. Ltd.)* • *"The trade policies need to flexible to factor in the uncertainty in transportation rates" (C&F agent, HCCB Ltd.)*	Thus advance payment, policies on use of institutional sales (key accounts like Modern Trade and e-commerce), transportation system are a cause of concern for the C&F agent.

Table: 4.9: Data supporting Interpretation of Channel Conflict: C&F Agent's perspective on Service Issues

Theme	Sample Quotes	Interpretation
Service Issues	• *"We just need a proper territory mapping from companies, so that the C&F agent do not infringe each other's territories." (C&F agent, Pepsico India)* • *"Proper territory mapping helps in timely supply of goods" (C&F agent, HCCB Ltd.)* • *"The billing support should be proper from companies" (C&F agent, Dabur India Ltd.)* • *"The major issues for a C&F agent is with regards to transportation and space for warehousing" (C&F agent, Pepsico India)* • *"The claims from the C&F agent are inspected for timely supply and damage in the transit, often the settlements get stuck due to same" (C&F agent, Bisleri International Pvt. Ltd.)*	It can be inferred from these statements that the C&F agent looks forward to a strong support system for billing, claim settlement and timely supply of goods. These are the major areas of service that need attention at the C&F agent level.

With this our first research objective, the nature and causes of conflict at the C&F agent level got investigated. This also vetted our assumption that conflict occurs at all levels and is an inherent part of distribution channel (Kotler and Keller, 2009). The second research objective based on the assumption that channel conflict's dimension would have undergone a change due to the advent of new channels also got confirmed as C&F agents acknowledged that the companies have now capped institutional sales which will hopefully reduce competition and provide a level playing field. The third research objective was to analyse if the companies are taking any steps to make these multiple channels coexist without cannibalizing other channels. The C&F agent shared that the companies are trying to differentiate product offerings across channels. Thus, the last research objective for investigation of channel conflict at the C& F agent level got fulfilled.

4.4 Study III: The Distributor's perspective on Channel Conflict

A distributor is also referred as a WD (Wholesale Distributor) in many firms. The prime responsibility of a distributor is to provide coverage of the wholesalers and the retailers in a territory. There is a decent amount of investment required to become a distributor in an FMCG sector in India. Besides having a good financial health, past record as a distributor, network and reputation, the distributor also needs to possess physical infrastructure. A warehouse of at least 100 square meters and a basic fleet of 6-8 delivery vehicles is also required. An initial investment of at least Rs. 40-50 lac is needed to begin the operations as a distributor in FMCG sector. The distributor generally gets a 15-day credit period to make payment and makes roughly 12-14% ROI of the invoice amount annually. The distributors take inventory ownership and associated risk arising in the trade. A manufacturer's primary sales to a distributor is extremely crucial as it alleviates the burden of inventory management, provides working capital and the desired market coverage to the manufacturer. Therefore, it is imperative to investigate the views of this primary participant, the distributor, on channel conflict.

4.4.1 Demographic Profile of the Distributor

This section discusses the demographic profile of the distributors. The distributors were majorly small and mid-sized firms and usually represented more than one FMCG firm. They were majorly from NCR and North India. The demographics captured for the distributor were the number of years in business as a distributor, the number of agencies, the longest association (in years) with any supplier, the number of sales personnel the distributor had and estimated turnover of the business as depicted in Table 4.10.

Table 4.10: Demographic profile of the distributors

Details	Frequency	Percentage
No. of years working as a distributor		
1-5 Years	56	21.10%
5-10 Years	80	30.00%
10-15 Years	84	31.60%
15-20 Years	46	17.30%
No. of agencies of distributor		
1-5 Companies	115	43.20%
5-10 Companies	92	34.60%
10-20 Companies	28	10.50%
20-25 Companies	31	11.70%
Association with the biggest company		
1-5 Years	76	28.60%
5-10 Years	68	25.60%
10-15 Years	85	32.00%
Greater than 20 Years	37	14.00%
Size of distributor's salesforce		
1-5 Salesperson	18	6.80%
5-10 Salesperson	34	12.80%
10-15Salesperson	67	25.20%
15-20Salesperson	63	23.70%
More than 20 Salespersons	84	31.60%
Annual Turnover (INR)		
5-10 Lacs	6	2.30%
10-15 Lacs	7	25.20%
15-20 Lacs	37	14.00%
20-25 Lacs	102	38.30%
More than 25Lacs	114	42.90%

A total of 266 responses of the distributor were captured. Majority of the distributors were there in the business between 10-15 years (84%), followed by those between 5-10 years (80%). 115 distributors dealt with 4 to 5 companies (43.2 %). Maximum distributors dealt with their largest supplier for more than 10-15 years, (32%). Significant percent of distributors had a team of over 20 salesmen often termed as distributor's sales force or feet on street. Most of them had a turnover of greater than 25 lacs (42.9%).

4.4.2 Pilot Study

To kick-start the study, it was essential to get familiar with the research setting through few personal interviews with distributors of leading FMCG firms in India. The distributors when contacted took considerable interest in this research and provided lot of interesting insights in this area. The distributors were interviewed on their existing relationship with leading manufacturers and any incidence of dispute in the recent past. Based on these interviews and extant research on channel literature, the survey questionnaire was constructed. The pre-tests were done with 55 distributors to ensure that there was no confusion in understanding the questionnaire and if it is rightly comprehended to elicit the responses. This process improved the sequencing and logical consistency of the questionnaire. This sample for the pilot study was deemed fit for checking the reliability of the questionnaire.

4.4.3 Reliability of the questionnaire

The study utilized a standardised survey questionnaire which was modified for the Indian context. The questionnaire was checked for the reliability. Reliability is the ability of the survey instrument to give constant and accurate results (Joshi and Yadav, 2017). In other words, it is "the degree to which responses are consistent across the items within a measure" (Netemeyer *et al.,* 2003). The same is checked using Cronbach's α that measures the internal consistency (Cronbach, 1951). A value of 0.7 or more indicates that the scale is reliable (Hair *et.al.,*2013). The value of all the constructs in this study was above 0.7. Thus the data demonstrated reasonable reliability. Table 4.11 lists the constructs with the sources, number of items and with reliabilities.

Table 4.11: Reliability and the sources of constructs for the Distributor Study

Constructs	Sources	No. of items	Cronbach Alpha(α)
Goal Divergence(GOL)	Etgar (1979)	6	0.792
Domain Similarity(DOM)	Ruekert & Walker(1987)	3	0.74
Role Performance (ROL)	Ruekert & Walker(1987)	3	0.799
Trade Policies(POL)	Pilot Study	3	0.769
Dependence(DEP)	Yilmaz *et al.,(*2005)	3	0.764
New Channels (NC)	Pilot Study	3	0.726
Perceptual Differences(PER)	Etgar (1979)	3	0.711
Channel Conflict(CFL)	Kumar *et. al.*, (1995), Frazier *et. al.*, (1989)	4	0.794
Long Term Orientation(LTO)	Cannon *et. al* (2010), Ganesan (1994)	4	0.741

4.4.4 Preliminary Tests for Multivariate Analysis

Before proceeding for multivariate analysis, the data sheet was checked for any missing data. It is difficult to get the results of final analysis if there is missing data in the set. This was checked using descriptive analysis in IBM® SPSS Statistics. The missing values were absent in the dataset. Once this was ascertained, preliminary tests for multivariate analysis were carried out to check whether multivariate analysis can be applied to the dataset or not. These preliminary tests are for normality, outliers, homoscedasticity, multicollinearity and linearity The same are discussed below: -

4.4.4.1. Outliers

The data set needs to be checked for outliers which are essentially cases that are different from other values due to extreme difference. The same is detected by computing the Squared Mahalanobis Distance (D^2) in the dataset. Outliers have a considerably different D^2 value from the other values of D^2 of the dataset (Byrne, 2010).

Appendix B shows the Squared Mahalanobis Distance tables. Any value which was less than 0.001 was considered as a multivariate outlier and removed.

4.4.4.2 Normality

For the analysis through SEM, an important criterion is that the data should be normal. Normality of the dataset is ascertained through the existence of skewness and kurtosis in the normal distribution curve. Skewness of the curve is measure of symmetry of the distribution about its mean; whereas, kurtosis is the peakedness or flatness of the distribution (Hair *et al.,* 2010). Table 4.12 depicts that the skewness and kurtosis values are within the tolerable range (Skewness < ±3 and Kurtosis < ±10) (Hair *et al.,* 2010).

Table 4.12: Skewness and Kurtosis of the Distributor Data

	Skewness	Std. Error of Skewness	Kurtosis	Std. Error of Kurtosis
GOL	0.056	0.149	0.077	0.298
ROL	-1.019	0.149	1.399	0.298
PER	-0.732	0.149	0.9	0.298
DEP	-0.607	0.149	1.155	0.298
POL	-1.272	0.149	1.112	0.298
NC	-0.496	0.149	0.922	0.298
DOM	-0.713	0.149	0.654	0.298
CFL	0.121	0.149	-0.239	0.298
LTO	-0.192	0.149	0.407	0.298

4.4.4.3 Linearity

Linearity is another important assumption for the dataset, required for the purpose of multivariate analysis. This linearity in the dataset was checked with the help of a scatter plot. The scatter plot diagram depicts the distribution of the data points. Figure 4.2 depicts the scatter plot. The data scattered along the fit line indicated the linearity of the dataset.

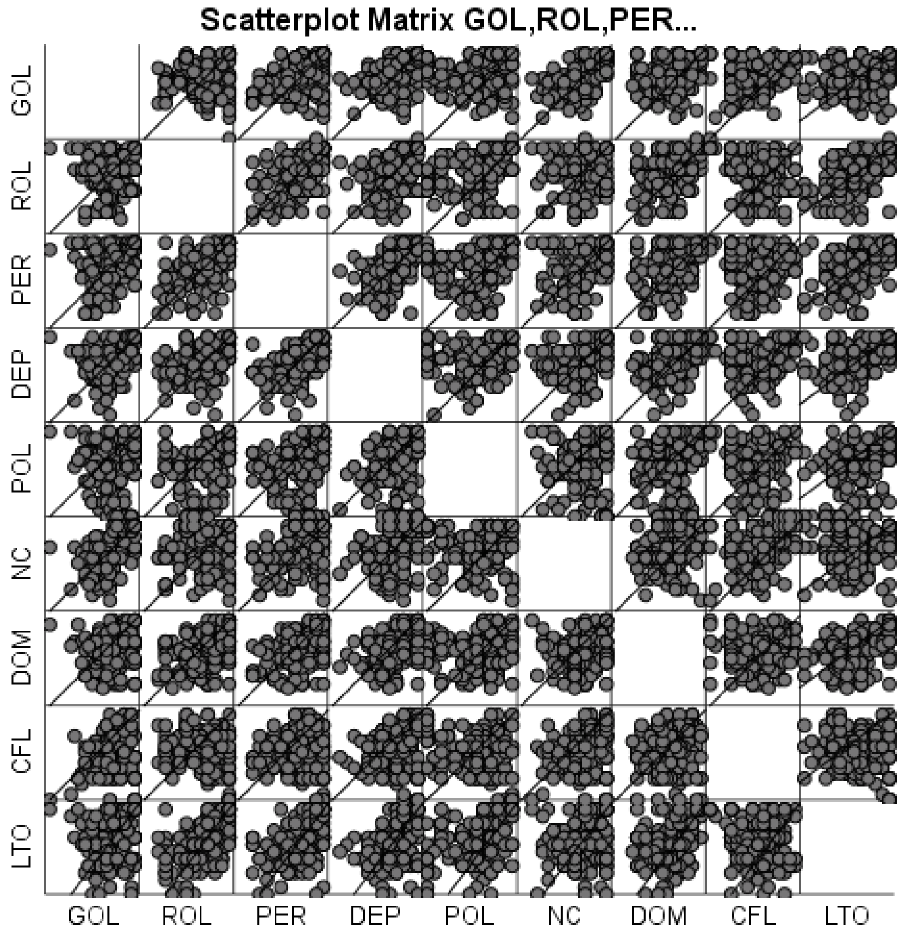

Figure 4.2: Matrix Scatter Plot depicting the linearity of the Distributor data.

4.4.4.4 Homoscedasticity

Homoscedasticity is also a critical assumption for applying multivariate analysis on a dataset. A data set is said to be homoscedastic if the dependent variable demonstrates equal level of variance with regards to the predictor variable (Hair *et al.*, 2010). To inspect the homoscedasticity, scatter plot of the standard predicted and the residual values were considered. The scatter plots confirmed homoscedasticity in the data making it suitable for regression analysis. Figure 4.3 and 4.4 depicts the scatter plot and homoscedasticity in the dataset for the distributor.

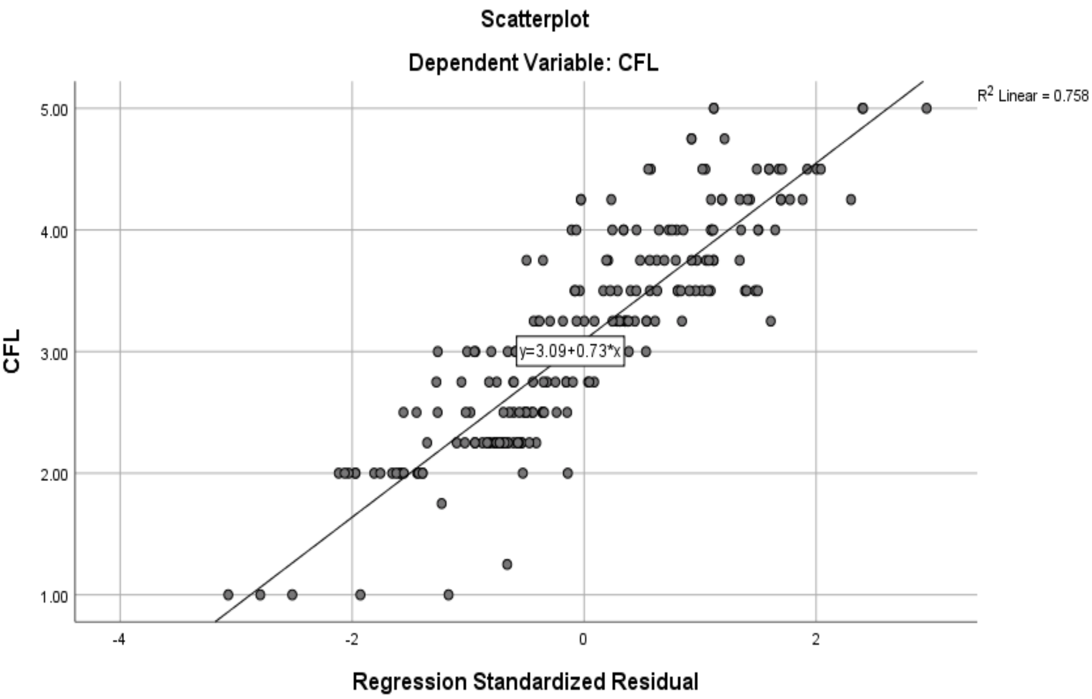

Figure 4.3: Scatter Plot showing homoscedasticity for CFL as a dependent variable for Distributor study

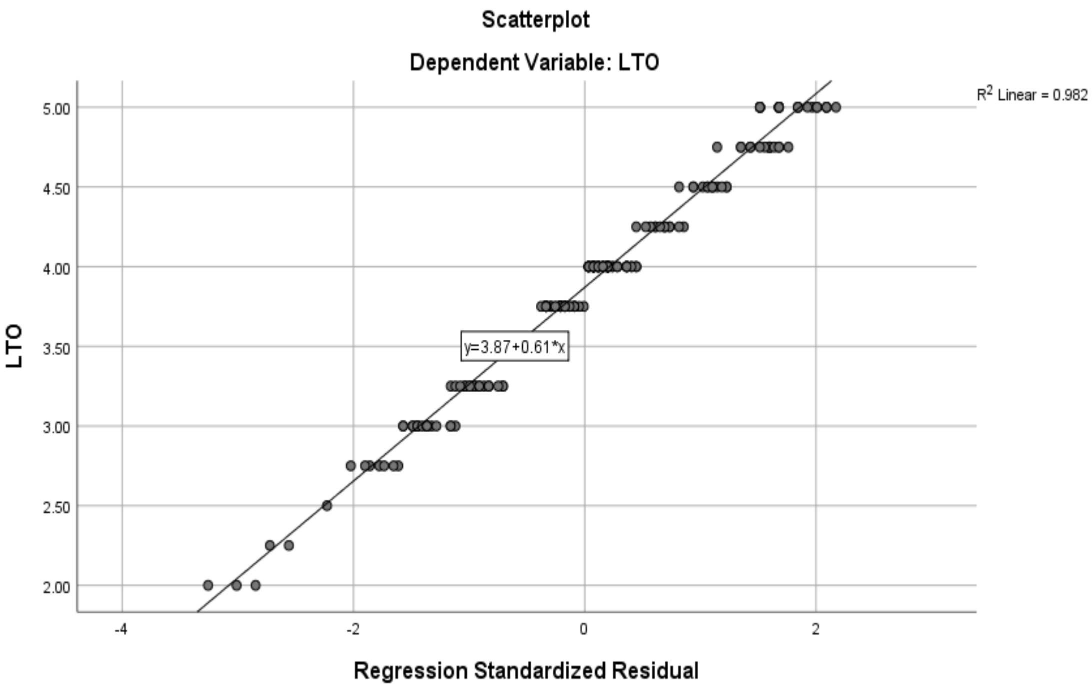

Figure 4.4: Scatter Plot showing homoscedasticity for LTO as a dependent variable

It can be derived from the scatter plot diagram that all plots have the same extent of scatter. This is due to the similar random disturbance in the relationship between the dependent and the independent variables. Therefore, the existence of homogeneity of variance in the relationships, suggests homoscedasticity in the dataset.

4.4.4.5 Multicollinearity

Multi-collinearity is basically the high levels of correlation between the items of one variable with that of the items of the other variables. There should be an absence of multicollinearity to proceed with multivariate analysis. For checking multicollinearity, two statistics are considered; tolerance and VIF (variance inflation factor) in the independent variables for the proposed model. Tolerance is basically the amount of variability in the independent variables selected. Its value must be > 0.1(Hair *et al.,* 2010). VIF is just the converse of the tolerance value. The value of same should be < 3 (Hair *et al.,* 2010). Table 4.13 depicts the VIF and the Tolerance values of the independent variables confirming that they are much within the suitable range.

Table 4.13: Multicollinearity Statistics for Distributor Study

Constructs	Tolerance	VIF
GOL	.810	1.234
DOM	.772	1.295
ROL	.631	1.584
POL	.793	1.261
DEP	.643	1.555
NC	.636	1.572
PER	.525	1.904
Dependent Variable: CFL		
CFL	1.000	1.000
Dependent Variable: LTO		

4.4.5 Confirmatory Factor Analysis

After performing the preliminary analysis, the confirmatory factor analysis was conducted using IBM SPSS AMOS® version 20.0. The first step for the Confirmatory Factor Analysis was to check Convergent and Discriminant Validities.

4.4.5.1 Convergent and Discriminant Validities

For ensuring the absence of any validity concerns in the data, the Convergent and the Discriminant Validities of the constructs were determined. In order to assess the validities and find out the model fit indices, the measurement model was designed and run in the statistical software. The convergent validity is the amount of variance measured variables share with a particular latent variable (Hair *et al.,* 2010). Convergent validity is checked by the measures of CR and AVE. CR checks the items consistency internally while AVE denotes 'the average variance extracted for the items that load on a construct'. To establish the convergent validity of factors the threshold criteria is that the CR > 0.70, AVE > 0.50 and CR > AVE (Hair *et al.,* 2010). The values obtained after the calculations were within the acceptable ranges.

