

# **Structure variables, Influence Strategies, and Social Satisfaction in Supplier-Retailer Relationships**

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### **Abstract**

Retailer social satisfaction, which refers to a retailer's positive affective response to psychosocial aspects of a relationship, is conceptualized as a function of structural channel variables such as formalization and dependence and influence strategies used by suppliers. Survey data gathered from the Cameroonian brewery industry helped assess two social satisfaction models. Major distinctive findings of this research are as follows. In the basic model that exclusively captures the main effects of individual variables, supplier formalization and retailer dependence have no effect on social satisfaction. In the expanded model, the interaction between formalization and recommendations produces a positive effect on retailer social satisfaction. The use of recommendations without formalization has a negative effect on social satisfaction. Finally, the

interactions between formalization and information exchange and dependence and the use of coercive influence strategies have no significant effect on social satisfaction.

## **INTRODUCTION**

Channel satisfaction research has sparked renewed interest in marketing since Geyskens, Steenkamp, and Kumar (1999) produced an influential meta-analysis of major satisfaction studies. The authors conceptually differentiate between economic and social satisfaction. Prior to this study, researchers considered channel satisfaction mainly as a one-dimension construct that includes both economic and social aspects of channel relationships. Geyskens and al. (1999) discovered that some of the findings of early satisfaction research were inconsistent and driven by the number of social-related and economic-related items included in their satisfaction scales. The focus of recent research has therefore been to overcome the shortcoming of a one-dimension satisfaction conceptualization. Particularly, it has further explored the determinants of both economic and social satisfaction to deepen our understanding of channel behavioral performances (Geyskens & Steenkamp, 2000; Rodríguez, Agudo & Gutiérrez, 2006; Ramaseshan, Yip, & Pae, 2006; Sahadev, 2006; Sigué & Bonsu, 2012).

This study follows in this new research perspective. It examines factors that affect retailers' evaluation of psychosocial aspects of their business relationships with suppliers in the Cameroonian brewery industry. The interest of the study of psychosocial aspects of channel relationships is well documented. It is believed that retailers who are satisfied with the psychosocial aspects of their business relationships with suppliers are less likely to initiate costly lawsuits. On the other hand, they tend to commit more to their business relationships with suppliers, trust more their business partners, exhibit higher morale, and cooperate more with other partners to find mutually beneficial solutions for the improvement of channel performances

(Andaleeb 1996; Michie & Sibley, 1985; Lewis & Lambert, 1985; Ruekert & Churchill, 1984; Wilkinson, 1979).

Building on the current knowledge base, we theorize that retailer social satisfaction is a product of the structure of the business relationship between two channel members and the supplier's use of power or influence strategies. We test this theory using two conceptual models (Payan & McFarland, 2005). The first model investigates the main effects of structure variables (supplier formalization and retailer dependence) and both coercive (threats and promises) and non-coercive (information exchange and recommendations) influence strategies on social satisfaction. The second model expands on the first to examine interactions effects between supplier formalization and the use of non-coercive influence strategies. It also takes account of interaction effects between retailer dependence and the use of coercive influence strategies.

Attempts to explain social satisfaction in channel literature are recent. In particular, some researchers have investigated suppliers' use of power or influence strategies on social satisfaction (e.g., Geyskens & Steenkamp, 2000; Ramaseshan, Yip, & Pae, 2006; Sigué & Bonsu, 2012). Other researchers have investigated retailers' perception of suppliers' behavioral performance in critical areas of their business relationships such as communication, trust, and commitment (Rodríguez, Agudo & Gutiérrez, 2006). In addition, earlier works that study the impact of structure variables on channel satisfaction use the one-dimension conceptualization of satisfaction that comprises the evaluation of both economic and social aspects of a business relationship (e.g., Andaleeb, 1996; Dwyer & Oh, 1987). To the best of our knowledge, this research is the first to explicitly consider the impact of structure variables and their interactions with influence strategies on retailer social satisfaction.

The remainder of this paper is organized as follows: We start with the presentation of the theoretical background and the development of hypotheses. We describe the research method and subsequently present our findings. We discuss the implications of this research and conclude in the last section.

