

Control, Conflict and Satisfaction in International Channels: Autos in a Middle-Eastern Market

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ABSTRACT. This is a study of the relationship between foreign car-manufacturers and their respective agents in the "emerging" market of Saudi Arabia. The study takes the theories and findings about the relationship in advanced country domestic situations to see if they apply to a cross-country situation involving manufacturers from advanced countries and agents in a developing country. The study examines the extent of the manufacturer control over the dealer, the sources of that control and how each of these affect the level of conflict between the manufacturer and the dealer, and the dealer satisfaction, all from the dealer's perspective. Based on the literature, hypotheses were formulated and constructs developed using a questionnaire to which a relatively large sample of the dealers responded. Appropriate statistical tests of reliability and validity were conducted and thereafter simple Pearson correlations were calculated to test the hypotheses. Unlike in most advanced country studies, manufacturers were found to practice little control over their agents, nor was control found to be associated with the use of coercive and non-coercive measures by the manufacturers. But other facets of the relationship were found to be generally similar to other studies. Conflict was found to relate positively to the use of coercive measures by the manufacturer. Dealer satisfaction was found to relate positively to the use of non-coercive measures and negatively to the level of conflict and the use of coercive measures. The study concludes that

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the stick and carrot philosophy that may work in the West, does not work in the Middle East, just as others have surmised. *[Article copies available for a fee from The Haworth Document Delivery Service: 1-800-342-9678. E-mail address: getinfo@haworth.com]*

The questions of channel control and related phenomena in international markets have not received sufficient attention in the literature by way of empirical studies, despite the overriding importance of such questions in the opinion of some leading scholars (Keegan, 1989; Rosenbloom and Larsen, 1991). For some (Chan, 1991), studies of distribution activities are underrepresented, and Cabaniss (1991), in a survey article, argues that the extent to which international distribution channels are unique has not been examined. The few existing studies mostly involve one domestic situation (e.g., Wilkinson, 1981; Kale, 1986; Frazier, Gill and Kale, 1989; Ogbuehi, 1990). Or otherwise their interest is on issues other than control and conflict like choosing between a subsidiary and an independent local distributor (Anderson and Coughlan 1987; Klein, Frazier and Roth, 1990), or on the division of tasks between exporter and middleman (Bello and Verhage, 1989). Or it could indeed be a study of issues of power and conflict between a foreign manufacturer and a local distributor, but both are from advanced countries (Johnson, Sakano and Onzo, 1990). Rarely do we find studies of control and related phenomena involving a manufacturer and a distributor from different countries specially in a developing country market situation.

This study attempts to fill some of the void in this area by focusing on channel relationships involving foreign manufacturers and their distributors in a developing country market. It takes a strategic product (new passenger-automobiles) in a third world market (Saudi Arabia). The Saudi market is today one of a few US \$100 billion economies world-wide and is a competitive battleground for foreign manufacturers. It boasts the world's largest independent Toyota dealer (O'Sullivan, 1994) and whereas the Gulf is the leading export market for US made cars, 55% of that is accounted for by Saudi Arabia alone (Deykin, 1994). While traditionally classified with the group of "underdeveloped" countries, the Saudi Arabian economy has a high per capita income, a strong annual growth rate and a usually favorable balance-of-payments, which are indicators of a developed economic status. In addition to its own importance as an "emerging" market, Saudi Arabia is, to a large degree, representative of many Middle-Eastern markets.

The study focuses on issues of control, conflict, and satisfaction between the exporting manufacturer and his respective authorized distributor

or franchisee from the perspective of the latter. We are only interested in distributors who are direct agents of the manufacturer and mostly exclusive ones, since there are many car dealers in Saudi Arabia who are not direct agents of manufacturers and do not deal with manufacturers at all. The study by Yavas and Habib (1987) is not exclusively a study of the manufacturer-franchisee relationship in the Saudi car-market. They did not spell that out, but their relatively large sample (150 dealers of whom sixty responded) suggests that the suppliers in their study must have been foreign manufacturers along with many local importers. Most foreign car manufacturers exporting to Saudi Arabia have one single exclusive agent. Al-Motowa's (1989) study dealt with issues similar to what we are interested in but it was about a different trade (household appliances) and was basically a domestic study with no foreign manufacturers involved.

