THE ROLE OF FAIRNESS AND RELATIONSHIP QUALITY IN DEVELOPING RELATIONAL BEHAVIOR FOR COMPETITIVE ADVANTAGE

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- this thesis contains no material that has been submitted or accepted for a degree or diploma in any other educational institution;
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ABSTRACT

The Role of Fairness and Relationship Quality

in Developing Relational Behavior for Competitive Advantage

To be an effective global competitor requires to be a trusted cooperator in some network. This argument defines the essence of marketing channel partnerships. Relational behaviors have a conclusive effect in the success of marketing initiatives; hence, they are amongst the variables that set apart a good partnership. How do fairness and relationship quality effect relational behaviors? This study aims to answer these questions for a channel setting that comprises the marketing firm, its exclusive distributor, and the retailers. Research data was gathered from four hundred independent retailers by using face to face interviewing technique. Prior research mostly studied the effects of fairness on relational behaviors and on relationship quality dimensions. This study aims to explore the mediating role of relationship quality for the firm and distributor dyad. The design also sets the study apart as it observes the firm-distributor dyad from the retailers' perspective as opposed to prominent exploration of the firm-distributor relationships. Scales were developed from the existing literature, adopted for the research context, tested for reliability and validity. Structural equation modeling was used to test the research data. The study establishes the mediating role of the relationship quality for the effect of fairness on relational behaviors. It also provides valuable insight on how to be a complementary member in the firm-distributor dyad as it explores how effects of fairness and relationship quality on retailer behavior differentiate for the firm and the distributor.

ÖZET

Rekabet Avantajı için İşbirliği Davranışı Geliştirmede Hakkaniyet ve İlişki Kalitesinin Rolü

Global ekonomide etkin rekabetçi olabilmek için, herhangi bir ağda güvenilir bir iş ortağı olmak gerekir. Bu güçlü önerme pazarlama kanalı ortaklıklarının özünü oluşturuyor. İşbirliği davranışları pazar hamlelerinin başarısında belirleyici bir rol oynarlar, bu bakımdan pazarlama kanallarında iyi bir iş ortaklığını tanımlayan önemli değişkenler arasındadır. Hakkaniyet ve ilişki kalitesi işbirliği davranışlarını nasıl etkiler? Bu çalışma, pazarlama firması, bölgesel münhasır bayii ve satış noktalarını içeren bir ortamda, bu soruların cevabını vermeyi hedefliyor. Araştırmanın verileri dörtyüz satış noktasından yüzyüze anket yöntemi ile toplandı. Pazarlama kanallarındaki öncel araştırmalar daha çok hakkaniyetin işbirliği davranışları ve ilişki kalitesi unsurları üzerine olan etkileri hakkında. Bu çalışma ilişki kalitesinin bir bütün olarak aracı değişken etkisini de ortaya koymayı hedefliyor. Çalışmanın firma bayii ikilisini satış noktası gözünden değerlendiren kurgusu da, genellikle firma ve bayii arasındaki ilişkiler üzerine yoğunlaşan çalışmalardan farklılaşma sağlıyor. Ölçekler uluslararası yazından faydalanarak araştırmanın ortamı için geliştirilmiş; güvenirlik ve geçerlilikleri test edilmiştir. Araştırmanın bulgularını analiz etmek için yapısal eşitlik modeli kullanılmıştır. Çalışma ilişki kalitesinin, hakkaniyet ve işbirliği davranışları arasındaki aracı etkisini araştırma verileri için ortaya koymuştur. Ayrıca, değişkenlerin etki mekanizmasının firma ve bayii için ne yönden farklılaştığını ortaya koyarak, bu ikilinin birbirlerini etkin tamamlamaları açısından önemli içgörüler sağlamaktadır.

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ABBREVIATIONS

AC: affective conflict

AVE: average variance extracted

CFA: confirmatory factor analysis

CONACT: two-way communication - refutability - explanation - knowledgeability

CR: composite reliability

DSTFAIR: distributive fairness

EFA: exploratory factor analysis

EXP: effect of continuity

IMP: impartiality

IMPCO: impartiality - courtesy

INFO: information sharing

FLEXSOL: flexibility - solidarity

MaxR: maximum inter - factor correlations squared

MC: manifest conflict

MSV: maximum shared variance

PF: procedural fairness

RB: relational behavior

RQ: relationship quality

TCI: trust - commitment - willingness to invest in relationship

CHAPTER 1

INTRODUCTION

> *"…to be an effective competitor in the global economy requires to be a trusted cooperator in some network."*
>
> - Bleeke and Ernst

Marketing firms vastly rely on their trade distribution partners to reach retailers and consumers. Firms consider partnering with distributors mainly for economic reasons and for increased efficiency in carrying out initiatives (Thorelli 1986; Dyer & Singh, 1998; Achrol & Kotler, 1999; Geyskens, Steenkamp, & Kumar, 2006). Consequently, to ensure the continuum of their marketing process across the boundaries of exogenous partner organizations, they invest in structural control measures timewise and financially.

Developing and proctoring binding legal contracts is one of these activities (Lusch & Brown, 1996; Antia & Frazier, 2001). However, socially rich and long term nature of trade relationships (Frazier & Summers, 1984; Skinner, Gassenheimer, & Kelley, 1992; Wilkinson, 2001; Heide, Wathne, & Rokkan, 2007) and the need for quick and creative decision making on a daily basis, necessitate the relational norms (Palmatier, Dant, & Grewal, 2007; Ritter & Gemünden, 2003; Ivens and Blois, 2004) and the perspective of social exchange (Homan, 1958; Macneil 1985; Ring & Van de Ven, 1994; Griffith, Harvey, & Lusch, 2005) as facilitators, rather than the enforcement of ever looming threat of legal sanctions of a written contract. Regulated environments in terms of marketing and communications activities only add to the importance of relational behaviors. Namely, solidarity, flexibility and information sharing are the established norms for long term trade relationships (Heide & John, 1992), out of original norms from Macneil's relational contracting theory (Macneil, 1980).

Previous literature mainly focuses on the relation between the firm and its distributor where the latter is a big franchise outlet where the products meet the end consumer as in automotive and food & beverage sectors. However, in fast moving consumer goods sector (FMCG), contractual exclusive territorial distributors perform many of the sales and marketing activities and assume the vital role of carrying the financial burden for the sales operations. This is a more complex context where simultaneous interplay of the effects of the firm and distributor come into to form the relational behaviors of retailers (Anderson & Weitz, 1992).

The aim of this study is to better understand the antecedents of the relational behaviors for a FMCG context and a Turkish channel setting. The study examines the effects of fairness on relational behaviors and the mediational role of relationship quality between fairness and relational behaviors. The context of the study involves a trade segment that can be identified with independent retailers. These are rather convenience type shops that rely heavily on the sales of beverages, along with other food and non-food convenience items. In this segment, exclusive distributors play an important role in carrying sales and marketing activities. The research entails firms and their distributors which have major contribution to sales portfolio of these retailers. By the nature of the products they handle, independent retailers and most of the supplier firms that participated in the research operate under marketing and sales regulations.

The author of the study has thirty years of experience in marketing channels both as a professional and as an investor in a distribution company and HORECA franchising businesses. This introduction also includes personal observations into the channel partner relationships in different sectors over a period of three decades.