## **THEORETICAL BACKGROUND**

### **Channel satisfaction**

Several broad definitions of channel member satisfaction have been proposed in the literature (e.g., Andaleeb, 1996; Anderson & Narus, 1990; Michie & Sibley, 1985; Ruekert & Churchill, 1984). For example, Anderson and Narus (1984) define it as “an affective state resulting from the appraisal of all aspects of a firm’s working relationship with another firm.” According to this broad view, researchers examining satisfaction should assess economic and non-economic aspects of channel relationships. Geyskens et al. (1999) propose a more refined channel member satisfaction conceptualization that recognizes its economic and social dimensions as two separate constructs.

Several authors define economic satisfaction in terms of a channel member’s favorable affective response to economic rewards that flow from the relationship with a business partner such as sales volume and profits (Geyskens et al., 1999; Geyskens & Steenkamp, 2000; Sahadev, 2008). Moreover, according to Sigué and Bonsu (2012), a relationship between channel partners is deemed to be economically successful if participants are pleased with this relationship’s effectiveness, its productivity as well as its resulting financial outcome.

Correspondingly, according to Geyskens and Steenkamp (2000), social satisfaction refers to a channel member’s favorable reaction to psychosocial aspects of a relationship maintained by business partners. Such exchanges between business partners must be perceived to

be fulfilling, gratifying, and straightforward. Shared values between channel partners, personal compatibility, goal convergence, ease of communication, and mutual respect are aspects of relationships that can lead to social satisfaction (Rodríguez, Agudo, & Gutiérrez, 2006; Sigué & Bonsu, 2012).

The two-dimension conceptualization of channel satisfaction is based on the belief that the antecedents of each of its dimension are not necessarily the same (Geyskens et al., 1999). As a consequence, a few studies have investigated the determinants of both economic and social satisfaction (Geyskens & Steenkamp, 2000; Rodríguez, Agudo, & Gutiérrez, 2006; Sigué & Bonsu, 2012). On the basis of the current knowledge base, a new theoretical framework is proposed, in which, retailer social satisfaction is explained by both structure variables and traditional influence strategies.

### **Channel Structure**

A channel structure refers to patterned and normalized aspects of a relationships occurring through a marketing channel (Geyskens et al., 1999). In some conceptualizations, Channel structure is an antecedent of channel satisfaction (e.g., Robicheaux & Coleman, 1994). Several variables or facets have been used to study channel structure, including centralization, formalization, dependence, participation, flexibility, monitoring, solidarity, and mutuality (Geyskens et al., 1999; Robicheaux & Coleman, 1994). This research exclusively focuses on two structure variables: formalization and dependence.

*Formalization.* Formalization is defined as the extent to which decision making in a channel is regulated by explicit rules and procedures (John, 1984). Biboum and Sigué (2014) explain that well-defined roles, rules, and procedures govern formalized exchange relationships. Channel members know what they can do or avoid doing in order to honor their mutual

commitments or to satisfy their common expectations. Nevertheless, the rigidity of such exchanges, as Gregorio et al. (2012) indicate, can prevent partners from effectively and rapidly responding to changes, influencing the quality of their business relations.

*Dependence.* Dependence is commonly defined in the channel literature as a target's perception of the value it can obtain from a source compared with the value it can get from alternative firms in achieving its goals (Frazier & Rody, 1991; Payan & McFarland, 2005). In this study, retailer dependence on a supplier is conceptualized as the retailer's need to maintain a business relationship with that supplier to secure the survival of its bar (Lewis & Lambert, 1991) or to achieve its business goals (e.g., Geyskens et al., 1999), which are mainly sales and profits.

### **Influence Strategies**

A channel member's patterns of behavior that aim to influence another channel partner to adopt a desired behavior are usually categorized according to two types: non-coercive and coercive influence strategies. Frazier and Summers (1984) describe non-coercive influence as a channel member's attempt to alter a partner's perception regarding the inherent desirability of a behavior. Such influence strategies are often manifested as information exchanges and recommendations provided by a source to its target. An information exchange strategy is used when a firm discusses general business issues and operating procedures with a partner in an effort to alter its general perception regarding how the partner's business might be most profitably operated (Frazier & Summers, 1984). Accordingly, a firm's representatives may discuss broad operating philosophies with a target company's representatives without explicitly or implicitly suggesting that this company follow a specific course of action. Nevertheless, such a strategy supposes that the source expects that its partner processes this information in such a way as to adopt an intended behavior. This subtle form of influence is intended to improve a

business partner's performance in order to produce a mutually beneficial outcome for both parties. Recommendation strategy is used when a channel member seeks to influence its partners by promoting a mutually profitable outcome. Such a recommendation strategy involves a target partner following a source's suggestions regarding a specific set of actions to take (Frazier & Summers, 1984). This approach requires that a source identify the specific behavior it wishes that a partner adopt in order to achieve a desired business outcome.

