

Full Length Research Paper

Channel performance and power: A Taiwanese study

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The study aims at a question, that is, how a manufacturer can utilize various power sources in the channel system, and meanwhile hoping that both the manufacturer and distributor can negotiate all together frankly to enhance functional conflicts by means of the influence on channel climate caused by functional channel conflicts and hence, strengthening mutual trusts and maintaining a long-term relationship continuity, so that it will be able to achieve a win-win situation along with an improved entire channel performance thereto. Due to the increasing market demands for the flash memory, in order to acquire a high profit rate, therefore, it is necessary for a manufacturer to cooperate closely with a distributor and developing full channel functions to create required performance. This study has constructed a theoretical framework of channel relationship, focusing on the study object of NAND Flash channel distributor in Taiwan, where we are introducing the functional conflicts into the channel field, and then probing into the channel conflicts between the manufacturer and distributor as well as the influence on the channel performance caused by the channel climate with LISREL linear structural model through questionnaires. It is found that there are significant positive influences on the channel conflicts caused by both the economic and non-economic powers. Additionally, there is a positive influence upon the channel climate resulted from the channel conflicts as well. Moreover, there are positive influences on the channel performance caused by both the channel conflicts and channel climate.

Key words: Power source, channel conflict, channel climate, channel performance.

INTRODUCTION

In the past years, the marketing channel was only placing a role of logistics support in the marketing combination, and the primary task of channel management was focusing on the questions, such as channel power and satisfaction etc.; following a change in the environment, the research scope had also expanded from the channel functions to the development and management of relationship among the channel members, which was not merely a larger scale manufacturer would have the scale economies or possess more resources than others. In recent years, the type of channel is developing rapidly, so

that the scale of present channel is as large as the manufacturer, while having a new operational method of large-scale hypermarkets and chain stores. Draganska and Klapper (2007) also indicated that a manufacturer not only needs to watch out for the conditions among competitors in a marketplace, but also must consider various specificities of marketing channels. On the other hand, Kim et al. (2009) found that one form of transaction costs, namely, coordination costs, can be both a direct and an indirect function of two key governance challenges: safeguarding and adaptation. Taking a middle-range approach, they propose that the process by which coordination costs are evoked is a combination of context-excluded and context-embedded links.

This study aims at NAND Flash, because since 2007

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there were many applications for the high-capacity consumer electronic products, such as digital camera, MP3 player and mobile phone. Therefore, a strong demand for NAND Flash was then created; and the market is booming in 2008 while lap-top computers are popularly using NAND Flash and causing a tense situation in the channel; so that it has resulted in a channel problem between manufacturers and suppliers. Under this circumstance, it will potentially generate disadvantageous consequences if it is lacking of appropriate control and management, thus, this study is focusing on the NAND Flash industry as our primary study object.

The primary objective of this study lies in firstly verifying the influence of power source on the channel conflicts and channel climate; and secondly trying to find out the mutual influence between the channel conflicts and the channel climate; and finally probing into the influence of channel conflicts and channel climate upon the channel performance.

With actual observation, related theoretical reference, this study has established conceptive framework, proposing the process of hypotheses and empirical evidences, in order to construct one theoretical model, studying correlations between various variables, comprising: the power sources, channel conflicts, channel climate, and channel performance etc.

The present study further probes into how to appropriate utilize various powers to generate functional channel conflicts and also fermenting excellent channel climate; and moreover, making the management department that embraces the substantial management orientation finding out additional methods related to the application of powers.

LITERATURE REVIEW AND THE DEVELOPMENT OF HYPOTHESES

Channel power

Lusch (1976) defined the channel power source as the influence source of manufacturer on the channel members in a channel relation. French and Raven (1959) proposed five kinds of power sources, comprising: reward power, coercive power, legitimate power, expert power and referent power. The channel power also could be deemed a source of influence on strategies of one channel member which was exerted by another channel member. In its definition, the channel power was resulted from the concept of human's social behavior, in which it described the interaction resulting from benefits between two entities. As a result, this concept was quoted in the marketing acting as the interaction between two channel members (El-Ansary and Stern, 1972; Etgar, 1978; Hunt and Nevin, 1974; Lusch, 1976).

Channel conflicts

Stern et al. (1996) emphasized the channel conflicts meaning that some channel members were conscious of behaviors undertaken by other channel members might obstruct or prohibit them from achieving their targets; they also proposed if conflicts could be evaluated and managed appropriately, then the said conflicts would become functional and constructive. Menon et al. (1996) partitioned the conflicts into functional and dysfunctional conflicts by means of behavior-related method. Etgar (1979) divided primary causes of channel conflicts into two categories as follows: (1) attitudinal channel conflict source; (2) structural channel conflict source. However, Kolter (1994) emphasized the primary causes of channel conflicts comprising the following 4 categories: (1) incompatible object; (2) confusing roles and rights; (3) cognitive variance; (4) intermediates' highly trust on the manufacturers.

