Power and Relationship Commitment: Their Impact on Marketing Channel Member Performance

JAMES R. BROWN
Virginia Polytechnic Institute and State University

ROBERT F. LUSCH
University of Oklahoma

CAROLYN Y. NICHOLSON
Clarkson College

In marketing channels for farm equipment, we investigate the impact of the supplier's use of power on two key outcomes: (1) the retailer's commitment to the channel relationship and (2) both supplier and retailer performance within the channel. We also investigate how retailer commitment affects performance in the channel. We argue that key linkages are moderated by the symmetry of power within the channel (i.e., whether the retailer is more powerful, power is somewhat balanced between the two channel members, or the supplier is more powerful). The results partially support both the primary construct linkages studied here as well as the moderating effects of power symmetry upon them

As markets have become more competitive, firms have started to abandon the heavy-handed use of power to coordinate marketing channels (Teece, 1992). Instead, they have begun treating their channel partners as just that—partners. Signaling commitment to channel partners represents a long-term orientation toward the channel relationship (Narus and Anderson, 1986). The motivation behind this is to enhance the value of the channel's market offering to its customers and/or to lower the channel's total costs (Stern and El-Ansary, 1992) and, thereby, improve channel performance.

From a strategic viewpoint, firms signal commitment to their channel partners by employing well-trained personnel, participating in dealer councils, granting exclusive territories, offering exclusive distribution, and investing in transaction specific assets (Narus and Anderson, 1987; Anderson and Weitz, 1992). Day-to-day channel commitment is built

James R. Brown, Pamplin College of Business, Virginia Polytechnic Institute and State University, Blacksburg, VA 24061-0236. Robert F. Lusch, Helson Robson Walton Chair of Marketing, University of Oklahoma, Norman, OK 73072. Carolyn Y. Nicholson, Clarkson University, Department of Marketing, Box 5795, Potsdam, NY 13699-5795.

Journal of Retailing, Volume 71(4), pp. 363–392, ISSN: 0022-4359

(or destroyed) through the ways in which one firm attempts to influence its channel partners to adopt new programs, modify existing programs, or terminate ineffective or inefficient marketing practices (Mohr and Nevin, 1990, p. 45).

For example, Boyle, Dwyer, Robicheaux and Simpson (1992) found that one firm's use of power in the channel directly impacted its partner's perceptions of relationalism, in which commitment plays a central role (Morgan and Hunt, 1994). Similarly, John (1984) and Frazier and Summers (1986) found a firm's favorable orientation toward its partner to be associated with the partner's use of power, as did Scheer and Stern (1992). All of these studies, however, examined the main effects of power usage upon commitment.

While understanding such effects is a critical step in advancing knowledge of marketing channel relationships, they may oversimplify how key constructs are linked. For example, commitment to a channel relationship may be based purely on economic or extrinsic concerns—either the desire for economic reward or the avoidance of economic punishments. This type of commitment is rather shallow and short lived. On the other hand, commitment may be based on non-economic or intrinsic conditions such as the identification with another party or the internalization of similar values. This second type of commitment can be expected to be more enduring. Furthermore, the effects of power usage upon channel member commitment is moderated by the symmetry of power within the channel relationship. Specifically, we argue that the (a)symmetry of power determines the extent to which the use of certain types of power is appropriate. Appropriate power usage will enhance commitment within the relationship, while improper use of power will diminish commitment. We also argue that power (a)symmetry moderates the impact of power usage upon channel performance.

This paper is organized as follows. First, hypotheses linking the use of different types of power with different types of commitment and channel member performance are developed. We also advance hypotheses which specify the moderating effects of the use of power. Finally, we posit a direct effect between channel member commitment and performance. Next, an empirical study in which the hypotheses are tested is described. Following an exposition of the methodology, the results of the study are discussed along with their implications.

HYPOTHESES

Power Usage and Channel Member Commitment

Consistent with El-Ansary and Stern (1972), we define marketing channel power as the ability of one channel member (e.g., Supplier S) to control the decision variables in the marketing strategy of another member at a different level of distribution (e.g., Retailer R). A firm achieves power over others in the channel through its possession of scarce resources (Dahl, 1957) and embeds them within the influence strategies it uses to communicate its desires to another. R's perceptions of S's use of power, therefore, represent the cumulative interplay of S's resources and influence strategies (Scheer and Stern, 1992; Stern and Scheer, 1992). The more successful S is in getting R to go along with its wishes (i.e., the