PERFORMANCE AND RELATED CHANNEL PHENOMENA IN INTERNATIONAL MARKETS: THE SAUDI CAR MARKET

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Abstract

This is a study of how the relationships between automobile manufacturing MNC's and their dealers affect the performance of those respective agent dealers in the emerging market of Saudi Arabia. Hypotheses relating agents' performance to aspects of the relationship were proposed and constructs reflecting corresponding variables were developed and their reliability and validity ascertained. Pairwise correlations between performance measures and constructs reflecting the relationship were calculated.

The results show significant negative relationships of the dealer performance with the manufacturer extent of control over the dealer and with the degree of conflict between them only. No association between the performance of the dealer and either of the quality of the manufacturer's assistance to the dealer or the dealer satisfaction were found. Results call for manufacturers of big-ticket items to defer to their agents in the Gulf Region if the agents are to succeed.

Introduction

The literature on channel management abounds with theoretical and empirical domestic studies of power, conflict and satisfaction, but with very little on the international dimension of these important channel variables. Chan (1991) contends that studies of international distribution activities are underrepresented while Cabaniss (1991) survey finds the extent to which international distribution channels are unique not to have been examined. This despite the overriding importance of establishing and maintaining international channels for firms in foreign markets in the opinion of some leading scholars (Keegan, 1989; Rosenbloom and Larsen, 1991). Not only this but the relationships of the above channel variables to performance in international markets have received even less attention. Hunt, Ray and Wood (1985) survey finds performance secondary in importance in existing studies. Kumar, Stern and Achrol (1992) observe that little scholarly research has addressed performance measurement or the relevant criteria to use in determining whether the efforts of channel counterparts are productive. This is in spite of the fact that the ultimate objective of channel management is achieving goals such as improving market share or raising profitability or both.

This study aims to fill some of the void by bringing in the international dimension of channel phenomena and relating those phenomena to measures of performance. The study is an attempt to gauge the relationships of the channel performance with each of the channel facets of control, manufacturer role performance, conflict and satisfaction from the dealer perspective. It takes

a strategic product (passenger automobiles) in an important "emerging" market (the Kingdom of Saudi Arabia). The Saudi Arabian economy is one of a few US$100 billion economies world-wide and it is unique in that although it is traditionally listed with less developed economies, its high per capita income, developed infrastructure and balance of payments surpluses are all indicators of a developed state (Kaitaki, 1976). The Gulf is also the largest export market for US made cars 55% of which go to Saudi Arabia (Deykin, 1994) and the Kingdom boasts the largest independent Toyota dealer in the world (O'Sullivan, 1994).

The study begins by reviewing the literature and developing the hypotheses in the following section. After that the data and method are presented. The findings are then discussed before concluding the study in the final section.

Literature Review and Hypotheses

Gary Frazier (1983b) developed a conceptual framework where channel behaviour is seen as occuring in three interactive processes: initiation, implementation and review. The first process deals with the reasons why and the methods by which firms establish relationships, the implementation process refers to the way in which firms manage and co-ordinate channels relationships (i.e. role performance, control), while the review process evaluates performance and assigns responsibility for it. Mohr and Nevin (1990) propose in a channel communication theory that channel conditions (such as power) impact on the channel's qualitative and quantitative outcomes (of which performance is one). Robicheaux and Coleman (1994) similarly provide us with a broader perspective for channel relationships where antecedent conditions determine the channel relationships structure which in turn determines the "polity" performance.

With this backdrop in mind we intend to focus on the last aspect of this framework (performance) or the output of the system and see how it relates to some of the aspects of the relationships structure.

Performance and Control

In industries characterized by economies of scale in production, like automobiles, the argument has been that the manufacturer needs to control the channel so as to generate volume (Mallen, 1967), and that because he creates and produces the products, the manufacturer is entitled to impose his marketing programs on other channel members. Stern, El-Ansary and Brown (1989) maintain that the manufacturer's dominance is not an absolute certainty, but they would still argue that overall channel performance as well as individual channel member performance is often determined by the level of control that some firms have over others. Similarly Bradley (1991) argues that power may be used to achieve performance.