Frazier and Summers (1984) consider that coercive influence strategies come into play when a channel member overlooks the target's perception of an intended behavior and attempts to influence the partner's behavior directly. For example, the authors identify the use of threats in a situation where a source communicates to its target that it will apply negative sanctions should the target fail to perform or if it behaves in a non-desired way. Accordingly, this type of direct influence compares with a strategy based on promises. Such an influential approach occurs when a source implies that it will provide its target with specific rewards or benefits. Nevertheless such advantages are explicitly contingent on a channel target's compliance with a source's desires. While Frazier and Summers (1986) and Frazier and Rody (1991) combine business threats and promises in a single concept they call a coercive influence strategy, this study treats these factors as two separate forms of influence strategies.

## **HYPOTHESES**

### **Formalization on Social satisfaction**

Two opposing views of formalization in supplier-retailer relationships appear in channel literature. Some researchers adopt the view that relationship formalization can alienate a receiving party. It can engender its disaffection and undermine its commitment to the business

relationship (John, 1984). Because formalization heavily relies on rules and procedures, these authors argue that it limits flexibility, encourages opportunistic behavior, and creates superficial or mechanical relationships in which partners focus only on performance and economic outcome. On the other hand, Dwyer and Oh (1987) report findings that support the opposite view. Formalization appears to enhance the quality of channel relationships. Recently, Gregorio et al. (2012) postulated that, as formalization reduces role ambiguity and sets boundaries that guide behaviors, it should respectively reduce and increase destructive and constructive conflict created by the lack of clarity and role ambiguity in relationships. Their study within advertising agencies across the United States found no significant relationship between formalization and constructive conflict, while its effect on destructive conflict was unexpectedly positive. Accordingly, this result indicates that a higher degree of formalization in an organization increases the occurrence of destructive conflict.

This study contends that clarifying roles and setting boundaries that guide behavior within a channel is a necessary but insufficient requirement to achieve social satisfaction. Social satisfaction is the outcome of the evaluation of psychosocial aspects of a business relationship that affect channel members. How it manifests itself depends on how well the partners work together to address the challenge they encounter in their business dealings. Regardless of how clearly defined their roles may be, channel members could become socially dissatisfied if the structure of the relationship limits their creativity and prevents them from finding original solutions to their problems. In this perspective, we predict that:

*H1: A greater degree of supplier formalization reduces retailer social satisfaction*

### **Dependence on social satisfaction**



The relationship between dependence and channel satisfaction is not clear as long as researchers disagree on the effects a channel member's dependence exerts on its satisfaction (e.g., Andaleeb, 1996; Anderson & Narus, 1990; Gassnheimer & Ramsey, 1994; Lewis & Lambert, 1985). While some argue that channel dependence should exert a positive effect on satisfaction (Lewis & Lambert, 1985; Andaleeb, 1996), others predict a negative effect on satisfaction (Anderson & Narus, 1990). In addition, in this previous research, channel satisfaction is generally conceptualized as a one-dimension construct. The extent to which dependence particularly affects social satisfaction has not been explored.

The pervasiveness of the relationship marketing paradigm allows us to believe that, sellers are generally committed to building and maintaining long-term and mutually beneficial relationships buyers. Recent studies report findings that are consistent with this view. For example, Payan and McFarland (2005) observed a positive relationship between dependence and compliance, while Biboum and Sigué (2014) revealed that a negative relationship exists between dependence and conflict. While a partner's compliance and the lack of conflict in a business relationship do not imply social satisfaction, they are however basic requirements for the development of productive relationships in which, the business goals of the dependent partner are achieved. Retailers should greatly appreciate a supplier's commitment to building and maintaining a mutually profitable relationship rather than this influential and powerful partner exerting coercive influence in an opportunistic approach to business. Avoiding such coercion can be very beneficial (Rodríguez, Agudo & Gutiérrez, 2006). Therefore, dependence should influence the target company's perception about the efforts the source company makes to undertake equitable and gratifying exchanges. We posit that:

*H2: Dependence increases retailer social satisfaction.*

### **Influence strategies on Social satisfaction**

Researchers agree that a channel source's use of threats against a partner institution generates frustration and conflict. Correspondingly, it decreases the target channel member's outcomes and erodes the quality of its relationship with the source (Frazier & Summers, 1984; Scheer & Stern, 1992, Geyskens et al. 1999; Geyskens & Steenkamp, 2000). Likewise the use of promises may undermine a partner's sense of autonomy and intrinsic motivation to participate in a business relationship. Together, these two uses of power harm the quality of social exchanges between channel members (Frazier & Summers, 1986; Geyskens et al., 1999). We therefore predict that:

*H3a: The use of threats in channel relations reduces retailer social satisfaction.*

*H3b: The use of promises in channel relations reduces retailer social satisfaction*

On the other hand, many researchers agree that non-coercive influence strategies (information exchange and recommendations) bolster the target's sense of autonomy and intrinsic motivation to participate in a business relationship. They enhance cooperation between partners and create a good working atmosphere within channels (Frazier & Summers, 1984, 1986; Geyskens et al., 1999; Payan & McFarland, 2005; Sigué & Bonsu, 2012). Non-coercive influence strategies are expected to contribute to the development of mutually beneficial and socially gratifying relationships. We therefore predict that:

*H4a: The use of information exchange increases retailer social satisfaction.*

*H4b: The use of recommendations increases retailer social satisfaction*

### **Interactions formalization and non-coercive strategies on social satisfaction**

The appreciation of the use of non-coercive influence strategies (information exchange and recommendations) varies depending on how formalized is the relationship between channel

partners. Geyskens et al. (1999) find that greater levels of formalization in marketing channels foster greater use of non-coercive influence strategies. Henry (1991) provides an example of an African company that increased job participation and satisfaction as well as the quality of relationships between management and employees by codifying all its processes in a manual that guides daily activities and decision-making processes. This positive effect of formalization on the quality of work relationship is in line with Dwyer and Oh's (1987) argument that formalization can limit the capricious mobilization of power as observed in typical traditional African organizations (Dia, 1991). As a matter of fact, Dahlstrom and Nygaard (1999) provide evidence that high levels of formalization are negatively associated with a target's perception of opportunism attributed to a source. Information exchanges and recommendations that occur in formalized channel relationships are generally more credible. Partners generally consider them as morally binding. Retailers have a positive view of the use of non-coercive strategies in such a context. It indicates that, despite rules and procedures, suppliers are responsive and work toward solutions that are mutually beneficial. We therefore posit that:

*H5a: There is a positive interaction between formalization and the use of information exchange on retailer social satisfaction.*

*H5b: There is a positive interaction between formalization and the use of recommendations on retailer social satisfaction.*

### **Interactions dependence and coercive strategies on social satisfaction**

Previous research has examined the interaction between dependence and the use of influence strategies on channel outcomes. For example, Keith, Jackson and Crosby (1990) posit that a target's readiness to respond to a source request is a function of the interaction between the target's dependence and the influence strategy the source uses but find no significant interaction

effect between these variables. Payan and McFarland (2005) provide empirical evidence that coercive influence strategies result in target compliance only when its dependence level is high. The use of power is related to a target's level of dependence and is as well central to explaining channel sentiments and outcomes. For instance, Kale (1986) supports the view that powerful sources take advantage of dependent targets and use mainly coercive strategies to achieve compliance. Because the use of coercive influence strategies are known to undermine the quality of the relationships, a source's propensity to use coercive influence strategy when the target is dependent on it is likely to amplify bad feelings and resentments. In fact, the target may consider the source's use of coercion as opportunistic. We therefore predict the following outcome:

*H6a: There is a negative interaction between dependence and the use of threats on retailer social satisfaction.*

*H6b: There is a negative interaction between dependence and the use of promises on retailer social satisfaction.*

## **METHOD**

### **Data Collection**

The method used to collect data for this study consisted of a questionnaire asking participants to respond to questions using summative Likert scales. These questions were developed as a result of interviews held with Cameroonian bar operators and their suppliers of alcoholic beverages. Through face-to-face interviews with bar operators and with suppliers' contact personnel, researchers identified relevant aspects of their business relationships and their expectations of each other. This approach served to highlight target partners' expectations about relating with channel sources. Combined with existing research literature about channel relationships, the information collected through these interviews helped structure a survey

questionnaire. This research instrument was designed to measure concepts of common interest in business partners' channel interactions: social satisfaction, threats, promises, information exchange, recommendations, dependence, and formalization (See Appendix A).