The other validity is the discriminant validity. It basically checks whether a construct is distinctive from the other constructs (Hair *et al.*, 2010). Discriminant validity establishes the uniqueness of the construct. It was measured by calculating the values for AVE and MSV. The values for MSV and AVE were in the acceptable ranges as depicted in Table 4.14, i.e., AVE>MSV; thus, there were no discriminant validity issues (Hair *et al.*, 2010). Therefore, it was concluded that no convergent and discriminant validity issues are there for the constructs.

Table 4.14: Convergent and Discriminant Validity of Distributor Study

	CR	AVE	MSV	GOL	CFL	DOM	ROL	POL	DEP	LTO	NC	PER
GOL	0.794	0.609	0.563	**0.780**								
CFL	0.783	0.662	0.583	0.463***	**0.813**							
DOM	0.772	0.532	0.503	-0.079	-0.070	**0.730**						
ROL	0.776	0.540	0.519	0.058	-0.272**	0.541***	**0.735**					
POL	0.781	0.561	0.552	-0.203*	-0.511***	0.337***	0.475***	**0.748**				
DEP	0.780	0.682	0.619	0.428***	0.117	0.495***	0.509***	0.095	**0.825**			
LTO	0.748	0.601	0.501	0.171*	-0.076	0.499***	0.708***	0.467***	0.610***	**0.775**		
NC	0.778	0.613	0.516	0.750***	0.483***	0.203*	0.279**	-0.242**	0.514***	0.263**	**0.783**	
PER	0.710	0.690	0.650	0.445***	0.085	0.481***	0.720***	0.194*	0.631***	0.698***	0.559***	**0.831**

Note: CR: Composite Reliability; AVE: Average Variance Extracted; MSV: Maximum Shared Squared Variance

4.4.5.2. Measurement Model

Once it was ascertained that there were no reliability and validity concerns in the data, the measurement model was used to perform CFA in AMOS as shown in Figure 4.5. Six indices with their threshold values suggested by previous studies were used to check the fitness of the measurement model. The same were χ^2/df ⩽ 3.00, CFI ⩾ 0.90, GFI ⩾ 0.90, SRMR ⩽ 0.08, RMSEA ⩽0.08 and PClose ⩾ 0.05 (Gaskin, 2012; Hair *et al.*, 2010). Table 4.15 shows the model fit indices for the measurement model. The fit indices for the same were χ^2/df as 2.461, the GFI was 0.859, the CFI was 0.837, SRMR was 0.074, RMSEA was 0.074 and P-close was 0.081. The final measurement model output as shown in Figure 4.6 had nine constructs and 32 reflective items. These items were further considered for the path analysis and used in the structural model.

Table 4.15: Model Fit Indices for Measurement Model of Distributor Study

Measure	CMIN/DF (χ^2)	GFI	CFI	SRMR	RMSEA	PClose
Measurement Model	**2.461**	**0.859**	**0.837**	**0.074**	**0.074**	**0.081**

4.4.5.3 Common Method Bias

The data was also checked for Common Method Biasness. Common Method Variance (CMV) is the variance due to the measurement method than due to the constructs the measures represent (Podsakoff, 2003). It was checked using the common latent factor method in AMOS. The squared variance came out to be 0.1849. A CMV value less than 50% ensures that there is no major biasness in data collected due to the usage of a common method (Eichhorn, 2014). Hence, it can be concluded that there was no Common Method Biasness issue with the data collected from the FMCG distributors for the study.

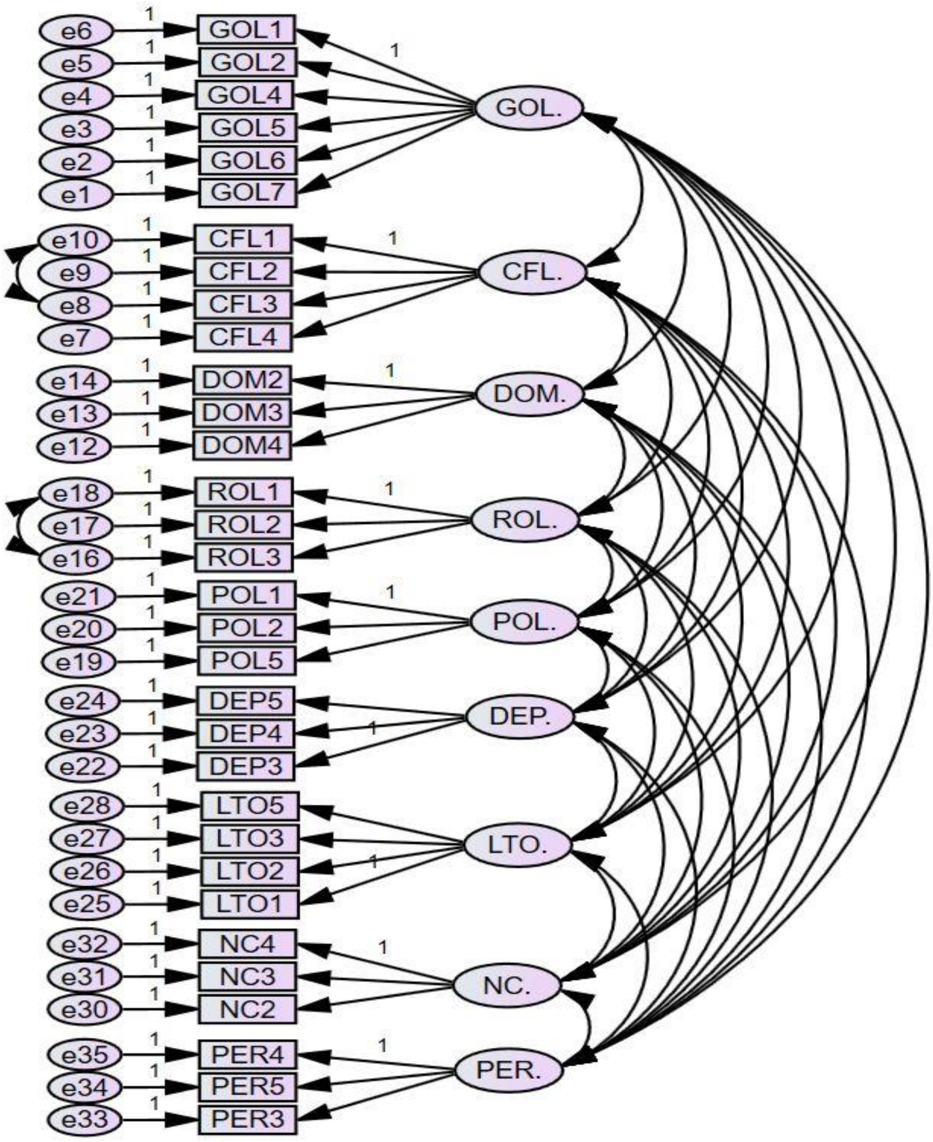

Figure 4.5: Measurement Model of Distributor Study

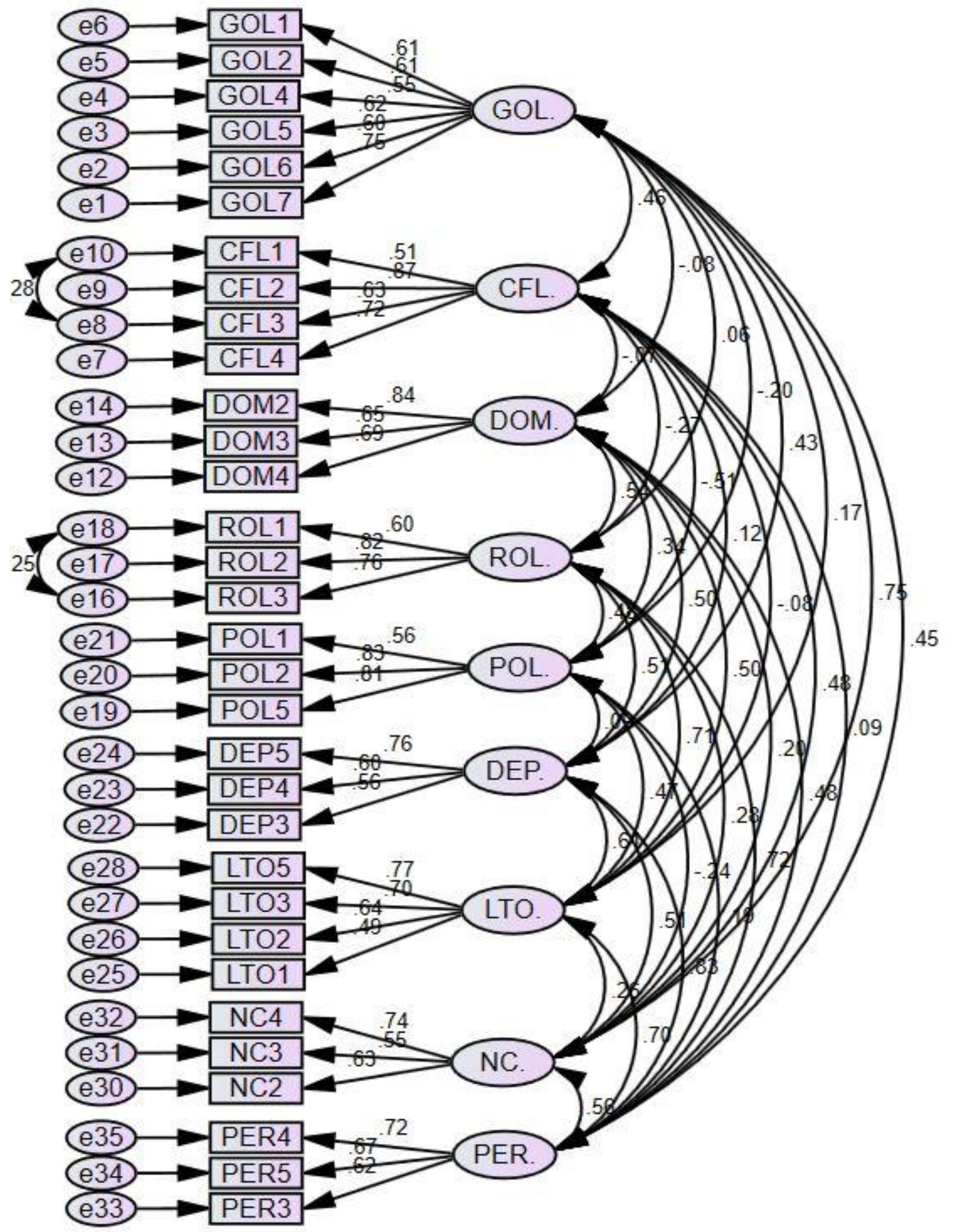

Figure 4.6: Measurement Model Output for Distributor Study

4.4.6. Structural Model

The structural model (Figure 4.7) tested the hypothesized relationships which was developed in Chapter 2, Section 2.6. As depicted in Section 2.6, the proposed framework had Goal Divergence, Domain Similarity, Role Performance, Perceptual Differences, Dependence, Trade Policies, and New Channels as the antecedents of Channel Conflict and its path impacting Long Term Orientation for the distributor. Similar model fit indices that were used to assess the measurement model, were used to analyse the structural model. They were $\chi2$/df, CFI, GFI, SRMR, RMSEA, PClose. The indices of fitness of the structural model are mentioned in Table 4.16 and all were within the acceptable ranges, the $\chi2$/df was 2.769, the GFI was 0.863, the CFI was 0.831, the SRMR was 0.123, the RMSEA was 0.082 and the Pclose was 0.097.

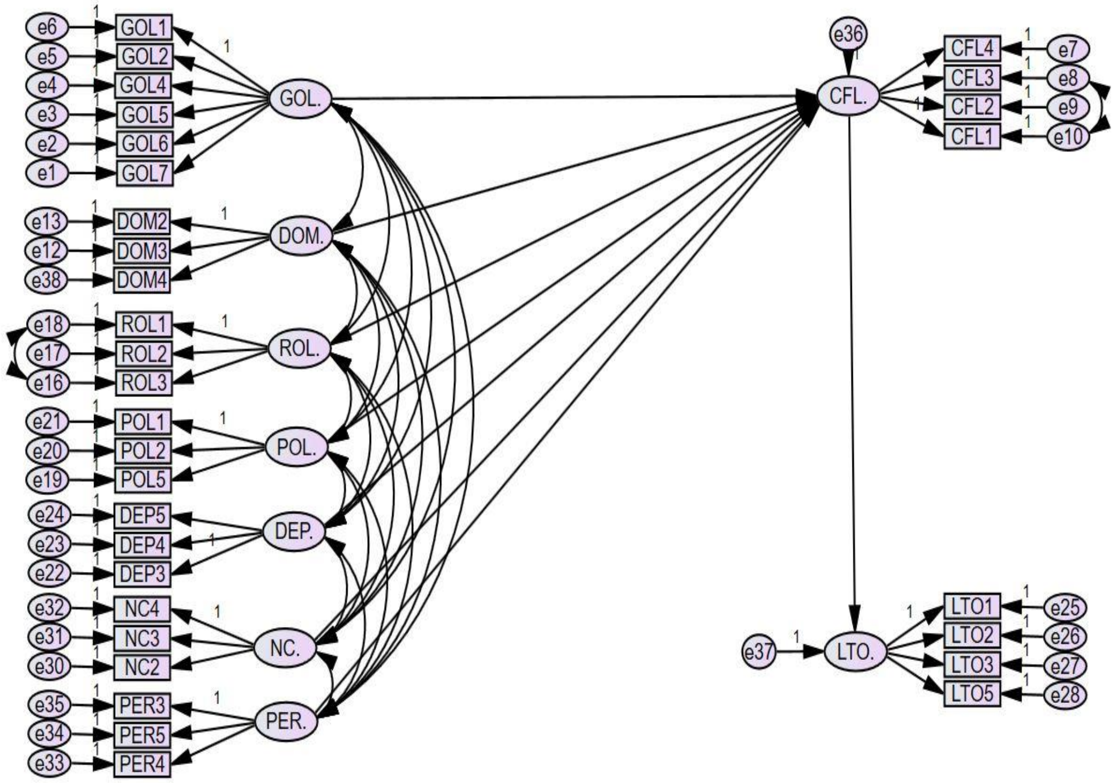

Figure 4.7: Structural Model for Distributor Study

Table 4.16: Model Fit Indices of the Structural Model for Distributor Study

Measure	CMIN/DF (χ^2)	GFI	CFI	SRMR	RMSEA	PClose
Structural Model	2.769	0.863	0.831	0.123	0.082	0.097

The structural model analysis was conducted and tested the 8 research hypotheses discussed in section 2.6 for the conceptual framework. Out of 8 hypotheses, 1 hypothesis was not accepted. The output for Structural Model is shown in Figure 4.8 and Table 4.17 displays the results of the hypotheses tested.

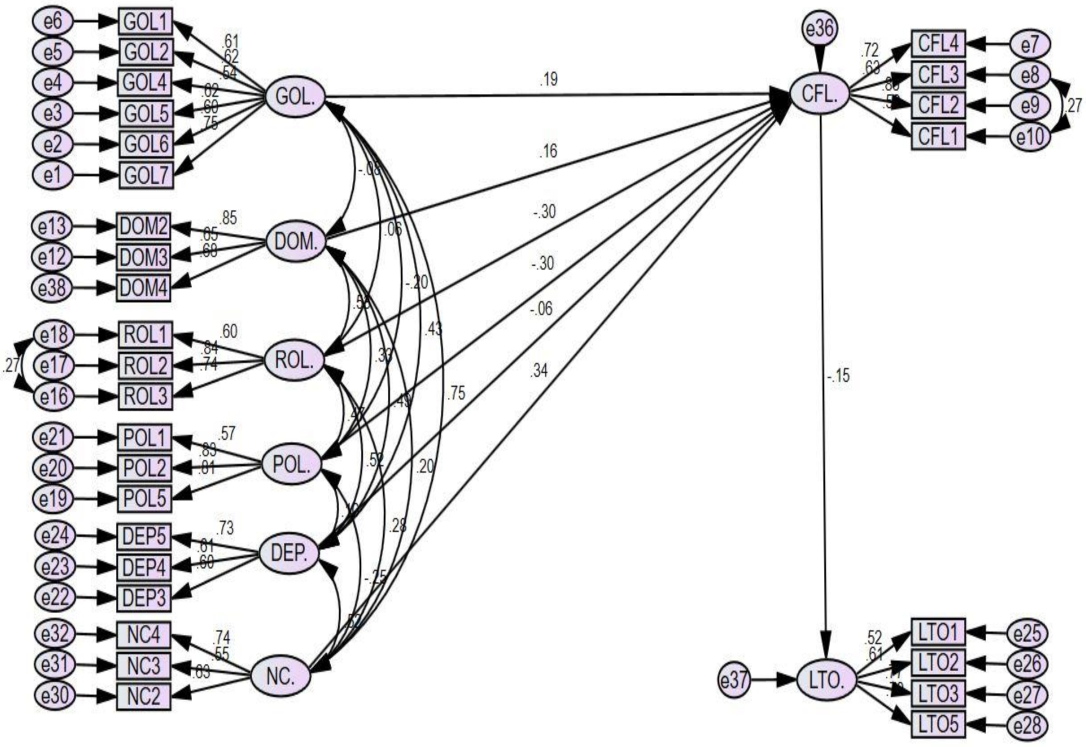

Figure 4.8: Structural Model Output for Distributor Study

Most of the hypothesised paths for the distributor study were found significant. H_1, H_2, H_3, H_4, H_5, H_6, H_8 were supported by the empirical results. The standardised regression weights and the p value for each proposed relationship in the proposed framework of the distributor relationship model are mentioned in Table 4.17. A p value less than the level of significance of 0.05 suggests that the alternate hypothesis is accepted for the population, hence H_1(GOL → CFL), H_2 (DOM → CFL), H_3 (ROL → CFL), H_4 (POL → CFL), H_5 (DEP → CFL), H_6 (NC → CFL), H8 (CFL → LTO) were accepted. Since the p value of H_7(PER → CFL) was greater than 0.05 the null hypothesis got accepted and alternate hypothesis got rejected. Thus, it can be concluded that there is a statistically significant relationship between CFL and the independent variables GOL, DOM, ROL, POL, DEP, NC. Also, CFL's relationship with LTO was statistically significant. However, the relationship between PER and CFL was not statistically significant.

Table 4.17: Structural Model Results (with Standardized Beta) for Distributor Study

Hypotheses	Relationship	Estimate	S.E.	C.R.	P	Remarks
H_1	GOL → CFL	0.145	0.062	2.259	0.026	Accepted
H_2	DOM → CFL	0.157	0.054	2.312	0.016	Accepted
H_3	ROL → CFL	-0.452	0.240	-2.081	0.037	Accepted
H_4	POL → CFL	-0.285	0.101	-2.485	0.013	Accepted
H_5	DEP → CFL	-0.178	0.113	-2.005	0.043	Accepted
H_6	NC → CFL	0.329	0.178	1.658	0.047	Accepted
H_7	PER → CFL	0.275	0.361	0.828	0.407	Rejected
H_8	CFL → LTO	-0.145	0.053	-1.998	0.046	Accepted

It can be derived from the results of the Structural Model that ROL had the maximum (-0.452) impact on CFL, followed by NC (0.329), POL (-0.285), DEP (-0.178), GOL (0.145) and DOM (0.157). The negative sign of the β implies that there was an inverse relationship between Role performance, Fair trade policies, Dependence and Long Term Orientation and Conflict. Thus, role performance emerged the strongest antecedent of distributor's conflict.

4.4.7 Neural Networks Technique

The final phase of the analysis of this distributor data was the application of the Artificial Neural Networks Technique in SPSS on the data. The training of these Artificial Neural Networks is done through the Multi-Layer Perceptron (MLP) method training algorithm. The precision of the network's model is checked by values of root mean square error (RMSE) values. Ninety percent of data was used for training the ANN model and ten percent for testing the accuracy of the trained model.