This study is divided into 5 sections. After this introduction, we review the literature and formulate our hypotheses in the next section. In the section that follows we present our sample, data sources, our variables and their measurement. Then we present and discuss our findings in the fourth section before we finally make our conclusions in the last section.

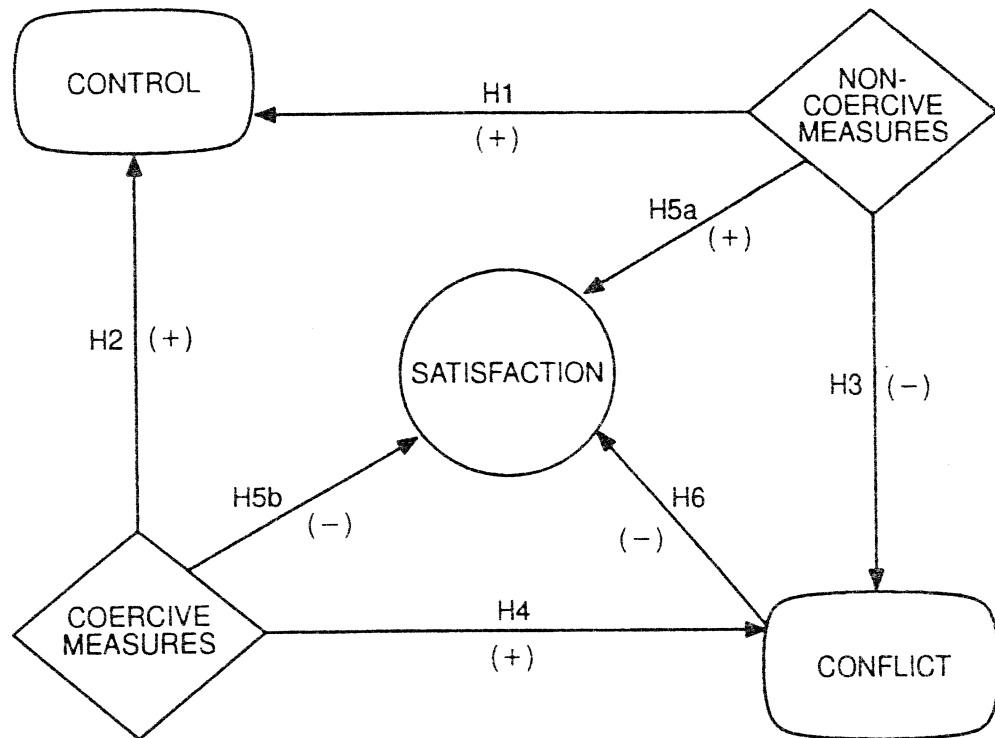
CONTROL, CONFLICT AND SATISFACTION

This section discusses the relevant literature leading to the formulation of our hypotheses. Figure I presents the model we propose to test. It basically reflects the relationships generally suggested by the channel literature in advanced countries' domestic situations. The purpose is to see if it applies to a cross-country situation, a developed and a developing one. Hypothesized relationships are indicated by paths joining the variables in the figure. Whether a positive or a negative relationship is expected between the two constructs (variables) is indicated by a plus or a negative sign below or alongside each path. Arrows indicate the presumed causation and subscripts refer to the hypothesis number as in Figure I. The conceptual definitions of the constructs and their measurements are discussed in the next section.

Control and Its Sources

Channels of distribution have long been recognized and treated as an area of super-organizations or interorganizations where issues of control, conflict and satisfaction arise. Operational definitions of many of the concepts were developed and models were built and tested, mostly from the perspective of the power target.

FIGURE I. A Prior Module of Distribution Channel Relationships Between Foreign Auto Manufacturers and Their Agents in Saudi Arabia



Hunt and Nevin (1974) concluded in a fast-food study that franchisers rely on coercive sources to achieve power and the same result was found by Lusch and Brown (1982) and by Etgar (1978) in the case of retail dealers. Michie (1978) confirmed the results for automobile dealers and so did Wilkinson (1981) for Australian beer dealers. Brown and Frazier (1978) found an inverse relationship between the manufacturer's power and certain sources of power like rewards and coercion which they called "influence strategies." Frazier and Summers (1986) observed that many studies point to a shift to use more powerful means as power increases but they argued by contrast for the opposite. This stand is supported by Frazier and Rody (1991), whose study found a firm's level of power relating positively to its use of non-coercive strategies.