### **Study Sample and Questionnaire**

The resulting questionnaire was distributed to a sample of four hundred bar operators in Douala and Yaoundé, two major Cameroonian cities. Questions aimed to gather information about bar operators' relations with their primary suppliers of alcoholic beverages. An additional two-hundred and seventeen bar operators were also contacted, but they declined to participate in this study. The sample of participants was based on convenience rather than through a random process of selection. Importantly, researchers made every effort to recruit participants who were representative of different neighborhoods in these two cities. They also screened respondents to ensure that they had actively held business transactions with their suppliers in the six months preceding this study.

This questionnaire was designed and administered in French. It adapted key measures borrowed from Boyle et al. (1992), Dwyer and Oh (1987), Geyskens and Steenkamp (2000), Kale (1986), and Scheer and Stern (1992), to a Cameroonian business context. As previously explained, it covered all critical aspects of bar operators' relations with their primary suppliers of alcoholic beverages.

Questionnaires were hand-delivered to each establishment along with a letter describing research goals. This letter, importantly, underscored researchers' impartiality and their lack of any formal ties with either bar owners or their suppliers. Bar operators were typically given two days to complete this research questionnaire. Researchers then collected two hundred and twenty-two completed or partially completed questionnaires. This represented a 55.55%

response rate among participants who had agreed to take part in this study. Keeping in mind the number of participants who declined to complete this questionnaire, the rate of participants' response actually amounted to 35.98%. Some questionnaires were excluded from the final analysis because data was missing from key answers. In total, the study's analysis was based on one hundred and ninety-four completed questionnaires.

### **Measures**

*Social satisfaction.* Participants rated on five-item Likert scale their level of social satisfaction. They were asked to consider the following factors: the quality of their working relationship with the principal supplier, their level of trust in the supplier, the presence of mutual respect in this channel relationship, their reliance on business explanations provided by their supplier, and their perception of prestige in this relationship. The first three items addressed issues similar to those examined by Geyskens and Steenkamp (2000). The last two items were specific to this study.

*Formalization.* A three-item scale was developed to measure elements of formalization in retailer-supplier relationships. Questions searched for evidence of the existence of set rules and standardized processes in retailer-supplier relationships. They also sought evidence of clarity in the roles and responsibilities assigned to brewery suppliers and bar operators (Dwyer & Oh, 1987; John, 1984).

*Dependence.* A single-item scale measurement of dependence was used. Retailers were asked to indicate their degree of agreement with a statement that refers to the capacity of their establishment to continue making profits without the products of their main supplier. While multiple-item scales of dependence do exist in the literature (e.g., Brown et al., 1983; Payan & McFarland, 2005), exploratory interviews convinced us to use this simple and direct

measurement to overcome the challenge of varying levels of business knowledge among retailers.

*Influence strategies.* A seven-item scale and a five-item scale were developed to respectively measure the use of threats and promises, two coercive influence strategies. The questionnaire also relied on two five-item scales to measure information exchange and the use of recommendations as two non-coercive influence strategies.

Respondents were asked to indicate their level of agreement with each statement on a scale, with choices ranging from 1 = "strongly disagree," through 3 = "no opinion," to 5 = "strongly agree".

### **Psychometric Qualities of the Measures**

We first performed a factor analysis using principal axis factoring and a Varimax rotation of the entire set of items in our seven main sets of key measures. The purpose of this analysis was to verify that these measures were clearly delineated. As well, each item had to be associated with its proper construct (Payan & McFarland, 2005). This analysis provided an eight-factor structure.

Results clearly distinguished between key variables. In particular, the single item denoting retailer dependence and items related to social satisfaction, threats, promises, information exchange, and supplier formalization all loaded to the expected construct.