Channel climate

Anderson, Lodish and Weitz (1987) suggested that the channel climate could be described with two elements of target compliance and mutual trust. It was similar to proposal of Rosenbloom's (1987), which utilized mainly an arrangement of partnership making channel members feel the existence of mutual trust to each other except the decrement of transaction costs resulted from distrust (Williamson, 1981).

In recent researches, Hu and Sheu (2005) suggested that if the channel climate had a continual relationship of higher trust and longer relationship continuity, the relationship among channel members would then be better. Therefore, the channel climate capable of evaluating the mutual supports of channel members and level of mutual trust has become an important index.

Channel performance

In the evaluation of channel performance, Bowersox and Cooper (1992) emphasized the most common criteria of evaluation for the manufacturer comprised sales volume, gross profit margin and completion rate of sales quota. Rosenbloom and Anderson (1985) recognized the channel management must pay attention to the evaluation of channel member's performance, which included: sales quantity, inventory level, sales capability, channel's attitude to the suppliers, manufacturers and selling products. Kolter (1994) disclosed the criteria of evaluation used for evaluating the distributor's performance, such as, average inventory level, the completion rate of sales quota, customer's service and delivery time, management of damaged and missed

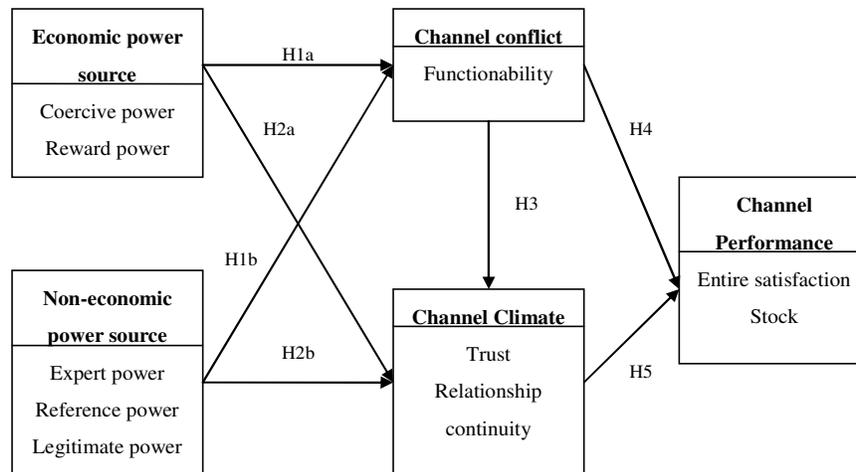


Figure 1. Operational framework.

management of damaged and missed merchandises, the cooperative condition of company's promotion and training program, standard services that a distributor should provide to customers.

The development of hypotheses

It is found from prior studies that the correlations between the channel power, non-coercive affecting strategies, channel climate and channel corporation were the important factors that could respond the existing complicated and competing market environment as well as establishing the long-term and concrete channel relationship, enhancing mutual commitments, and furthermore facilitating the promotion of the channel performance (Hu and Sheu, 2003, 2009). This study probes into how to appropriately utilize the economic source power and non-economic source power to created a mutual trust among channel members, decreasing speculation and uncertainty caused by limited rationality, specialty of assets, risk neutral, as well as reducing the frequency of transaction. While utilizing the functional channel conflicts and excellent channel climate, it will be able to enhance channel with the orientation of long-term relationship, and hence, locating rational cooperative partners having common values.

According to Etgar (1978), who classified the power sources into the economic source and non-economic source, wherein, the economic power comprises the reward power and coercive power, which make the economic resource acting as an incentive to obtain the disincentive in order to acquire the member's compliance; and the legitimate power, expert power and reference power are belonging to the non-economic powers, which are facilitating in acquiring the non-economic factors for the compliance environment. As to the channel conflicts, we will study the functional conflicts, where the functional

conflicts could inspire its innovative force, so that it would have a positive challenge of concept, faith and hypothesis. The channel climate comprises two variables, that is, trust and relationship continuity, and as such, the trust is deemed a kind of behavioral intention that is able to respond the dependence on its trading partner, and the relationship continuity indicates a persistent period which both parties are expecting the future interactions and exchanging partners. The channel performance represents a result of interaction among channel members, and the contribution to the whole channel which made by the channel members, comprising sales quantity, inventory level, sales capability, and channel's attitude toward the manufacturer and selling products, wherein its operational framework is shown in the study hypothesis given in Figure 1.