The above mentioned studies refer to an advanced domestic country situation, and the little empirical evidence on it is not conclusive. While Etgar

(1976) found central co-ordination to improve efficiency in the property and casualty insurance in California, Gaski and Nevin (1985) could not detect a significant relationship between the exercise of power irrespective of its source (or its mere presence) and performance of the dealers of a machinery manufacturer in Canada.

On the international level, Bradley (1991) stresses the difficulty suppliers have in exercising leadership control in international markets, especially if distributors operate on the basis of tradition and enjoy legal protection in their home market. He adds that successful firms recognize this and attempt control within these constraints.

Bradley's remark about distributors is, to a large extent, true of the Saudi Arabian market about which a number of authors have suggested a formidable role for the big merchant families that control distribution channels. Kaitaki (1976) refers to these families as channel captains while Dunn Jr. (1979) and Stern and El-Ansary (1982) view these established families as dominating the import trade. Not only this but it has also been maintained by Dunn Jr. (1979) that the carrot and stick policies that may work in the West do not operate in the Middle East. Further, Moran and Harris (1982) admonish a foreign company representative in the Middle East that "quiet strength is a greater value than an obvious use of power". In a study of car importers in the USA, Ahmed (1977) found successful automobile importers to operate with a large degree of independence. In the USA, though, auto importers are usually owned subsidiaries of the foreign manufacturer not independent business men as in Suadi Arabia where the law requires foreign companies to have an agent if they are to operate in the country. We thus anticipate successful Saudi car agents to operate with a large degree of independence.

Based on the above discussion we suggest the following hypothesis:

H1: Successful automobile agents in the Saudi market operate with a large degree of independence from their manufacturers.

Performance and the Manufacturer Role Performance:

There is an implicit assumption in the literature that the manufacturer's adequate role performance in providing support and assistance to the dealer is beneficial to both. This is best exemplified by Frazier (1983a) who sees each party agreeing to a certain role and tasks to facilitate exchange between them and consumers. Frazier adds that when the actual exchange of products, services and information takes place, the role performance of each firm will determine, in large part, the outcomes, both actual and achieved in the relationship, e.g. sales and profits. Bradley (1991) stresses the importance of the manufacturer support and assistance to the intermediaries in the areas of finance, marketing, inventory, accounting and information and argues that successful manufacturers are the ones who provide these services and pay attention to dealers grievances too. Gaski and Nevin (1985) though, detected only a weak relation between the exercise of non-coercive sources of power

(reward, assistance and information) and dealer performance viewed partially in terms of meeting sales targets.

Again, the above citations refer to the case of advance country intermediaries. In a competitive "third world" market situation like Saudi Arabia, we believe it will be even more true. A dealer needs the help and advice of the manufacturer in the 'modern' and effective ways of doing business, especially when the product handled is an expensive and complex durable product where after-sales-services are important.

Based on the above discussion we thus hypothesize that:

H2: Successful automobile agents in the Saudi car market are usually ones receiving high quality assistance from their respective manufacturers in the formers' view.

Performance and Satisfaction

According to Klein and Roth (1993), the determinants of satisfaction are not well understood, particularly in international markets. Some works point to the circular nature of the relation between satisfaction and performance (Stern, El-Ansary and Brown, 1989), while others emphasize the effect of performance on dealer satisfaction in domestic channels (Frazer, 1983b), or on the supplier satisfaction in international channels (Kleing and Roth, 1993).

But a good many studies emphasize the effect of satisfaction on performance in which we are interested. Robicheaux and El-Ansary (1975) maintain that greater satisfaction among channel members results in high productivity within the channel and vice versa. Lusch's (1976) study suggests that satisfaction increases with channel efficiency. Stern and Reve (1983) point out that channel member sentiments (of which satisfaction is an example) are linked directly to the internal efficiency with which a channel operates. Mohr and Nevin (1990) schematic model in its second step sees qualitative outcomes like satisfaction as leading to the quantitative outcome of performance. As far as Middle Eastern or a Saudi Arabian situations are concerned, the establishment of trust is supposed to precede transacting business (Moran and Harris, 1982). Trust, we think, is a major ingredient of satisfaction. We feel there is a strong positive association between the dealer satisfaction in his relationship with the manufacturer and the dealer performance. We thus propose:

H3: The more satisfactory is the dealer relationship with the manufacturer in the former's perception, the more successful is the dealer likely to be.

