



## RESEARCH ARTICLE

# Reasons for Channel Conflict among the Small Retailers in Tamil Nadu

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## ABSTRACT

Retail sector in India is at the crossroads today. A shift between organized and unorganized retail sector is apparent, especially in the vegetable, fruits and groceries retailing zone. The channel conflict arises when the channel partners such as manufacturers, wholesalers, distributors, retailers, etc compete against each other for the common sale with the same brand. The small retailers are affected by this conflict. The study was undertaken in Coimbatore district of Tamil Nadu with aim to assess channel conflicts from various interactions with the small store retailers. The Factor analysis is used to analyze interrelationship among a large number of variable and to variables regarding their common underlying dimensions. The result showed that, six variables under factor coercive source of power explained 67.17 per cent of total variance. Therefore six factors, using factor analysis were identified as main reasons for conflict between small retailers-vendors and small retailers-customers.

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Globally the importance of economies which are emerging has been increasing due to economic reform of the emerging countries and the growth rate has also exceeded than that of the developed nations which attracted many multinational firms but letting with limited success in the markets because of the complication in distribution channel and retailing in the economies. This complication is mainly due to the existence of small retailers in the market. Making the distribution channel more effective will lead to success in the global retail. Within the channel, there are various dimensions of behavior. In that conflict has been considered as most certain thing which is due to the inequality of power among the channel partners. Among the various studies, the outcome of conflict implies that increase in the reliance of small retailers on the wholesale channel which will be of interest to the members of the channel partners. Aithal *et al.* (2017) explains about the wholesaler as an intermediary has been one of those decrease which has been predicted many times. Each time it has managed to survive and continues to be an important part of distribution channels at least in emerging economies.

The replacement of traditional channel intermediaries has been a topic of debate among the academics and practitioners, especially in the framework of emerging economies such as India and China. The research is to find out the oldest intermediaries in the marketing channels. It is in-depth semi-structured interview with twelve wholesalers in one of the oldest wholesale market in India. Also aims to provide a description of 250 years old whole market. Cunningham (2013) described that, there are two conflict resolution strategies such as internal strategy and external strategy. The internal strategies include overall respect for each function, better communication and cross functional teams whereas the external strategies include clear goals, business planning process, expectations and also for understanding the performance metrics. Bobot (2011) revealed that almost all the retailers (95.00 per cent) reported the functional conflict and a vast majority (85.00 per cent) of them reported dysfunctional conflict in retailer-supplier relationships. The functional conflicts have positive effects on the quality of the retailer-supplier relationship, whereas the dysfunctional conflicts have neither positive nor negative effect. The main aim of the study was to find out the major reason for channel conflict among the small retailers in Coimbatore city

## MATERIAL AND METHODS

The sample small retailer was interviewed personally at their own retail outlet. The purpose of the study was explained clearly to the sample respondents for their better understanding and to ensure their cooperation in order to collect the accurate information regarding the study. The interview schedule was prepared with

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attentive by incorporating appropriate words and also at the time of interview in expressing the words to minimize bias, if any.

### **Factor analysis**

Factor analysis is used to analyze interrelationship among a large number of variable and to variables regarding their common underlying dimensions (factors). The statistical approach involves finding a way of condensing the information contained in a number of original variables into a smaller set of dimensions (factors) with a minimum loss of information (Hair, Black, Babin, Anderson, & Tatham, 1998). Following statements are taken for the study.

### **Statements of reasons for channel conflict**

1. If the supply delay on product making conflict between wholesaler and retailers.
2. Offer to exchange as promised by the retailer to consumer make any conflict
3. Conflict arise due to consumer demand to a specific product or brand
4. Conflict arises between wholesaler and retailer due to instead of giving one product or brand for another.
5. Increasing no. of neighborhood shops creates any disturbance and it leads to conflict.
6. Period of sales by neighborhood shop leads to conflict between retailer and wholesaler
7. Retailers keeping the same brand year round; will cause any conflict
8. Is there any conflict arise due to neighborhood shops because of your Promotional activities.
9. Did accuracy of delivery towards the consumer make conflict
10. Credit support as promised by the retailer to consumer make any conflict
11. Is Product return service influencing the sales problem
12. Lots of offers and point of purchase attracted more consumers towards particular store
13. Good sales performance in your shop leads to any conflict.
14. Less experienced retailer create conflict during procurement from wholesaler
15. The difficulties faced by the retailers to communicate consumers about Sales is more
16. Always there must be some Scarcity of resources faced by the retailer from wholesaler
17. Channel management is poor among wholesalers –retailers – consumers