Thirty years ago, independent retailers were friends to family in the neighborhood - “bakkal amca/uncle grocer”. Today, they can play an important role in the success of new marketing initiatives and in sales growth. They can substantialize their impact by choosing to display or not to display relational behaviors. Therefore, cultivating a culture of growing together is at the helm of marketing firms’ efforts to obtain relational behaviors (Dyer, Singh, & Kale, 2008). To grow together, a channel member must trust and commit to the other one and invest in their shared interest (Geyskens, Steenkamp, & Kumar, 1998). There is also a constant need to manage destructive conflict in order for partners not to exit the relationship or not to restrain themselves behind emotional and manifested barriers (Reve & Stern, 1979; Gaski, 1984). Conflict of interests between the firm and its distributor is also a factor that can be played by retailers given convenient conditions with serious effects on relationship commitment (Flynn, Zhao, Huo, & Yeung, 2008).

The context is defined by the need to grow together, and is rich in power, conflict, relational behaviors, trust, fairness, long-term orientation and commitment. A theoretically solid framework to explain what drives retailer’s relational behaviors in Turkish independent convenience retailer context has to benefit from all related literatures. Hence, related literatures and theories were visited.

Early years of channel research is dominated by a focus on power: the examination of the use of different types of power in trade channels and their consequences on conflict and satisfaction (Rosenberg & Stern, 1970; Hunt & Nevin 1974; Lusch 1976; Wilkinson, 1979; Raven, 2008; Hopkinson & Blois, 2014; Hunt 2015). Although enlightening in terms of understanding the inner mechanics of power use in a relationship; for example, although effective in explaining how

coercive use of power creates destructive conflicts, and in displaying how servant power improves satisfaction (Hunt & Nevin, 1974); the power literature comes short in attaching itself solidly to relational behaviors. In this direction, Young and Wilkinson (1989) argue that marketing's emphasis on power and conflict as key concepts for studying channels has "distorted the understanding of channels functioned. The emphasis was on sick rather than healthy relationships" (p. 109).

An alternative theory for better performance, relationship marketing is developed around the idea of competitive advantage created through good management of business relations. The commitment-trust theory of relationship marketing shaped an important part of this research's model puzzle, as Morgan and Hunt (1994) underlines the importance of effective cooperation for business performance and defines trust and commitment as mediating variables for such a cooperation.

Other main influence in the research model was the relationship quality (RQ) construct introduced by Kumar, Scheer, and Steenkamp (1995). This study shows the effects of fairness on relationship quality, a construct that envelops conflict, trust, commitment, willingness to invest and expectation of continuity variables. The final line of literature that contributed to completion of the research model is justice, or fairness, as it is called in business relationships.

Fairness is a widely studied antecedent for dimensions of relationship quality and relational behaviors (Dwyer, Schurr, & Oh, 1987; Ganesan, 1994; Robicheaux & Coleman, 1994; Weitz & Jap, 1995; Cohen-Charash & Spector, 2001; Rauyruen, Miller, & Barrett, 2007). A fairness model that incited relationship quality and relational behaviors seemed adequate to inquire into research questions: fairness influenced the attitude which in return facilitated behavior. In all its simplicity, this

work is a fairness tale in a regulated market and intends to bring more fairness into everyday exchanges by providing proof that fairness improves performance in independent retailer context.

The model was tested with data gathered from face to face interviews with four hundred independent retailers. Istanbul which presents a balanced sample of Turkey with its various neighborhoods of cultural and economic variety, was chosen for data collection. For the same reason, due to the representativeness of Istanbul in its entirety, other regions were avoided for interpretation purposes. After the scales were adapted for fairness, relationship quality and relational behaviors, in-depth interviews were performed with ten pilot retailers to clarify issues regarding the items. After running another twenty pilots with the field research company to finalize the questionnaire, four hundred surveys were completed.

Retailer's perception for fairness, relationship quality and relational behaviors were modeled separately for retailer's perceptions of the firm and the distributor. First, theoretical models were evaluated for both the firm and the distributor to establish the relationships in our context as suggested by the related literature. Then a factorial model, with dimensions that were revealed in the exploratory analyses, was used to examine the individual paths to improve our understanding about inner workings of the model, by showing how individual fairness and relationship quality factors have different interplays on different behavioral factors.

A short review of these factors per main construct would provide guidance for the rest of the work and therefore is provided at this stage. The fact is, not all the scale dimensions are clearly differentiated by the retailers. Instead some related dimensions loaded strongly in the same factor which were then interpreted and named according to loading items. The results of the analyses show that Turkish

retailers could differentiate between two out of three dimensions of relational behaviors:

First one, comprised of solidarity and flexibility items, for which the term compliant behavior or FLEXSOL was used as a short name alternatively throughout the work; the other one comprised of information sharing items, was called INFO or feedback behavior. Similarly, relationship quality is perceived as a construct with four underlying factors: items from trust, commitment and willingness to invest dimensions loaded in one factor that was short-named as TCI. Based on the field expertise this combination of dimensions presents a state of positive inclination for growing together with the channel partner. Hence, it is also referred to as growth orientation in the text, as a complete TCI circle is what would definitely deliver business growth.

The second factor, less complicated, short-named AC or emotional harmony throughout the text, comprised reverse coded emotional conflict items.

The third factor of relationship quality, MC or manifest harmony comprised of reverse coded manifest conflict items; finally, a fourth factor EXP or expectation of continuity comprised continuity related items. In the same way, procedural fairness construct was perceived across two factors. First one, comprised bilateral communication, refutability, explanation and knowledgeability dimensions. These dimensions when put together represented “acting” in a “connected manner” with the retailer for the firm and the distributor. In return this factor was called ‘CONACT’, as a linguistic reminder of connecting first and then acting together. Second factor was comprised of impartiality and courtesy items, which in the field, represents a factor that stands for ‘a distanced or detached mode, underlining a no personal favors message’ versus the retailers. It was shortened as IMPCO or no favors attitude, an

alternative name could be professional attitude for independent retailer context as professionalism is admired for its impartiality and courtesy. However, despised for the lack of personal touch and perceived as a barrier against a greater than the average economical return behind the belief that someone would be getting a better deal due to closer ties with the source. Distributive fairness items loaded all in one factor and that factor bears the generic name of DSTFAIR or distributive fairness. There are similarities in the perception of retailer for the firm and its distributor. However, the models reveal some differences in causal paths when two models are compared. The factorial models further enrich our understanding by revealing the relationships amongst underlying factors.

A "fairness" tale on how to grow business together…

The results of the study underline the relative importance of procedural fairness (PF) over distributive fairness (DSTFAIR) to build relationship quality. Also, relationship quality (RQ) has a significant and large size effect on RB relational behavior (RB) for both firm and distributor data.

For the distributor model, PF and DSTFAIR have both significant effects on RQ. In return, RQ is the only construct to have direct effect on RB. RQ is also a mediator for PF onto RB. DSTFAIR has no direct nor indirect effect on RB for the distributor data. In short, for the distributor, providing procedural fairness and having a good relationship quality are most effective to receive relational behavior. DSTFAIR also contributes by adding modestly to RQ.