Success and Conflict

Low levels of channel conflict, Rosenbloom (1973) and also Stern and El-Ansary and Brown (1989) point out, may have neutral effects on channel performance, and at moderate levels conflict may be functional, but above a threshold it causes performance to decline and impairs the outcome of the system. Stern, El-Ansary and Brown (1989) forsee the circular logic where dissatisfaction with performance leads to conflict which in turn lowers

performance. Kumar, Stern and Achrol (1992) expect reseller (dealer) performance to relate negatively to conflict. With regard to empirical works, Lusch (1976) study showed conflict between the dealer and the manufacturer to have a negative impact on the dealer's operating performance as measured by the return on assets and assets turnover. Lusch warns, though, against the possibility of circular logic. Rosson and Ford (1980) found low levels of conflict to be associated with high performance in the channel, contrary to Rosenbloom (1973) expectation that at low levels of conflict its impact on performance is neutral. Rosson and Ford study results, however, apply more to the state of the intermediary.

In the Kingdom of Saudi Arabia, the interests of foreign automobile manufacturers and their direct agents should converge, the dealers being mostly exclusive nation or region-wise. We, nonetheless, also anticipate cultural differences between the foreign manufacturer and his dealer to lead to differences in perception and expectations and cause incompatibility of goals and hence exacerbate conflict which would affect performance of the dealer adversely. And while we admit the possibility of a circular relationship here, nevertheless, we still anticipate the degree of conflict to have an inverse relationship with measures of the dealer performance and we propose that:

H4: The higher the degree of conflict between the dealer and the manufacturer, as perceived by the dealer, the less successful is the dealer likely to be.

Data and Method

The Sample and Data Collection

The population of the study is the authorized new passenger automobile dealers — who are also direct 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 and 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. The study focuses on direct agents only and excludes the many dealers who do not deal with the manufacturers. For the few cases of multiple agencies, each agency was treated as a 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 equipments 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 was 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. 32 agents were contacted, 28 of them responded and 26 usable responses were obtained. As a sample size, this compares well with the Ministry of Commerce and the Saudi Council of Chambers of Commerce and Industry jointly prepared directory (Ministry of Commerce and the Saudi Council of Chambers, undated) which lists 36 automobile agents in the Kingdom.

Measurements

Performance (Success): No other concept in marketing short history, according to Bonoma and Clark (1988), has proven as stubbornly resistant to conceptualization, definition or application as that of marketing performance. Generally, though, there are four approaches to the evaluation of the channel member performance: effectiveness, equity, productivity and profitability. The first two are societal measures and the latter two are enterprise oriented measures (Stern, El-Ansary and Brown, 1989; Bowersox and Cooper, 1992). Bonoma and Clark (1988) survey found that productivity (as measured by sales in units or value) and profitability (measured through financial ratios) are the two most common measures. A number of works emphasize both (Gaski, 1989; Scheer and Stern, 1992, Okoroafo and Russow, 1993 and Robicheaux and Coleman, 1994). A few others emphasize profitability or efficiency (Rosenbloom, 1973; Lusch, 1976 and Samiee, 1993). Yet sales remain popular and in the words of Rosenbloom (1995) is unquestionably the most important and the most commonly used criteria and that if the channel member's sales are not adequate, there may be little else that matters. Hence our preference in this study was for units sales as a measure of the dealer performance or success. Furthermore, profitability measures could not be used for lack of data. We thus took the average unit sales of the dealer over the years 1991 and 1992 as our index of success.

As a secondary measure we asked dealers to rate each of their sales, return on assets, profits and market share on a Likert-type scale ranging from five for excellent to one for poor, to obtain a summated index of 20 maximum points. Models incorporating managerial judgement have sometimes been used (Gaski, 1989; Scheer and Stern, 1991) but the lack of incorporating it has generally been cited as a shortcoming of most models (Bonoma and Clark, 1988). Furthermore, we added this secondary index because we wanted to include a composite index it being superior to single facet indexes (as sales) according to

Kumar, Stern and Achrol (1992), who still find individual facet scales to be enlightening in the case of diagnosis, as in our case. Nonetheless, our second index is only to support the sales index.