4.4.7.1 Root Mean Square Error (RMSE) Extracted for Artificial Neural Networks (ANN)

ANNs should be evaluated by changing the count of hidden nodes from one to ten (Wang and Elhag,2007); thus 10 cross-validations were conducted in the analysis. The exogenous variables that came out significant in the SEM analysis were taken as covariates in the NN model. Six covariates, GOL (Goal Divergence), DOM (Domain

Similarity), ROL (Role Performance), POL (Fair trade policies), DEP(Dependence), NC (New Channels) were considered in the input layer of the network model. The output layer of the model had CFL (Conflict) as the dependent variable. Table 4.18 displays the results of RMSE of the 10 validations.

Table 4.18: RMSE values through Neural Networks for Distributor study

Network	Training Model	Testing Model
ANN1	0.553	0.466
ANN2	0.501	0.431
ANN3	0.512	0.470
ANN4	0.443	0.517
ANN5	0.475	0.551
ANN6	0.503	0.597
ANN7	0.553	0.529
ANN8	0.477	0.581
ANN9	0.473	0.593
ANN10	0.521	0.570
Mean	0.5011	0.5305
SD	0.0336	0.0554

The average value of the RMSE of the training model was 0.5011. It was 0.5305 for the training model. The standard deviation was 0.0336 for the training and 0.0554 for the testing model. This indicated that the model fit was consistent and demonstrated the relationship between the independent and the dependent variables.

4.4.7.2 Sensitivity Analysis

Table 4.19 and Figure 4.9 depicts the sensitivity analysis results of the NN model for the distributor data. Sensitivity Analysis demonstrates the average importance of each variable in predicting the conflict with the distributor. GOL came out to be the most important antecedent of conflict for distributor, followed by ROL, NC, POL, DOM and DEP.

Table 4.19: Sensitivity Analysis for Distributor Study

Constructs	Relative importance
GOL	0.2263
ROL	0.2116
NC	0.1886
POL	0.1813
DOM	0.0936
DEP	0.0513

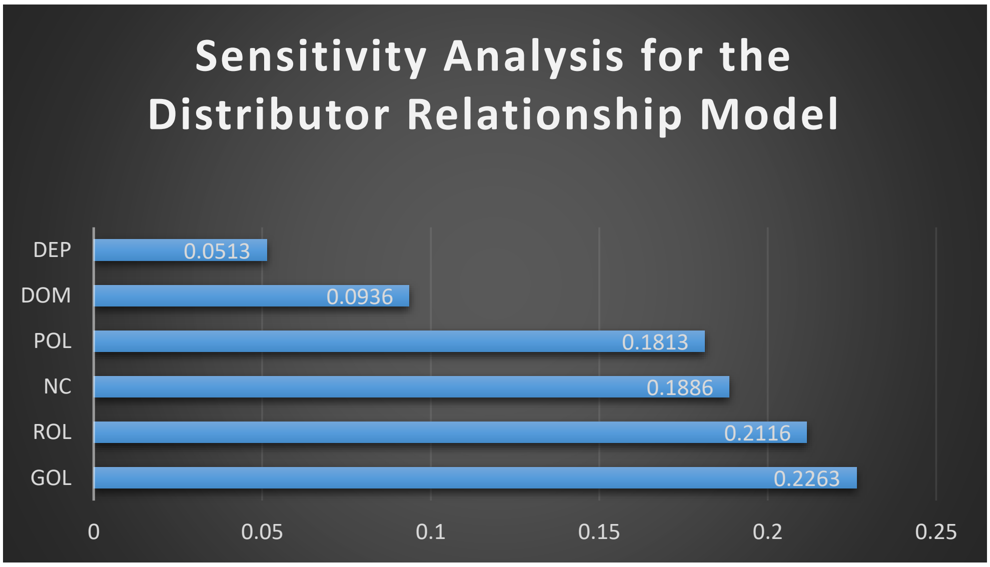

Figure 4.9: Sensitivity Analysis for the Distributor Relationship Model

4.5 Study IV: The Retailer's perspective on Channel Conflict

The retailer being the final point of sales for brands, is a very significant channel partner in the FMCG distribution channel. The retailers are small in size but are not insignificant. In India, the unorganized "kirana" stores still constitute 90 % of the retail sector, the Modern Trade or the Organized Retail constitutes 7 to 8 %. This study was based out of the unorganized retail stores. These mom and pop stores have huge impact on the economic and social health of small cities and towns. They enjoy an amazing proximity, adaptability and phenomenal connect with the consumers. This section will focus on the antecedents of conflict for the Indian retailer.

4.5.1. Demographic Profile of the Retailer

The primary data was collected from the local mom and pop stores, the FMCG retailers mostly from Delhi NCR. These stores sell branded and unbranded groceries, comprising food, personal care, oral care, beverages, etc. total of 347 responses of the retailer were considered for the final analysis. Few retailers were shared the Google survey link of the questionnaire. The demographic details of the retailers are displayed in Table. 4.20. Majority of the retailers (46.18 %) surveyed were in trade between 3 to 7 years (160), and 39.75 % were in trade for more than 7 years (138). Only 14.05 % were in trade for less than 3 years (49). Most of the retailers 67.87%, had an annual turnover between 5 to 10 lacs (235), 18.87 % (66) had a turnover of less than 5 lacs and 13.25 % (46) had a turnover of more than 10 lacs.

Table 4.20: Retailers Demographic Details

Details	Frequency	Percentage
Retail outlet's existence		
Less than 3 years	49	14.05
Between 3-7 years	160	46.18
More than 7 years	138	39.75
Annual Turnover(INR)		
Less than 5 lacs	66	18.87
Between 5 to10 lacs	235	67.87
More than 10 lacs	46	13.25

4.5.2 Pilot Study

A pilot study with 75 retailers was done to check the robustness of the research instrument. These retailers were generally the grocery outlets popularly known as the "kirana" stores. The questions were also translated in Hindi for a better comprehension of the area of study. The feedback was used to refine the questionnaire. Few items were dropped and reworded in the scale to adapt it more in the Indian context. It also improved the sequencing and logical consistency of the questionnaire. The sample for the pilot study was deemed fit for checking the reliability of the questionnaire.

4.5.3 Reliability of the questionnaire

From the responses received in the pilot study, the Cronbach α value was calculated for all the constructs which were part of the questionnaire. The scale of the study was adapted from extant literature but was modified according to the need of this study. Table 4.21 depicts the scale used for this study and their sources, along with the Cronbach alpha values. The Cronbach alpha of all the constructs was greater than 0.7 except for goal incompatibility which was 0.687 ≈ 0.7. According to Nunnally (1978), the same is acceptable for preliminary research. Thus, the internal consistency of the items of the retailer questionnaire was established. The final version of the retailer questionnaire after incorporating the responses of the pilot study and factoring in Cronbach α, had four independent variables and one dependent variable and used 17 items.

Table 4.21: Sources and the Reliability of the Constructs

Constructs	Sources	No. of items	Cronbach Alpha(α)
Goal Incompatibility	Webb and Hogan(2002)	3	0.687*
Dependence	Sukresna et.al.,(2016),C. Yilmaz et al.(2005)	4	0.795
Trade Policies	Ganesan, S. (1993) and modified for this study	3	0.765
Communication	Mohr and Spekman (1994)	3	0.855
Conflict	Kumar *et. al.*, 1995, Frazier *et. al.*, 1989	4	0.794

* Value acceptable for preliminary research(Nunnally, 1978)

4.5.4. Preliminary Tests for Multivariate Analysis

It is difficult to run Structural Equation Modelling if there is missing value in the dataset. IBM SPSS Statistics was used to check the missing values in the retailer dataset. The missing values were absent in the retailer dataset. Post that the preliminary assumptions were checked for the multivariate analysis. Multivariate Analysis can be only conducted if the following assumptions of outliers, normality, linearity, homoscedasticity and multicollinearity are corroborated for the data collected.

4.5.4.1. Outliers

The retailer data set was checked for outliers. Outliers are essentially those cases in the dataset which are different from other values due to extreme difference. Outliers can be identified by computing the Squared Mahalanobis Distance (D^2) in the datasheet. They have a considerably different D^2 value than those of others in the datasheet (Byrne, 2010). The Appendix B displays the table of Squared Mahalanobis Distance. There were no values as 0, suggesting absence of outlier in the dataset.

4.5.4.2 Normality

To apply Structural Equation Modelling the dataset should be normal. Normality of the datasheet is ascertained through the existence of kurtosis and skewness in the normal curve of distribution. Skewness of the curve is measure of symmetry of the distribution about its mean; whereas, kurtosis is the peakedness or flatness of the distribution curve (Hair *et al.*, 2010). Table 4.22 shows that these values were within the suitable range with skewness < ±3 and kurtosis < ±10 (Hair *et al.*, 2010).

Table 4.22: Skewness and Kurtosis

	Skewness	Std. Error of Skewness	Kurtosis	Std. Error of Kurtosis
COM	.638	.200	-.731	.397
GOL	.040	.200	-.143	.397
POL	-.206	.200	-.271	.397
DEP	.467	.200	-.155	.397
CFL	.085	.200	-.714	.397

4.5.4.3 Linearity

Another important assumption that needs to be tested for the dataset for multivariate analysis is linearity. This was checked with the help of a scatter plot. The scatter plot diagram shows the distribution of the data points. Figure 4.10 depicts the scatter plot. The data is scattered along the fit line that indicates the linearity of the dataset.

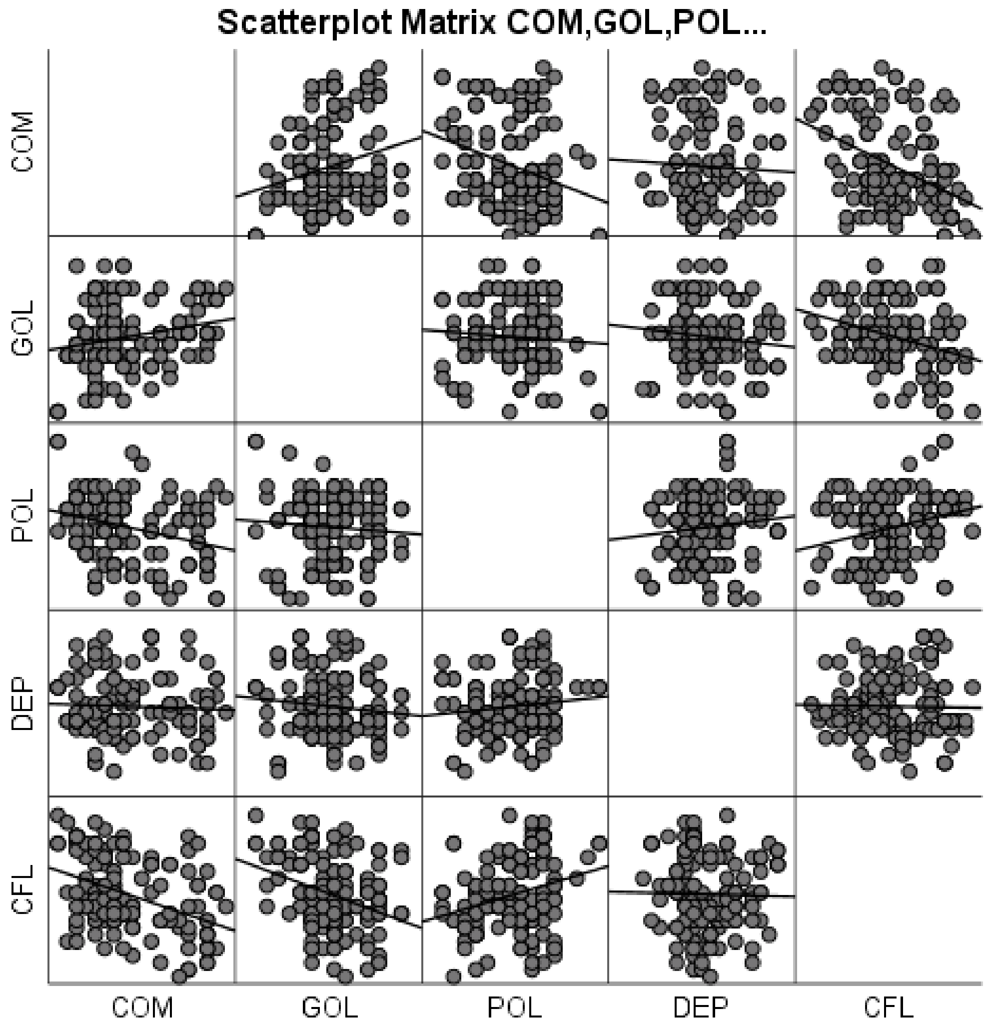

Figure 4.10: Matrix Scatter Plot depicting the linearity of the Retailer responses data.

4.5.4.4. Homoscedasticity

Homoscedasticity also needs to be checked before applying multivariate analysis on a dataset. A data set is homoscedastic if the dependent variable has equal level of variance with the predictor variable (Hair *et al.*, 2010). To inspect the homoscedasticity standardized predicted and residual values for the scatter plot were used. The scatter plots confirmed homoscedasticity in the data making it suitable for regression analysis. Figure 4.11 depicts the scatter plot and homoscedasticity in the dataset.

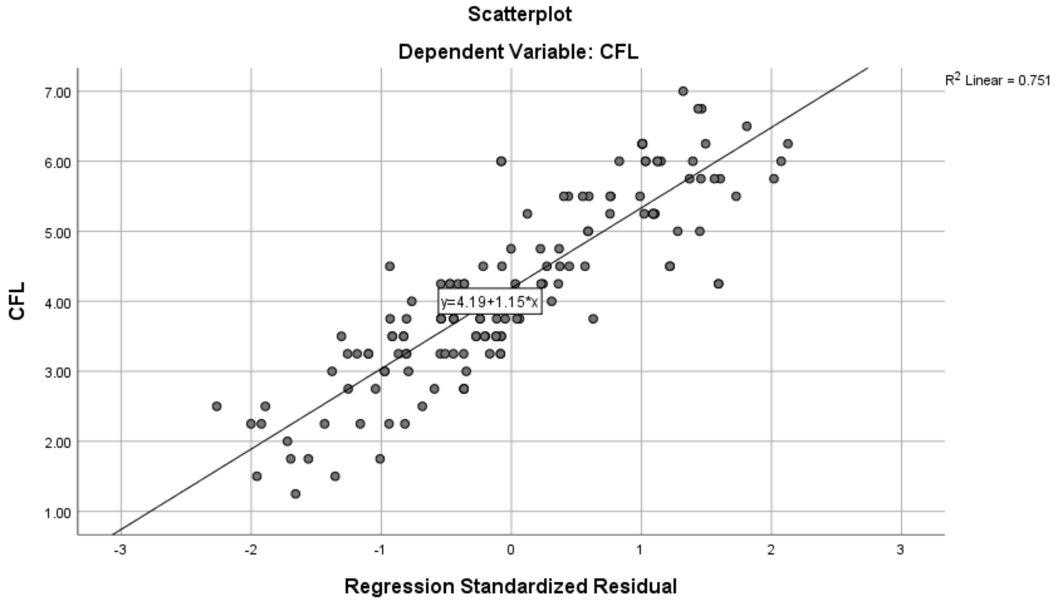

Figure 4.11: Scatter Plot showing homoscedasticity for CFL as a dependent variable for Retailer Study

All the plots have a same extent of scatter due to the similar random disturbance between the dependent and independent variables relationships. Thus, variance homogeneity in the relationships got proven for the datasheet of the retailer.

4.5.4.5. Multicollinearity

Multi-collinearity occurs due to the high levels of correlation between the items of one variable with that of the items of the other variables. There should be an absence of multicollinearity to proceed with multivariate analysis. Two statistics, tolerance and variance inflation factor (VIF) were checked of the independent variables in the proposed model for assessing multicollinearity. Tolerance is the extent of variability related with each independent variable. Its value should be greater than 0.1(Hair *et al.,* 2010). VIF is just the reverse of the tolerance and the value should be less than 3 (Hair *et al.,* 2010). Table 4.23 displays the VIF and the Tolerance statistics of the independent variables and corroborates that they are in acceptable range.

Table 4.23: Multicollinearity Statistics

Constructs	Tolerance	VIF
COM	.871	1.149
GOL	.935	1.070
POL	.905	1.105
DEP	.975	1.026

Dependent Variable: CFL

4.5.5. Confirmatory Factor Analysis (CFA)

Once the preliminary analysis was done, the Confirmatory Factor Analysis was conducted since the scales used in the questionnaire was adapted from literature. Confirmatory Factor Analysis was done by developing the measurement model and then checking their validities and reliabilities.

4.5.5.1 Convergent and Discriminant Validities

CFA checks the validity and reliability of the constructs by permitting them to correlate freely in the measurement model as shown in Figure 4.12. The two validities, Convergent and Discriminant Validity were assessed. Table 4.24 displays the results which shows that the CR of all the constructs was greater than 0.7 and the AVE was greater than 0.5 (Fornell and Larcker, 1981). Also, CR was greater than AVE. Thus, convergent validity of the constructs was established (Hair *et al.*, 2013). Discriminant validity was checked with the help of AVE and MSV values. Since the AVE values were larger than the MSV values, discriminant validity was established, confirming the absence of high correlation between the constructs. Thus, there was absence of both convergent and discriminant validity in the constructs used for studying conflict at the retailer level. The final measurement model output for the retailer study is depicted in Figure 4.13

Table 4.24: Convergent and Discriminant Validity

	CR	AVE	MSV	DEP.	COM.	GOL.	POL.	CFL.
DEP.	0.779	0.568	0.043	**0.753**				
COM.	0.745	0.501	0.209	-0.206*	**0.708**			
GOL.	0.705	0.517	0.241	-0.158	0.397***	**0.719**		
POL.	0.724	0.514	0.241	-0.044	-0.169	-0.491***	**0.716**	
CFL.	0.869	0.631	0.233	-0.022	-0.457***	-0.474***	0.483***	**0.794**