As far as foreign or international studies are concerned, we have Kale's (1986) industry study which concluded that in a seller's market, manufacturers rely more on direct (coercive) means to achieve power. By contrast, the study by Johnson, Sakano and Onzo (1990) involving two advanced countries (US suppliers and Japanese distributors), argued that mediated (incentives and punishment) strategies tend to diminish control while non-

mediated strategies did not lead to control either. A more recent study in the same setting (Johnson, Sakano, Cote and Onzo, 1993) found Japanese distributors more resistant to US suppliers' aggressive use of power, while they were more malleable to less aggressive exercise of power. In the case of Saudi Arabia, the few exploratory writings suggest a formidable role for the big merchant families who control distribution channels. Kaitaki (1976) referred to them as channel captains while both Dunn, Jr. (1979) and Stern and El-Ansary (1982) viewed these established merchant clans as dominating the import trade. Al-Motowa (1989) found the perceived power of Saudi wholesalers over the retailers to be positively related to the wholesalers' possession of both coercive and non-coercive means. In dealing with a Middle-Eastern businessman, a company's representative is admonished that "quiet strength is a greater value than an obvious use of power" by Moran and Harris (1982).

Based on the above surveys and exploratory discussions with Saudi car-dealers, we anticipate finding the Saudi passenger automobile franchisees to operate with little control from their respective franchisers and that whatever control the manufacturers have, to stem from non-coercive strategies rather than coercive strategies (the general belief notwithstanding). We thus state the following hypotheses:

- H1: The higher the franchisee perceives the quality of services that the manufacturer offers him, the more control the foreign manufacturer has over the franchisee in the latter's perception.
- H2: The more the franchisee perceives the foreign manufacturer as likely to use punishment, the more control does the dealer ascribe to the manufacturer over him.

Power Sources and Conflict

Many of the studies of power and conflict in the channel context in domestic advanced economies suggest that the use of coercive strategies by the manufacturer, as perceived by the dealer, raises the level of conflict between them. This is true of Lusch (1976), Brown and Frazier (1978), Brown and Day (1981), Wilkinson (1981) and Brown, Lusch and Muehling (1983) who all supported that positive relationship. Lusch (1976) also found the reverse to be true, i.e., the use of non-coercive strategies by the manufacturer lowers conflict. In a third world country situation, Frazier, Gill and Kale (1989) found the quality of services the manufacturer offers his dealers (non-coercive strategies) to have a strong inverse relation with conflict, yet they could not detect a significant relationship between con-

flict and the manufacturer use of coercive strategies. Again the study by Johnson, Sakano and Onzo (1990) in an oriental culture context concluded that attempts at mediated strategies (incentives and punishment), by US suppliers, had no effect on the conflict level between them and their respective Japanese distributors while the use of non-mediated strategies relates negatively to channel conflict between them. Frazier and Rody (1991) found manifest conflict to relate positively to the use of both coercive and non-coercive strategies.

As far as the Saudi passenger-automobile dealers in their relationship with their manufacturers are concerned, we anticipate the use of non-coercive strategies to relate negatively to the level of conflict and the use of coercive strategies to relate positively to it, the more so because of the alleged emotionality and pride of Middle Easterners as suggested by Moran and Harris (1982). Based on the above and our exploratory interviews with dealers, we suggest the following hypotheses:

- H3: The higher the dealer perceives the quality of the services the foreign manufacturer offers the dealer, the lower is the degree of conflict between them likely to be in the dealer's perception.
- H4: The higher the dealer views the likelihood of the foreign manufacturer resorting to strong measures to influence the dealer's behaviour, the higher is the level of conflict between them likely to be in the dealer's perception.

Satisfaction

Most of the empirical studies suggest that the dealer satisfaction increases with the manufacturer's use of non-coercive strategies and decreases with the latter's use of coercive strategies. Studies also point out that the dealer's satisfaction decreases with the level of conflict between the manufacturer and the dealer. Hunt and Nevin (1974) found the use of non-coercive strategies to explain the dealer's satisfaction as did Lusch's (1977) study of the automobile industry and Wilkinson's (1981) study. Along with Lusch's (1977) study and Brown and Frazier's (1978) studies, Frazier and Summers (1986) also found the use of coercive strategies by the manufacturer to be negatively related to the dealer satisfaction, but Wilkinson (1981) did not support this negative relationship.

