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Channel Conflict in Marketing

YAGANA BABAKURA IMAM
DEPARTMENT OF BUSINESS ADMINISTRATION, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF MAIDUGURI
ybkimam@yahoo.com

Abstract
Conflict is a common phenomenon when exercising power. It therefore seems to transcend all aspects of human endeavour. The marketing of products is not an exception. Therefore, because channel members operate as separate, independent and even competing forces, conflict has the tendency to set in. This paper therefore discusses three types of channel conflict which are: Horizontal conflict, Vertical conflict and Multi-channel conflict; causes of channel conflicts such as the need to share scarce resources, differences in goals, interdependence of work activities, differences in attitudes perceptions and values, ambiguously defined work responsibilities and communication problems; benefits of conflict; and the dysfunctional effects of conflicts. The paper concludes that although conflict is seen as having the tendency to destabilize a distribution system, it could also serve as a platform for healthy competition.
Keywords: Conflict; marketing, Channels; distribution system; products

Introduction

In the process of exercising power within the marketing channel, there are situations when conflicts arise. This is as a result of channel captains exerting power on the other channel members. Channel captains are the dominant and controlling members of marketing channel (Porter, 2004). Marketing channels work smoothly only when members cooperate in well in order to achieve maximum operating efficiencies, yet channel members operate as separate, independent and even competing forces (Boone and Kurtz 2004). Too often, marketing institutions see only one step forward and backward along a channel. They think about their own suppliers and customers rather than vital links throughout a channel (Bonety, 2006), Kotler and Armstrong (2004); Kotler (1984) identified three types of channel conflict.

i. Horizontal conflict
ii. Vertical conflict
iii. Multi-channel conflict

Horizontal Conflict- Horizontal conflict occurs among firms at the same level of the channel. Such as two or more retailers or two or more wholesalers. Most often, horizontal conflict causes sparks between different types of marketing intermediaries that handle similar products (Boone & Kurtz 2004).

Competition is an inevitable force that shapes both reseller and consumer markets. Middlemen at the same channel level, who carry similar products, buy from the same sources, or serve the same customer groups are bound to encounter horizontal conflict. This conflict is severe in situation where intermediaries operate in the same market territories. Stanton (1981) viewed the main source of horizontal conflict as competition caused by scrambled merchandising; which is a practice where by middlemen diversify their product assortment by adding new non-traditional merchandise lines. Horizontal conflict is an inevitable feature of the channels of distribution. As firms grow larger in terms of production relative to market size, intensity of distribution is increased to relieve the final capacity installed, thus a corresponding increase in the number of intermediaries become inevitable. The greater the market size is in relation to the optimum scale size (at channel levels), the greater the number of channel members that will come into being. Although horizontal conflicts are often dysfunctional to the intermediaries involved, the resultant unequal dynamic complementarities as espoused by Caseilli (1991) invariably increases the relative power of the producer.

Vertical conflict - These are conflict between different levels of the same channel. Vertical conflict is more common and it causes severe conflicts (Stanton, 1981). Channel members at different levels find many reasons for disputes. Some of these reasons include producers bypassing retailers and wholesalers, or when retailers develop products to compete with producers brands or retailers may request concession that producers believe is unfair etc.

The extent to which producers want to maintain control over, how to, whom and at what price a product is sold is another factor that influences the rate of channel conflict. The manufacturers sometimes find themselves in competition against their own brands produced elsewhere.

Multi-channel conflict: Multi-channel conflict arises when a producer has established two or more channels that sell to the same market in order to break through mature product syndrome. Especially in the event of unfavorable changes in the size of the industry market potentials. Firms make use of multiple channels to expand distribution coverage, intensity and exposure. The implication of this is the potential competition the existing channels will be facing in the distribution of similar products to the same market, the other channels emerge to serve.

Causes of Channel Conflict

Irrespective of where a conflicts crops up from, the important thing is to identify the causes of channel conflict and resolve them, Kotler and Kotler (2006) outlined one of the causes of conflict as goal incompatibility e.g. a producer will want to achieve rapid penetration through a low price policy, in contrast wholesalers may prefer to work with profit margin and pursue high margins a pursue short term profitability.

Sometimes conflict may arise when there are unclear roles and rights e.g. a producer may be selling his product to larger retailers, through its own sales force, but its license dealers or wholesalers may also be selling to the same big retailers. Conflict can also stem up from differences in perception, producers may be optimistic about short term economic outlook and want wholesalers to buy more goods, and wholesalers may be pessimistic.