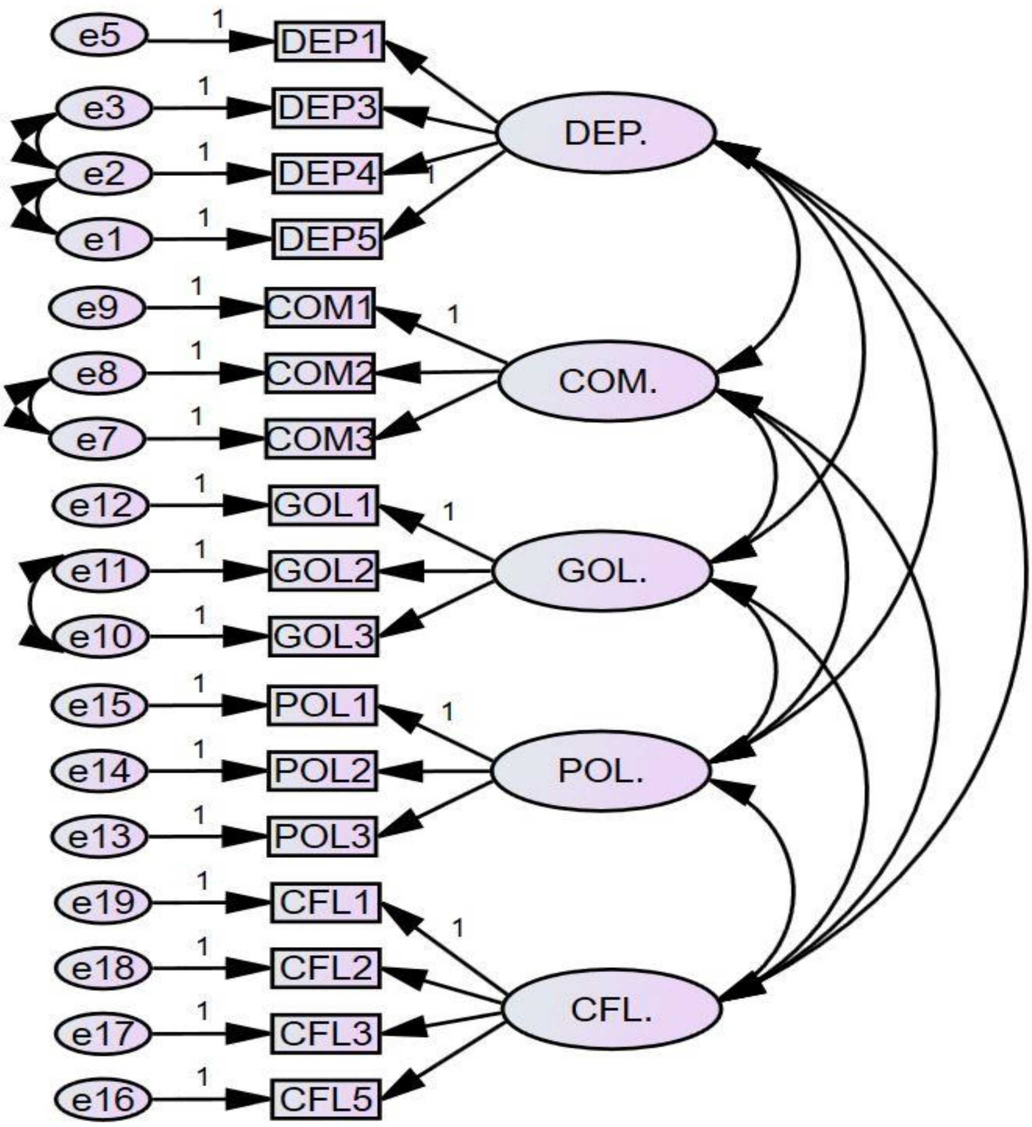

Figure 4.12: Measurement Model of the Retailer study

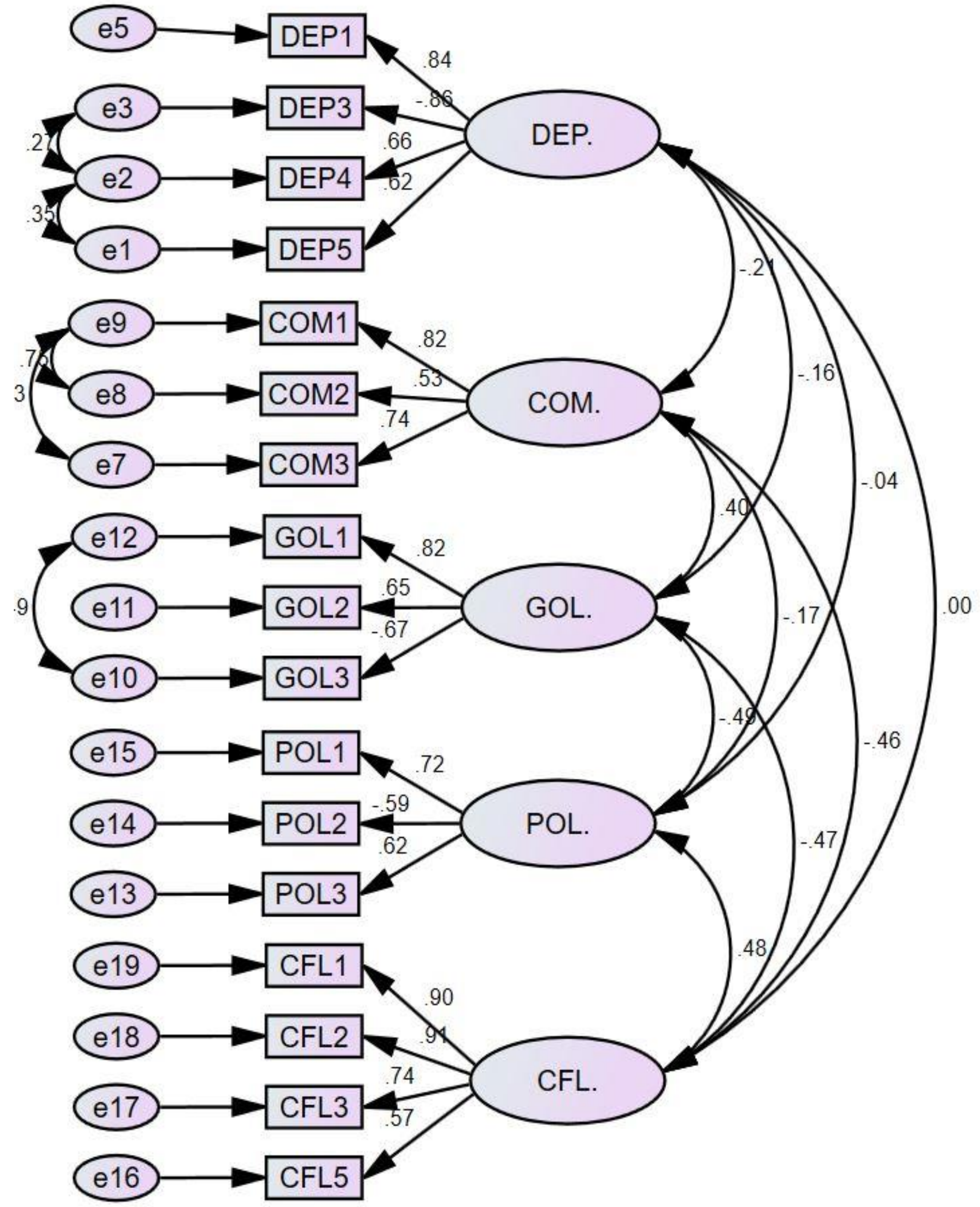

Figure 4.13: Measurement Model Output for the Retailer Study

4.5.5.2 Measurement Model

The fitness of measurement model of the retailer was checked once the validity concerns were ruled out. The six indices with their thresholds were used to check the fitness of the measurement model as suggested by previous studies. The same were χ^2/df $\leqslant$ 3.00, GFI $\geqslant$ 0.90, CFI $\geqslant$ 0.90, RMSEA $\leqslant$0.08, SRMR $\leqslant$ 0.08, and PClose $\geqslant$ 0.05

(Hair *et al.*, 2010; Gaskin, 2012). The measurement model's fitness indices are shown in Table 4.25. The indices of fitness were: χ^2/df was 2.001, the GFI was 0.864, the CFI was 0.903, SRMR was 0.085, RMSEA was 0.057 and P-close was 0.06. The final measurement model had five constructs and 17 reflective items. These items were thus considered for the path analysis and used in the structural model.

Table 4.25: Measurement Model Fit Indices for the Retailer Study

Measure	CMIN/DF (χ^2)	GFI	CFI	SRMR	RMSEA	PClose
Measurement Model	2.001	0.864	0.903	0.085	0.057	0.06

4.5.5.3 Common Method Bias

The retailer data was also checked for Common Method Biasness. CMV i.e. Common Method Variance is the amount of variance that occurs due to the method of measurement than due to the measures representing constructs (Podsakoff, 2003). Common latent factor method was used to check the CMV in AMOS. The squared variance for the retailer data was 0.1134. A CMB value less than 50% confirms that there is no major biasness in data collected due to the usage of a common method (Eichhorn, 2014). Hence it can be concluded that there was absence of Common Method Biasness in the data collected from the retailers for the study.

4.5.6 Structural Model

The structural model tested the hypothesized relationships which was developed in Chapter 2 Section 2.6. As depicted in Section 2.6, the proposed framework had Goal Similarity, Dependence, Trade Policies and Communication as the antecedents of Channel Conflict for the retailer. The same model fit indices that were used to assess the measurement model were used to test the structural model as well. They were $\chi2$/df, GFI, CFI, SRMR, RMSEA and PClose. The indices of fitness of the structural model are mentioned in Table 4.26 and were all within the acceptable ranges, the $\chi2$/df was 2.013, the GFI was 0.864, the CFI was 0.904, the SRMR was 0.076, the RMSEA was 0.058 and the Pclose was 0.07.

Table 4.26: Structural Model Fit Indices for the Retailer Study

Measure	CMIN/DF (χ^2)	GFI	CFI	SRMR	RMSEA	PClose
Structural Model	2.013	0.864	0.904	0.076	0.058	0.07

The structural model analysis was conducted and tested the 4 research hypotheses discussed in section 2.6 for the research framework of the retailer. All hypotheses had p values which were statistically significant. Figure 4.14 and the Table 4.27 displays the output of the relationships hypothesised through the structural model.

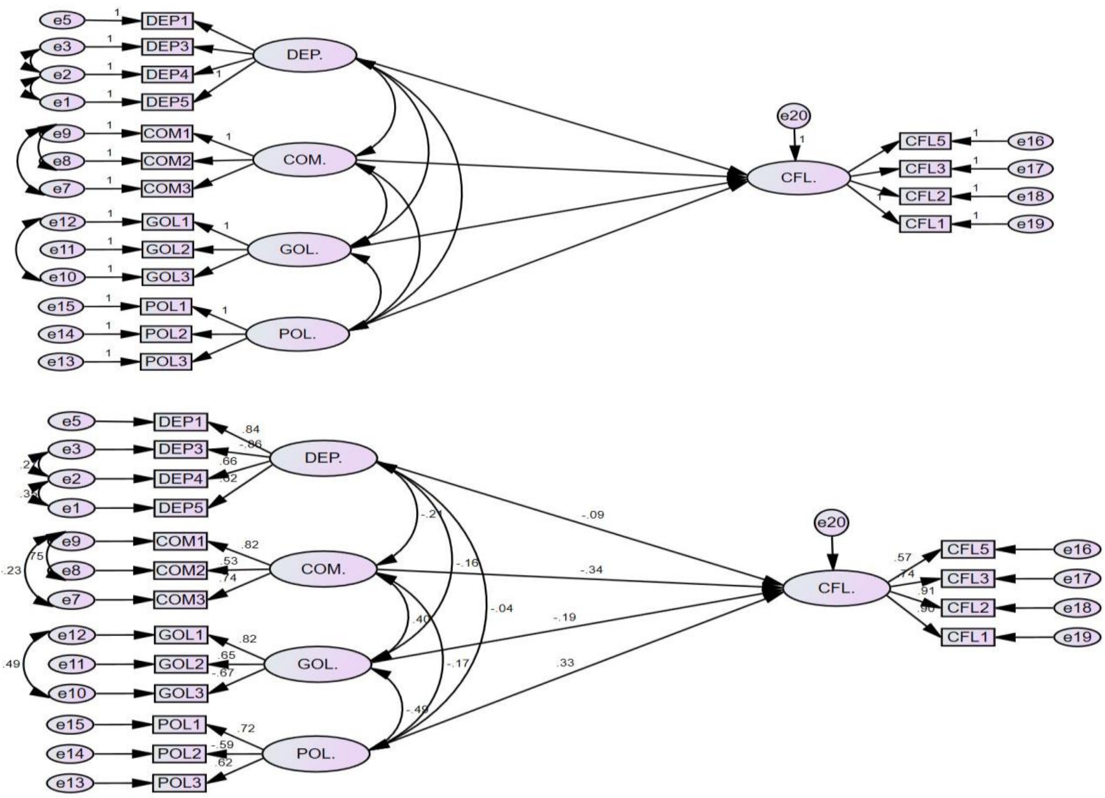

Figure 4.14: Structural Model and Output for the Retailer Study

All the hypothesised paths for the retailer study were found significant. H_1, H_2, H_3 and H_4 were supported by the empirical results. The standardised regression weights and the p value for each proposed relationship in the proposed framework of the retailer relationship model are mentioned in Table 4.27. A p value less than the level of significance of 0.05 implies that the alternate hypothesis is accepted for the population.

Hence H_1 (GOL → CFL), H_2 (DEP→ CFL), H_3 (POL → CFL) and H_4 (COM → CFL) were all accepted. Thus, it can be concluded that there is a statistically significant relationship between CFL and the independent variables GOL, DEP, POL and COM.

Table 4.27: Structural Model Results (with Standardized Beta)

Hypotheses	Relationship	Estimate	S.E.	C.R.	P	Remarks
H_1	DEP → CFL	-0.087	0.104	-3.011	0.002	Accepted
H_2	COM → CFL	-0.345	0.062	-3.005	0.003	Accepted
H_3	GOL → CFL	-0.190	0.135	-2.701	0.007	Accepted
H_4	POL → CFL	0.328	0.122	2.751	0.006	Accepted

Also, one can determine from the results of the Structural Model that COM has the maximum (-0.345) impact on CFL, followed by POL (0.328), GOL (-0.190) and DEP (-0.087). The negative sign of the β implies that there is an inverse relationship between Goal Similarity, Communication and Dependence with Conflict. Unfair trade policies have a positive effect on channel conflict with the retailer. Thus, Communication has the strongest impact on retailer's perception of conflict.

4.5.7 Neural Networks Technique

The final phase of the analysis of the retailer data was the application of Artificial Neural Networks Technique in SPSS. The training of these Artificial Neural Networks is done through the Multi-Layer Perceptron (MLP) method training algorithm. The precision of the network's model is checked by values of root mean square error (RMSE) values. Ninety percent of data was used for training the ANN model and ten percent for testing the accuracy of the trained model.

4.5.7.1. Root Mean Square Error (RMSE) Extracted for Artificial Neural Networks (ANN)

NNs should be evaluated by changing the count of hidden nodes from one to ten (Wang and Elhag, 2007). 10 cross-validations were conducted in the analysis. The exogenous variables that came out significant in the SEM analysis were taken as covariates in the NN model. Four covariates, GOL (Goal Similarity), DEP (Dependence), POL (Unfair trade policies) and COM (Communication) were considered in the input layer of the network model. The output layer of the model had CFL (Conflict) as the dependent variable. Table 4.28 displays the results of RMSE of the 10 validations. The average value of the RMSE of the training model was 0.581 and that of the testing model was 0.523 and the value of standard deviation was 0.039 for the training model and 0.091 for the testing model. This indicated that the model fit was consistent and suggested the relationship between the independent and the dependent variables.

Table 4.28: RMSE values through Neural Networks for Retailer Study

Network	Training Model	Testing Model
ANN1	0.609	0.506
ANN2	0.617	0.709
ANN3	0.562	0.500
ANN4	0.539	0.596
ANN5	0.550	0.383
ANN6	0.552	0.528
ANN7	0.543	0.492
ANN8	0.563	0.585
ANN9	0.610	0.542
ANN10	0.664	0.390
Mean	0.581	0.523
SD	0.039	0.091

4.5.7.2. Sensitivity Analysis

Table 4.29 and Figure 4.15 depicts the sensitivity analysis results in the NN model for the retailer data. Sensitivity Analysis brought out the average importance of each variable in predicting the conflict with the retailer.COM came out to be the most important predictor for retailer conflict followed by GOL, POL and DEP.

Table 4.29: Sensitivity Analysis for the Retailer Study

Constructs	Relative importance
COM	0.286
GOL	0.275
POL	0.243
DEP	0.196

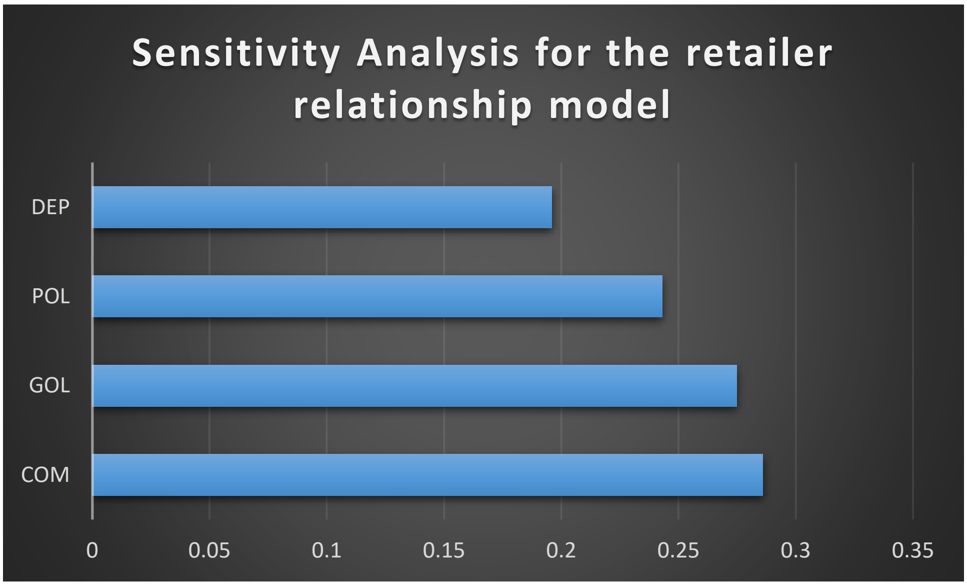

Figure 4.15: Sensitivity Analysis for the Retailer Relationship Model

4.6 Conclusion

This chapter discussed the data analysis of the collected data for four sets of primary participants of the distribution channel in the FMCG sector in India. The summary of the causes of conflict is depicted in Figure 4.16. The first set of data was collected from the origin point of the channel, the manufacturer's salesperson, followed by the C&F agents, then the distributors and finally the retailers.

For the first and the second study, in-depth interviews were conducted and then thematic analysis was applied. The same brought out the various themes of conflict that generally occur in distribution channel. They were listed and discussed further. For the empirical studies of distributor and retailer, a pilot study was conducted initially based on which two questionnaires were developed for the study, one for the distributor and other for the retailer. The data collected for the same was checked for reliability of the constructs in questionnaire through Cronbach alpha values. Once it got established that the constructs have acceptable reliability, the questionnaires were then administered for the data collection in the second phase. The collected dataset of the distributor and the retailer were tested for the assumptions of multivariate analysis (outliers, normality, homoscedasticity, linearity and multicollinearity), which were corroborated. Confirmatory Factor Analysis was implemented on both the datasets to test the discriminant and convergent validities. The model fitness was tested through measurement model through the six indices ($\chi 2$/df, GFI, CFI, SRMR, P-Close and RMSEA). These indices were within acceptable ranges confirming the fitness of the model. The structural model tested the hypotheses developed in Chapter 2, Section 2.6 and its results were analysed and interpreted. The results of the structural analysis were used further for the construction of Artificial Neural Networks for both the datasets. The value of the RMSE for both the training and testing model were satisfactory indicating the model fitness. Also the sensitivity analysis ranked the most important variables for both the distributor and the retailer. The next chapter presents a case on ITC Ltd., a popular FMCG firm in India. The case attempts to corroborate the results of the hypotheses tested in this chapter.