For the firm model, the important difference is the direct significant effect of PF firm on relational behavior. This confirms the importance of the firm's role in the channel for providing procedural fairness as the model does not necessitate the mediation of RQ to obtain RB for the firm data. This direct effect is understandable

as the firm has everything to do about financial policies that have direct effect on overall economic gains of the channel members. Additionally, RQ partially mediates the effect of PF on RB. That effect too sets the firm apart from the distributor.

The rest of this work is organized as follows: first, a review for the channel relationship marketing, and power dependence literature is conducted and presented as the theoretical background for the study is organized in three main parts: fairness, relationship quality and relational behaviors. The literature review continues with the presentation of the context of research and the application of theories. After theoretical background and the context of the study are displayed, the research methodology is outlined, the research model and hypotheses are laid out. Next, data collection and findings are represented. Complementing the findings in the theoretical model, relationships between the lower dimensions are discussed before drawing the conclusions.

CHAPTER 2

THEORETICAL DEVELOPMENT

2.1 Relational behaviors

2.1.1 Normative nature of relational behaviors

As Lusch and Brown (1996) states, "Relational governance occurs primarily through a set of relational norms that govern acceptable behavior between channel partners. In a relational governance, implicit or soft contracts identify a set of mutual expectations and understandings between the channel partners, and thus these contracts can be referred as *normative contracts*" (p. 19). Contracts are normative when a mutual understanding exist between parties as to how they will interact and deal with each other, including the handling of future contingencies. Rousseau (1995) states that "normative contracts reflect a social consensus and reinforcement of specific behaviors and exchange patterns" (p. 51). Macneil (1980) suggests that one of the primal roots of contracts is society and distinguishes between discreet and relational exchange. Drawing upon Macneil's (1980) social contract theory, Heide and John (1992) presents measures for three important norm types governing long-term relationships in marketing channels: solidarity, flexibility and information exchange. These norms are equally relevant for our context: the firm, its distributor and an exclusive territory of service with independent small retailers.

2.1.2 Importance of relational behaviors

In a firm, distributor and retailer triangle, all channel members are continuously influenced by past experiences and future expectations. When a firm relies on its channel partners to drive its initiatives home, it confides its very existence in the hands of these channel members. Like a working parent who trusts his/her baby to a nanny, the firm expects the nurture and care from the channel members for its initiative. Also, it would be nice to hear if anything important happened about the child that parents should know. Finally, the parents would expect the nanny to stand by the rules laid out by the parent. Giving birth to a successful marketing initiative with the help of channel members is in a way allegorical to raising a child with the help of a nanny. Jap, Manolis, and Weitz (1999) states that they: "…found that the new product items introduced in higher - quality relationship interactions were accepted more readily than the new items presented in the lower-quality relationships" (p. 309). Therefore, it is no surprise that a line of channel marketing research is concentrated on understanding how to get these desired behaviors from the independent channel partners to drive initiatives to success (Stern, 1988; Heide & John, 1990; Geyskens, Steenkamp, Scheer, & Kumar, 1996; Dyer 1997; Kobayashi, 2014). Therefore, the research focus was on relational behaviors which are conforming, supportive, constructive, and cooperative in nature and expected from the channel partner. In channel systems where relational behaviors prevail firms (1) respond flexibly to each other's requests, (2) exchange critical information, (3) try to solve mutual and individual problems jointly, (4) act in solidarity (Lusch and Brown, 1996). Hence, relational behaviors are by their definition prone to improve

effectiveness and efficiency of relational systems (Anderson & Narus, 1990; Morgan & Hunt, 1994).

Therefore, in channel context with especially long-term relations, a relational orientation is utmost important to nurture success and for that reason, presents a challenge of management and leadership (Möller & Halinen, 1999). Relationship triangle in an exclusive territorial distributorship, comprised of the firm, its exclusive regional distributor and the independent small retailers presents a good context to shed light on how to manage these managerial and leadership challenges.

2.2 Relationship quality

Relationship quality typically manifests in several distinct, although related constructs (Dwyer & Oh, 1987; Rousseau, 1995; Kumar et. al., 1995). Although there is no one agreed upon final prescription for developing long-term buyer-seller relationships, trust and effort are believed to be central issues. Dwyer et al. (1987), for example, underlines the importance of trust, commitment and disengagement. Kumar et al. (1995) add conflict and two constructs that are at the opposite side of the disengagement: willingness to invest and expectations of continuity. Jap, Manolis, and Weitz (1999) suggests an approach to organize these constructs as varying level occurrences of attitudinal, process and future expectation aspects of a relationship based on their audiotaped observations and qualitative evaluations of seven buyer-seller interaction encounters.

This study draws upon past research in channel literature to introduce relationship quality as having multiple dimensions: trust, conflict, commitment, expectation of continuity and willingness to invest.

2.2.1 Trust in channel relationships

Trust is in the heart of channel relationships. Dwyer et al., (1987) point out that trust needs to be attributed top priority, just few years before I began my career as a distribution engineer. In a practical allegory, trust is the oil for business machine to perform efficiently without overheating. It will lubricate the relationships to minimize friction as to increase output and minimize costs otherwise unavoidable. It is equally important in personal, departmental and intra-firm relationships (Wilkinson & Young, 1993; Borch, 1994; Zaheer, McEvily, & Perrone, 1998). In that respect, it is not surprising that trust has been the variable of interest for many empirical studies realized in the channels marketing area. Trust correlates with a rich variety of other constructs from political economy framework. Variables from categories such as environmental uncertainty, channel decision structure, channel decision influence patterns, power/dependence patterns, actions, sentiments and performance are either antecedent for or consequence of trust (Young & Wilkinson, 1989; Selnes, 1998; Geyskens et al., 1998). In search of shedding light on how to establish trust or on understanding how trust facilitates other relational variables, trust is modeled either as the antecedent of some sentiments and behaviors or the dependent variable to some important factors such as communication and fairness. Geyskens et al. (1998) concludes that "trust contributes to satisfaction and long-term orientation over and beyond the effects of economic outcomes of the relationship" (p. 1). Therefore, it is only reassuring that trust is also at the heart of the relationship construct in our study. This research will also help extend the context of earlier findings made earlier in the channels research area, thus create value, as the need for

the generalization of trust based on empirical results is an important subject called to attention.

It will also provide an extension, with a different context, for Morgan and Hunt (1994) study, where the authors explicitly place trust construct at the heart of their model and point out to the mediating role of trust in marketing relations. The research model is also special with the approach taken to create the model, as constructs mellowed in academic field in the course of my professional life were handpicked to create a representation of the first-hand real-life experiences at the end of my career as a distributor owner. The literature on inter-organizational relations provides two general definitions of trust: confidence or predictability in one's expectations about another's behavior, and confidence in another's goodwill (Ring & Van de Ven, 1992). Fulfilling obligations is also recognized as a conceptualization of trust (Anderson & Weitz, 1989). Trust is at the heart of Morgan and Hunt's (1994) relationship marketing theory as a key mediating variable together with the commitment. Their theory maintains that those networks characterized by relationship commitment and trust engender cooperation in addition to acquiescence, a reduced tendency to leave the network, the belief that the conflict will be functional, and reduced uncertainty. Trust in honesty is defined as the belief that the partner is worthy of its pledges and can be trusted with its role in dealings. Trust in benevolence is the belief that the partner is actively searching mutual good in its dealings and emphasizes common interests above personal or own (Anderson, Lodisch, & Weitz, 1987). It is also worthy to keep in mind that although trust in benevolence and trust in honesty dimensions are different by definition, they are so related to each other that they may not be operationally separable in some contexts (Larzelere & Houston 1980). Trust would play an important role in explaining

intentions to cooperate, exert controls, and adopt a strong influence stance in a buyer-seller dyad, also unexpected actions which would damage a partner would not be an attribute of a benevolent partner (Andaleeb, 1995). Relationship quality in the model of this research is conceptualized based on these views as it includes, besides having trust with its two dimensions in the heart, trust related sentiments like affective conflict, expectation of continuity and commitment along with, again, trust related actions, namely willingness to invest and manifest conflict; with the belief that in action all of these above mentioned variables melt into an all-encompassing phenomenon which relationship quality construct is a good advocate for.