With regard to conflict, as early as 1971, Rosenberg and Stern (1971) found the degree of satisfaction of the dealer to be negatively related to the degree of conflict. Frazier, Gill and Kale (1989) arrived at a similar conclusion in their study of a foreign-domestic situation. In a study involving

channel members from different countries, Johnson, Sakano, Cote and Onzo (1993) could not find support for the hypothesis that the exercise of aggressive forms of power by US suppliers relates negatively to the Japanese distributors' view of the quality of their relationship, nor to the hypothesis that the exercise of less aggressive forms of power relates positively to the quality of the relationship. They explained this by suggesting that the Japanese distributor may view subtle ways as aggressive, or he may think otherwise when the US supplier believes he is being aggressive.

In the Saudi market both the Yavas and Habib (1987) and Al-Motawa (1989) studies support the belief of a negative relationship between conflict and satisfaction though, as we pointed out, they do not necessarily reflect a foreign manufacturer involvement.

From the above discussions and exploratory interviews with Saudi car dealers, we propose the following hypotheses:

- H5: The dealers satisfaction is (a) directly related to his view of the foreign manufacturer's quality of assistance to him and (b) negatively related to the dealer's assessment of the likelihood of the manufacturer resorting to the application of coercive means.
- H6: The higher the dealer's perception of the level of conflict with the foreign manufacturer, the more dissatisfied is the dealer likely to be with his relationship with the manufacturer.

DATA AND METHOD

The Sample and Data Collection

The population of the study is the authorized new passenger automobile agents of foreign manufacturers in the Kingdom of Saudi Arabia. In Saudi Arabia, foreign suppliers have to have agents as a matter of law and most of the foreign automobile manufacturers selling in Saudi Arabia have one single exclusive agent, including Toyota, the dominant exporter to the Saudi market (O'Sullivan, 1994). A few of the manufacturers (particularly the Americans) have two or three agents in the Kingdom, one for each of the Kingdom's three regions or one for each group of the manufacturer's makes. Only one manufacturer (GM) has two or three agents for the same group of makes in the same region.

Agents usually do all the retailing in their own outlets, but a few agents

sub-enfranchise sub-agents in addition to their own outlets. For the few cases of multiple agencies, each agency was treated as separate observation. This happened to be the case of a few manufacturers who have world-wide alliances such as Mercury-Mazda, GM and Isuzu.

All foreign manufacturers have their agents headquartered in Riyadh, the capital city. Few agents have their headquarters outside Riyadh but have branches or representatives in Riyadh. The Riyadh Chamber of Commerce and Industry provided us with a name and address list of agents or agents' branches in Riyadh, four of which were deleted from the study as they dealt only in trucks or heavy equipment or otherwise were not direct agents, though relatively large dealers. The list was also augmented by the names of some agents in and outside of Riyadh, who for some reason, were not on the Chamber's list. Personal interviews were conducted by the authors with senior managers, usually General Managers, and a six-page questionnaire filled during the interview. For agents headquartered outside Riyadh, interviews were held with the branch managers in Riyadh who forwarded the questionnaire to their respective headquarters. Thirty-two agents were thus contacted, 28 of them responded, and 26 usable responses were obtained. As a sample size, this compares well with the number of agents (36) listed in the Directory of Agents prepared by the Ministry of Commerce and the Council of Chambers (the Ministry of Commerce and the Council of Saudi Chambers of Commerce and Industry, Undated).

Measurements

Control. It is now generally recognized that control and power are not the same thing. Power refers to the ability of one channel member to influence another while control is the ability to predict and achieve desired outcomes. Thus control is measured in terms of compliance to the mandates of the sources of authority (El-Ansary and Robicheaux, 1974).

To assess the extent of control we looked at the extent of influence the manufacturer has over the dealer's marketing decisions. Each agent was asked to indicate on a 5-point Likert-type scale his perception of the extent of the manufacturer's influence over him in each of 17 issues/decisions ranging from order size and frequency of ordering, to price, advertising, maintenance, personnel training and number of salesmen down to the layout and display in the showroom. The scale ranged from one, for "no influence," to five for "very large influence." The index was then summated for a maximum possible of 85 points and a minimum of 17 with higher scores indicating more control. Section I of the Appendix lists the decision areas of control in the questionnaire.