The economic power source utilizes the coercive power and reward power to acquire the channel member's submission, wherein the channel member could be submissive to the manufacturer due to the shortage of resources, meanwhile the manufacturer also could utilize the brand advantage to coercively control distributor, so that the manufacturer might take the advantage of fruitful resources against the distributor, and hence, causing more non-functional conflicts, on the contrary, while a manufacturer is utilizing non-economic conditions, such as professionalism, legitimate power and so on, to assist the distributor in selling products, which would convince the said distributor genuinely, and supposed any conflict was occurring, it could likely be a positive challenge. It also emphasizes that the channel power is one of critical factors that result in the channel conflicts (Lee et al., 2003; Moore et al., 2004). Therefore, the hypothesis proposed is as follows:

H_{1a}: When a distributor is conscious that a manufacturer's power source belongs to the economic source, the existence of functional conflicts between the

manufacturer and distributor will become much less.

H_{1b}: When a distributor is conscious that a manufacturer's power source belongs to non-economic source, the existence of functional conflicts between the manufacturer and distributor will become much more.

Correlation of channel climate resulted from the economic power source and non-economic power source

Raju and Zhang (2005) disclosed the correlation of channel power and coordinating relation that was able to promote the cooperation between the manufacturer and retailers in the whole channel. Gundlach and Achrol (1993) suggested that mutual trust was an important factor in the influence process of the channel power, because the trust feeling of channel members would decrease the fear of speculative behaviors done by interactive partners, and would create a trustful and sincere confidence in its interactive partners.

However, Narayandas and <http://proquest.umi.com/pqdweb?index=4&did=66082461&SrchMode=3&sid=5&Fmt=2&VInst=PROD&VType=PQD&CSD=16537&RQT=590&VName=PQD&TS=113514475&clientId=21531>Rangan (2004) also supposed while a distributor was cooperating with a manufacturer having higher power, it would then enhance the trust level of whole channel, strengthening mutual commitments. Therefore the hypothesis proposed is as follows:

H_{2a}: When a manufacturer's power is coming from an economic power source, the channel climate between the manufacturer and the distributor tends to be getting better.

H_{2b}: When a manufacturer's power is coming from a non-economic power source, the channel climate between the manufacturer and the distributor tends to be getting better.

Relationship between the channel conflicts and channel climate

Menon et al. (1996) revealed that the functional conflicts related to the healthful and positive challenges of thinking, faith and hypothesis; though conflicts still existing between both parties, however, it someone could calm down to iron out the differences, then it would create a win-win situation, promoting mutual growth. During the process of ironing out differences, if both parties could carefully listen to the viewpoint of other party, it would facilitate in the mutual understanding between the manufacturer and distributor, so the functional conflicts could enhance the trust level, and hence, a conflict with proper level and low cost could inspire better creation, strengthening both the relationship and trust of channel members

instead. Therefore the hypothesis proposed is as follows:

H₃: When the manufacturer and distributor are involving in the functional conflicts, the channel climate tends to be getting better.

Relationship between the channel conflicts and channel performance

Moore et al. (2004) presented when there were more functional conflicts occurred, it would facilitate the relationship development between the manufacturer and distributor, and hence, promoting the channel performance. Robbins (2001) revealed that an appropriate conflict could enhance the channel performance, meaning the positive conflict not only could encourage the growth of channel members, also could promote the efficiency of such channel, therefore, the functional conflicts certainly would bring in the positive effects for the whole channel. Therefore the hypothesis proposed is as follows:

H₄: When the manufacturer and distributor are involving in the function channel conflicts, the whole channel performance tends to be getting better.

Relationship between the channel climate and channel performance

Mohr and Nevin (1990) emphasized if all parties could negotiate effectively under the climate of mutual support and trust, it would facilitate the promotion of channel performance; Anderson and Weitz (1989) discovered while under an excellent channel; climate, the channel members would be able to exchange relation. Corsten and Kumar (2005) emphasized the higher level if trust, the manufacturer and distributor's channel performance would be getting better. Therefore, the hypothesis proposed is as follows:

H₅: If the manufacturer and distributor have a better channel climate, the whole channel performance tends to be getting better.

MATERIALS AND METHODS

Pilot study

The pilot study ensures that the research will be the most accurate and reliable. The pilot study might rely on surveying 15 distributors and took only 2 weeks complete.

Research design

Measuring items: Measure it with 7-point Likert scale, starting

from fully agree (7 points) to totally disagree (1 point).

The design of questionnaire; The design for content of questionnaire mainly integrates domestic and international related reference, and revising it with consulting opinions of industry experts. To have a clear answer from the interviewee, we have inquired the interviewee's opinion prior to the issuance of questionnaire, and revised all subjects with unclear meaning.

Study object

The object of this study lies in analyzing the relationship between a flash memory card distributor and its specified manufacturer. The reason in selecting the flash memory card channel as our empirical object was because while referring to the channel characteristics, the channel of flash memory card has diversity, different channel structure for sales, and in addition, the multiple channel patterns and behaviour relationship among channel members can be considered as independent variables which are changeable with dependent variables.