2.2.2 Conflict in channel relationships

Conflict is one of the most surfacing variables in marketing channels research. It is a central variable in channel management and is often related to use of different types of power in literature. Gaski (1984) summarizes the definition of power from various studies as the influence to create a change in another's actions.

This definition is like a warning for future conflicts. With this definition in mind, it is highly understandable that a member with more power over the other, might lead to resistance and some type of conflict given time. The conflict is defined as "tension between two or more social entities (individuals, groups or larger organizations), which arises from incompatibility of actual and desired responses" (Raven & Kruglanski, 1970, p. 70). This definition is suggestive of the practice of separating conflict into two categories of phenomena, usually representing a behavioral and an attitudinal dimension. Raven and Kruglanski (1970), for instance, refer to manifest and underlying conflict. Manifest conflict suggests overt actions

and underlying conflict suggests conflict which involves interpersonal attractions, interests and desires (Gaski, 1984). Lusch (1976) provides a definition of conflict for marketing channel settings that agrees with the affective and manifest framework. This underlying and manifest dichotomy is also captured by Stern and El-Ansary (1977) as "Channel conflict is a situation in which one channel member perceives another channel member to be engaged in behavior that is preventing or impeding him from achieving his goals" (p. 283).

An on-going conflict between channel partners is an important threat to operational excellence. Affective conflict especially, in its hiddenness, would form an invisible emotional barrier and present a mortal effect for initiatives. The latter would be shattered against it like birds flying into the glass. In practice, a lot of projects will fail without realizing the reason why and the mystery behind the failure only to be solved in time if ever. So, understanding what causes conflict, especially its affective dimension, mostly invisible until the point of failure, bear utmost importance in successful management of channels.

As locally successful firms were looking for ways to increase their territory, most of the time they preferred to cooperate with distribution partners for political and economic reasons (March 1962). As a result, understanding what caused destructive conflict in various contexts and possibly avoiding these antecedents were essential to mutual growth. In 1970, Rosenberg and Stern, proposed a descriptive model to study conflict in marketing channels, they defined the channel as a loose coalition in which each member strives to maintain its autonomy and holds its own objectives as dominant. The discussion was about the causes of the conflicts, channel members' behavioral reactions and joint outcomes, and it laid a solid framework to study both power-conflict relations and also effects of resulting behaviors on

outcomes. El-Ansary and Stern (1972) pointed out that the measurement of power was a prerequisite for the analysis of distribution channel as a behavioral system. Hunt and Nevin (1974) stated that the concept of power was considered central in understanding the means by which one channel member can change or modify the behavior of another member within its channel of distribution. In that line, power use with its consequences were studied by several researchers in the context of channel relationships. Channels act as super organizations where there is a shared interest of value creation through complementary actions (Reve & Stern, 1979). Saying that, partners' interests might differ, especially in line with their perception of their individual inputs and gains in the value creation process (Jap, 1999). These differences create tension on how to divide the growing pie between the parties. Hence, the interest on understanding the role and effects of power in channel marketing.

Social psychologists French and Raven (1959) defined social influence as a change in belief, attitude or behavior of a person (or the target of influence), which results from the action of another person (or the influencing agent). Social power was defined as the potential or ability for such influence using resources available. These resources are represented as bases of power: informational, reward, coercion, legitimate, expertise and referent (Raven, 2008).

The literature in channels marketing, drawing upon French and Raven's bases of power theory, established a positive relationship with coercive use of power and conflict (Lusch 1976; Gaski 1984; Hunt & Nevin 1974; Lusch & Brown 1982).

Wilkinson (1979) concluded that firms having substantial control over other channel members may tend to denigrate their worth and that could lead to deteriorating relationships and eventually less efficient performance. Although the

use of the theory forwarded a view of power that was difficult to account for cooperation, the use of non-coercive power was related to less conflict, more satisfaction and better performance, (Hopkinson & Blois 2014). In another line of effort to understand the dynamics of channel relations and performance, Morgan and Hunt's research put trust and commitment directly at the heart of channel research.

2.2.3 Commitment in channel relationships

The lens to explore commitment will be its importance to help understand channel relations or precisely relational exchanges in marketing channels. As a personal comprehension, the approach to having partner compliancy mainly by exercise of power began experiencing practical saturation towards the ends of 1980's. There were two main reasons behind that development. First, norms have been developing to guide the beliefs and behaviors of the channel partners, and they mattered in healthy channel relationships (Heide & John, 1992). Second, on these relational norms driven platform, there was the rise of true marketing companies within networks of functionally specialized organizations. Interrelationships of these companies, being norm driven, were held together and coordinated by market driven focal organizations by means of norms of sharing and commitment based on trust (Achrol, 1991).

These dynamics at global scale among others, as earlier discussed, helped emerge the paradigm of relationship marketing as beautifully stated by Bleeke and Ernst (1993): "…to be an effective competitor in the global economy requires to be a trusted cooperator in some network" (p. 1).

Business ethics is another discipline that underlined cooperative nature of competition. Solomon (1992) clarified the context of business life as fundamentally cooperative as opposed to life in a jungle and underlined the need for cooperation based on trust.

In their 1994 seminal article Morgan and Hunt pointed out that, the cooperative aspects of behavior have been relatively neglected and that a shift in marketing channels paradigm was under way. The shift they detected was towards relationship marketing, a concept that encompassed relational contracting (MacNeil, 1980), relational marketing (Dwyer et al., 1987), and working partnerships (Anderson & Narus, 1990).

Morgan and Hunt (1994) preferred to examine the nature of relationship marketing by using two key characteristics, trust and commitment, repeatedly posited to be associated with cooperation as key mediating variables. They introduced trust and commitment rather than power as the central concept in network analysis. They worked with the conceptualizations of commitment in social exchange (Cook & Emerson, 1978) and organizations (Meyer & Allen, 1984) and argued that commitment as an exchange partner requires a strong belief of the partner about the importance of the relationship with the other as to warrant maximum efforts to maintain it (Morgan & Hunt, 1994). That corresponds with the definition provided by Moorman, Zaltman, & Desphande (1992), "commitment to the relationship is defined as an enduring desire to maintain a valued relationship" (p. 316).

Commitment typically has been defined as a channel member's intention to continue the relationship (Anderson & Weitz,1989), and mutual commitment among exchange partners in a marketing channel as central to successful relationship

marketing and as key to producing significant benefits for firms (Geyskens et al., 1996).