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 can be measured in terms of compliance to the mandates of the sources of authority (El-Ansary and Robicheaux, 1974). Frazier (1983a) in arguing that achieved influence *or control* (our italics) and power are not the same thing, finds many studies to have used achieved (or attributed) influence to measure power. Stern, El-Ansary and Brown (1989) argue that the channel leader is the member that formulates the marketing policy for other members and is therefore, the one who controls their marketing decisions. Furthermore, a number of standard texts in the field talk about control and influence interchangeably (Jeannet and Hennessey, 1995; Rosenbloom, 1995). Some recent studies measure the amount of control the dealer relinquishes to the manufacturer by asking the dealer: who had the most influence over the actual decision (Gassenheimer and Scandura, 1993). We thus feel justified in using the extent of influence the dealer attributes to the manufacturer over various decisions as an index of control.

To assess the extent of control we looked at the extent of influence the manufacturer has over the dealer marketing decisions. Dealers (agents) were each asked if they are the main decision maker (without the manufacturer's assistance) at one end, or if the manufacturer was largely the decision maker at the other end. Each agent was asked to indicate on a 5-point Likert-type scale his perception of the extent of the manufacturer 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 manufacturer influence', to 5 for 'very large manufacturer influence'. The index was then summated for a maximum possible of 85 points and a minimum of 17 with higher scores indicating more control.

Manufacturer Role Performance: The term role has been defined "as a set of prescriptions defining what the behaviour of a postion should be" (Biddle and Thomas, 1966). The manufacturer role in his relationship with the dealer could be spelled out in a contract or could depend on the expectations and practices. Bradley (1991) states that support and technical assistance are among the important factors to the intermediary in his relationship with the manufacturer. To motivate channel member, Rosenbloom (1995) expects the manufacturer to assume responsibility for making the distributors more effective through programs of . . . careful pricing, promotional support, technical assistance, order servicing and through training programs. Channel audit is also recommended and a check-list of the activities the manufacturer is to perform is provided in the same work above. In the case of a complex durable good

marketed in a third world competitive market, the dealer would naturally expect considerable support.

To assess how well the manufacturers performed their role vis-a-vis their dealers, we prepared a list of activities based on the above and initially discussed it with a handful of dealers. Respondents were then asked to rate the quality of the 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 book-keeping and general advice that a businessman from a developing country may presumably need. Again a 5-point Likert-type scale was used ranging from one for 'poor quality', all the way to 5 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.

Conflict: Conflict has been classified into affective and manifest conflict. The first one requires exploring attitudes and feelings the manufactuer and dealer have toward each other in addition to differences in perceptions and goals (Etgar, 1979). This we could not measure. Conflict is here viewed as manifest conflict reflected in the frequency of disagreements between the manufacturer and his agent over various issues. Frequency by itself does not reflect the intensity of the conflict nor the importance of the disputed issue, but it was not possible for the authors to assess these other facets of conflict. Besides, the work of Brown and Day (1981) has shown that while a measure of manifest conflict incorporating all three facets above is superior to a measure of frequency alone (having higher intercorrelations), nonetheless, the simple frequency measure still has a substantial correlation (0.86) with a multiplicative manifest conflict measure incorporating all three aspects. We also stayed with the frequency of disagreements definition for the purpose of comparability with other studies.

Respondents were asked to indicate the frequency of their disagreement 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, etcs., . . . 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 a high level of conflict to a minimum of 22 for no conflict at all.

Satisfaction: Satisfaction is a matter of feelings. A literature review (Ruckert and Churchill, 1984) and more recent studies (Klein and Roth, 1993 and Gassenheimer and Ramsey, 1994); support our choice of satisfaction index.

The agent's overall satisfaction in his relation 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 a good company with whom I recommend dealing', 'I am satisfied with the goods and services I receive from the manufacturer', 'Given the opportunity again I would still 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 and a minimum of 5 points for low or minimum satisfaction.

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 construct and is shown in Table I below.

The calculated alpha correlation coefficients ranged from 0.77 to 0.91. These values were judged satisfactory by the authors in view of Nunnally's (1978) assertion that for 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 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' developments. 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

TABLE I

CRONBACH'S ALPHA CORRELATION COEFFICIENTS FOR CONSTRUCTS

Construct	Correlation Coefficient	No. of Items
Control	0.797	17
Manufacturer Role Performance	0.888	18
Conflict	0.908	22
Satisfaction	0.841	05
Global Performance of Dealer	0.767	04

modified based on unstructured interviews with some dealership managers and with the representative of the motor trade in the Saudi Chamber of Commerce and Industry, himself a senior manager with a large agent. Finally the list of items was pretested on a handful of dealers.