The basic solution to channel conflicts is effective cooperation among channel members. This is obtained when all members of the channel see themselves as components system. Actually, this kind of cooperation is the primary responsibly of the dominant member or the channel captain.

According to Buckling (1973) and Kotler (2000) conflicts can be traced to any of the following cases;
(i) Goal incompatibility: Channel members are independent profit maximizers and their marketing goals do not always concur. Thus in the process of achieving a certain goal, conflict may crop up. A producer may want to achieve rapid market penetration through a low priced policy. While the middlemen may prefer to work with high margins and pursue short-run profitability.
(ii) Unclear roles and rights: A producer may sell to large account through its own sales force, and its licensed agents may also try to sell to the same large accounts. Often territories, boundaries which channel members serve lead to conflicts.
(iii) Differences in perception: the producer may be optimistic about the short- term economic outlook and want middlemen to carry higher inventories, but middle men may be pessimistic.
(iv) Exclusive distributors are sometimes affected by the producer's products and pricing policies etc and this situation often give room for the emergence of conflicts.

Conflict may arise on the amount of discounts allowed the various middlemen for the functions they perform. Conflicts may arise over the level of sales efforts that a seller is to one product at the expense of the other products. Kotler and Armstrong (1996) stated that conflicts in a channel system arise from such factors as differences in goals and objective misunderstandings and poor communication. According to them, each member channel is expected by other members to perform certain roles or functions. However member's roles and expectations may not always be in consonance. Thus, when a member acts in unexpected or abnormal way, dissatisfaction, frustration and inefficiency arises.

Appleby (1994) also opined that conflict arises from the following sources;
(i) the need to share scarce resources
(ii) differences in goals
(iii) interdependence of work activities
(iv) differences in attitudes perceptions and values
(v) ambiguously defined work responsibilities and communication problems

In the real sense conflict whether functional or dysfunctional (Rosebut and Lousel, 1970) are inevitable in any system. Katz (1964) has provided three (3) basis of conflict between different systems of an organization and units of similar functions. The two sources are associated clearly with horizontal power. The third bases of conflict are based the hierarchy and arise between different group over sharing of reward and status (Hall, 2002). The nature of conflict and their sources may be varied and may arise from perceived real divergence of interest (Morgan, 1981).

Marketing channel have been treated as inter-organizational system and the channel been conceptualized as a "super organization" implying thereby that channels behave complex social organization or a social action system (Aldrich, 1976; Vance van, 1976 Weick, 1965). According to Eugene and Lydia (1962) the complete absence of conflict can be dysfunctional, as Stem and Heskett (1969) say that without conflict, there be no innovation. The functional and dysfunctional nature of conflict can be conceptualized as seen on its outcome on channel efficiency and the extent to which an organization, given certain resources achieves its objectives without placing undue strain on its members.

Stern and Gorman (1969) have suggested that there are seven basic causes of channel conflicts. (i) Roles, (ii) Issues (iii) Perception (iv) Expectation (v) Decision (vi) Goals and (vii) Communication, involving channel members.
Roles: When roles and rights of any member are not clear, conflict may arise.
Issues: Undefined issues and issues not rightly presented can cause conflict.
Perception: Individual differences of perception in most cases lead to conflict
Decision: Decision to lead and control the channel in uncooperative manner will inevitably lead to channel conflict.
Goals: Channel members are independent profit maximisers and their marketing goals do not always concur.
Communication: Misleading and deceiving information or even concealing information may lead to conflict.

Although most of the writers attempted to identify the sources of conflict, they did not discuss the asymmetrical power relationship inherent in channel systems or coalition of channel firms, the nature of interdependence and commitments, the concept of unequal complementarities etc. Donnelly, Gibson and Ivancerich (1997) attempted to elucidate the differences that exist among channel members in respect of interdependence. According them Interdependence occurs when two or more members depend on one another to achieve their goals. Differences in degree of interdependence have three dimensions namely;
(1) Pooled inter dependence-require no interaction among channel members, especially those operating in different regions. In reality however intermediaries in the same channel level do interact; they sometimes rent idle warehouse, floor space and share information of mutual interest.
(2) Sequential interdependence: requires that one group of channels output to serve as another groups input thereby providing bases for conflict.
(3) Reciprocal interdependence: requires each groups output to serve as input to others system. Reciprocal interdependence underlines the flow of physical goods, title, payment, information and support services which constitute the exchange of transactions among channel members.