Besides, as to the information industry characteristics, it has features of high-tech products; the manufacturer must maintain good trust and long-term relationship with the distributor. Due to the power of this industry still accumulating at the leading technical manufacturer, therefore, the relationship between the manufacturer and distributor seems very important, and moreover, the strong demand of NAND Flash shall cause tense channel conflicts, and might result in inferior results if without appropriate control and management, hence, we chose NAND Flash industry as a studying level in the present study.

Sampling method and sample size

The study object is the distributor, because there are three categories of distributor, comprising independence, franchise and regular distributor, so we asked the owner, marketing or sales manager to fill the questionnaire. The data collection was adopting the questionnaire survey which was performed by assigned visiting personnel in Taipei metropolitan region. The related formula was decided according to the numbers of samples, which had a trust level of 95% with 0.1% error tolerance, therefore it required at least 96 samples; Anderson and Gerbing (1988) suggested the number of 100~150 samples was the maximum sample size in satisfying LISREL method, therefore, this study issued 120 questionnaires.

Collection and feedback analysis of questionnaires

This study adopted the questionnaire survey, issuing totally 120 questionnaires, and receiving 120, and after deleting invalid questionnaires, we acquired total 111 valid questionnaires, so the valid responsive rate was 92.5%. According to analysis result from LISREL, its χ^2 ($p = 0.384$) was not obvious, indicating that this sample was capable of responding a true data, namely this sample was able to represent the parent population.

Data analyses method

The primary analyses methods used in this study comprised of SPSS 17.0 and LISREL 8.8, where the data structure was inspected with its trust and validity. It comprised the descriptive analysis, factor analysis, linear structural relations.

Validity and reliability analyses

This study used 7-point Likert scale to measure each variable, utilizing both the validity and trust level to respond the validity of measurement index. According to Table 1, it is found that the absolute value of standardized parameter lied in 0.621 ~ 0.863, where all these values were less than 0.9, indicating this parameter was not oversized, so this standardized parameter was equal to the loading of factor, and in addition, due to the factor loading of each variable was rather high, which had also reached an level of significance, and hence be able to satisfying the standard of convergent validity. In light of the above results, we might say that the questionnaire used in this study had met the requirements of content validity, discriminant validity and convergent validity as well.

Reliability: Cronbach's α found in this study was larger than 0.7, representing the items listed in the questionnaire had a certain level of uniformity. The ideal SMC index should be larger than 0.5, where every SMC value were over 0.5 indicating the measuring error of each item in questionnaire lied in an acceptable level, therefore, every observation variable was suitable for acting as measuring tool of potential variable. In light of these results, it showed that the questionnaire used in this study had a certain level of trust. The summarized content is shown in Table 2.

RESULTS

Pilot study

Generally, the pilot studies conducted showed very positive responses. The following are some of the findings compiled:

Majority of the participants realized the meaning of the questionnaires.

Majority of the participants have the awareness of trying to sell the NAND Flash and latest market tendency of NAND Flash industry.

Majority of the participants have positive attitudes towards conducting the distributor business in NAND Flash industry.

Majority of the participants acquired knowledge on the NAND Flash.

Majority of the participants acquired customer service knowledge for NAND Flash.

To find out the related situation of channel power source, channel conflict, channel climate and channel performance related to the present study, Table 3 used Pearson product-moment correlation analysis to evaluate whether the correlation of items used in the questionnaire of this study were obvious or not. In all respects, the analysis results of this study indicates that the characteristics showing in the empirical data present is able to respond the existence of close correlation between the channel power source, channel conflict, channel climate and channel performance respectively.

This study utilizes maximum likelihood estimation (MLE)

Table 1. Parameter estimation list for identification factor analysis.

Exogenous variables	Economic power source(ξ1)		Non-economic power source(ξ2)		
Parameter	$\lambda\chi_{11}$	$\lambda\chi_{21}$	$\lambda\chi_{32}$	$\lambda\chi_{42}$	$\lambda\chi_{52}$
Standardized parameter value	1	0.621	1	0.863	0.838
t – value	-	7.833	-	10.335	9.938
Endogenous variables	Channel conflict (η1)	Channel climate (η2)	Channel performance (η3)		
Parameter	λy_{11}	λy_{22}	λy_{32}	λy_{43}	λy_{53}
Standardized parameter value	1	1	0.752	1	0.761
t - value	-	-	8.494	-	8.448

P < 0.05, each parameter value had reached the level of significance. Data source: Summarized by this study.

Table 2. Reliability index analysis table.