Power Sources: Quality of Assistance (Non-Coercive Measures). Here

again and in the general tradition, representatives were asked to rate the quality of services their manufacturers offered them in 18 areas ranging from training of personnel to designing advertising campaigns, provision of credit, spare-parts supplies, market research, etc. . . . The areas included such things as bookkeeping and accounting and general advice that a businessman from a less developed country may stand in need-of. Again a 5-point Likert-type scale was employed ranging from one for "poor quality," all the way to five for "very high quality" with points in between. Similarly a summated index with a possible maximum of 90 points and a minimum of 18 points was constructed.

Power Sources: Coercive Measures. This measure was similarly constructed by asking respondents to assess the likelihood of the manufacturer resorting to each one of eleven possible coercive actions to obtain the dealer's cooperation. These actions included delaying shipments, reducing shipments, shipping undesired models, delays in settling warranty dues, withdrawing facilities, all the way to threatening legal action or termination. Respondents were asked to indicate if each action was "highly likely," "rather likely" . . . to "highly unlikely" on a 5-point Likert-type scale. Points were awarded and a summated index constructed with a maximum possible of 55 points for "highly likely" and 11 points for "highly unlikely."

Conflict. Conflict is here viewed as manifest conflict reflected in the frequency of disagreements between the manufacturer and his agent over various issues. While frequency by itself does not reflect the intensity of the conflict or the importance of the disputed issue, it was not possible for the authors to assess these other facets of conflict. Besides, the work of Brown and Day (1981) suggests that the inclusion of these additional facets in the measure adds little contribution to it being highly correlated with the frequency of disagreements. We also stayed with the manifest definition of conflict for the purpose of comparability with other studies.

Respondents were asked to indicate the frequency of their disagreements with the manufacturer in each one of 22 possible decision issues. These included such things as: the minimum-size order, the inventory level, the number of salesmen, the number of mechanics, discounts, training, returns, spare-parts purchases, price, etc. . . . For "no disagreement at all" a score of one was awarded and a score of 5 for "continuous disagreements" on a 5-point Likert-type scale with intermediate points in between. A summated index was thus constructed ranging from a maximum of 110 points for "high level of conflict" to a minimum of 22 for "no conflict at all." Section II of the Appendix lists the decision areas covered under conflict in the questionnaire.

Satisfaction. The agent's overall satisfaction in his relations with the

manufacturer was measured using five global items. Each agent was asked to indicate on a 5-point Likert-type scale the extent of his agreement/disagreement with each of five statements. These included: "the manufacturer is an excellent company to deal with," "I am satisfied with the goods and services I receive from the manufacturer," "If I had to do it again, I would choose the same manufacturer." One point was given for "strongly disagree" and 5 points for "strongly agree," with intermediate points in-between. A summated index was again constructed ranging from 25 points for maximum satisfaction to a minimum of 5 points for low or minimum satisfaction. Section III of the Appendix lists the statements used in the satisfaction measure in the questionnaire.

ASSESSMENT OF RELIABILITY AND VALIDITY

Reliability

To assess the internal consistency of each of the above five constructs, Cronbach's coefficient alpha, the most widely accepted formula for evaluating the reliability of multi-item measures with multi-points, was calculated for each. The calculated alpha correlation coefficients were as in Table I below.

The calculated alpha correlation coefficients ranged from 0.797 to 0.908. At such levels these values were judged as satisfactory by the authors in view of Nunnally's (1978) assertion that basic research reliabilities beyond 0.80 are often wasteful of time and money.

Validity: Internal consistency is a necessary but not a sufficient condition for validity. Content validity requires that a measure conforms well to conceptual definitions of the concept it is intended to measure and that the

TABLE I. Reliability Coefficients

Construct	Cronbach's alpha	No. of items
Control	0.797	17
Quality of Assistance	0.888	18
Coercive Measures	0.831	11
Conflict	0.908	22
Satisfaction	0.841	5

items comprising it are sampled adequately from the domain of the construct. To ensure adequate content validity of the measures used in the study, two steps were faithfully followed during the constructs' development. First, a thorough review of the relevant channel literature as well as trade literature in Saudi Arabia was conducted. This resulted in an initial list of items/issues representing each of the study constructs. Second, the list of items was modified based on unstructured interviews with some dealership managers and with the representative of the motor-trade in the Council of Saudi Chambers of Commerce and Industry, himself a senior manager with a large agent. Then they were pretested on a handful of dealers.