The items measuring the use of recommendations were divided into two dimensions. One dimension of recommendation concerned limiting inventory shortages while the other consisted of providing advice about serving cool drinks, keeping the bar clean, setting low prices, and properly presenting products. On the basis of the conceptual definition of recommendation, the two dimensions of recommendations were summed up to form a single

recommendations scale (Frazier & Rody, 1991; Frazier & Summers, 1984; Geyskens & Steenkamp, 2000).

Furthermore, we estimated the scale's reliability using a Cronbach's alpha coefficient (Nunnally, 1978). Results of this procedure are displayed in Table 1. They indicate that reliability coefficients varied between 0.66 (formalization) to 0.86 (promises). Our aggregate scale of recommendations and the three-item formalization scale yielded low reliability levels that nevertheless remained satisfactory.

**Table 1: Reliability Analysis**

	Number of items	Cronbach's alpha
Social satisfaction	5	0.82
Formalization	3	0.66
Threats	7	0.79
Promises	5	0.86
Information exchange	5	0.78
Recommendations	5	0.70

We also checked for multicollinearity among independent variables of the main model (Model 1) by computing tolerance value, variance inflator factor (VIF), and condition index (Table 2). VIF values (threshold of 10.0), tolerance values (threshold of 0.10), and the condition indices (threshold of 30) of all these variables were respectively low, high, and low. We concluded that no obvious multicollinearity issue affected the stability of our regression estimates.

**Table 2: Tolerance, VIF, and Condition Index**



	Conflict		
	Tolerance	VIF	Condition index
X <sub>1</sub> = Formalization	0.89	1.11	12.43
X <sub>2</sub> = Dependence	0.98	1.01	19.43
X <sub>3</sub> = Threats	0.67	1.49	6.05
X <sub>4</sub> = Promises	0.60	1.66	8.55
X <sub>5</sub> = Information exchange	0.67	1.49	9.82
X <sub>6</sub> = Recommendations	0.74	1.34	11.32

## ANALYSIS

To test the six hypotheses of this research, we adopt a two-model approach used by Payan and McFarland (2005). The basic model, or Model 1, where  $Y$  represents social satisfaction is specified below:

$$Y = \alpha + \delta_1 X_1 + \delta_2 X_2 + \delta_3 X_3 + \delta_4 X_4 + \delta_5 X_5 + \delta_6 X_6 + \varepsilon \quad (1)$$

Model 1 helps to assess the main effect of each independent variable on social satisfaction. It serves to test the first four hypotheses. Model 2 expands the basic model to include the interaction effects. It is outlined below:

$$Y = \eta + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_1 X_5 + \beta_8 X_1 X_6 + \beta_9 X_2 X_3 + \beta_{10} X_2 X_4 + \varepsilon \quad (2)$$

Model 2 is mainly used to test the last two hypotheses. This two-model approach is adopted because in Model 2, coefficients  $\beta_i, i \in \{1,2,3,4,5,6\}$ , cannot be interpreted as the average effect of the associated variable on social satisfaction as  $\delta_i, i \in \{1,2,3,4,5,6\}$ , do in Model 1, which is a mere linear-additive regression model. Coefficients  $\beta_i$  represent conditional relationships for their associated variables in Model 2, while coefficients  $\delta_i$  denote the effects of their associated

variables on social satisfaction across all levels of the other dependent variables in Model 1 (Brambor, Clark, & Golder, 2005).

We conduct an Ordinary Least Squares (OLS) regression analysis on each of the two models to assess the effects of the different variables on social satisfaction. The results of the regression analyses are summarized in Table 3.