To identify the reason for channel conflict factor analysis were used. A list of the statement was prepared and the retailers were asked to indicate on a five point scale whether they are strongly agree (5), agree (4), neutral (3), disagree (2) and strongly disagree (1). The response of the retailers was recorded and the score was given to each factor, then the scores, in turn, were added to obtain the total score. T-test the sampling adequacy, Kaiser-Meyer-Olin measure of sampling adequacy was calculated. The principal component analysis was employed for extracting factors. The orthogonal varimax rotation was also applied. Variables, whose communalities are greater than 0.50 were retained. The factor with Eigenvalue greater than 1.0 considered and the analysis was done.

## **RESULTS AND DISCUSSION**

This elaborates on reason for channel conflict among the small retailers. "Conflict is concerned with the overall level of perceived disagreement between exchange partners and is defined as a situation in which one channel member perceives that another is engaged in behaviour that prevents them from achieving their goals (Palmatier *et al.*, 2006). Several reasons are discussed in literature, in order to identify factors mainly affecting the store performance. Therefore seventeen factors were identified and sample responses were collected using multi-dimensional scaling technique.

Multivariate factor analysis was applied to these seventeen factors to reduce them into prominent factors using SPSS software. Factor analysis is a multivariate statistical technique used to condense and simplify the set of large number of variables to smaller number of variables called factors. This technique is helpful to identify the underlying factors that determine the relationship between the observed variables and provides an empirical classification scheme of clustering of statements called factors. Principal component analysis was used for extracting factors. Eigen value represents the total variance explained by each factor.

From the result of factor analysis, Kaiser-Meyer-Olkin measure of sampling adequacy is 0.617 and Bartlett

Test of Sphericity and approximate Chi-square value is 262.477 which are statistically significant at 5% level. Therefore, it can be concluded that, the sample size is adequate to drive the existing channel conflict among the small retailers in both Kannur and Coimbatore cities.

The Kaiser-Meyer-Olkin (KMO) and Bartlett's test, measures strength of the relationship among the variables. KMO is used for assessing the sampling adequacy and evaluate the correlations and partial correlation to determine if the data are likely to correlate or not on factors. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis. The Barlette test evaluates whether or not the correlation matrix is an identity matrix that is 1 on the diagonal and 0 on the off diagonal.

Table.1 displays rotated factor matrix value along with the per cent of variance and cumulative per cent of variance after factor rotations. The idea of rotation is to reduce the number of factors on which the variables under investigation have high loadings.

**Table 1. Extraction of factors of reason for channel conflict**

Component/Factor Number	Initial Eigen values		
	Total	Variance (%)	Cumulative %
1	1.553	17.489	17.489
2	0.810	9.243	26.732
3	0.995	11.349	38.081
4	0.946	10.795	48.877
5	0.821	9.369	58.246
6	0.778	8.874	67.120

Harman, (1976) indicated that factors with loading score greater than 0.29 at the 5 per cent level of significant could be considered. In respect to the present study, the factors had component loading greater than 0.5 were included to define the factor and the remaining factors were eliminated. For more simplification, the factors which were similar in sense were clubbed together manually and named. The details on the factors and its name are given in the Table .2.