As to discriminant validity which refers to the degree to which a given construct differs from others, this is shown when the correlation between any scale and another is less than its alpha coefficient. This was true for all constructs as we can see from Table I and Table III. This gives confidence in the discriminant validity of each construct. As a further evidence of discriminant validity, factor analysis with varimax rotation was carried out to see the extent to which scale items measuring different constructs loaded on separate factors. Each of the five separate constructs loaded on a separate factor, thus confirming unidimensionality of each of the constructs.

ANALYSIS OF FINDINGS

To begin with, we will report on the means of the above five constructs and comment on them before we move to discuss the Pearson correlation coefficients which we employed to gauge the strength of the associations and test the above hypotheses.

It is obvious from Table II that other than the satisfaction measure, all the variables' means lie below their respective possible mid-points as do the median values. (It should be noted that the origin of each scale is not zero but a positive number.) We will say more about this when discussing the results of the calculated correlation coefficients given in Table III.

The correlations results give strong support to four of our seven hypotheses: H4, about the relationship between the level of conflict in the dealer's perception and his view of the likelihood of the use of coercive measures by the manufacturer; H5a, about the positive association between satisfaction and the quality of the manufacturer assistance; H5b, about the negative association between the dealer satisfaction and the likelihood of the manufacturer resorting to coercive measures; and H6, the

TABLE II. Means and Median Values of the Constructs

Construct	Possible Range	Mean Value	Median Value
Control	85-17	41.35	40.00
Quality of Assistance	90-18	50.73	50.00
Coercive Measures	55-11	19.46	18.00
Conflict	110-22	42.19	42.00
Satisfaction	25-5	21.19	20.50

TABLE III. Pearson Correlation Coefficients

Construct	Control	Quality of Assistance	Coercive Measures	Conflict
Control	1.000			
Quality of Assistance	-0.002	1.000		
Coercive Measures	0.233	-0.195	1.000	
Conflict	0.276	-0.320	0.545*	1.000
Satisfaction	-0.100	0.467**	-0.503*	-0.636*

* Significant at the 1% level.

** Significant at the 5% level.

relationship between conflict and the dealer satisfaction. Nonetheless, for the rest of the hypotheses (H1, H2, and H3), all but one (the relationship between control and quality of assistance) have the right sign. As a matter of fact, results give mild support (at the 11% level) to H3, the negative association between the level of conflict and the quality of the manufacturer assistance.

Control and Its Sources: The results indicate poor or weak correlations between control and sources of control and do not support H1 and H2. In fact, the quality of assistance correlation coefficient with control has the wrong sign; its value is small though it is insignificant anyway.

Coercive measures correlation coefficient with control has the right sign but its magnitude is low. Thus dealers do not expect the manufacturer

to resort to pressure tactics (the average mean value in Table I suggests the same) and hence do not concede control to the manufacturer.

These results, though, do not agree with the generally accepted results of empirical studies, nor with Al-Motawa's (1989) study of Saudi wholesaler-dealer relationship. However, most empirical studies were domestic studies, including Al-Motawa's (1989) study, while our's is a cross-country study. Nonetheless, our results are in line with Kale's (1986) observation that in a sellers market, manufacturers rely on direct means to achieve influence. The Saudi market for durables is a buyers market, as noted by Culpan (1985) and others. The Saudi economy is a high-income, free-enterprise economy open to all kinds of imports and competition in the motor vehicle market is intense. Our results are also in line with the Johnson et al. (1990) study of Japanese dealers vis-à-vis US suppliers where they found mediated strategies reduce control while non-mediated strategies do not affect it. Further, it is in the Arab culture, as suggested above, to resist aggressive tactics practiced against one, even if they are supposed to be to one's good (Moran and Harris, 1982 and Dunn, Jr., 1979).

Generally speaking and as we notice from the mean values, automobile agents appear to operate with substantial independence. The mean value of the index is less than 1/2 the possible maximum. Similarly, it does appear from the mean values of Table II that manufacturers refrain from the use of pressure tactics as dealers responses suggest. This also bears the observations made above (Kaitaki, 1976; Dunn, Jr., 1979; Stern and El-Ansari, 1982) about the power of the rich Saudi merchant families with diversified businesses reducing the manufacturer's leverage. Even the ultimate weapon of terminating the franchise is not a viable option in the Saudi market as BMW found out to its peril when the court forced it to reinstate its old agent even though the new agent had set up shop. Our findings agree with Ahmed's (1977) finding that US car importers operate with a high degree of independence from their manufacturers, even though these were subsidiaries of the manufacturer while the Saudi importers are independent businessmen.