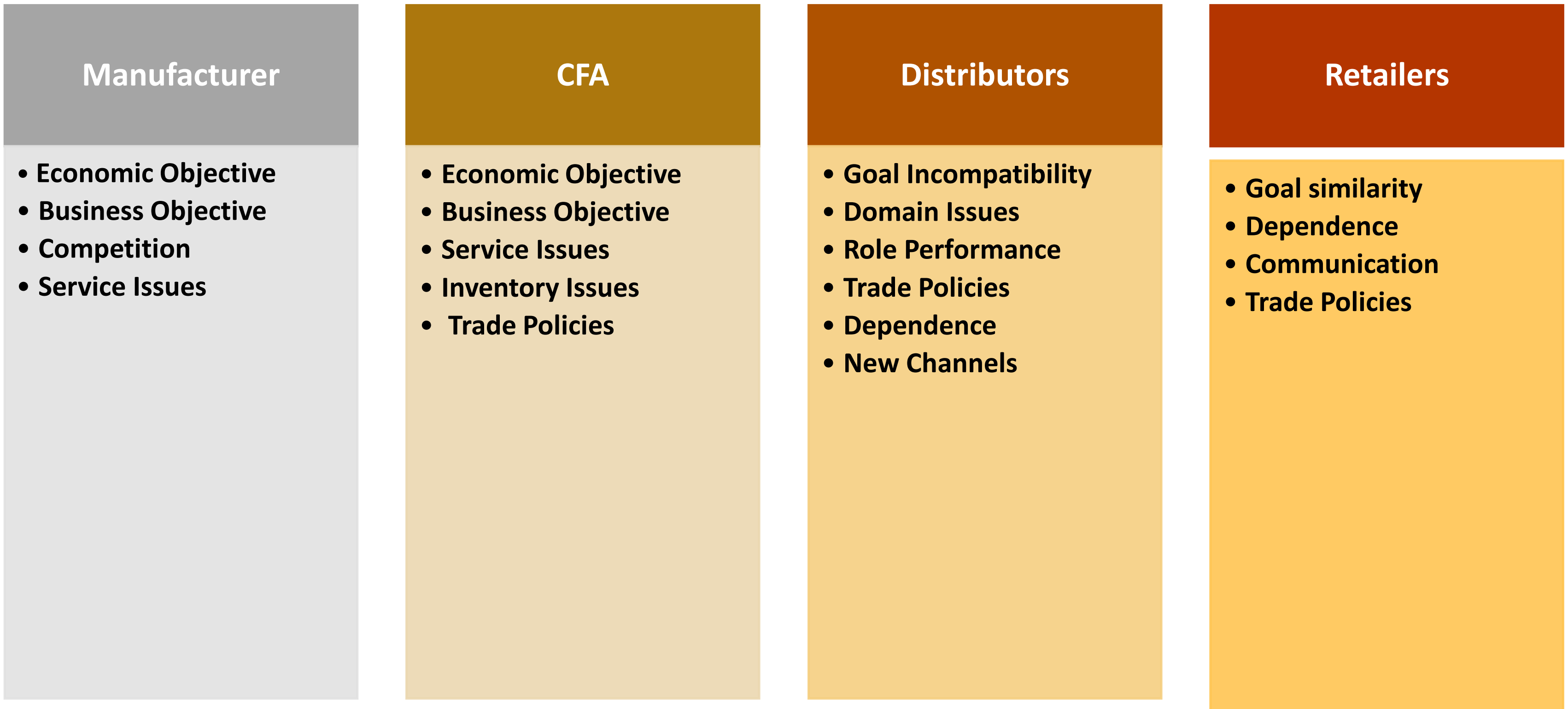

Figure 4.16: Summary of Causes of Conflict at different levels of Indian FMCG Distribution Channel

CHAPTER-5

CASE STUDY ON DISTRIBUTION CHANNEL CONFLICT - ITC LTD.

This chapter presents a more practical connect to the study by picking up a behemoth of the Indian FMCG sector which has a diversified presence across businesses and houses some of the very popular FMCG brands. This chapter elucidates channel conflict the way it happens in this company and discusses its strategies for managing channel conflict.

5.1 Overview of Indian FMCG Sector

The FMCG sector in India is the fourth largest sector in India with a market size of $110 billion in 2020 (Business World, 2021). With a CAGR of 14%, this market size is expected to grow to $220 billion by 2025. At a broader level, the urban markets contribute 55% to the revenue share while the rural markets contribute 45% (IBEF,2019). Within the FMCG sector, household and personal care dominates the category with 50% of the sales, followed by healthcare which contributes 31% and finally the food and beverages category which contributes 19% to the overall sales in this sector(IBEF,2019). The Indian FMCG sector is essentially a low margin business where volume matters more than value of goods sold. The key objective of the complex distribution network FMCG supply chain is to ensure timely availability of the products. The distribution channel outcomes are essentially a trade-off between time and cost incurred to go-to-market. Post Covid, particularly during the lockdown, the companies were compelled to re-evaluate and re-build their distribution models using the new-age distribution channels (like e-commerce, direct-to consumer, omni-channel, hyperlocal delivery and aggregator formats). Companies entered into new strategic alliances and expanded their distribution capabilities to ensure last mile delivery. The marketing channels started off with "Bricks vs Clicks" but then evolved to "Brick and Clicks" and now progressing towards an "Intermix". In recent years, consumer firms with Indian origins have performed much better than the foreign counterparts. One such company is ITC Ltd. which boasts of one of the best distribution network across India. This chapter attempts to fulfil the research objectives discussed in

Section 1.8 by examining ITC Ltd. for the nature of channel conflict. The key aspects of the case study are detailed in Table 5.1.

Table 5.1: Key Aspects of the Case Study

Case Studies	ITC Ltd.
Research Objective	To study the channel conflict and conflict resolution at ITC Ltd.
Case Study Development	Looks into the myriad activities which are performed by sales personnel along with the channel partners for joint business objectives.
Case Selection	An FMCG MNC having a diversified presence in businesses yet maintains a strong foothold in market.
Data Collection	Detailed discussion with ITC Ltd.'s sales executives, expert opinion and secondary data.
Data Analysis	Based on case facts, first-hand information from the company's personnel and channel partners.
Case Reporting	Qualitative research deployed to study the ground level activities towards channel relationship development in the FMCG sector.

Recent press article- FMCG Distributors threaten to destock!

In November 2019, FMCG distributors across India threatened to halt the stocking of goods of some popular FMCG firms. The reasons were attributed to the growing discounting disparity across sales channels. Distributors of consumer goods across the country demanded a resolution on uniform product pricing across sales channels. The dissent was so much that All India Consumer Goods Distributors Federation (AICGDF) decided to write to the Prime Minister of India seeking action against the deep discounting by manufacturers. This agitation saw the bulk dealers of consumer goods refusing to stock products of some eminent consumer goods firms as they supplied the stock directly to organised hypermarkets and supermarkets with superior discounts (LiveMint,2019).

In December 2019, the FMCG companies were compelled to come out and assure price parity to the GT (General Trade) distributors (Times of India, 2019). FMCG giants such as ITC Ltd., HUL, Marico Ltd., Nestle India Ltd. etc. met the GT distributors in India and assured them parity of price, pack size and offers being provided to Modern Trade and e-commerce. There has been an influx of such reports in press recently. The next section analyses the case of ITC Ltd. with a special focus on this report along with the investigation of other causes of channel conflict.

5.2. Case Study on ITC Ltd.

5.2.1. ITC Ltd: An Overview

ITC Ltd is one of the most valued FMCG major in the Indian FMCG sector. The company got incorporated in 1910 under the name of Imperial Tobacco Company of India Limited. The company was later named as ITC Limited in 1974. It has a significant presence in FMCG, hotels, paperboards, packaging and speciality papers, agri and IT businesses as depicted in Table 5.2. It is one of India's leading private sector companies having a market capitalisation of about US $ 50 billion and value of Gross Sales of about US $ 10.8 billion (Figure 5.1) as on 31.03.2019 (itcportal.com). ITC Ltd. had always aspired to be India's premier FMCG firm that should be known for its world-class quality with an enduring consumer trust. With this vision, it forayed into the personal care business in July 2005. Within a short span of time, it launched an array of brands carefully crafted with a distinct and superior value proposition for discerning consumers. Based on extensive consumer research and product development, ITC Ltd.'s personal care portfolio offered world-class products with distinct differentiated benefits to quality-seeking consumers. The Personal Care portfolio of ITC Ltd. includes 'Essenza Di Wills', 'Fiama', 'Vivel', 'Engage', 'Savlon', 'Charmis', 'Shower to Shower' and 'Superia'. (Figure5.2). All these brands have received an encouraging consumer response and have a nationwide presence. Thus, there was an obvious interest to explore the health of ITC Ltd.'s distribution channel.

Table 5.2: Business Presence of ITC Ltd.

FMCG	Hospitality	Paperboard & Speciality Papers	Packaging	Agri Business	Information Technology
Cigarettes & Cigars	Hotels	Coated Boards	Carton Board Packaging	Agri Commodities and Rural Services	ITC Infotech
Foods	Branded Accommodation	Graphic Boards	Flexible Packaging	Agri Business-ILTD	
Personal Care	Restaurants	Fine Papers	Tobacco Packaging	E-Choupal	
Education & Stationery		Thin Printing Papers			
Lifestyle Retailing					
Agarbatti					
Safety Matches					

Source:www.itcportal.com

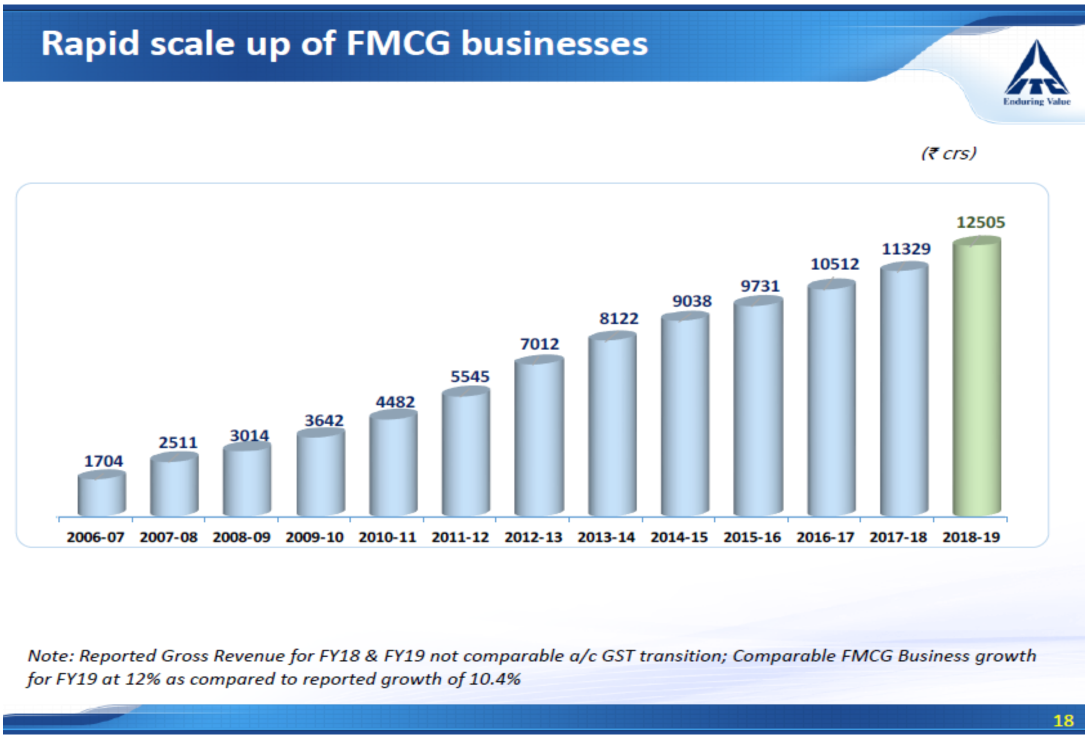

Figure 5.1: FMCG Business Growth of ITC Source:www.itcportal.com

Figure 5.2: Leading Brands of ITC in the FMCG space. Source:www.itcportal.com

5.2.2 Distribution Network of ITC Ltd.

ITC Ltd. possesses the most extensive distribution channel network in India spread across the length and breadth of the country. It makes its products available at 4.3 million outlets out of the estimated eight million retail outlets in India. Interestingly, about 2 million of these outlets are under ITC's direct distribution network(itcportal.com). Traditionally, ITC, like most of the packaged goods companies in India, has been stocking products at its distribution centres. Wholesale Distributors (WD) or Wholesale Service Providers (WSP) have been a crucial part of this network and are responsible for timely delivery of products in the designated markets. The products are first moved to the exclusive wholesale distributors also known as Wholesale service providers(WSP), then to the distributors, wholesalers and direct retailers as depicted in Fig. 5.3. In rural India most of the big retailers supply products to the small retail outlets. The entire process takes anything from one week to three weeks, depending on the distance between the retail outlet and the factory. ITC Ltd. has close to 1550 exclusive wholesale dealers all across India (LiveMint, 2015)

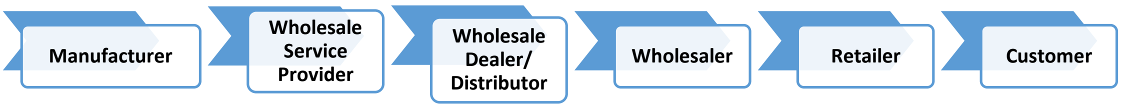

Figure 5.3: Conventional Distribution Channel of ITC

Heavy competition and immensely margin driven nature of the FMCG business requires that the delays and lapses in delivery do not occur as it can lead to loss of business advantage for the organization. As reported by the ITC Ltd.'s Area Sales Manager, the company believes in the philosophy of having a lean distribution system and runs 4 different shipment models known as k0, k1, k2, and k4 to suit the requirement of different geographic regions (Figure 5.4). These models are based on the intermittent levels which the company has to cross to reach the final consumer. The objective is to zero down to the best possible route, whichever is able to match the demand and supply in the most efficient manner. The k0 model is a direct distribution system where the company directly delivers to the wholesaler or the retailer.

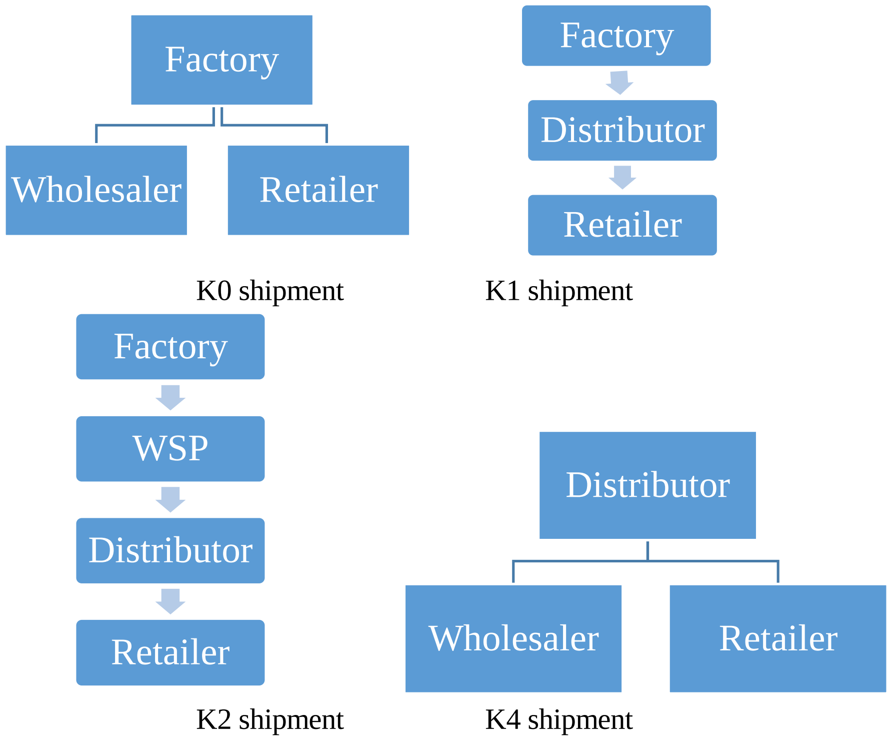

Figure 5.4: Various distribution models at ITC Ltd.

5.2.3 Incidences of Channel Conflict at ITC Ltd.

ITC uses its wholesale service providers (C&F agent) and wholesale dealers (distributors) for achieving its distribution objective. The company makes its channel partners invest in its products and gives the support of its sales personnel to attain maximum market coverage using intensive distribution channels with the guiding principle of AVF (Availability, Visibility and Freshness). A lot of channel conflict issues erupt while the company tries to drive this objective through its channel partners. Some of these issues of channel conflict which surfaced in the in-depth interview and the secondary sources are listed below:

i) **Demand of advance payments:** Manufacturers demand advance payments and demand drafts but lot of WSPs and distributors feel that their working capital gets locked in the credit which they extend to retailers and the stock they hold. Despite the same, the company keeps demanding advance payments and more and more investment. The same creates rift between the channel partners and the manufacturers. As the sales manager at ITC Ltd. commented, *"The distributor buys on cash and gives retailers inventory on credit, Every FMCG company demands upfront cash i.e. advance payment, only then the stock would be dispatched from the C&F agent!"*

ii) Sales targets achievement with the presence of Modern Trade and E-commerce: The company gives stiff targets to General Trade channel and the same increases 20-25 % annually. The company expects fresh business but the same gets difficult due to the presence of new channels like e-commerce and Modern Trade. Lot of existing customers of General Trade shifted to the new channels because of which the General Trade business got affected. This is also because the buying capacity of these new channels is much greater than that of General Trade because of which they get stock at much competitive landing prices. Consequent to this, a lot of wholesalers and retailers are procuring from e-commerce and Modern Trade which gives them much better pricing. This poses a conflict issue for the General Trade distributor. The major impact of this discriminatory pricing between different channels has been on C&F agents and General Trade distributors. The same can be vetted through the recent event of a nationwide protest which happened in India in December 2020 (Figure 5.5) by the distributors threatening to boycott procurement from major FMCG firms. An excerpt from the news is mentioned below: -

Mohan Shankar, chairman, Tamil Nadu Consumer Products Distributors' Associations Federation, emphasised that the distributors demand equal pricing on all platforms by the MNCs.