Discriminant validity refers to the degree to which a given construct differs from others. As a test 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 Likert-type constructs loaded on a separate factor, thus confirming unidimensionality of each of the constructs.

Results and Analysis

To begin with we calculated measures of central tendency of the constructed variables. Then for each of our two performance measures we calculated its Pearson correlation coefficient with each of the four variables presumed to be associated with it. Table II gives the mean, median and standard deviation of each of the five variables constructed for this study. Table III gives the pairwise correlations.

TABLE II

MEAN AND MEDIAN VALUES OF THE CONSTRUCTS

Construct	Possible Range	Mean Value	St.Deviation	Median
Control	85-17	41.35	8.83	40.00
Manufacturer Role Performance	90-18	50.73	11.78	50.00
Conflict	110-22	42.19	10.07	42.00
Satisfaction	25-5	21.19	3.57	21.00
Global Performance of Dealer	20-5	13.08	3.40	13.00

It is clear from Table II that for both the control and conflict constructs the mean and the median are each considerably less than the possible mid-range value. This indicates that most automobile importers in Saudi Arabia operate with a considerable degree of independence from the foreign manufacturers they represent. The manufacturers leave a good many decisions to their agents who are more familiar with the local environment than them. The figures also suggest that conflict with the manufacturer is not particularly high in the eyes of the dealer, its mean (and median) being far less than the mid-range value. The mean of the manufacturer role performance and its median value suggest that the performance is not very adequate, them being less than the mid-range value (50 vs. 54. Remember that the origin of the scale is 18 and not zero). The dealer's satisfaction central tendency indexes both being above their respective mid-way values, suggest that there is general satisfaction.

As far as the correlation coefficients between the variables are concerned, only two constructs showed any degree of meaningful statistical significance in their association with our measures of performance as we see in Table III. Our results generally lend support to H1, and H4: negative association between dealer performance and manufacturer control and also negative association between dealer performance and conflict between him and the manufacturer. No support is given to H2 (performance and the quality of the manufacturer assistance association), nor to H3 (performance and satisfaction association).

TABLE III

PEARSON PAIRWISE CORRELATION COEFFICIENTS

Construct	Dealer Sales	Dealer Performance global measure
Control	-0.209	-0.373**
Manu-facturer Role Performance	-0.137	0.033
Conflict	-0.391**	-0.049
Satis-faction	0.240	-0.034

* Significant at 1% level.
** Significant at 5%(or 6%) level.

Note: The number of observations was 23 for sales and 26 for the global measure

The extent of the manufacturer control over dealer showed a significantly strong negative association with the dealer global performance measure. This supports H1 and disagrees with Mallen's (1967) proposition. The finding is more in line with Stern and El-Ansary (1982), Kaitaki (1978) and Dunn Jr. (1979), that with strong dealers and with the peculiarities of the Middle Eastern environment, manufacturers are better off leaving things to their agents. It is also in line with Ahmed's (1977) finding that successful US importers of automobiles operate with a substantial degree of independence from their manufacturers even though US importers are owned subsidiaries who do not do the retailing themselves, while Saudi Arabian importers are free agents who do most of the retailing.

The conflict construct showed a significant negative correlation (at 6%) with the dealers sales performance measure, thus supporting H4. This latter finding agrees with Lusch's (1976). It also confirms Stern and Al-Ansary (1982) and Kumar, Stern and Achrol (1992) expectations.

As for the manufacturer role performance and satisfaction indicators, neither of them showed any strong or significant association with either of our measures of the dealers performance. This could be attributable in part to the fact that a good amount of the manufacturer's advice and assistance are not that useful to the dealer given the manufacturer's unfamiliarity with the culture and environment of Saudi Arabia. This is partially reflected in the mean value of the dealers' evaluation of the quality of the manufacturers' services (manufacturer role performance) which is below the possible mid range-value. Or otherwise there may be a minimum of service that has to be provided as a necessary but not a sufficient condition for good performance. Our finding here is in line with Gaski and Nevin (1985) who found no relation between the unexercised power source (non-coercive means) and performance and only a weak relation with the exercised one.