2.2.4 Long-term orientation in channel relationships

It is important to understand channel partner's long-term orientation in order to make appropriate propositions and plans. Power literature have concentrated on the importance of transaction specific investments in influencing long-term orientation. With transaction specific investments, the focus is on increasing the partners' dependence by requiring them to invest in specific assets. Relational view, however, suggests that, along with dependence, trust is an important ingredient for a healthy long-term orientation as opposed to a mandatory lock in. When an exchange partner's administration and development of the policies are perceived as fair, the other partner is likely to develop a long-term orientation as to warrant maximum effort in maintaining the relationship. This long-term orientation is suggested to include an element of future interaction and an element of desire for a long-term relationship (Ganesan, 1994). The former is operationalized as "expectation of continuity of a relationship" (Noordewier, John, & Nevin, 1990). The latter is referred to as "willingness to invest in a relationship" (Kumar et al., 1995).

In this study, the desire element, or willingness to invest loaded together with trust and commitment into the same factor. As the triangle of trusting, committing and investing is suggestive of bringing mutual growth the name growth orientation was appropriated for this factor. Expectation of continuity, however, stands out as a factor on its own in the exploratory factor analyses for both data. However, careful examination of its relationships with other variables suggest that rather than having a

desire affect attached to it, it has a sense of acceptance. A joint acceptance of the supplier's long-term presence in the sector and the need to resell the products of the supplier, in "have to" sense.

2.3 Fairness in marketing channels

2.3.1 Fairness in light of social exchange theory

Social exchange theory proposes that individuals or firms interact with an expectation to get a reward from the interaction (Emerson, 1981). Furthermore, it elaborates that attitudes and behaviors are conditioned by the rewards and costs of the interaction. For example, when a manufacturer makes a valuable contribution to its distributors, that action creates reciprocal attitudinal and behavioral response from the distributors. Social exchange theory underlines that among all actions, a rewarded action will be perceived as successful and more likely to be repeated, (success proposition); that the more valued the result of an action (reward proposition), the more likely that it will be repeated (value proposition) (Blau, 1964).

On the other side, if an expected reward is not received or an unexpected cost occurs, the submissive partner will behave aggressively to avoid that action in the future (aggression proposition) (Homan, 1961). Finally, when an exchange partner chooses its action, it will also take its probability into account and will favor the action with a greater result of their multiplication (rationality proposition).

However, social exchange rewards do not have an exact price value on them like sellable products. The calculation of rewards includes both intrinsic and extrinsic values (Lind & Tyler, 1988). As a result, social obligations are difficult to evaluate

on a transactional basis. Also, a further complication is that there may be the case of foregoing short-term explicit rewards with the expectation of receiving long term rewards. In sum, principles of reinforcement psychology and economics are simultaneously relevant to understand the channel partners' behaviors. In line with this foundation, power and justice are the most sought-after research topics in social exchange theory.

Exchange can be a tool for the more powerful member of the relationship, to create social indebtedness and as a return enabling the member to get compliance from others (Greinberger et al., 1997). In the context of this study channel members are: (1) a manufacturer/supplier firm with have a high market share, (2) its exclusive territorial distributor and (3) independent traditional retailers. In this context, the advantage of the manufacturing firm through its provision of critical revenue for the distributors and retailers, provides the manufacturer firm with possible influence on their beliefs and behaviors. Furthermore, the manufacturer firm usually takes the leading role to define administrative principles and the scheme for the distribution of the rewards. Nevertheless, due to future orientation aspect of social exchange, the mere existence of power is not sufficient and has to be complemented as to stimulate relational attitudes and behaviors (Masterson, Lewis Goldman, & Taylor, 2000).

Considering the social exchange theory, relational attitudes and behaviors are stimulated via perceived justice provided by the more powerful exchange partner. Proctoring policies that are perceived fair allow the powerful partner to protect its influence. In marketing channels, perceived fairness facilitates acceptance of short-term inadequacies in outcomes, behind the expectation that they will be compensated in the long-run. This behavior reflects the value attached to the efforts and constitutes a good example for the conservation of influence of the powerful in a not so

favorable situation for a compliant partner. If the rewards are not forthcoming though, the credibility of the powerful partner diminishes and social exchange ceases to exist.

2.3.2 Fairness in channel relationships

Many supplier-reseller relationships are highly asymmetrical, especially those in which smaller, regional dealers are affiliated with larger, more powerful national manufacturers (Kumar et al., 1995). Extensive research in marketing channels suggest that such asymmetrical relationships exhibit low cooperation, trust and harmony and high conflict (Anderson & Weitz, 1989; Dwyer et al., 1987; Frazier & Summers, 1984; Lusch & Brown, 1982; Gaski, 1984). The reason being, power asymmetry creates a potential for exploitation and opportunistic behavior in favor of powerful firms in their dealings with vulnerable resellers, be it distributor or retailer. A vulnerable reseller, unable to protect itself via strong contractual guaranties, is left with one instrument that it must rely on: fairness of the powerful channel partner. Therefore, vulnerable resellers are very sensitive about the fairness issues. Accordingly, a reseller's perception of supplier fairness is expected to enhance reseller relationship quality (Kumar et al., 1995). Fairness constituents are suggested to be necessary to nurture and protect the trust between the channel partners (Dwyer et al., 1987; Morgan & Hunt, 1994). Also, firms with a positive reputation of fairness create more trust and expectation of continuity at their exchange partners (Anderson & Weitz, 1989). What happens when more powerful firms do not care about fairness issue complaints? Most likely, resellers will not show their disapproval in an explicit manner to avoid outcome retaliation; instead, they are likely to develop negative

feelings such as anger and resentment towards the channel partner. Indeed, this study establishes no relationships between manifest conflict and flexibility-solidarity. Hence, unfair practices are likely to diminish relationship quality between the exchange partners by nurturing affective conflict. Therefore, what constitutes fairness in marketing channels is an important question.

Fairness have been extensively studied in a variety of contexts for the marketing channels. These efforts differentiate between two main fairness categories, or it seems like procedural and distributive fairness help improve our understanding for the attitudes and behaviors in marketing channels. Kumar et al. (1995) examines the moderation effects of levels of outcome, age and uncertainty on the effect of both fairness factors on relational behaviors. This study demonstrates that environmental uncertainty and the duration of the partnership moderate the effects of distributive justice in a favorable direction, whereas level of outcomes has a similar moderating effect on distributive fairness. Griffith, Harvey, and Lusch (2005) explores the effects of both procedural and distributive justice on long-term orientation and relational behavior. Their findings indicate that the perceived procedural and distributive fairness of a supplier's policies enhance the long-term orientation and relational behaviors of its distributor, which are associated with decreased conflict. Weitz and Jap (1995), in their proposition of a framework for channel relationship management, refer to firm's reputation and history of fairness and consideration, or partner worthiness as antecedent of healthy relationships. Robicheux and Coleman (1994) uses political economy frame to explain performance and demonstrates how fairness incumbents such as role integrity, tolerance for control, communication, cooperation help explain firm's polity performance which includes relationship quality and commitment. In relational view literature, Dyer and Singh (1998) study

the determinants of interorganizational competitive advantage and they propose fairness related concepts such as transparency, discouraging free-riding, employing self-enforcement, knowledge-sharing routines as determinants of relational rents. Ring and Van de Ven (1994) draws attention to the importance of fair informal processes in order to develop cooperative interorganizational relationships, and praises trusting social relationships between willful and conflicting individuals to generate problem solving genes. In sum, along with explicit lines of research for fairness; research in marketing channels concerning performance and competitively advantageous relationships employs diverse conceptualizations of traits of fairness.