Figure 5.5: Nationwide protest of consumer products distributors association, Source: The Hindu, 2020

> *"We (distributors) have lost 20- 25 % business, especially after lockdown. If a product is supplied to us at Rs.. 100, it is sold online at a much lower price. With the turnover reducing for the distributors, there are several drivers, helpers and salesmen who have lost their job," he said*
>
> *-The Hindu, December2020*

The ITC Ltd.'s sales manager when asked on this issue said,

> *"Company is only concerned about sales, whether it comes from online or offline channel."*

Thus, the use of multiple channels has increased incidents of conflict between the manufacturer and the channel partners

iii) **ROI generation**: ITC Ltd. gives a standard margin of 3% to its distributors but is also mindful of the fact that a distributor too needs to earn from the business. It ensures a minimum ROI of at least 18-20 % annually to its distributors. The channel partners of ITC Ltd. can be construed as business partners who work on a joint business plan where the mutual understanding is a generation of the annualised return on investment for the distributor. It is to be noted that where ITC Ltd. demands advance payments and demand draft, the distributor is often compelled to provide inventory to the downstream retailers on credit. Distributor's working capital gets locked in the inventory which is billed to the manufacturer and in the form of credit which is extended to the retailers. This arrangement makes the distributor's working capital locked for at least two months on an average in the system. The distributor keeps rotating the same money in the market. In such a case, if the salesperson is not able to generate ROI for the distributor, it surely leads to conflict. Almost all the interviews conducted, confirmed that the economic returns are prime in the business and that no distributor will continue in the business if ROI does not get generated for more than 2-3 months. As one of the sales manager at ITC Ltd. explained, *"As we keep loading the distributor with more and more inventory, the distributor often complains, where is my ROI? The distributor is asked to engage more and more sales personnel, more and more vehicles but he is always concerned about how to achieve his ROI by increasing investments with us? At the end of the day, he is a trader and looks forward to a 14% ROI."*

iv) Timely Claim Settlement: In the business, the manufacturer often extends promotional schemes for the retailers**.** There are numerous complaints from the retailers that the distributor never passes the same to the retailers. This again becomes a source of conflict. The distributors need to claim these promotional schemes at the month end. These claims often pile up causing conflict between the manufacturers and the distributors. Claims also get generated when company gets bullish on market and compels the distributor to purchase greater levels of stock. If this stock remains unsold the company takes the same back at reduced price. This again becomes a pain area due to delayed processes causing conflict issue between a distributor and the retailer. As the sales manager at ITC Ltd. narrated,

"Most of the FMCG firms generally takes back slow moving items at 0.5 % of business and sometimes even refuse to take back the inventory due to issues at the distributor level (physical warehousing etc.), the distributor also gets late in reporting such data to us, due to which the claim settlement takes time and leads to conflict."

v) Damaged and destroyed goods: - Another major cause of channel conflict is damaged and destroyed (expired) goods. ITC Ltd. takes such stock back at reduced rates from its channel partners, but a lot of time due to the communication mismatch or late information, the claim settlement of damaged and destroyed (expired) goods gets affected, leading to conflict. Lot of retailers dealing with ITC Ltd.'s brands were asked to give their major concern with ITC Ltd. The most common feedback received was that the company is generally slow in picking up damaged and destroyed goods. This is a general ground feedback of the retailers. The ITC Ltd. sales manager added, *"The claims settlement due to damaged and destroyed goods is a huge issue at ground, company must try to settle this timely, the distributor evaluates brands in terms of claim settlement process. The problem is brands don't admit that the claim settlement issue, is at their end. Also, lot of companies have too much documentation process for claim settlement because of which time lapse occurs. Lot of companies even refuse to accept claims on DND."*

vi) **On-time delivery of stock:** Timely delivery of inventory to the different nodal points in the distribution channel is also a cause of conflict. This often occurs when the WSPs do not use quality logistic service providers and deliver stock late or when distributors club orders of different wholesalers and retailers and issue the dispatch to retailers which again leads to delay in delivery. All this leads to an out of stock situation which creates conflict between the company and its channel partners. Thus, the company's goal of timely delivery gets impacted due to lack of manpower, lack of quality logistic service providers, lack of vehicles etc. The company expects that before any ATL (Above the Line) promotion happens for existing product line or new launches, the stock must be on the shelves in the market. Information about new launches should reach channel partners at least 3 weeks in advance. The logistical issues in the system often affects the same. As the sales manager at ITC Ltd. explained,

"Lot of distributors in greed of cutting costs hire inferior quality of logistics service providers which cost less but often give issues in terms of timely delivery or sometimes even damage in transit. Timely supply and time to market are extremely crucial as we push them to sell, when they do not receive the goods on time, this often leads to conflict."

vii) **Shortage of resources:** ITC Ltd. keeps demanding investment from its channel partners in the quality and quantity of Logistics Service Provider, the feet on street or the distributor's sales representatives, the transportation fleet, warehousing capacity etc. The channel partners consider it only if they feel it is viable in terms of their ROI generation. As explained by the sales manager,

"The distributor always shirks from investing greater resources in terms of sales personnel, warehousing or vehicles as he is concerned of his

viability of recovering the return on investment despite us pushing him for greater resources. Lot of times channel partners are genuinely short of working capital and are not in a position to buy stock of required amount but the upper management does not acknowledge this."

viii) **Territories infringement:** As reported, many times field executives of distributors in the pressure of sales, infringes other distributors' territory and gives him stock on cash. The same gets difficult to check at the micro level. According to the sales manager,

"We try to map all the shops which are to be serviced by the distributor so that there are less cases of territory infringement, but still due to sales pressure sales executives often try to liquidate inventory in someone else's territory. The company is just concerned about sales, if there is no new customer in a territory, sales executives try dumping stock in other's territory."

5.2.4 Measures to reduce conflict at ITC Ltd.

Conflict occurs in routine operations at ITC Ltd. and is inevitable but the company has come up with certain policies to ensure that chances of occurrence of such conflicts are greatly reduced. ITC Ltd. as a company does believe in long term association with a channel partner and tries to support them with best possible measures. The business development role is basically carried out by its wholesale dealers and wholesalers but they need to be assisted and supervised by its own sales personnel. These measures and policies essentially develop into distribution objectives which the sales personnel have to ensure. The same are: -

i) **Ensuring ROI for channel partners:** ITC Ltd. ensure a margin of at least 14-16% annually, so that the channel partners continue to stay motivated and maintain continuity in the business. According to the sales manager,

"We need to ensure that the distributor makes at least 14-16% ROI annually otherwise dissonance occurs. The distributor achieves this through frequent working capital rotation. The distributor pays upfront to brands and extends the same inventory to retailers at 30-day credit."

ii) **Timely claim settlement:** At ITC Ltd., there are strict instructions to its sales personnel to ensure that the claim settlement gets reported in an accurate and timely manner so that cases don't pile up in the end. As the sales manager remarked,

"Claim settlement is the most rampant issue at the distributor level, Distributors evaluate firms in terms of their claim settlement process and this is something which surely goes a long way in motivating channel partners."

iii) **Timely pick up of DND goods:** ITC Ltd. being a big player may give less margins to its channel partners as compared to small players but it also invests in creating pull for its brands so that channel partners are not left with too much unsold inventory and assures them that the damaged and destroyed goods can be claimed back by its channel partners. According to the Sales Manager,

"ITC Ltd. as a company may not give greater margins but it ensures that the DND goods in most cases are taken back."

iv) **Use of technology:** ITC Ltd. uses softwares of SIFY for distributors and Vajra app for its field executive so that the real time stock information is shared across the channel. The same is highly useful to its distributors as they can track real-time information and can control the inflow and outflow of stock. The Vajra app keeps a check on sales team in terms of number of POS visited and number of orders taken. The company emphasizes that each outlet should be billed at least once a week, and also keeps a control on line items and the SKUs getting billed. The sales manager added,

"Now everybody has lot of Sales Force Automation tools, barcodes, online billing system etc., the salesperson himself gets tracked through GPS, this has helped streamline the system to a great extent."

v) **Focus on AVF**: -The prime objective of ITC Ltd. sales personnel is AVF (Availability, Visibility and Freshness) so that the issues of time to market or timely delivery does not arise and reduces the chances of conflict in the downstream channel. The WSP has to ensure the timeliness of the delivery. According to the Sales Manager,

"If the brand wants to have an effective time to market, it has to ensure the retail strategy of availability, visibility and freshness particularly in the food division which has expiry dates of 3 to 4 months."

vi) **Focus on Secondary Sales:** ITC Ltd. not just focuses on primary sales but also on secondary sales. Primary sales from a manufacturer to a distributor is extremely crucial as it reduces the burden of inventory stocking, provides the working capital and the much needed market coverage, but it is the secondary sales which ensures that the stock with the downstream channel partner gets liquidated. ITC Ltd. supervises its secondary sales performance in a territory too. At the ground level, the salesperson ensures that the ratio of primary and secondary sales is good. Thus, the company does not just focus on selling consignment to the distributor, but also ensures that the stock with the distributor isn't lying in the warehouse and has been distributed to the retailer. The sales manager explained,

"If we ensure the ratio of primary to secondary sales lot of unsold inventory and damaged goods would be avoided and claim settlement cases reduce, thus there is always a need to maintain primary to secondary sales ratio."

vii) **Joint marketing efforts:** The salesperson applies local geography knowledge to achieve brand targets in accordance to the business plan. They also work along with the distributor for the new product launches in the region by way of sell-in volumes, driving visibility campaigns, sampling activities, placement strategies, and tracking the performance of new products. Also, the salesperson is required to communicate the trade schemes and offers from time to time. The salesperson also formulates and supervises merchandising activities at retail outlets This way the company is able to gain its market share in its territory through sales from retailer's shelves.

"Lot of GT retailers have modernised, they have started using automated POS machines, trolleys, got interiors done and have started giving

Modern Trade look, with joint marketing initiatives through these retailers, the brands achieve their business targets.”

viii) **Brand strength and reputation:** The salesperson communicates the reputation and strength of brand ITC Ltd. from time to time and provides them a sense of security while dealing with a big brand name-ITC Ltd. The salesperson makes the distributor realise the benefit of dealing with a big manufacturer in terms of tried and tested processes, fair practices in terms of DND stock and the popularity the brand enjoys.

“*ITC Ltd. reminds its distributor that dealing with reputed brands is actually beneficial for them, big brands give allowance for DND products and takes the stock back, smaller brands do not do that though they might be giving greater margins initially. Thus doing business with powerful brands is always safe.”*

ix) **Relationship selling:** Though there is not that much scope of relationship management in FMCG sector, the salesperson still nurtures and develops the distributor in a territory. The salesperson handles distributor’s queries and ensures the distributor makes profit in its territory. Service related issues faced by the distributor from Wholesale Service Providers agents are also handled. The sales manager works closely with the distributor to make the territory a profit centre. The impeachment of distributor happens only in extreme cases. The impeachment process requires good amount of market reports as evidence before the same can be initiated. As the Sales Manager remarked,

“Whether we establish relationship with the company or not but we have to make productive relationships with channel partner, without the same it will be difficult to achieve territorial objectives. Though GT is more transactional, it becomes challenging for a company salesperson to manage 30-50 distributors allotted in the territory and manage relationships. At a very shallow levels the relationship exists between company salesperson and key account managers (for Reliance Retail, Future Group).”

x) **Careful use of multiple channels:** ITC Ltd. is careful with the product mix it provides to General Trade, Modern Trade and e-commerce. It also crafts the promotion schemes carefully. It appears that most of its efforts are directed towards the welfare of General Trade only at the moment. For example, the company gives more variety of SKUs across its different divisions of cigarettes, personal care, food and beverage, to General Trade majorly. Even if cannibalisation happens in one category of product line the General Trade can recover it from other lines like cigarettes where ITC Ltd. boasts of 95-98% of market share. The company also differentiates in terms of size of SKUs where larger sizes are generally directed to Modern Trade and e-commerce. As the sales manager at ITC Ltd. further explained,

"*Modern Trade has significantly higher discounts as compared to retail, but General Trade is still a thriving story in India, the e-commerce has to some extent cannibalised, especially for premium and mass premium products. MT generally springs to action around festive season. How far would a customer go for a one plus one scheme, but yes e-commerce poses danger for more routinized products. Developed countries already have integrated online channel structure and provide services seamlessly where online is backed by physical facilities as fulfilment centre, this is how coexistence would be possible. For lot of D2C initiatives, company uses its preferred retailers to service the local area"*

"Companies are increasingly selling differentiated portfolios through different channels, for example Quaker oats was first showcased at Modern Trade and then only rolled out for GT after tasting success in modern Trade, similarly lot of products with premium packaging or higher size packs are being placed at e-commerce channel, this also enables to recover the e- commerce logistics cost. Lot of brands do exclusive packaging for e- commerce customers and build excitement around brands, this way they are able to capture higher prices through opportunistic packaging, GT is meant for more routine products"

During the phase of data collection for this research, it was learned that ITC Ltd. enjoyed quite a goodwill with its channel partners. As a matter of fact, some of the distributors were associated with it for more than two generations now!

5.2.5 Findings of the case study

The objective of analysing the case study was to understand a practical real life context of the topic of this research. The results of the primary data study were cross checked through the case facts to further complement the results. Table 5.3 provides a comparative analysis of the case findings and the data analysis findings.

Table 5.3: Key Findings of the Case Analysis

Hypotheses	Primary data analysis	Case Analysis of ITC Ltd.
$H_{1:}$ GOL → CFL	Supported	Goal Divergence has been established as a cause of conflict, sales targets, demand for advance payments, greater investment all point to the same.
H_2 : DOM → CFL	Supported	The distributors often have issues with sales support provided by the company. Lack of communication of policies and schemes for example, in case of DND goods often lead to channel conflict.
$H_{3:}$ ROL → CFL	Supported	Distributors often complain on the role performance by company's salesperson in terms of not settling their claims timely.
H_4 :POL → CFL	Supported	The policies of the FMCG giant like fixed margins, predefined product portfolio, advance payments, secondary claim settlement (after month end) leads to channel conflict.
$H_{5:}$ DEP → CFL	Supported	By and large the distributors consider themselves dependent on ITC Ltd. because of the popularity and the reputation enjoyed by the company's brands from which they can continue to derive their ROI.
$H_{6:}$ NC → CFL	Supported	ITC Ltd. has been quickly developing its e-commerce channels as can be derived from recent reports *("Keen to be no.1 in FMCG, ITC seeks the e-commerce edge", Economic times, Feb 2019).* However cases of discriminatory pricing has added to the conflict between General Trade WSPs and WDs with ITC Ltd., as they are increasingly witnessing a reduced turnover due to the discriminatory pricing (LiveMint, 2019).
H_7 : PER → CFL	Rejected	The incidence of channel conflict due to misplaced perceptions is less as both the companies by and large manage to work closely with channel partners due to use of technology which has reduced communication gap.
H_8 : CFL → LTO	Supported	Some of the distributors of ITC Ltd. have been serving for more than 70 years now! This confirms that conflict resolution plays a role in their satisfaction and makes them stay committed to the business i.e. long term oriented.

5.3 Conclusion

The case throws light into the activities performed by the sales personnel which takes care of the basic constructs of channel relationship like goal divergence, dependence, communication, trade policies and long term orientation. It also attempts to put forward the various strategies the company is utilising to handle different channel formats by ensuring fairness and non-cannibalisation of markets between them.

CHAPTER-6

DISCUSSION, CONCLUSIONS & IMPLICATIONS

This chapter discusses the results of the multi stage data analysis undertaken for the study, integrated with the results of the case study to draw the necessary conclusions from it. Further, it discusses the important theoretical contributions in terms of an empirically derived model and the managerial implications. This is followed by the limitations of the study. The chapter ends with suggestions for future research.

6.1 Discussions

6.1.1 Discussion on Thematic Analysis

There were many highlights of conflict from the interviews conducted with the salesperson of the FMCG manufacturers. It would be appropriate to derive that by and large the channel business in FMCG sector is transactional. All the C&F agents, distributors and retailers invest in the business to earn the basic ROI. They are essentially traders and the prime consideration but obvious is “what is in it for them”. The C& F agent works on a flat fee; the distributor is assured a return of at least 12 to 14 % on an annualised basis for the business development done by covering the outlets. The themes of conflict which emerged from the in-depth interviews of the sales personnel: economic objectives, business objectives, service issues and competition can be mapped to theoretical constructs of Goal Incompatibility, Dependence, Role Performance, Trade Policies and Domain Similarity. This is an important derivation as by and large most of issues occur due to chase of individual objectives instead of mutual objectives for the complete channel system. Also, issues of claim settlement, DND issues can be all linked to the theme of service issues. The manufacturer is undoubtedly the captain of the FMCG distribution channel who frames policies to develop a joint business plan for its channel partners and assures basic returns. The channel runs on a system of contractual policies which makes channel partners perform their roles and responsibilities and abstain from deviating from expected behaviours. In the analysis it was observed that all manufacturers demand advance payment for purchase of the inventory. Most of the downstream partners have accepted this as a norm of the industry. The distributors then deliver the stock to the retailers but they invariably have to offer them on credit. The credit period is generally for 30 days. Distributor's working capital gets locked for almost two months and this cycle gets repeated. With this arrangement also, the manufacturer demands channel partners to invest more in the business, in terms of warehousing, delivery sales executives, fleet vehicles etc. The same develops dissonance in the channel partners as the prime concern is ROI on initial investment. This form of channel conflict has its roots in goal divergence.

Also, the distributor picks up business from retailers by promising discounts which is claimed later from the company. Most of the FMCG firms have a month long settlement cycle, which again becomes an issue as the distributor avoids extending the discount to the retailer till the time it is actually credited. These gaps can be mapped to the theme of service issues at the end of the manufacturer. Also, manufacturers often get bullish on their brands and pressurise downstream partners to purchase more by way of discounts and downstream partners invest more in their brands. All these issues actually arise from goal divergence which cannot be eradicated simply due to the placement of channel partners at different levels. The other issues like duration of claim settlements, timely delivery of inventory, delivery in the right state, in the right form are again some concerns which can be tracked to role performance.

The issues that emerged from the in-depth interviews of the C&F agents were categorised into themes of economic objective, business objective, trade policies, inventory issues and service issues. The results suggest that once again goal incompatibility exists between manufacturers and C&F agents where C&F agents are constantly pressurised to increase investment in the business, invest in quality logistics infrastructure, give advance payment, accept product portfolio as per company's decisions. All of these issues are a result of goal divergence which can be mapped to the theme of economic and business objectives.

The new channels like e-commerce are making inroads in the Indian retail market because of which demand of C&F agent is getting affected, leading to conflict. Besides the C&F agents perceive that the manufacturers are not connected with the pulse of the market, they only push inventory through them. This is a case of conflict arising from perception. Another situation where conflict happens when manufacturers deliberately create shortage of supply of their brands in the market and pressurise channel partners to pay more for getting the regular supply, creating dissonance at the C&F agent level. The C&F agents in such situations have to shelve out more due to dependence on the manufacturer. Conflict also happens when one C&F agent starts supplying in some other C&F agent's territory. These cases however, have come down because of the adoption of softwares like Sales Force Automation, Global Positioning System, Personal Digital Assistants and bar code scanners etc. This problem can be mapped to domain similarity and to the theme of trade policies. Also the issues of inventory dumping in the market can be mapped to the theme of inventory issues and the policy of DND and claim settlement can be mapped to the theme of service issues. These were some of the causes of conflict which surfaced in the interviews conducted with the C&F agents.

6.1.2 Discussion on Empirical Results

6.1.2.1 Distributor Study

This section discusses the results of the hypothesised relationships which were developed for the distributor study. Seven independent variables were finalised after the literature review and the pilot study. The same were GOL, DOM, ROL, POL, DEP, PER and NC. Out of these seven variables, only PER was found to be statistically insignificant in explaining conflict. Rest all the variables were found statistically significant. The linear relationship of CFL with LTO was also found to be statistically significant.

Goal Incompatibility and channel conflict

The results of the empirical findings for the relationship of goal incompatibility with channel conflict is in congruence with previous researches (Webb and Hogan2002); the authors suggested that goal incompatibility is a significant predictor of channel conflict. Channel members generally pursue individual objectives which are often divergent and incompatible and base their decision process on those criteria. (Pondy, 1967; Rosenberg and Stern, 1970, 1971; Etgar, 1979; Brown and Day, 1981; Neves, 1999; Rosenbloom, 2003; Coughlan et al., 2006; Kotler and Armstrong, 2007). This significant impact of goal incompatibility can be attributed to the fact that both the manufacturer and the distributor in the FMCG sector chase their individual interests despite being a part of the same system. Manufacturer exerts pressure for greater coverage of retail outlets on distributor and distributor avoids locking working capital with the retailer in the form of credit. This is an inherent structural issue of the channel and is difficult to overcome until and unless the goals are framed mutually, with precision and accurate market information. The positive sign of the β estimate signifies direct relationship of incompatibility of goals with conflict.

Domain Similarity's influence on channel conflict

The results of the distributor study indicate significant relationship between similarity in domain and channel conflict. Domain similarity occurs when channel partners draw from the same base of limited resources which can be both external or internal. Overlapping or limitation of these resources causes domain similarity leading to conflict between channel partners. The resources can be markets served, customer base, promotional material used or even sales support. In context of the FMCG sector, the latest rift which is happening between the e-commerce platforms and General Trade distributors can be attributed to this factor. Since both these channels are targeting the same market, conflict is bound to happen. Previous researches have also supported this (Stern and El-Ansary, 1992; Reve and Stern,1979), findings of this study also support the positive influence of domain similarity on channel conflict.

Role Performance and channel conflict

Role performance was observed statistically significant factor for channel conflict in the findings of the distributor study. The sign of β was negative indicating an inverse relationship. The results also suggested role performance as the strongest antecedent of channel conflict in the distributor study. Role performance perception of the channel partner can be in terms speed, delivery, reliability, technical support, product and service quality, and after-sales services being conducted by its connecting channel members. In context of the distributor study, this factor assumes importance because in distribution channel there are various value added activities referred as *'channel flows'*. The time and the cost consumed in conducting these channel flows has a direct bearing on the efficiency of the channel system. The channel partner can win the trust of each other by performing the roles and responsibilities. The role of a manufacturer essentially is, product development and that of a distributor is, market development. When expectations on these performance measures are not met, conflict occurs. According to Etgar (1979), attitudinal sources of conflict are more important than structural sources and this was confirmed through this study's findings too.