**Table 2. Reason for channel conflict among the small retailers (Factor Analysis)**

	Attributes	Rotated component matrix value	Factors
Factor 1	Supply delay	0.764	Coercive source of power
	Credit to consumer	0.879	
	Delivery accuracy	0.823	
	Offers on product	0.703	
Factor 2	Communication	0.774	Retailer's characteristics
	Experience of retailer	0.663	
	Channel management	0.526	
Factor 3	Period of sale	0.662	Competitive intensity
	Neighbor competitor	0.635	
	Promotional activities	0.617	
Factor 4	Consumer demand	0.764	Consumer expectation
	Product returns	0.663	
Factor 5	Width of the product	0.697	Store characteristics
	Place of store	0.611	
	Keep on same brand	0.592	
Factor 6	Sales performance	0.758	Retailer's strategy
	Product altering	0.678	

(Source: Primary data )

It can be observed that six variables explain 67.17 per cent of total variance. The first factor was named as “coercive source of power”. The second factor with grouping of three variables could be named as “retailer’s characteristics”. The third factor is formed with three variables and named as “competitive intensity”. The fourth factor is formed with two variables and named as “consumer expectation”. The fifth factor is formed with three variables and named as “store characteristics”. The sixth factor was named as “retailer’s strategy” and consists of two variables. Therefore the results reveal that factor analysis results in six predominant factors.

The nature of the channel system, years of relationship with the firm, and dissatisfaction with the performance of channel partners can also be possible causes of conflict (Rosenberg and Stern, 1971). The first factor i.e. coercive source of power consists of source of conflict like supply delay (0.764), credit to consumer (0.879), delivery accuracy (0.823) and offers on product (0.703). The power towards the one channel in a system influences the change of another channel in the system (Gaski, 1984) many researchers are operationalized power into coercive, legitimate, reward, referent, information and expert (Frazier and Rody, 1991).

The communication of retailer (0.774), experience of retailer (0.663) and channel management (0.526) are categorized under retailer’s characteristics which directly and indirectly are the reason for conflicts. Proper management of the above factors will minimize channel conflicts.

In emerging economies such as in India, many people prefer opening small retail stores since the investment requirement is low. This increases the competition among the small retailers for the market share. Competitive intensity comprises of variables such as period of sale (0.662), neighbor competitor (0.635) and promotional activities (0.617). Increase in number of small retail stores in neighborhood increases competition among existing small retailers. Age of the store also plays important role in capturing the major share of consumer base. The retailers who are in the market since long time see new retailers as threat, which also may lead to conflict among the retailers for suppliers and consumers.

Consumer expectation includes the consumer demand (0.764) and product returns (0.663). Each consumer has a certain expectation towards the product and service; if this is left unsatisfied there may be a probability of conflict between the retailer and the consumer.

Store characteristics refer to location of the store, width of product range and consistency in maintaining same brands for brand loyal consumers. The store location was observed to be main factor among all the factors, because most of the consumers preferred stores closer to their residing place since it was convenient for purchasing to the consumers. Similarly size of store played major role in the sales performance and store keeping. (Ozcan, 2000) identified in turkey that, small retailers are the store with less than 400 square meter in size, store such as convenience store, grocery stores and butchers.

Retail strategy includes sales performance and product altering. The product altering in case of sample small retailers means offering lower quality product than the quality demanded by the consumer without his knowledge. According to American marketing association, “strategy is defined as the direction the business will pursue within its chosen environment and guides the allocation of resources and effort”. It also provides the logic that integrates the perspectives of functional departments and operating units, and points them all in the same direction.

When the consumer realizes that he was deceived by lower quality product, he may not prefer visiting the same store again. Such kind of manipulative practices should be avoided by the small retailers, since it is not ethical.

## **CONCLUSION**

The study mainly focused on channel conflicts from various interactions with the small store retailers and an attempt was made to identify the major reasons for channel conflict. Some of our results are mapped back to existing research, such as exploring channel conflict in an emerging economy: the small retailer’s perspective. The result of factor analysis showed that, six variables under factor coercive source of power explained 67.17 per cent of total variance. The second factor with grouping of three variables was named as retailers characteristics. The third factor was formed with three variables and was named as competitive intensity. The fourth factor was formed with two variables and named as consumer expectation. The fifth factor was formed with three variables and named as store characteristics. The sixth factor was named as retailers strategy and consisted of two variables. Therefore six factors using factor analysis were identified as main reasons for conflict between small retailers-vendors and small retailers-customers.

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