**Table 3: Multiple Regression Results**

	Expected Effect	Model 1	Model 2
		Standardized coefficient	Standardized coefficient
Formalization	-	-0.050	-0.416 <sup>c</sup>
Dependence	+	-0.029	-0.030
Threats	-	-0.193 <sup>b</sup>	-0.330
Promises	-	-0.112	0.088
Information exchange	+	0.234 <sup>a</sup>	0.630 <sup>c</sup>
Recommendations	+	0.374 <sup>a</sup>	-0.442 <sup>c</sup>
Formalization x information exchange	+		-0.504
Formalization x Recommendations	+		1.189 <sup>a</sup>
Dependence x Threats	-		0.199
Dependence x Promises	-		-0.228
Adjusted R-square		0.216	0.257
F		9.841 <sup>a</sup>	7.683 <sup>a</sup>
Observations		194	194

a:  $p < 0.01$ ; b:  $p < 0.05$ ; c:  $p < 0.10$

Model 1 explains 21.6% of the variation in social satisfaction ( $F=9.841$ ,  $p<0.001$ ), while Model 2 explains 25.7% of the variation in social satisfaction ( $F=7.683$ ,  $p<0.01$ ). The results of

Model 1 support H3a, H4a, and H4b and do not support H1, H2, and H3b. As expected, the use of threats in supplier-retailer relationships has a negative impact on retailer social satisfaction ( $\delta = -0.193, p < 0.05$ ), both the use of information exchange and recommendations impact positively on retailer social satisfaction ( $\delta = 0.234, p < 0.01$  and  $\delta = 0.374, p < 0.01$ ). Interestingly, retailer dependence has an unexpected negative sign, while supplier formalization and the use of promises have the expected negative signs. All of these effects are nevertheless insignificant.

Results of Model 2 support H5b, but do not support H5a, H6a, and H6b. A positive and significant interaction effect occurs between supplier formalization and the use of recommendations on social satisfaction ( $\beta = 1.233, p < 0.01$ ). The interaction between supplier formalization and information exchange has an unexpected negative and insignificant effect on social satisfaction. Interaction effects between retailer dependence on suppliers and the use of threats in the relationship and retailer dependence and the use of promises in the relationship are respectively positive and negative and not significant.

## **DISCUSSION AND CONCLUSION**

This study examines the role that influence strategies and structure variables, notably supplier formalization and retailer dependence, exert on social satisfaction bar operators selling alcoholic beverages derived from business interactions with their suppliers. Building on current literature, we developed and tested six hypotheses using multiple regression analyses to assess the impact of supplier formalization, retailer dependence, and the use of threats, promises, information exchange, and recommendations in channel exchanges on retailer social satisfaction.

The analysis of the main effect of each individual variable in Model 1 reveals, against our predictions, that formalization and dependence, two structure variables, do not have a significant impact on social satisfaction. In opposition, influence strategies such as the use of threats, information exchange, and recommendations by suppliers do significantly affect retailer social satisfaction, although the use of promises does not. In partial support of our theory, the analysis of the interaction model (Model 2) shows that, the interaction effect between supplier formalization and the use of recommendations on social satisfaction is positive and significant. However, the three other interactions between structure variables and influence strategies, notably supplier formalization and the use of information exchange, dependence and the use of threats, and dependence and the use of promises do not have significant effects on social satisfaction. The marginal effects of the use of recommendations in the interaction model on social satisfaction is given by:  $\frac{\partial y}{\partial x_6} = -0.442 + 1.189X_1$ . Thus, the use of recommendations has a significant negative effect on social satisfaction when supplier formalization is set to zero. The marginal effect of the use of recommendations on social satisfaction increases as the level of supplier formalization increases.

This research adds to recent empirical studies that have investigated the determinants of social satisfaction as a result of the two-dimension conceptualization of the channel satisfaction construct (e.g., Geyskens & Steenkamp, 2000; Rodríguez, Agudo & Gutiérrez, 2006; Sigué & Bonsu, 2012). It also refines the findings of previous works that have exclusively investigated the impact of channel structure variables on channel outcomes (e.g., Dwyer & Oh 1987; John, 1984). Particularly, our findings support the view that the exclusive use of conduct variables such as power or influence strategies to explain social satisfaction, as in Geyskens and Steenkamp (2000), Ramaseshan, Yip, and Pae (2006), and Sigué and Bonsu (2012), is not

enough to fully understand the complexity of psychosocial aspects of channel relationships. Structure variables or patterned and regularized aspects of relationships between channel partners such as supplier formalization should also be taken into account to enhance our understanding of retailer social satisfaction. These structure variables alone do not however seem to impact on social satisfaction as both formalization and dependence do not have significant effects in the basic model (Model 1). The case of supplier formalization in Model 2 indicates that structure variables may rather interact with influence strategies or other conduct variables to enhance or reduce retailer social satisfaction.