This study utilizes the prominent conceptualization of fairness in marketing channels with two components: distributive fairness and procedural fairness. Distributive fairness refers to the reseller's perception of earnings and other outcomes that it receives from its relationship with the supplier (Kumar et al., 1995). Distributive fairness relates to the division of benefits and burdens at the end, it is an evaluation about the balance between contributions and gains from the relationship with the exchange partner (Frazier 1983). Following these research lines, this study conceptualizes distributive fairness as a firm's comparison of its actual outcomes to those outcomes the firm believes it deserves.

Procedural fairness refers to the reseller's perception of supplier's fairness in its policies and processes in relation to its resellers. Procedural fairness has either been conceptualized globally or as a set of components. This study adapts the componential approach implemented by Kumar et al. (1992) as its components were pertinent at practical level with the piloted resellers.

There might be contextual differences as to what constitutes fairness among the researchers. Nevertheless, some common principles come up consistently in the

lines of justice research in organizational, legal, interpersonal and political contexts (Tyler & Lind, 1992). These are six central and intertwined constituents of procedural fairness. First, not in any particular order, bilateral communication, is the willingness of the firm to create a two-way communication channel with the reselling partners. Second, impartiality, it is about how consistent the firm is in its policies and practices across the resellers in its network. Third, refutability, it is about the extent to which resellers are able to scrutinize and refute the firm's channel policies and practices. Fourth, explanation, at what level of persuasion the firm is able to present a coherent rationale for its policies and field practices. Fifth, knowledgeability, a personal favorite amidst the procedural fairness dimensions, to what degree is the firm is acquainted with the operational conditions and dispositional weaknesses of the reseller. This facet is rather strategic in its ability to lead the firm to manage "diversity" in a fair way. And the final facet, courtesy, something everyone and every organization expects from the exchange partner, is about politeness and being respectful. Impartiality and courtesy facets, when looked at behind 30+ years of experience in marketing channels, together constitute a factor that can be interpreted as a professional attitude which is about being respectful and at the same time keeping away at a safe distance from every stakeholder in the network. This factor, although praised and explicitly expected from the firm by the reseller, somehow is counterfeit to reseller's implicit expectation that, no matter how professional the firm is, it should treat him or her in a special way than it does treat the others. That need might not be addressed in a tangible way, however, can be managed in a tactical way as to give the reseller a good experience in its dealings to leave him or her with a feeling of being special. The other four facets examined together, tells that the firm prefers acting with the reseller not against, in a well-informed way and not

judgmental in its dealings. These four together suggest connecting beyond communicating and acting together beyond merely fielding the firm's initiatives.

2.4 Fairness model

Researchers studied to provide a framework for developing long-term buyer-seller relationships (Dwyer et al., 1987). Relational view put fairness and relational behaviors forward as sources of interorganizational competitive advantage (Dyer and Singh, 1998). In channels research, Morgan and Hunt (1994) placed trust and commitment as central elements to business relationships and declared them as essential key mediators for understanding channel performance. Trust related variables like commitment, conflict, long-term orientation was examined in various literatures: trust increases commitment, enhances long-term orientation and helps create an environment for positive conflict where less powerful dares to contest its conflicting ideas. Again, research has been conducted to identify trust's and related variables' effects on relational behaviors of channel members (Borch, 1994; Ganesan, 1994; Kumar et al., 1995; Geyskens et al., 1996; Yılmaz, Sezen, & Özdemir, 2004). All these congruent efforts to understand the "soft side" are activated by the acceptance that they lead to efficiencies and effectiveness in business relationships; these efficiencies in return help deliver "hard results" such as successful execution and improved financial performance. Encompassing trust and its important related variables in channels, Kumar et al. (1994) proposed a multi-dimensional construct for understanding channels: relationship quality. Relationship quality comprises of trust and variables that are related to trust. It is very instrumental for the purpose of this research which suggests that relationship quality

is a strong mediator and is a continuous source to extract relational behaviors that would otherwise be interrupted. The field teaches us that, even in the presence of some daily fairness problems which would lead a member to question fairness of the other, relationships with good quality will hold to provide expected behaviors for some interval of time. Field observations suggest that fairness is important to provoke relational behaviors and relationship quality acts like a secondary or emergency type of power source to keep relational behaviors coming and "alive for shortages of fair treatments". Similarly, Ring and Van de Ven (1994) suggest a framework to understand how cooperative relationships develop between the firms. This framework provides a good analogy for my thinking and this research's context: it includes an everyday dimension, that is comprised of negotiations, formal bargaining and informal sense making through which interpretations based on expectations from and trust to the exchange partner. The framework argues that these daily negotiations feed the commitments for future actions through the interplay of formal legal and psychological contracts. Then there is execution or actions, that are affected by the commitments and in a circular way affects the new negotiations. So keeps the cycle turning to create or destroy the cooperative relationships. At the heart of the cycle, there is equity and efficiency.

Marrying field observations with the extensively studied variables in channels and behaviors literatures, I propose the fairness model for the context of this study. Following the footprints of cited research lines, the model of this study suggests that fairness issues in everyday dealings shape the relationship quality between the partners and also have direct and indirect effects on relational behaviors.

CHAPTER 3

APPLICATION IN MARKETING CHANNELS CONTEXT

3.1 Context and background of the study

My professional career began in 1992 as a distribution engineer working for a company that had revolutionized the marketing of women's pantyhose business in U.S.A. In their system, the regional distributor was a "one person" organization with a well-defined territory of "sale displays" and powered by information technology of what used to be called handheld computers (HHCs) back then.

The measure of the success for the system was the out of stock incidence rate (OOS). Important components of the distributor's side of success equation were (1) its "predictive efficacy", (2) its "willingness to find creative solutions" to problems that were posed due to the spontaneous nature of the business; (3) a fixed display area and volatility in demand for the period in between the visits; and (4) finally its "decisiveness" to execute what had to be done. The other side of course belonged to the company: its "understanding of the distributor's immediate environment with its constraints, capabilities and motivations". That's where the distribution engineer came in, the mission was to travel to various regions and spend time observing the daily routine of the distributor, understand the obstacles, measure the check-in & merchandising times, note the display fill rates. In no time I had found myself replicating the distributor.

The "knowledgeability" of the firm about the field and customer product variation were of utmost importance and had immediate measurable business consequences, as a mismatch of display type and the local demand would

immediately produce visible and tangible negative results. Such a direct and responsive structure was not the case for the rest of distribution systems that I came either across or created, led and developed in my 25+ years of my marketing career.

In Turkish arena, 1990s were witness to the entry of "multi-national" marketing companies, sometimes by marrying the Turkish market leaders and introducing new or enhanced consumption items. In time, some monopolistic sectors would be privatized and bring in more multinationals. It was also a time for the rapid spread of mid-size independent retailers in the swiftly expanding new neighborhoods of industrialized cities, led by Istanbul. There was an increasing need for closing the gap between the warehouse of the company and these rapidly growing number of retailers: this gap would be mainly closed by wholesalers first and then by distributors.