Power Sources and Conflict: Here we had two hypotheses where we postulated the level of conflict to be: (a) H3: inversely related to the dealer's perception of the quality of services the manufacturer offers him and (b) H4: positively related to the dealer's view of the likelihood of the manufacturer using coercive means. The results offer strong significant support to H4 and do lend some mild support for (H3): a negative but weak relationship between conflict and the quality of services. Our results thus agree with the general findings and are in line with Lusch (1976), Brown and Frazier (1978), and Wilkinson (1981). They do agree partially with the findings by Johnson et al. (1990) who found the use of non-

mediated (non-coercive) strategies to reduce conflict, though they found mediated strategies to have no significant effect on conflict. They explained that behavior culturally and added that the Japanese distributors sometimes do not take US suppliers' actions as being strong actions. For the Arabs we can say this behaviour is culture bound too, but that Arab agents take coercive actions for what they are and will not respond cooperatively. The carrot and stick philosophy does not motivate them even if it was meant for their own good, as stated by Dunn, Jr. (1979). Many manufacturers must have wised-up to that since the mean value of the dealers' expectation of manufacturers use of coercive measures is way below the midway point of the index as seen in Table II, while the mean value of the quality of assistance is lower than, though close to the midway point of that index.

Satisfaction: In H5 we hypothesized that the dealer's satisfaction is related positively to his view of the quality of the manufacturer's services and negatively to the likelihood of the manufacturers resorting to pressure tactics. We also postulated in H6 that conflict and satisfaction are negatively related. Our results bear this out specially in the case of H6 with a substantial (0.636) and a significant correlation coefficient. The results also give support to H5a (about satisfaction and the quality of the manufacturer services being positively related) and give strong support to the negative relation between satisfaction and the use of coercive measures, i.e., H5b.

The relation between satisfaction and conflict is in line with the few domestic studies of developing countries' situations of Frazier, Gill and Kale (1989), Yavas and Habib (1987) and Al-Motawa (1989), the latter two concerning Saudi Arabia. As far as the relation of power sources to conflict is concerned, our result (a strong positive association of non-coercive measures with conflict) is in line with Lusch (1977), and Brown and Frazier (1978) and many others. However, for H3, the relationship between non-coercive measures and conflict, here the support is weak, contrary to expectations and some previous studies. This could be due to the fact that while a minimum of assistance is required, much of it is not that useful to the dealer given the peculiarities of the local environment with which the foreign manufacturer is not always familiar. In the end it must be observed that the mean value of satisfaction is particularly high for the many agents of automobiles while that of conflict is rather low.

CONCLUSIONS

In view of the dearthness of such studies, this was an attempt to examine the relevance of some of the existing channel theories and findings

developed in advanced market economies to a less developed but high income country market situation in a cross-country transaction setting. Our results generally concur with many of the findings in domestic advanced country situations with one singular exception; that coercive measures do not lead to the manufacturer's control over the dealer in a culture averse to strong tactics. Nor does our study support the proposition that the use of non-coercive strategies lead to control either, in view of the existence of rich and strong dealers. Satisfaction of the dealer, though, is found here to be negatively related to conflict and coercive measures, and positively related to non-coercive measures as was true elsewhere. Further, while coercive measures were found to raise conflict level, non-coercive measures do not necessarily lower it.

As Rosenbloom (1995) has concluded on discussing control in international operations, gaining some degree of control over channel members is necessary in both domestic and international channels, but it is much more difficult in the international arena, and those attempting leadership over distributors in the Middle East must be sensitive to their way of doing business. Building a working relation can be a painstaking operation given the peculiarities of the Saudi business environment. This becomes more important when having an independent subsidiary is not a viable option. But the rewards, a stake in an important market, are worth it.

The imperatives of global competition, the recession of the last few years in some advanced countries and the protectionist tendencies in some of them are forcing many leading auto-manufacturers to seek and nurture more third-world markets. Volkswagen of Germany, not much of a player in the Saudi market until now, is adjusting some of its models to fit the desert climate while the American producers are working hard to regain the foothold they lost to the Japanese and Asian exporters in the Kingdom of Saudi Arabia.