Dependence and channel conflict

Based on the work of sociology, dependence of a distributor basically represents a dominance-submission relationship. It reflects the relative power of a manufacturer when it attempts to manage a channel member to fulfil its objectives (Brown *et al.*, 1983). Dependence and power can be considered as complementary concepts; power emanates from, as well as strengthens the dependence of one party over another in any dyadic relationship (Emerson, 1962; Stern and El-Ansary, 1988). According to Olsen and Granzin (1993), the greater the dependence, the greater the satisfaction and lesser the conflict. The results of our study are in consonance with the above mentioned studies and confirms the dependence of a distributor on its upstream partners for the regular supply of its powerful brands and helps in generating return on investment. In a channel setting, dependence is defined as an entity's need to maintain the relationship with its partner to achieve its goals (Frazier,1983; Heide and John,1988). The distributor therefore, feels beneficial to continue the association with the manufacturer as the brands of the manufacturer are important for fulfilling distributor's marketing strategy. The results had standardised β with a negative sign confirming the inverse association of dependence with conflict.

Perceptual differences and Channel Conflict

The results of the findings for the relationship of perceptual differences and conflict did not come out to be statistically significant in this study. Perceptions are viewpoints, opinions or prejudices channel partners have for each other. It may or may not be real. Perceptions can be about each other's abilities or channel relationships. The problem of perception is often hidden in the absence of communication. The insignificant relationship can be attributed to increasing use of technology. It has reduced the communication related problems among the channel members to great extent. The channel partners are connected on a real time basis through SFA (Sales Force Automation), DMS (Distributor Management Software) etc. The distributor is connected through the softwares and the salesperson also visits them therefore, communication is not much of an issue with the distributor.

Trade Policies and Conflict

The results of the distributor study show a significant statistical relationship between trade friendly policies and conflict. The β was negative indicating the lenient or friendlier the trade policies are the lesser the conflict. Trade Policies can either aggravate conflict or alleviate conflict depending upon how stringent or lenient they are (Magrath and Hardy, 1987). Channel policies issues needs to be resorted else it keeps reappearing. In this study, the policies were majorly about damaged and destroyed goods or expired product, claim settlement or pilferage. The distributor largely functions around these policies and calculates ROI based upon the implications of these policies. In consonance with previous studies (Lusch and Brown,1996), this study also confirms statistically significant relationship between trade policies and conflict.

New channels and conflict

One of the prime driver for conducting this research was to investigate whether the addition of new channels in the FMCG sector are adding on to the channel conflict? The study confirms the proposition. Organizations are increasingly adding new channels and communication methods to extend market coverage and reduce cost effectively (Moriarty and Moran, 1990). The General Trade distributors are up in arms against the lucrative deals getting offered to online marketplaces as it cannibalises the market of General Trade. The retailers serviced by distributors are increasingly sourcing their inventory from online portals or Modern Trade. This is a threat to the conventional channel system. This issue has been taken up by distributors to the manufacturers. The manufacturers have been compelled to take steps to ensure fair competition. As informed by one of the respondents, distributors have been assured that the sales to the institutional clients would be capped and there would be monitoring of the inventory getting liquidated at Modern Trade. This proves that the new channels are posing competition to the General Trade.

Conflict and Long Term Orientation

The results of our findings are in coherence with the previous studies and show statistically significant relationship between conflict and long term orientation. The concepts of conflict and commitment have been identified as key variables in transnational inter-organizational business relationships (Moore, 1990; Hewett and Bearden, 2001; Kim and Oh, 2002). Also conflict and commitment represent general quality of the relationship that exists between channel members, but still they are separate constructs (Frazier, 1983; Mohr and Nevin,1990; Geyskens *et.al.*,1999). Conflict is negatively related to satisfaction (Brown and Day, 1981; Wilkinson, 1981). It is a satisfied distributor who is committed to continue the trade association.

6.1.2.2 Retailer Study

Communication and Conflict

The findings of the SEM results suggest that communication is a statistically significant predictor of conflict at the retailer level. This is in accordance with previous studies (Firat *et al.,* 1974; Schmitz and Wagner, 2007) which suggested that lack of communication often results in conflict. Communication to retailers is generally in terms of range of products and services offered by their supplier, competitors, the manufacturer's physical distribution and trends in the environment. The causal link between communication and channel conflict is already established in social exchange theory. In context of this study, it should be noted that the standardised β was the highest for COM indicating that communication issues are the most important reasons for conflict. The ANN results of sensitivity also pointed out the same. This assumes importance because the retailer is the final point of sales and the most distant end of the manufacturer. The distributor’s salesforce is the communication channel to the retailer. Many a times, promotional schemes and discounts provided by the manufacturer for trade are not communicated to the retailer deliberately. This came out to be the most common grievance at the pilot study stage too. This lack of communication creates other problems as well. As reported by one of the respondent, retailers used to collect and stock damaged goods together thinking they would get reimbursed together. The retailers were unaware of the deadlines within which the point of sales should report damaged and destroyed goods. Such situations are very common in the FMCG distribution channel. Thus, manufacturers must ensure that the downstream channel partners do high degree of information exchange with retailers which is timely and complete.

Goal Similarity and Conflict

Consistent with the findings of the previous researchers (example, Etgar, 1979; Webb and Hogan2002), findings of this study also establish a statistically significant relationship between goal similarity and conflict. The negative sign between the same indicates an inverse relationship. The sensitivity analysis ranked this factor as the second most important factor in predicting conflict. This is understandable as the retailer is constantly pressurised to keep the complete product range in the shop shelves, but due to limitation of shelf and floor space the retailer picks the bestselling items only. This is often a cause of conflict. Like this, many instances occur in trade which establish that there is hardly any shared goal because of which conflict is a natural outcome. In a situation of intra-channel conflict parties cooperate forcefully and generally don’t achieve consensus and often chase incongruent goals (Rosenberg and Stern, 1970, 1971; Rosenbloom, 2003; Coughlan *et al*., 2006)

Trade Policies and Conflict

The relationship of biased trade policies and conflict at the retailer level came out to be statistically significant. Due to dependence in the distribution channel between partners, the usage of fully spelt out and normative agreements is extremely important (Lusch and Brown, 1996). These contractual policies help in integration and coordination in channel relationships and gives it formality. It becomes difficult for a channel member to deviate from these contracts and promotes channel cooperation. In context of this study, the retailer had issues with pricing and credit policies (margins, discounts, extended dating payment schedules, volume rebates, policies for quality control, inventory buy-back options, promotional programs (like local advertising support, monthly fees, market development funds, merchandising programs, co-op programs, end customer promotion, etc.). The retailers were vociferously against the demand for cash payment, treatment of damaged and expired products and the promotion material offered. These areas need to be considered at the retailer level.

Dependence and Conflict

There was a statistically significant relationship of dependence with channel conflict for retailer too. Dependence is essentially a play of power where a firm believes in the requirement to maintain relationship with its channel partner in order to achieve its goals (Frazier, 1983). Dependent channel partners are often exploited through coercive influence strategies by the dominant party (Kale, 1986). There are high chances that the more powerful partner will act unscrupulously. The small Indian retailers gets substantial turnover from powerful brands which enjoy a high customer connect. The retailer is therefore dependent on the distributors for brand availability. This dependence arises from the economic benefits derived by selling these high power brands from the outlet. Thus, this result is consistent with negative association between conflict and dependence (Frazier *et al*., 1989). This dependency clearly limits the extent to which retailers complain or react to a distributor (Satyam *et al.*, 2017).

6.2 Conclusions

The purpose of the study was to analyse channel conflict at different levels of distribution channel in the FMCG sector. As discussed in Chapter 4, thematic analysis was applied to the in depth interviews taken for the manufacturer’s salesperson and the C& F agents. The themes that emerged from the in-depth interviews taken from the manufacturer’s salesperson were majorly pointing out goal divergence, role performance, new channels, dependence, domain issues, competition, shortage of resources as major causes of conflict in the overall value chain. The themes that emerged from the in-depth interview taken for the C&F agents were pointing out to goal incompatibility, dependence, perceptual difference, trade policies, role performance, new channels, competition due to digital environment majorly leading to channel conflict for the C&F agent. For the distributor and the retailer study a comprehensive research framework was derived from the exhaustive literature review and discussion with academic and industry experts. The key constructs were identified for both the studies and two different questionnaires were administered for the distributor and the retailer. Both these empirical studies were analysed through a multi-stage analysis initiating with the Confirmatory Factor Analysis, Structural Equation Modelling and Artificial Neural Networks.

For the distributor study, nine key constructs were identified including two dependent variables. The independent variables were Goal Divergence (GOL), Domain Similarity(DS), Role Performance (ROL), Trade Policies(POL), Dependence (DEP), Perceptual Difference(PER), New Channels(NC) and the dependent variables were Channel Conflict(CFL) and Long Term Orientation (LTO). Exploratory Factor Analysis (EFA) was done to understand the loading of each item in the constructs. All the items loaded on their intended constructs with a factor loading greater than 0.5, thus clearing the path by giving a strong theoretical base to proceed with the next stage of the analysis.

The next stage for this analysis was the Confirmatory Factor Analysis(CFA) wherein the validity and the reliability of the constructs were investigated along with goodness of fit for the measurement model. The convergent and the discriminant validity were checked for the measurement model. The χ^2/df, the GFI, the CFI, the SRMR, the RMSEA, the P-close all came within the acceptable ranges confirming the fitness and acceptability of the measurement model. The results of the path analysis obtained through the application of SEM indicated that the factors GOL ($p<0.05$), DS($p<0.05$), ROL($p<0.05$), DEP($p<0.05$), POL($p<0.05$) and NC ($p<0.05$) had statistically significant results. The effect of PER on CFL was not statistically significant as (p value =0.407). Also CFL had a significant impact on LTO($p<0.05$).

Out of all the independent factors, ROL had the greatest impact on conflict at the distributor level.

The next stage of analysis for this distributor and C&F agent relationship was the construction of Artificial Neural Networks to confirm the complex linear relationships between the variables. The RMSE values for the training and the testing model were 0.501 and 0.530. Further, the sensitivity analysis results suggested that goal divergence was the most important construct for the conflict at the distributor level.

Similar multi stage analysis was done for the data collected from the retailer. For the retailer study, five key constructs were identified including one dependent variable. The independent variables were Goal Similarity (GOL), Trade Policies(POL), Dependence (DEP) and Communication(COM) and the dependent variable was Channel Conflict(CFL). Exploratory Factor Analysis (EFA) was done as a preliminary analysis to ensure that there was strong loading for each item in the constructs. All the items loaded on their intended constructs with a loading greater than 0.5. Thus, with this there was a theoretical basis to proceed with the next stage of the analysis.

The next stage for this analysis was the CFA wherein the validity and the reliability of the constructs was assessed along with goodness of fit for the measurement model. The convergent and the discriminant validity was confirmed for the measurement model. The χ^2/df, the GFI, the CFI, the SRMR, the RMSEA, the Pclose; all were within the acceptable ranges confirming the fitness and acceptability of the measurement model. The results of the path analysis obtained through the application of SEM indicated that the factors GOL ($p<0.05$), POL($p<0.05$), COM($p<0.05$) and DEP($p<0.05$) had statistically significant results. Out of all the factors COM had the greatest impact on channel conflict at the retailer level.

The next stage of analysis for the retailer-distributor relationship was the construction of ANNs to confirm the complex linear relationships between the variables. The RMSE values for the training and the testing model were 0.501 and 0.530. Further, the sensitivity analysis results too suggested that communication (COM) was the most important construct for the conflict at the retailer level.

6.3 Implications

The implications for the study for both academia and industry are discussed in the following section.

6.3.1 Theoretical Implications

The results of this research adds to the theory of channel relationship literature in many ways. The study added two new predictors in terms of new channels and trade policies to understand channel conflicts from structural and attitudinal perspective. These new predictors of channel conflict can be linked back with the transaction cost economics theory which suggest that new channel structures are an outcome of “make or buy” decisions to develop economically feasible channel structure. New channels like Modern Trade and e- commerce helps manufacturers to reach new segments of markets at a lesser cost. This new construct addition is also in congruence with the Resource Based Theory that advocates that brands develop new resources (here, new channels) that helps in exploiting current or new markets. Trade policies as a construct can be considered as a fallout of agency theory which emphasises the best possible contract to govern the channel relationship between the principal and the agent. Also, these structural constructs interact with other behavioural constructs and decide the outcome of channel relationships. This was pointed in channel literature too that with the growth of disintermediation and bypassing of traditional channel partners, future research should examine how consolidations affect downstream relationships with upstream suppliers (Lusch *et.al.,* 2011). The study also extended the concept of long term orientation or commitment. There is a paucity of research where channel conflict has been integrated with the long term orientation and checked the channel health at the distributor level. There is also a paucity of empirical research on distributor–retailer studies (Krafft *et.al.,* 2015). Also, due to the presence of many overlapping and interconnected constructs like satisfaction, commitment and trust, the author was motivated to integrate the focal constructs from multiple theories like power dependence theory, theory of relational norms and commitment trust theory to develop and validate the relational research framework for the distributor and the retailer in this study. The study also adds empirical evidence for key determinants of conflict in an emerging economy context, India. The empirical findings of the distributor study revealed that role performance (SEM analysis) and goal divergence (ANN analysis) as most crucial determinants of channel conflict. This suggests that besides economic benefits the way channel partners play their role can also influence channel relationship outcomes. In the retailer study communication (both through SEM and ANN analysis) emerged the greatest influencer for channel conflict This clearly confirms the results of Etgar (1979) that attitudinal factors are much important than the structural factors of conflict. Finally, both the empirical studies of distributor and retailer used integrative approach of combining the results of SEM with that of ANN which is a relatively new approach in the field of channel relationship literature.

6.3.2 Managerial Implications and Suggestions

The findings of this research has brought out valuable insights for the marketers to manage their channel system better. FMCG sector deals with convenience goods which has almost a stable demand round the year and plays heavy on volumes. As most of the FMCG brands enjoy popularity with customers, the channel relationship is essentially reduced to demand fulfilment. This mind-set prevailing in the FMCG sector needs to change and salesperson and channel partners need to foster a healthy relationship for delivering the channel objectives. FMCG firms will be myopic to only focus on primary sales. The final market share is essentially a function of secondary sales. Based on the results of the study some crucial strategic and activity based suggestions are proposed for the Indian FMCG sector.

6.3.2.1 Strategic Suggestions

These suggestions are directed towards the long term vision of the FMCG firms for their future sustainable growth. The same are: -

i. New marketing channel of Modern Trade and e-commerce are channels of vanity but the channel of General Trade is reality of India. These new channels should be handled with care as General Trade distributors definitely feel that the new channels particularly e-commerce has gained momentum in the pandemic phase and is giving competition to General Trade. For a manufacturer, it’s a win- win situation as business from any channel adds to the sales volume. Careful strategic planning should be done in terms of customer profiling and the strengths of these channels before allocating them inventory of different SKUs. Differentiation should be done in terms of SKU sizes, fast and slow moving SKUs, new launches etc. while using these channels. Also, the promotion schemes should be carved out differently for these channels only then can these multiple channels coexist and transition to an omnichannel system where they do not operate in silos but work for each other.

ii. The other consideration which manufacturers can have for their channel partners is in terms of credit. All FMCG firms demand advance payment, demand drafts as per industry norms but they should also consider that the channel partners working capital gets locked in the market in the form of inventory. There are genuine situations that channel partners do not have ready cash to buy inventory. Credit should be extended to channel partners in such times, so that they feel that the manufacturer is also assisting them in their business objectives and considers them a part of their system. This would be a huge morale booster for the channel partners.

iii. There is an increasing trend of exit of retailers from the conventional channel structure as they are increasingly opting for a local wholesaler or buying goods from Modern Trade or e-commerce due to better deals. This is not a healthy indicator for FMCG firms as it poses threat to their formal channel design and to the upstream distributors and C&F agents. The increasing usage of large cash and carry formats in India (e.g. LOTS and D-Mart) and local wholesalers by the retailers is a caveat to the General Trade FMCG distributors. These organized wholesalers are also targeting the local retailers in a big way and are trying to work with them cohesively. A vital channel member like retailer, where the real India shops, cannot be ignored and there is certainly a need to sensitize the distributors on the importance of retailers and maintaining healthy business relationships at the ground.

6.3.2.2 Activity Based Suggestions

i. Salesperson under all circumstances has to ensure the generation of the basic ROI month on month, else it would be difficult to make the channel partners stick to the business.

ii. Empirically and qualitatively established antecedents of channel conflict should be considered while developing productive channel relationships, as conventional distribution channel gets altered in the absence of relationship drivers.

iii. The policies of claim settlement and DND (Damaged and destroyed) products should be revisited as not many FMCG firms support channel partners for losses incurred due to same.

iv. Manufacturers get bullish on the market and make the channel partners invest heavily in inventory. They must also ensure that the liquidation of stock happens at the distributor and retailer level. The unsold inventory represents a loss to the channel partners. Some manufacturers take the stock back at reduced rates but that does not always go well in the trade relationship.

6.4 Limitations

Though the research was undertaken with due diligence in terms of the robustness employed to investigate the research problem; but still few limitations exist in this study which might have affected the results of the study. However, despite these limitations, there are some meaningful implications for channel marketers and future researchers. These limitations prove that in social sciences it is possible to get different results if the context or environment of the research is altered.

Firstly, it was extremely challenging to get a sampling frame for this study. The distributors were identified based on the references of retailers and retailers were chosen in terms of vicinity and accessibility. The absence of sampling frame compelled the researcher to use purposive and convenience sampling. Thus, a non- probability sampling was chosen for this study which is generally not considered scientific by many statisticians.

Secondly, the willingness and the extent of participation by the respondents at all levels surely has an effect on the data collected and the results derived for this study

Thirdly, only the key constructs drawn from the structural, attitudinal and environmental based dimensions have been considered for the channel conflict model both for the distributor and the retailer. Other variables existing in literature could also have been integrated in the conceptual model to get enriching insights.

Fourthly, due to time constraints a greater sample size was difficult to attain. Also, the mediating and moderating effects of variables have not been incorporated in this study.

Finally, this study has been done in the FMCG sector only. The results could be more comprehensive if the study was done for other sectors too.

Despite these limitations, this study is novel in the sense that it is one of the few studies done for the complicated network of distribution channels present in the FMCG sector. Also, this study has focussed on collecting the viewpoints of all the primary participants of the value chain of the FMCG channel and attempted to derive a deeper understanding of channel conflict by analysing it in terms of multiple channels.

6.5. Scope for Future Research

The addition of new constructs of “new channels” along with the key constructs drawn from structural and attitudinal angle offers an advanced understanding of the nature of channel conflict in the new digital age to academicians, marketers and future researchers. During the course of this study some other potential sources of interest have also been identified for future researchers in this area.

Firstly, it is suggested to add few more independent variables, particularly from the perspective of relationship specific investments, power and external environment induced factors in future research frameworks of channel conflict to get a better understanding.

Secondly, future studies may corroborate this study's results by doing analysis in other sectors and other contexts of different countries in order to get interesting insights.

Thirdly, this paper did not examine any moderating variable in the empirically derived models for the distributor and the retailer.

Finally, a longitudinal study can throw light as to how channel conflict evolves in business relationships. This would be particularly interesting as most of the channel partners are there in the system for longer duration.