Exogenous variables	Economic power source (ξ1)		Non-economic power source (ξ2)		
Exogenous observation variables	χ_1	χ_2	χ_3	χ_4	χ_5
SMC	0.579	0.583	0.343	0.745	0.702
SMC average	0.581		0.597		
Cornbach's α	0.785		0.787		
Endogenous variables	Channel conflict (η1)	Channel climate (η2)	Channel performance (η3)		
Endogenous observation variables	y_1	y_2	y_3	y_4	y_5
SMC	0.704	0.767	0.566	0.669	0.579
SMC average	0.704	0.667		0.624	
Cronbach's α	-	0.789		0.727	

Data source: Summarized by this study.

Table 3. Analysis of correlation coefficients related to the variables sued in this study.

Variable name	Economic power source	Non-economic power source	Channel conflict	Channel climate	Channel performance
Economic power source	1				
Non-economic power source	0.367**	1			
Channel conflict	0.717**	0.519**	1		
Channel climate	0.457**	0.672**	0.769**	1	
Channel performance	0.618**	0.588**	0.916**	0.874**	1

* indicates p < 0.05; ** indicates p < 0.01. Data source: Summarized by this study.

to estimate LISREL modal and the related results are shown in Figure 2, and also summarizes the latent, observation variables listed in Table 4. Table 5 shows the results of confirmatory factor assessment for whole model. In light of above results of confirmatory factor assessment for whole model, it shows this study has a good confirmatory factor and conforming to the principles of parsimony and efficiency, therefore, it indeed has a good confirmatory factor as well as uncomplicated models.

This study utilizes MLE to estimate LISREL model and

the related data shown are fully standardized and then we have also identified related hypotheses. According to various hypotheses, the route map of whole model used in this study is shown in Figure 2.

Analysis of influence effect among variables

Analysis results acquired according to the framework and empirical results for models of this study are listed in Table 6.

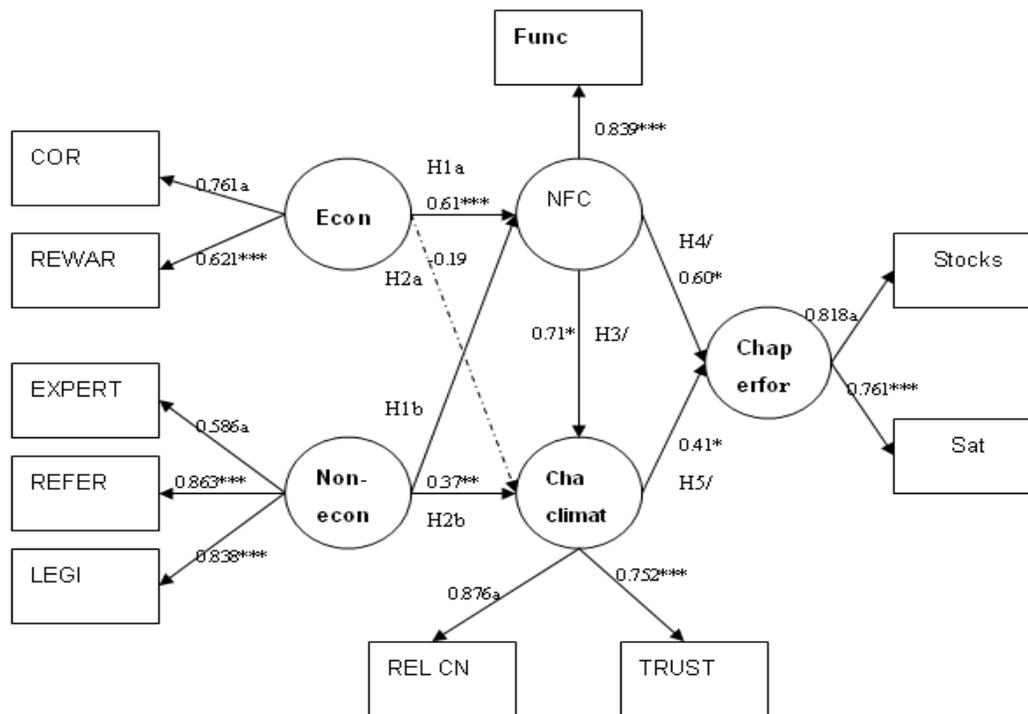


Figure 2. The route map of whole model. Coercive power= COR, Reward power= REWAR, Expert power= EXPERT, Reference power= REFER, Legitimate power= LEGI, Channel conflict= CF, Functionability=Func, Channel climate = Cha climat, Relationship continuity= REL CN, Trust= TRUST, Channel performance =Chaperfo, Selling inventories performance of distributor= Stocks and Whole satisfaction= sat. Note: —————> reaches obvious effect -----> does not reaches obvious effect a parameter is set to 1, it needed not to be assessed, so it has no result related to obvious test. * indicates that while t-value is larger than 1.96, then p < 0.05, ** indicates that while t-value is larger than 2.58, then p < 0.01, *** indicates that while t-value is larger than 3.29, then p < 0.001.