Our study covered one industry, albeit an important one, but the study may have relevance for other expensive durables. It also has relevance to other Gulf oil countries that resemble Saudi Arabia in many politico-socio-economic characteristics, and to many "emerging" markets in the Middle East and the developing world. One of its limitations is that the product's variants studied are not exact substitutes of each other and hence the quality of the relationship may differ depending on whether the product in question is a compact or a luxury car and on whether the dealer has other business. Nonetheless, all major car-manufacturers have a wide range of models and most of their Saudi agents have diversified businesses. Further, the automobile industry being an oligopolistic one, this

limits the sample size. That may call for in-depth case studies which are certainly warranted. So is the need for more cross-sectional studies for other and similar durables in the Saudi market and in other "emerging" markets.

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APPENDIX

Questionnaire Filled by Dealers
(Translated from Arabic)

I. CONTROL

Please answer by circling the number that best reflects your company's case.
Please indicate the manufacturer degree of influence on your marketing decisions in each of the areas below;

Action/Decision	No Influence	Some Influence	Equal Infl. to Ours	Major Influence	Very Large Influence
1. Order Size	1	2	3	4	5
2. Sales Goals	1	2	3	4	5
3. Frequency of Orders	1	2	3	4	5
4. Inventory Level	1	2	3	4	5
5. Retail Price	1	2	3	4	5
6. Local Advertising	1	2	3	4	5
7. General Manufacturer Advertising	1	2	3	4	5
8. Training of Salesmen	1	2	3	4	5
9. Maintenance Service	1	2	3	4	5
10. Warranty Policy	1	2	3	4	5
11. No. of Salesmen	1	2	3	4	5
12. No. of Mechanics	1	2	3	4	5
13. Cooperative Advertising	1	2	3	4	5
14. Training of Senior Staff	1	2	3	4	5
15. Show Room Design	1	2	3	4	5
16. Layout & Display in Showroom	1	2	3	4	5
17. Training Programs	1	2	3	4	5

APPENDIX (continued)

II. CONFLICT

Please answer by circling the number that best reflects your company's case.

Please indicate how often you disagree with the manufacturer over each of the following business matters.

Action/Decision	Never	Rarely	Rather Frequent	Often	Always
1. Minimum Order Size	1	2	3	4	5
2. New Cars Inventory Level	1	2	3	4	5
3. Maintenance Work	1	2	3	4	5
4. Promotional Discounts	1	2	3	4	5
5. Sales Goals	1	2	3	4	5
6. Spare-Parts Stock Level	1	2	3	4	5
7. No. of Salesmen Needed	1	2	3	4	5
8. No. of Mechanics	1	2	3	4	5
9. Cooperative Advertising	1	2	3	4	5
10. No. of Distributors in Same Region	1	2	3	4	5
11. Parts Purchases from Manufacturer	1	2	3	4	5
12. Seasonal Discounts on Cars	1	2	3	4	5
13. Salesmen Training Programs	1	2	3	4	5
14. Contractual Terms	1	2	3	4	5
15. Advertising Help	1	2	3	4	5
16. Compensating for Warranties	1	2	3	4	5
17. Returns and Compensation Policy	1	2	3	4	5
18. Customer Service and Complaints Handling	1	2	3	4	5
19. Timing and Frequency of Promotional Campaigns	1	2	3	4	5
20. General Advertising by Manufacturer	1	2	3	4	5
21. Local Advertising	1	2	3	4	5
22. Retail Price	1	2	3	4	5

III. DEALER SATISFACTION

Please answer by circling the number that best reflects your company's case.
Please indicate to what extent you agree or disagree with each of the following statements.

Statement	Do Not Agree at All	Rather Disagree	Cannot Say	Rather Agree	Fully Agree
1. I am generally satisfied with our relation with the manufacturer	1	2	3	4	5
2. The manufacturer is an excellent one to deal with	1	2	3	4	5
3. If I had to do it again, I would choose the same manufacturer	1	2	3	4	5
4. I am satisfied with the goods and services I get from the manufacturer	1	2	3	4	5
5. On the whole, I am satisfied regarding our transactions with the manufacturer	1	2	3	4	5

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