These years were characterized by changes in power, shifting dependencies and introduction of fairness in daily dealings. Wholesalers were at the realm first, generally, they operated out of a local warehouse with relatively easy access in their region. Retailers would come to the wholesaler to buy their needs. Most of the time, the transaction was in cash and sometimes sales-bonds were signed between exchanging members. Large turnovers would take place in small and uncomfortable offices. The wealth generated not showing itself anywhere. The medium of exchange was the price. The retailer would decide on working with a wholesaler based on its pricing competitiveness and its ease of access. Hence, wholesalers created a pressure on the reseller pricing by the model of their business.

The marketing companies, in their turn, were concerned about the fair split of the profit and effective distribution of their products. They almost had no saying about the retailer's product selection, let alone execution of other sophisticated

marketing objectives. It was a wholesale system. Hence, the marketing companies, started to invest in small neighborhood distributors. Among the provisions of the new system were, better merchandising, exclusive territory distribution to avoid free-riding problems and tying exclusive contracts, a relatively less studied aspect of channels (Li & Dant 1997).

The early distributors were generally large families which had recently came to town and were looking for some kind of "tribal" economic activity. For a while there was a clash between companies, wholesalers and challenger new distributors. As a result, some large wholesalers became exclusive distributors for marketing companies and some strong multi-category distributors were developed from what had started as family businesses.

With millennial came the European "grande surfaces" or hypermarkets (hypers) and very large supermarkets. It was their time to expand rapidly and gain power in the developing distribution arena. Similar to wholesalers of a decade ago, but institutionalized and capital rich, they were to complement marketing companies' need for a more sophisticated product placement, all the while however creating a need for better managed and more competitive distributorships to keep the balance of power at a neutral distance from every player.

Hypers created a need for independent retailers to re-position themselves in the eyes of the consumer to protect themselves from the low-price and recreational shopping aspects of new competition. Especially, the ones that were in the close vicinity of the hypers were to go through some transformation to stay alive.
In a decade though, every independent retailer was going to be neighboring a hypermarket. Obviously, they had to differentiate by providing extra care and/or product line expertise. Some kept offering a wide variety of products with improved

customer relation efforts, some others further specialized in some category providing in depth differentiation and convenience.

In that respect, and also partly due to economic development of the nation, late 1990s and 2000s saw some of the small neighborhood retail shops focusing more on beverages with a large selection, and characterized by staying open late hours: the rise of independent convenience retailers had begun. The business was growing and this new type of retail had a more socio-economical aspect to it compared to conventional small retailers. That was partly because marketing companies in that category were restricted in their efforts of mass media activities and "partnered" with these retailers against all the restrictions, a shared destiny type of cooperation was evolving.

The destiny sharing aspect of the relations between the channel members was to introduce a shared identity (Simon & Oakes, 2006), among the firms, their distributors and the retailers. This shared identity led to other joint business interests such as leveraged new startups in low density distribution areas or on-premise consumption premises (bars, pubs) to provide opportunities to socialize, increase availability and consumption. It formed an economic model of co-existence with both tangible and non-tangible dimensions. In this interplay of conventional trade, common obstacles and solidarity for co-existence scheme, the nature of the relationship weighs heavier on the shoulders of the marketing companies and their distributors. The scene is further animated by marketing companies' possible diversification efforts into modern retailing business. Such moves stir up emotions and behaviors among the interdependent retailers which experience these diversification moves as a threat to their businesses.

The need for better "explanation" of the actions taken, than grows in importance. All along these dynamics, above the average retailers are generally in a position to replace the official regional distributor with a discount dealer if they choose to do so. This breach of relationship or the replaceability of the distributor, also troubles the economic dimension of company-distributor relationship which is usually based on a monthly bonus system and sales budget. These lost sales usually are a big setback for the distributor's target realizations and create tension between all the parties.

To complete the relational picture, business specific investments jointly sponsored by the firm and its distributor (investments in retailer's business) should also be understood. An average retailer will get operational infrastructure like fridges and displays from the relevant firms. In some cases, the whole construction project will be financed by the firms and distributors including the consignment of the goods. However, when the retailer will have access to better price from an out of territory dealer, the only protection that the distributor will have is the relationship quality and relational behaviors.

When relational contract is expired, the regional distributor is generally punished by retailers by choosing to buy from "outside". It is the willingness of the retailer that matters to prevent free-riding activities such as buying from "outside" even though financially sponsored by territorial distributor. Istanbul area is characterized with fairly independent retailers in terms of supplier replaceability due to various sources of spot market availability.

3.2 Goal and importance of the study

There is some evidence that asymmetrical relationships are inherently unstable (Anderson & Weitz, 1989). When channel members are not able to realize an adequate financial return due to unilateral control exercised by the channel leader, they are less committed to the relationship and seek alternative, more rewarding relationships. Process, however, is central to managing interorganizational relationships (Ring & Van de Ven, 1994). The ways in which members negotiate, execute, and modify the terms of a channel relationship strongly influence the degree to which parties judge it to be equitable and efficient (Guth, Schmittberger, & Schwarze, 1982). These rewards can also be in the form of good management of the channel processes, as these process issues have important temporal implications for performance. Manufacturers may no longer be able to rely on the use of an authoritative control mechanism to coordinate channel activities. In fact, there is strategic advantage to be harnessed through channel relationship management. Weitz and Jap (1995) lays this point out as "Manufacturers, distributors, and retailers have recognized that the management of channel distribution activities offers significant opportunities for firms to create strategic advantage and achieve extraordinary financial performance". (p. 308).

The need to establish and maintain an environment that promotes relational behaviors amongst business partners bears continued importance (Anderson, Hakansson, & Johanson, 1994), as global firms increasingly seek to satisfy diversified consumer needs. In this study, an important part of our national trade economy, marketing channel network consisting of the marketing firm, its exclusive

distributor and independent retailers is examined. The purpose of the study is to understand the relationships between fairness, relationship quality and relational behaviors for the channel network mentioned above.

Fairness in channel networks is essential to nurture a trust based working environment and to prompt relational behaviors from a business partner. Relationship quality is also an important concept that has positive implications for effective business exchanges. Fairness will be transmitted through discrete actions with procedural or distributive dimensions and will help create relational behaviors in return just like electricity will make appliances run. And just like electricity supply, there can be shortages of fair practices, thanks to mesmerizing speed of change in strategical, structural, tactical, political and people dimensions of business. In that allegory, relationship quality can be equivalent to a reserve capacity that might help the channel exchanges run effectively for the duration of fairness shortages; and keep relational behaviors coming for as long as its capacity enables. In line with this allegory, mediational power of relationship quality between fairness and relational behaviors is focal to this study.

In channel research, there are usually two entities in the context: the supplier and the buyer. In this study, the buyer (the retailer) is serviced by two channel members representing the same brand as two independent firms. The company weighing in more about the policies and distribution of the relational rents, the distributor weighing in more about the execution of the policies and providing a fair procedure in its field actions. However, procedural fairness for the firm is also relevant and it would rather reflect the fairness perception of policy creation process. Similarly, the distributive fairness for the distributor is also relevant, as the

perception would reflect a fair execution of especially sales related activities like the fair allocation of limited and tangible resources.