With regard to the poor performance of the satisfaction measure, it has the wrong sign with the global performance measure. Among other constructs it has the highest relative mean with a low standard deviation, suggesting that almost everybody is happy irrespective of results, which is hard to believe. It is conceiveable that their Arab cultural background and sense of propriety makes the dealers give generous judgements especially since the satisfaction construct statements are more general and not as specific as those of the other constructs.

Comparing the two performance measures, they seem to support each other. A significant relation of one of them with one of the other variables, is met with the right sign and a relatively high correlation in the relation of the same variable with the other performance measure. One limitation of the two measures especially the sales-figure, is that they may be subject to temporary events. Also the number of usable observations is slightly larger in the case of the global measure (26 vs. 23), even though we had to augment data on sales from other sources as some dealers would not divulge that information. In the Arab culture people are usually reluctant to divulge the number of their children or figures on their property, net worth, sales or profits. This makes a Likert-type measure (like the global performance measure) get a relatively higher response rate by comparison.

The above notwithstanding, we still feel the other constructs' (control and conflict) relations with performance measures here are meaningful and can be inferred from.

As far as channel management in autos in Saudi Arabia is concerned, it appears that for the manufacturer the 'don'ts' are more important that the 'do's'. To have your Saudi (or Middle Eastern for the matter) dealer succeed,

avoid dictating to him or disputing his wisdom, only make sure you choose the right agent who has the characteristics described by Dunn Jr. (1979). This way your dealer will succeed and the manufacturer will too. As a matter of fact, we found a strong significant positive correlation between the manufacturer's overall unit sales in the Kingdom and his agent unit sales; 0.895. This is to be expected though, in view of the fact that most manufacturers have one single agent.

Conclusion

This study attempted to gauge the effect that certain channel attributes in the foreign manufacturer relations with his agent, have on the market performance of the agent in the Saudi Arabian new passenger automobile market. The study found two aspects of channel management to be important: the extent of the manufacturer control over the dealer and the level of conflict. Both we found to be negatively associated with the dealers performance. Hence the admonition for manufacturers is: defer to your agent and do not question his decisions, at least not blatantly. This is good advice in view of the differences in culture and the particular traits of Middle Eastern people as suggested by various authors. It is advice in the negative sense.

The study supports Dunn Jr. (1979) contention that the stick and carrot policy that may work in the West, will not work here. It also supports Moran and Harris (1982) admonition on the subtle use of influence. Further, and as Rosenbloom and Larsen (1991) asserted, one cannot simply assume that a retailer is a retailer is a retailer. They call for gaining knowledge of the channel structure in the foreign country as the standardized approach to marketing will not work.

Needless to say, channel management, as important as it is, is only one component of the marketing mix and the success of any product is dependent on a lot more than how well managed the channel is. The Japanese have, as Culpan (1985) predicted, dominated the Saudi market because of adapting their products to local conditions. As far as advertising is concerned, the noticeable impression of the authors is that the Japanese makers' message is a lot more localized than that of the Americans and Europeans. It is possible that the relative unfamiliarity of the Japanese with Middle Eastern culture and mores and the Japanese reserved and shy manners, naturally results in them leaving many decisions to the locals; hence they succeed. The Americans and Europeans by contrast, may feel that they know these places and hence intervene more often. Of late though, American and European producers are showing more interest in the Saudi market, improving their products, localizing their messages and looking for better representatives.

Of course the capabilities of the dealer make a great difference. How much he can raise and invest, the expertise of his staff, his knowledge and experience of the market etc., are all too important.

The study has relevance to other Middle Eastern countries particularly the oil-rich Gulf States as they share similar socio-economic and political characteristics as Saudi Arabia. It also has relevance to trade in imported big-ticket durables in the same region.

Finally we recognize the limitations of our study and of some of the developed measures mentioned above i.e., the limitations of the satisfaction measure and the difficulty of getting sales information which reduced the sample size. Nonetheless the sample size is large enough, compared to the population, to be indicative. The research studied the perceptions of one side of the channel dyad (the dealer) and the extent that the manufacturer may have a different view, this study is limited. Some previous research, though suggests that studying the dyad as a whole only adds to the burden of the researcher (Ross, Lusch and Brown, 1982). Our results are not final and more studies about channel relationship in Middle Eastern countries in general and Gulf countries in particular are called for to cover imported big ticket durables.

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