Table 4. Latent and observation variables of LISREL model.

Exogenous variables	Exogenous observation variables	Endogenous variables	Endogenous observation variables
ξ1: Application of economic power source	χ1: Coercive power	η1: Channel conflict	y1: Functionability
	χ2: Reward power		
ξ2: Application of non-economic power source	χ3: Expert power	η2: Channel climate	y2: Relationship continuity
	χ4: Reference power		
	χ5: Legitimate power	η3: Channel performance	y3: Trust
			y4: Selling inventories performance of distributor
			y5: Whole satisfaction

Data source: Summarized by this study.

The research results summarized by this study are as follows:

The influence of power source on the channel conflicts

While referring to a fact which proves the study

hypothesis H_{1a} is not supported, it is found that, supposed the manufacturer’s power source was an economic power, then the manufacturer and distributor would have more functional conflicts, that is, the economic power has a positive effect on functional conflicts; and among the various economic powers, the most obvious effect occurred in the situation while the

Table 5. Results of whole confirmatory factor assessment for the whole model.

Assessment item		Criterion standard	Results of this study	Assessment result
Absolute confirmatory factor measurement	χ^2 (Chi-square)	P>0.05	P=0.36468	Good
	GFI	Larger than 0.9	0.95	Good
	AGFI	Larger than 0.8	0.899	Good
	RMR	Less than 0.5	0.0412	Good
	SRMR	Less than 0.08	0.0372	Good
	RMSEA	Less than 0.5	0.0253	Good
	Q-plot chart	The inclined rate is larger than 45°, and close to straight line	The inclined rate is close to 45°, and also close to straight line	Close to the acceptable standard
Added-value confirmatory factor measurement	NFI	Larger than 0.9	0.944	Good
	NNFI	Larger than 0.9	0.994	Good
	CFI	Larger than 0.95	0.997	Good
	IFI	Larger than 0.9	0.997	Good
	RFI	Larger than 0.9	0.906	Good
Parsimony confirmatory factor measurement	PNFI	Less than 0.5	0.57	Good
	PGFI	Larger than 0.5	0.48	Close to

Data source: Summarized by this study.

Table 6. Analysis of latent variable effects.

Variable	Channel conflict		Channel climate		Channel performance	
	Effect	t-value	Effect	t-value	Effect	t-value
Economic power						
Direct effect	0.61	3.97***	-0.19	-0.79	-	-
Indirect effect	-	-	0.44	1.93	0.46	3.34***
Whole effect	0.61	3.97***	0.24	1.97*	0.46	3.34***
Non-economic power						
Direct effect	0.30	2.32*	0.37	2.71**	-	-
Indirect effect	-	-	0.21	1.66	0.42	3.70***
Whole effect	0.30	2.32*	0.58	5.21***	0.42	3.70***
Channel conflict						
Direct effect			0.71	2.24*	0.60	2.54*
Indirect effect			-	-	0.30	2.26*
Whole effect			0.71	2.24*	0.89	4.03***
Channel climate						
Direct effect					0.41	2.03*
Indirect effect					-	-
Whole effect					0.42	2.03*

* indicates that while t-value is larger than 1.96, then p < 0.05, ** indicates that while t-value is larger than 2.58, then p < 0.01, *** indicates that while t-value is larger than 3.29, then p < 0.001. Data source: Summarized by this study,

manufacturer is adopting a coercive power, secondly is the reward power, indicating that the manufacturer uses a larger coercive and reward powers, therefore, there is specific common target and behavior rules established between the manufacturer and distributor along with a high incentives, which results in a result that the distributor will get a reward as long as his behavior conform to the regulations. If there is any dissidence, he shall consult with the manufacturer in order to resolve the problem, so that the communication frequency will raise quickly for solving problems, and in case the manufacturer would not like to provide his assistance, then the distributor will still try his best finding out another way to achieve his tasks for the sake of profits. While referring to a fact which proves the study hypothesis H_{1b} is supported, it is found that, supposed the manufacturer's power source was a non-economic power, then the manufacturer and distributor would have more functional conflicts, that is, the non-economic power has a positive effect on functional conflicts; and among the various non-economic powers, the most obvious effect occurred in the situation while the manufacturer is adopting a reference power, secondly the legitimate power, meaning that the manufacturer should provide much more assistance to the distributor on sales or establish a specific agreements, so even there is any conflict occurring, it can be a positive challenge.

The influence of power source and channel conflicts upon the channel climate

While referring to a fact which proves the study hypothesis H_{2a} is not supported, it is found that supposed the economic power source did not have an obvious positive influence on the channel climate, meaning when the distributor is conscious that the manufacturer adopts the stronger coercive power and reward power, then the said distributor may respond, which will not promote mutual trust and relationship continuity.