The positive interaction between supplier formalization and the use of recommendations found in this research is consistent with the view that formalization limits the capricious mobilization of power (Dwyer & Oh, 1987) and reduces the target's perception of opportunism on the part of the source (Dahlstrom & Nygaard, 1999). Using the argument structure theory, Payan and McFarland (2005) explain that the effectiveness of recommendations is high when the target trusts that the source behaves benevolently. In a formalized relationship, the target expects the source to follow the rules and procedures set up front. Any deviation from these rules and procedures should therefore be for the mutual interest of the two parties.

Our findings indicating that dependence alone and dependence coupled with the use of coercive influence strategies do not exert a significant impact on social satisfaction may not be as surprising as they may seem. Although previous studies that investigate the relationship between dependence and satisfaction do not explicitly distinguish economic and social satisfaction, their findings may well mainly apply to economic satisfaction (Andaleeb, 1996; Lewis & Lambert, 1985). For example, Lewis and Lambert (1985) found that financial dependence is a determinant of performance, which, in turn, leads to channel satisfaction. These authors attribute the

economic performance of the dependent channel member to its partner. As a result, the satisfaction of the dependent member should primarily be economic. On the other hand, the link between dependence and social satisfaction is generally established via the use of power (Geyskens et al., 1999). However, modern business exchanges are not always concerned about the use of power. In addition, empirical evidence supports the view that powerful sources do not necessarily rely on coercion to achieve compliance (Biboum & Sigué, 2014; Frazier & Rody, 1991; Frazier & Summers, 1986). Nowadays, many sellers strive to build and maintain cordial, lasting, and mutually beneficial business relationships with all their customers. Accordingly, regardless of their level of dependence, all bar operators expect to be treated with respect by their suppliers.

The theory developed in this paper is only partially supported in the Cameroonian brewery industry. This industry consists of three major suppliers and a myriad of small retailers. In such an industry, retailers generally need specific suppliers more than suppliers need any one retailer. This configuration should have influenced some of the findings of this research. We hope future research can test this theory in different industries where channel relationships are structured and governed differently.

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## **Appendix: Measures**

### **Social satisfaction**

- The quality of the working relationship with the primary supplier's (PS) personnel
- The trust that the personnel of the PS bestows in you
- The mutual respect existing between the personnel of PS and you
- The explanations that you receive from the personnel of the PS
- The prestige that you receive because of your collaboration with the PS

## **Formalization**

- To sell the products of your PS and benefit from its logistic support, you must abide by many set rules.
- There exist standardized processes in your collaboration with your PS
- Your responsibilities are clearly defined in your exchanges with the PS

## **Dependence**

- My business cannot continue to make profits without the products of the PS.

## **Threats**

- The PS could not deliver to those who do not arrange the racks well at the time of deliveries
- The PS could no longer provide discounts to those who do not respect its instructions
- The PS could no longer deliver products to those who have delayed their payments on credits granted
- The PS will give fewer or no promotional articles to those who do not respect its instructions
- The PS will withdraw its refrigeration material from those who do not respect conventions of use
- The PS will penalize those who do not respect the suggested retail prices
- The PS will remove certain privileges from those who do not grant enough shelf space to its products

## **Promises**

- The PS will give preferential treatment to those who arrange the racks well at the time of deliveries
- The PS will conduct more promotional events in the bars of those who respect its instructions
- The PS will increase the credit limit of those who pay their credits on time
- The PS will give more promotional items to those who respect its instructions
- The PS will provide preferential treatment to those who respect its conventions regarding the use of its refrigerators

### **Information Exchange**

- Representatives of the PS discuss with you the product quantities you should order to avoid inventory shortage
- Representatives of the PS discuss with you actions to undertake for serving your customers well
- Representatives of the PS often remind you how to replace defective drinks and ways to exchange them
- Representatives of PS often inform you about the best practices to sell more product
- Representatives of the PS often inform you on time regarding promotional activities

### **Recommendations**

- The PS often advises you to serve well-cooled drinks
- The PS does not advise you to avoid inventory shortages
- The PS advises you to keep your bar clean and presentable

- The PS often advises you to keep your prices low to sell more and obtain better rebates
- The PS often advises you to better present the products on shelves to sell more