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APPENDIX A1

QUESTIONNAIRE ON DISTRIBUTION CHANNEL CONFLICT

Dear Respondent,

I request you to kindly spare 15 minutes to fill up the attached questionnaire, which is a part of my PhD research based on the working relationship of the distributors with the manufacturers. Your consideration will be extremely helpful for my correct analysis and research completion. **Please note** that your identity would be kept strictly confidential and in case you wish to see the results of my research, the same will be shared with you. Also, the word company refers to your leading supplier (manufacturers)

Purpose of Research:

The purpose of this research is to study the causes of channel conflict. Even though businesses invest so much of financial &personal resources to set up the distribution infrastructure, they are still distant from the problems& challenges distributors & dealers face in day to day businesses. My attempt through this research is to study the reasons for this gap in channel coordination & offer solutions in the best interest of the overall channel system through this research

The objective of this research is to investigate the distribution channel management of Indian FMCG market and to address the following questions:

- What are the major factors of channel conflict in FMCG distribution channel?
- Are Modern Trade and e-commerce also contributing to channel conflict?
- What is the impact of this conflict on channel relationships?

The questionnaire is divided into 3 sections. The 1st section studies the causes & factors of channel conflict, the 2rd section studies the impact of this conflict on channel relationships and finally the last section covers the distributor's the demographic details.

Section 1: Drivers of Channel Conflict

S.No	Measure	Please rate the following on five-point scale.				
	Goal Divergence	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
		5	**4**	**3**	**2**	**1**
1	The company pressurises the distributor to buy more stock than is required otherwise					
2	The company forces the distributor to buy all the SKUs					
3	The company is ok with the distributor if they have multiple agencies in the same product category®					
4	The company is concerned of their profits and sales only					
5	The company passes on risk by making the distributor buy pre decided quantity of stock					
6	The company forces distributors to cover more retailers even if they are risky in terms of payment					
7	The company forces the distributor to buy their slow moving products / less demanded products					
8	The landing price of products which company offers to the distributor is acceptable					

Adapted from Etgar 1979

S.No	Measure					
	Perceptions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	The company treats the distributor fairly					
2	Distributor has more market knowledge than the company actually thinks					
3	The company and the distributor view each other as rivals (as both cannot profit at the same time					
4	The company thinks they have lot of power					
5	The companies do not care for the competition the distributor faces in terms of online and modern retail					
6	The company helps the distributor out when the competition is tough in the market					

Adapted from Etgar(1979)

S.No	Measure					
	Role performance	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	The company has good delivery schedule					
2	The company has good delivery Speed					
3	The company's delivery is reliable					
4	The company's product are easily available					
5	The company has good product/service quality					
6	The company has good after-sales Service					
7	The company has good sales support in terms of advertising and sales promotion, sales executives training etc.					
8	The company has good claim settlement process					

Adapted from: - Yilmaz et al., (2005)

S.No	Measure	Response				
	Dependence	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	Distributor can decide not to sell a company’s products and easily switch to some other company (R).					
2	It is easy for the distributor to find replacement for the company(R).					
3	The distributor’s sales will suffer dramatically if they do not sell company’s products					
4	The company is important for the distributor’s overall business performance					
5	This company’s products have a reputation of high quality.					
6	The success of the distributor’s business is largely due to the marketing efforts of the company					

Adapted from: Yilmaz et al., (2005)

S.No	Measure	Response				
	Domain Similarity	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	The company is trying to target the same kind of customers which distributors target through Modern Trade (Big bazaar etc.) and Online channel (Amazon , Flipkart etc.)					
2	The company is deliberately increasing competition for the distributor by selling online					
3	The company is careful of how to supply to Modern Trade and online because of the distributor's business interests					
4	The company has clearly defined the areas of work for the distributor					
5	Both the company and the distributor are clear of who should do what job					

Adapted from: Ruekert & Walker, 1987 and pilot study

S.No	Measure	Response				
	Trade Policies	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	The company's policies about return of unsold inventory is fair					
2	The company policies about products damaged/lost in transit is fair					
3	The company launches innovative products which are easy to sell					
4	The company has broad enough product line and gives scopes to all distributors for good business in the market					
5	The company's policies for expired products are fair					
6	Company's Claim settlement cycle is very long					

Created from Pilot study

S.No	Measure	Response				
	New Channels	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	The company is focussing more on online (Amazon etc.)and Modern retail(Big bazaar etc.)					
2	The company gives attractive promotional offers to online and Modern retail					
3	The company gives better SKUs to online and Modern retail(Big bazaar etc.)					
4	The landing price is very unfair for the traditional distributor as compared to online and Modern retail					
5	The company has better trade policies for the traditional distributor than the online and Modern retail(Big bazaar etc.)					
6	In future, digitalisation will wipe out many distributors in traditional trade					

Section II Outcomes of Conflict

S.No	Measure	Response				
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
	Channel Conflict	5	4	3	2	1
1	The relationship with the company is full of conflicts					
2	Negotiations with the company are always rough					
3	The company and the distributor often differ in opinion .					
4	The company and the distributor get frustrated with each other					
5	The company and the distributor are in agreement on most business issues					

Adapted from: Kumar et al., 1995, Frazier et al., 1989

S. No	Measure	Response				
	Long Term Orientation/commitment	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	Maintaining Long term orientation with the company is important for the distributors					
2	The distributor believes the company will work with them for a long time					
3	In the long run the relationship of the distributor with the company becomes profitable.					
4	The distributor generally continues to work with the company					
5	Both company and the distributor focus on joint long term goals					

Adapted from: Cannon *et al* (2010), Ganesan (1994); Kumar, Hibbard and Stern, 1994

Section III

Demographics of the respondent

S.No.	Details	Response				
1.	Name of your firm					
2.	How long have the distributor been doing business as a distributor?	1-5 YRS	5-10YRS	10-15YRS	15-20YRS	Greater Than 20 Years
3.	How many companies do the distributor have agency of	1-5	5-10	10-20	20-25	
4	How long have you been dealing with the biggest company	1-5 YRS	5-10YRS	10-15YRS	15-20YRS	Greater Than 20 Years
5.	What is the size of your Sales force	1-5	5-10	10-15	15-20	More than 20 Persons
6.	Turnover in INR	5-10 lacs	10-15 lacs	15-20 lacs	20-25 lacs	25 lacs.<=
7	Location					

Thank the distributor so much for sparing your valuable time and participating in this study!!

Please Note: Personal Information shall not be published

APPENDIX A2

QUESTIONNAIRE FOR RETAILER ON CHANNEL CONFLICT

Dear Respondent,

I request you to kindly spare 15 minutes to fill up the attached questionnaire, which is a part of my PhD research based on the working relationship of the distributors with the manufacturers. Your consideration will be extremely helpful for my correct analysis and research completion. **Please note** that your identity would be kept strictly confidential and in case you wish to see the results of my research, the same will be shared with you. Also, the word company refers to your leading supplier (distributor)

Purpose of Research:

The purpose of this research is to study the causes of channel conflict. Even though businesses invest so much of financial &personal resources to set up the distribution infrastructure, they are still distant from the problems& challenges distributors & retailers face in day to day businesses. My attempt through this research is to study the reasons for this gap in channel coordination & offer solutions in the best interest of the overall channel system through this research

The objective of this research is to investigate the distribution channel management of Indian FMCG market and to address the following questions:

- What are the major factors of channel conflict?
- Are Modern Trade and e-commerce also contributing to channel conflict?
- What is the impact of this conflict on channel relationships?

The questionnaire is divided into 3 sections. The 1st section studies the causes & factors of channel conflict, the 2nd section studies the impact of this conflict on channel relationships and finally the last section covers the retailers's demographic details.

Section 1 Drivers of Channel Conflict

S.No	Measure	Please rate the following on five-point scale.				
	Goal Divergence	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	Our objectives and distributor objectives are often same					
2	We feel that it is feasible for both Distributor and for us to meet or exceed our goals					
3	We often disagree with Distributor about how we can best achieve our respective goals					
4	The company is concerned of their profits and sales only					
5	The company passes on risk by making the distributor buy pre decided quantity of stock					

Adapted from Webb and Hogan (2002)

S.No	Measure	Response				
	Dependence	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	I am dependent on company's distributors for my supplies					
2	If I do not get supplies from company's distributors, I can get from others too					
3	I need the Distributor to achieve my profit targets in the region					
4	Our sales success is largely due to the attractive marketing efforts(cash backs, discounts,buy back offers) of the Distributor					
5	The success of our business is largely due to the marketing efforts of the company					

Adapted from: Sukresna et.al., (2016), Yilmaz et al., (2005)

S.No	Measure	Response				
	Communication	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	Distributor gives complete information that is needed by our store					
2	Distributor keep us well informed about promotional offers, products and policy changes that may affect us					
3	Distributor gives us information timely					
4	The company's information is most of the time incomplete					

Adapted from: Mohr and Spekman (1994)

S.No	Measure	Response				
	Trade Policies	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		5	4	3	2	1
1	Distributor is adjusting in terms of goods damaged in transit and accommodates our concerns					
2	Distributor is adjusting in terms of goods nearing shelf life					
3	The distributor tries to dump their stock in our store					
4	The company's policies for expired products are fair					
5	Companies ' Claim settlement cycle is very long					

Source: Adapted from S. Ganesan (1993) and modified from pilot study

Section II Outcomes of Conflict

S.No	Measure	Response				
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
	Channel Conflict	5	4	3	2	1
1	My relationship with the Distributor has not provided me with a dominant and profitable market position					
2	My relationship with the Distributor is not attractive with respect to profit margins					
3	The Distributor provides me with good marketing and selling support					
4	Distributor regularly shares his expertise in terms of fine-tuning the operations of my store					

Adapted from: Kumar et al., 1995, Frazier et al., 1989

Section III

Demographics of the respondent

S.No.	Details	Response		
1.	Name of your firm			
2.	How long have you been doing business?	Less than 3 years	Between 3-7 years	More than 7 years
3.	Turnover in INR	Less than 5 lacs	Between 5-10 lacs	More than 10 lacs
4	Location			

Thank you so much for sparing your valuable time and participating in this study!!

Please Note: Personal Information shall not be published

APPENDIX B

MAHALANOBIS DISTANCE(D^2) VALUES FOR DISTRIBUTOR

Identifying outliers using Mahalanobis distance			
Observation number	**Mahalanobis d-squared**	**p1**	**p2**
253	111.528	0	0
223	99.87	0	0
245	96.248	0	0
246	94.986	0	0
230	92.536	0	0
221	92.343	0	0
251	89.51	0	0
222	87.897	0	0
242	87.26	0	0
187	87.195	0	0
214	85.705	0	0
244	85.56	0	0
252	84.291	0	0
233	84.206	0	0
249	81.741	0	0
240	78.734	0	0
206	78.546	0	0
213	77.857	0	0
162	75.467	0	0
227	74.86	0	0
169	74.072	0	0
212	71.452	0	0
183	71.137	0	0
210	70.53	0	0

Identifying outliers using Mahalanobis distance			
Observation number	**Mahalanobis d-squared**	**p1**	**p2**
247	70.363	0	0
196	70.228	0	0
194	67.853	0	0
159	67.691	0	0
182	67.236	0	0
220	65.989	0	0
218	65.839	0	0
177	65.508	0	0
173	64.884	0.001	0
205	64.788	0.001	0
189	64.574	0.001	0
215	64.057	0.001	0
152	63.166	0.001	0
211	63.094	0.001	0
202	62.324	0.001	0
203	61.698	0.001	0
172	60.437	0.002	0
229	59.531	0.002	0
207	59.47	0.002	0
254	59.366	0.002	0
186	57.259	0.004	0
158	56.197	0.005	0
180	55.69	0.006	0
166	55.683	0.006	0
237	54.852	0.007	0
263	54.439	0.008	0

Identifying outliers using Mahalanobis distance			
Observation number	**Mahalanobis d-squared**	**p1**	**p2**
243	54.039	0.009	0
198	52.273	0.013	0
216	52.254	0.013	0
184	51.921	0.014	0
200	51.723	0.015	0
174	51.482	0.016	0
208	50.916	0.018	0
209	50.916	0.018	0
236	50.181	0.021	0
142	49.856	0.023	0
228	49.812	0.023	0
46	49.601	0.024	0
199	49.166	0.027	0
156	48.792	0.029	0
175	48.76	0.029	0
176	47.478	0.038	0
157	47.449	0.039	0
266	47.216	0.041	0
136	47.031	0.042	0
151	46.856	0.044	0
255	46.368	0.048	0
191	46.037	0.052	0
257	45.326	0.059	0
181	45.292	0.06	0
103	44.587	0.069	0
179	42.646	0.099	0

Identifying outliers using Mahalanobis distance			
Observation number	**Mahalanobis d-squared**	**p1**	**p2**
262	42.181	0.108	0
197	42.073	0.11	0
235	41.763	0.116	0
149	41.468	0.122	0
21	40.752	0.138	0
168	40.103	0.154	0
190	40.076	0.155	0
138	39.935	0.158	0
139	39.935	0.158	0
178	39.689	0.165	0
116	39.239	0.177	0
141	39.162	0.179	0
234	39.033	0.183	0
147	38.821	0.189	0
127	37.313	0.238	0
35	37.128	0.244	0
155	36.877	0.253	0
265	36.453	0.269	0.002
201	36.309	0.275	0.002
161	36.191	0.279	0.002
64	35.559	0.304	0.02
224	35.532	0.305	0.016
133	34.9	0.332	0.092
165	34.862	0.333	0.081

Mahalanobis Distance(D^2) Values for Retailer

Table x.x Identifying outliers using Mahalanobis distance			
Observation number	**Mahalanobis d-squared**	**p1**	**p2**
12	36.059	0.005	0.485
58	33.724	0.009	0.388
30	30.287	0.024	0.697
96	29.917	0.027	0.562
27	28.769	0.037	0.63
17	28.649	0.038	0.485
64	28.633	0.038	0.328
49	27.915	0.046	0.364
138	27.827	0.047	0.256
29	27.62	0.05	0.195
98	27.562	0.05	0.124
31	26.816	0.061	0.185
45	24.757	0.1	0.723
70	24.458	0.108	0.723
4	24.401	0.109	0.645
88	24.401	0.109	0.541
24	24.047	0.118	0.576
142	23.939	0.121	0.518
65	23.45	0.135	0.619
18	23.355	0.138	0.564
139	23.132	0.145	0.565
117	22.56	0.164	0.715
11	22.462	0.168	0.674
78	22.366	0.171	0.632
121	21.363	0.21	0.906
3	21.232	0.216	0.898
87	21.232	0.216	0.855
83	21.162	0.219	0.826
100	21.162	0.219	0.768
108	20.69	0.24	0.872

Table x.x Identifying outliers using Mahalanobis distance			
Observation number	**Mahalanobis d-squared**	**p1**	**p2**
55	20.482	0.25	0.886
34	20.057	0.271	0.943
28	19.967	0.276	0.934
67	19.936	0.278	0.913
74	19.884	0.28	0.892
50	19.713	0.289	0.9
35	19.696	0.29	0.869
43	19.685	0.291	0.829
53	19.652	0.292	0.791
1	19.619	0.294	0.749
85	19.619	0.294	0.687
102	19.619	0.294	0.62
115	19.571	0.297	0.576
109	19.446	0.304	0.575
122	19.446	0.304	0.504
42	19.397	0.306	0.461
39	19.393	0.306	0.393
16	19.254	0.314	0.403
105	19.143	0.32	0.398
145	19.143	0.32	0.333
104	19.019	0.327	0.336
144	19.019	0.327	0.275
106	18.781	0.341	0.339
146	18.781	0.341	0.279
76	18.647	0.349	0.29
84	18.568	0.354	0.272
101	18.568	0.354	0.219
60	18.532	0.356	0.186
118	18.439	0.362	0.18
110	17.947	0.392	0.375
123	17.947	0.392	0.314

Table x.x Identifying outliers using Mahalanobis distance			
Observation number	**Mahalanobis d-squared**	**p1**	**p2**
54	17.903	0.395	0.279
111	17.463	0.423	0.481
124	17.463	0.423	0.416
71	17.387	0.428	0.399
26	17.33	0.432	0.371
13	17.111	0.447	0.445
107	16.96	0.457	0.478
147	16.96	0.457	0.413
141	16.825	0.466	0.436
22	16.823	0.466	0.374
57	16.573	0.484	0.473
20	16.553	0.485	0.421
2	16.273	0.505	0.544
86	16.273	0.505	0.478
72	16.17	0.512	0.483
63	16.067	0.519	0.487
10	16.007	0.523	0.463
23	15.793	0.539	0.545
47	15.474	0.561	0.693
120	15.198	0.581	0.796
61	15.142	0.585	0.777
79	15.073	0.59	0.763
82	15.009	0.595	0.747
99	15.009	0.595	0.691
5	14.986	0.596	0.645
89	14.986	0.596	0.581
130	14.986	0.596	0.514
48	14.75	0.613	0.614
25	14.441	0.636	0.752
19	14.349	0.642	0.751
36	14.298	0.646	0.726

Table x.x Identifying outliers using Mahalanobis distance			
Observation number	**Mahalanobis d-squared**	**p1**	**p2**
128	14.234	0.65	0.708
137	14.061	0.663	0.755
32	13.95	0.671	0.764
129	13.845	0.678	0.771
6	13.817	0.68	0.732
90	13.817	0.68	0.671
131	13.817	0.68	0.606
136	13.762	0.684	0.577

APPENDIX C

CURRICULUM VITAE

Name: Swati Bhatnagar

Date of Birth: 25th Nov 1979

Educational Qualifications:

- MBA from ICFAI Business School, ICFAI University Batch 2004, Major: marketing
- B.Sc.(Chem.) Hons., Hindu College, Delhi University Batch 2001
- A.I.S.S.C.E., Presentation Convent Sr. Sec. School. Delhi,1998

Professional Experience:

More than 17 years of work experience;

- Corporate Experience: 5 years (Channel sales & Business Development at Birla Sun life AMC Ltd and ICICI Prudential AMC Ltd.)
- Academic Experience: Sept 2009 onwards at Amity Business School, Amity University, Uttar Pradesh, India as an Assistant. Professor

JOURNAL PAPERS

Received acceptance in 4 Scopus Indexed Journals:

- "Determinants of long term orientation in seller e-retailer relationship: a seller perspective in the Indian E-commerce", International Journal of Business and Globalisation, accepted for publication on June 2019.

- An empirical study on the predictors of long-term orientation in interfirm channel relationships: Fast Moving Consumer Goods distributors' perspective" International Journal Productivity Quality Management, accepted for publication on Feb 2021

- "Determinants of Customer Experience, Satisfaction and Willingness to Purchase from Virtual Tour of a Retail Store" International Journal of Management Practice, accepted for publication on June 2021

- Influence Tactics and Dealer Satisfaction in Emerging Markets: A SEM –Neural Network Integrative Approach" Asia-Pacific Journal of Management Research and Innovation, accepted for publication on March 2022.

CONFERENCE PAPERS

- Channel Collaboration in E-commerce: A Study on Channel Relationship from the Perspective of Vendors Selling on Online Platforms, the E-retailers, Springer, Singapore,2019 pp.223-241 (GLOGIFT, 2017)

- "Determinants of retailer's satisfaction in channel relationships: An integrative SEM Neural Network" (GLRC,Global Leadership Research Conference 2021), ABS, Amity University

- "Dealer Perception of Manufacturer's Influencing Strategies in Emerging Markets: A SEM –Neural Network Integrative Approach" RTMSS-2021, NIT Hamirpur

- General Trade vs Modern Trade: Case of Multiple Channels in the Indian FMCG sector, (RENVOI,2019), ABS, Amity University

BOOK CHAPTER

- Managing Multiple Channel conflict in the e-commerce age, International Book Hill Publishing House, Germany,2016, pp.63-68