While referring to a fact which proves the study hypothesis H_{2b} is supported it is found that, supposed the distributor is conscious that the manufacturer's power source was a non-economic power, then it would have a better channel climate, that is, the non-economic power source and the channel climate has a obvious positive effect, hence, the manufacturer shall appropriately provide the distributor with professional know-how, service and suggestions, so that it will be able to effectively and greatly enhance the trust and relationship continuity between the manufacturer and the distributor, which comply with the concepts proposed by Gundlach and Achrol (1993).

While referring to a fact which proves the study hypothesis H_3 is supported, it is found that, supposed the manufacturer and distributor has functional conflicts, it will promote the mutual trust and relationship continuity

in-between, that is, the channel conflict and channel climate have an obvious positive relationship, therefore, although, both parties still exist the channel conflicts, however, if it can calm down to consider a way in ironing out the differences, then it will further enhance mutual growths and also promoting their relationship and trust.

The influence of channel conflicts and channel climate upon the channel performance

While referring to a fact which proves the study hypothesis H_4 is supported, it is found that, supposed the functional conflicts exist between the manufacturer and the distributor, it will enhance the channel performance of both parties, that is, the channel conflicts have an obvious positive effect on the channel performance, which comply with concepts proposed by Moore et al. (2004), therefore, while occurring channel conflicts, in addition to the inspiration of growth of channel members, it can also improve the efficiency of channel as well. While referring to a fact which proves the study hypothesis H_5 is supported, it is found that, supposed the manufacturer and distributor have a better channel climate, then their channel performance will be higher as well, that is, the channel climate has a positive effect on the channel performance, therefore, if both parties can cooperate effectively under the circumstance of mutual trust and relationship continuity, it will enhance the performance of whole channel, where this result is complying with concepts proposed by Srinivasan and Moorman (2005); Corsten and Kumar (2005).

Conclusion

With actual observation, related theoretical reference, this study has established conceptive framework, proposing the process of hypotheses and empirical evidences, in order to construct one theoretical model, studying correlations between various variables, comprising: the power sources, channel conflicts, channel climate, and channel performance etc. where, this logic thinking process will facilitate the future researchers, and in addition, we adopt the marketing channel for NAND Flash memory card as the empirical object, so that we can provide related study results for the purpose of academic reference.

The prior researches generally verified: Apply powers, creating the functional channel conflicts; it will make the channel create a better effect and efficiency (Menon et al., 1996; Lee et al., 2003; Moore et al., 2004). The present study further probes into how to appropriate utilize various powers to generate functional channel conflicts and also fermenting excellent channel climate; and moreover, making the

management department that embraces the substantial management orientation finding out additional methods related to the application of powers (Sungmin et al., 2007).

According to the study results, it is found that the non-economic powers have an obvious positive influence on the channel conflicts and channel climate, and as such, the method of coercive restraint or rewards, may generate a positive effect on the channel conflict, but instead generating a negative channel climate; therefore, if a manufacturer directly use a power order, and reward, as a controlling method against the distributor, urging the distributor's submission and compliance, then it will make the distributor respond strongly in a long period of time. However, if the said manufacturer can appropriately utilize patterns of its professional know-how, brand advantage or specific contracts, it may not only maintain a good relationship, but also creating an outstanding performance as well. Therefore, while utilizing both the economic power and non-economic power properly, it will be able to effectively promote the whole channel performance. The non-economic power source is an important factor for creating good channel climate as well as an important tool in utilizing powers related to the long-term channel performance; however, sometimes while you are trying to achieve the rapid effect of the channel performance, although, the economic power source might generate a negative influence upon the channel climate, but it still can achieve a good channel performance by generating the functional channel conflicts.

The present study proposes the utilization both non-economic power and economic power all together, wherein, it can completely reveal the interactive function of the channel conflicts and the channel climate in a marketing channel. Another objective of this study lies in probing into the relation of channel power and channel climate (Hu, and Sheu, 2005), in practice, it can acquire the related information of channel climate through channel members to find out the conscious differences in mutual relationship (Zhou et al., 2007), and then appropriately utilizing channel powers to converting the conflicts into functionability and furthermore working along with the non-economic power so as to create a good channel climate as well as creating mutual trust among channel members, decreasing speculation and uncertainty resulted from the limited rationality, assets exclusive, risk neutral etc., and also reducing the frequency of transaction; so that it can reveal the latent demand of the distributor and each channel member, and hence constructing a good communication model through this process.

This study looks into how the creation of functional conflicts affect the member's relationship and whole performance, where having a rational communication and mutual cooperation, it could, therefore, inspire better ideas, so that the negative channel conflicts will be converted into the functional conflicts, to promote mutual

relationship.