Conflict among channel members, who coalesce to perform designated functions can be said to arise largely on structural asymmetry of power and strength and the corollary these is systematic relegation of small, dependent firms or intermediaries (Casselli, 1991) and in this case, the farmers/producers are the small and dependent intermediary. Conflict in a distribution system moves from a latent state of incompatibility to perceived conflict. This then progresses to manifest conflict (Kumar 2005). In manifest conflict, the parties evolved must interact with each other to cope with the frustrating behaviors. Most often, conflict is seen as having the tendency to paralyse a distribution system, but as opined by Kumar (2005), most of what is seen as conflict is a healthy competition. Often, among members, a dynamic field of conflicting and cooperating objectives exists. If the conflicting objectives outweigh the cooperating ones, the effectiveness of the channel will reduce.

Channel conflict becomes destructive when the existing distribution channels react with channel migration by reducing support for the producer. Such as the withdrawal of commitment by an established channel member invariably impedes the efficiency of the distribution system. This happens when channel members take actions like boycotts that are detrimental to themselves in order to hurt the other party. This happens in situations when intermediaries are strong enough to hurt the producers. This scenario depends on the underlying structure of the industry in question. According to Porter (1980), the threat of entrants, threat of substitutes, bargaining power of buyers, and the intensity of rivalry among industry competitors are the internal forces that under lie the structure of an industry.

Channel conflict in the manifest stage is more intense when intermediaries regaining leverage is high. The bargaining power depends on the intermediary's ability to integrate backward, availability of multiple sources of supply, low switching costs, high purchase volume, and the degree of horizontal coalition and concentration. On one hand, the producer may rely on the structural asymmetry of power and engage in activities that are detrimental to the other channel members. Both situations give rise to systematic imbalance, inefficiency and deterioration of the system as a whole. The power of a channel member increases as the other members' dependence increases. On the other hand, the ability of the former to influence the later decreases as the commitment of the latter punishment (Stern and Reve, 1998).

Gibson et al. (1985) wrote extensively on the consequences of dysfunctional inter-group conflict, although they take the perspective of inter-group conflicts such inter-group conflicts, they share common grounds with intra-channel and intra-channel conflicts. Hence the consequences of channel conflict can be extrapolated from inter-group conflict. According to them, groups placed in conflict situations tend to react in fairly predictable ways as a result of changes that occur within groups and between groups as a result of dysfunctional inter-group conflict. The changes within groups include;

(1) Increased group cohesiveness
(2) Focus on activity
(3) Rise in autocratic leadership
(4) Emphasis on loyalty

Increased group cohesiveness may take the form of coalescence among channel members to engage in certain countervailing activities in the face of an external threat (Kotler 2000).When a producer decides to sell through some other channels apart from its interdependent dealers. The independent dealers may team up to fight this threats. Gibson et al (1985) posited that in extreme conflict situations, when threats are perceived, democratic methods of leadership are likely to be less popular; members want strong leadership. Also Etgar (1976) concur that channel leaders who use coercive (autocratic) styles were when basic rivalry and differences divide channel members. Such differences apparently cannot be solved by soft democratic treatment; compliance is achieved through use of threats, denials of resources etc. Often when channel leaders have recourse to coercive power, it is because of deleterious conflict among intermediaries at the horizontal levels (Kotler 2000).

When a group is in conflict, its members usually emphasize doing what the group does and doing it well. The group becomes more tasks oriented and there is less concern for individual member's satisfaction. Emphasis is on accomplishing the group's task and defeating the competing channel. Conformity to group norms tends to become more important in conflict situations. Group goals take precedence over individual satisfaction as members are expected to demonstrate their loyalty. In major conflict situations interaction with members of the other group may be outlawed (Gibson et al 1985).

Merits and Demerits of Channel Conflict

It has been realized that not all conflicts are harmful (Appleby 1994). There is therefore the need to understand the causes of the conflict and develop measures to control and the outcomes of conflict. Appleby (1994) identified the following as benefits of conflict;
(i) Conflict brings hidden issues to the surface
(ii) It increases cohesion of a network of channel firms when directed at an external party.
(iii) It encourages creativity and innovation.
(iv) It enhances communication and makes positive changes more acceptable.

The dysfunctional effects of conflicts can be evident in the inefficient performance channel functions such as form, time, place, possession, information and service by intermediaries (Nickels, James and Susan 2002). Therefore producers who fail to develop constructive measures to control and use the beneficial effects of conflicts are likely to lose market power (Piercy, 1999).

Conclusion

This work dealt with channel conflict in marketing. From the discussion carried out so far, it could be seen that conflict exists in marketing channels. The conflicts could be said to be as a result of various reasons and has many sources, benefits and demerits. However, despite the fact that conflict is seen as having the tendency to destabilize a distribution system, it could also serve as a platform for healthy competition.

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