The primary surviving objective of an enterprise lies in enhancing both the performance and profits, and it is found through the study results, both the functional channel conflicts and channel climate may have an obvious influence upon the channel performance; where Moore et al. (2004) suggested while the channel conflict situation is occurring more frequent, the contribution to the relationship development between the manufacturer and distributor will be higher and hence promoting a higher channel performance.

The channel system is a kind of structural relation with asymmetric power, generally speaking, most of channel power is concentrated in the party who possesses larger resources along with professional know-how, so that the power centre usually falls in the hands of manufacturer's, however, following with the expansion of the distributor scale, and the present market with diversified merchandises, it make the manufacturer start paying attention to its relationship with the distributor gradually, therefore, the manufacturer should properly utilize it own powers, providing the suggestion of professional expertise and assistance to related distributors, and furthermore, combining with the application of economic power in order to control related distributors, while having a good interactive relationship within the mutual correlation, then both parties will be able to gain the highly appreciation from customers among various competitive merchandises.

STUDY LIMITATION

This study adopts a very strict study method in order to comply with the environment of this study, but it still have some insufficient portions, where we are summarizing the limitation of study as follows:

(A) Study object: The primary study object of this study is the distributor, which mainly focuses on the conscious feeling of the distributors, and disregarding the feeling of manufacturer in the channel, therefore, if someone would like to analyze the continuous research on the upstream/downstream in the whole channel, it can study it in the future.

(B) Structural variables: This study focuses on the functional conflicts and channel climate, looking into the influence related to the functional conflicts, the channel climate and channel performance, but this study only adopts the economies and non-economic power sources acting as the exogenous variables, where many related variables in this framework are disregarded, so it can be incorporated in the future in order to have a perfect hermeneutic force.

(C) Longitudinal study: Because this study adopts the cross-sectional design, therefore, the causal relationship of variables in this study was established based on the prediction of related reference and initial interview with

manufacturers, and along with the accumulation of operating time period in the marketing channel, the relative hermeneutic force to variables or changes in the causal relationship of variables, which results in the difficulty in reviewing the whole aspect of cross-sectional data. The above-mentioned problems rely on the answers capable of explaining the causal relationship of variables can be acquired from the longitudinal study in the future.

(D) Study tools: Use questionnaires to measure along with 7-point measuring table in the progress of measurement, where the interviewee answered the questions with their subjective memories, although the data collected contained certain validity and trust, it still have some kind of variation.

(E) Study scope: Because the flash memory card belongs to a new developed technical product, which has limitation of selling location, region under heavy competition, therefore, the study scope has been limited to the Taipei metropolitan region, and the number of valid sample were 111 only, so it has a limitation in sampling quantity, if we can extend the range in future, then it will be able to raise the sample's representative level.

(F) The influence of channel power upon the channel performance: This study mainly focuses on the influence of the channel power, through the conflicts of intermediate variables and channel climate, upon the channel performance, therefore, the influence of channel power directly upon the performance was not incorporated into the range of this study, if someone would like to analyze the direct relationship between the powers and the performance in this industry, it can be implemented in the future research.

FUTURE RESEARCH AND SUGGESTIONS

This study is constructed on the basis of the theories of marketing channels, but there are still many themes that are worthy of follow-up researches, therefore, we provide the future researchers with the following studying directions for the purpose of reference.

(A) Look into other variables that will affect the channel performance as well: This study mainly focuses on the influence of functional conflicts and channel climate upon the channel performance, but in the actual circumstance, other variables, such as the manufacturer's management capability, strategic application, alliance relationship, frequency of interactive transactions etc. will possibly have a more obvious influence on the channel performance, so we can introduce all these variables in order to have a more comprehensive model.

(B) Expand the study scope: This study focuses on the flash memory card industry as the primary study object, if we can choose slightly different industry in the future for the purpose of comparison, then the

empirical results will be more generalized while understanding the relationship between the channel conflict and channel climate in the different industry.

(C) Electronized marketing: Along with the progress of information technology, the channel model will no longer be limited in the traditional retail stores, where utilizing the electronized channel system in the internet, has become a popular marketing method in recent years, therefore, it shall incorporate the electronized channel system in the future researches.

(D) Study of external influence: The categories of supplier-related market (client-related, competitor-related, internal function-related) will affect the manufacturer's trust in suppliers, and the situation of external environment, such as, market changes, density of competition, will also strengthen the relationship between the supplier-related and the manufacturer's trust (Zhao et al., 2006). It is belonging to another study field.

(E) The study of internal marketing: The internal-related market will positively increase the promotion of internal marketing, furthermore, integrating targets of internal members of manufacturer and hence decreasing multiple internal channel conflicts but increasing its (Webb and Lambe, 2007). Therefore, the future researchers can take the internal marketing and channel power, as a new theme in order to look into its causal relationship.

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