Also, as an insurance policy for bad performance on the part of either of the supplying partners, it might be a good thing that retailer can relationally differentiate between the two. For example, questions like, how would the correlations for a group of high company RQ and low distributor RQ be different, could deliver results serving this research's interests. In that respect, exploration of the differential factors that work for one channel partner better than the other is of interest. Therefore, an inquisitive approach to look closer into relations at detailed factorial levels for both firm and the distributor models was also employed.

3.3 Limitations of the study

The sample chosen for the research are retailers that are situated in Istanbul. Therefore, there might seem to be regional limitations to extend the results of this study. However, minimization of unobserved heterogeneity effect from different regions will strengthen the causal interferences and help the interpretation of results. Also, Istanbul's large number of heterogenous districts provide a vast variety of socio-economical mosaic that exists in Turkey which increases national representability of the study.

CHAPTER 4

METHODOLOGY

4.1 Method of the study

Structural equation modeling was used to examine the relationship between fairness and relational behaviors and the mediational effects of relationship quality. Structural equation modeling, a method based on factor analysis, is widely used in recent research in the areas of psychology, sociology and management. In the literature, the theories that underline cause and effect relationships were initially examined by regression analysis. Later, path analysis, confirmatory factor analysis and finally structural equation modeling which combines regression techniques, factor analysis and path analysis had followed. Structural equation modeling works through two types of models that work in coordination: a measurement model that confirms relationships between the observed and latent variables, and a structural model that explores the cause and effect relationships between the exogenous and endogenous latent variables.

In line with requirements of structural equation modeling, first measurement models for scales were developed and analyzed for the model fit and validity. Then, the structural model was developed and analyzed for the model fit and cause and effect relationships.

4.2 Research model

In this work, the concepts of fairness, relational behaviors and relationship quality were studied in marketing channels context consisting of marketing companies, their exclusive distributors and retailers. Retailers are convenience shops with larger share of their sales and profit coming from tobacco and alcoholic beverage products. The mediational effects of relationship quality for fairness on relational behaviors was examined. The model has fairness factors as the independent variables and relational behavior as the dependent variable. Relationship quality is used as a mediation variable in the model (Figure 1). The relationships for the firm and the distributor are modeled separately.

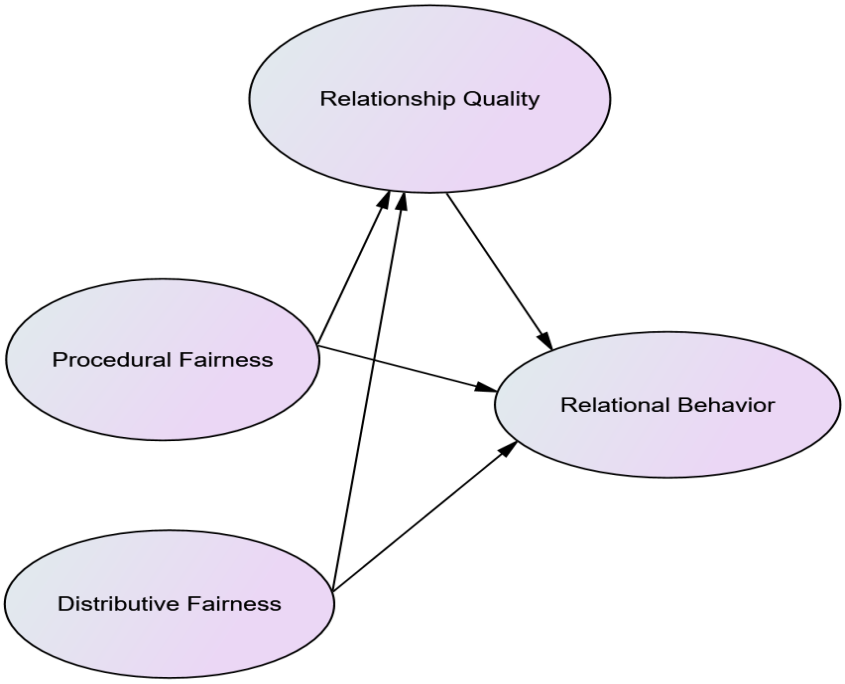


Figure 1 Relationship quality mediation model

4.3 Hypotheses development

In line with the literature on relational behaviors (Morgan & Hunt, 1994; Kumar et al., 1995; Yılmaz et al., 2005), fairness would be hypothesized to have a positive effect on retailer's relational behavior for both the company and the distributor. In line with the trust related research (Geyskens et al., 1996; Zaheer et al., 1998; Barney &Hansen, 1995), and also based on field observations; relationship quality, which has trust and trust related variables at its core, would be hypothesized to have a direct effect on relational behavior for both the company and distributor. Relationship quality is also hypothesized to have a mediating effect on relational behavior for procedural and distributive fairness for the distributor and the firm.

Hypotheses for the research are:

H1a: Procedural fairness will have a significant positive effect on relationship quality and retailer's relational behavior towards the distributor,

H1b: Procedural fairness will have a significant positive effect on relationship quality and retailer's relational behavior towards the firm,

H2a: Distributive fairness will have a significant positive effect on relationship quality and retailer's relational behavior towards the distributor,

H2b: Distributive fairness will have a significant positive effect on relationship quality and retailer's relational behavior towards the firm,

H3a: Relationship quality will have a significant positive effect on retailer's relational behavior towards the distributor,

H3b: Relationship quality will have a significant positive effect on retailer's relational behavior towards the firm,

H4a: Relationship quality will have a significant mediating effect between procedural and distributive fairness of the distributor, and retailer's relational behavior towards the distributor

H4b: Relationship quality will have a significant mediating effect between procedural and distributive fairness of the firm and retailer's relational behavior towards the firm,

4.4 Factorial model and hypotheses

The factorial model employs all the factors that were extracted by the exploratory factor analyses and confirmed by confirmatory. The idea is to shed a light to micro relationships and look for a more detailed understanding as to along which paths behaviors are created. In other terms, to identify strongest paths that are suggestive relational behaviors. There are nine dimensions or variables that came out of EFA with the research data. Procedural fairness is represented by its two underlying factors, namely, (1) CONACT (bilateral communication, refutability, explanation and knowledgeability) and (2) Professionalism (impartiality-courtesy). The (3) Distributive Fairness is unidimensional. There are two types of relational behavior, namely, (4) Compliant Behavior (solidarity-flexibility) and (5) Feedback Behavior (information sharing). The relationship quality is broken down to its four factors: (6) Growth Orientation (trust-commitment-willingness to invest), (7) Manifest Harmony (reversed Manifest Conflict Items), (8) Emotional Harmony (reversed Affective Conflict Items) and (9) Expectation of Continuity. However, manifest conflict dimension will not be included in the thesis factorial model.

That is due to fact that it was taken out from relationship quality construct due to its low CFA coefficient (0.16). However, the model with manifest conflict was also studied. In this model, manifest conflict is not a predictor for relational behaviors.

In light of the relationship marketing research (Anderson & Narus 1990; Dwyer, Schurr, & Oh, 1987; Kumar et al., 1995), fairness factors and relationship quality factors are expected to positively effect relational behaviors.

H5: CONACT will have a positive effect on both Compliant Behavior and Feedback Behavior, H7: Professionalism will have a positive effect on both Compliant Behavior and Feedback Behavior, H8: Distributive Fairness will have a positive effect on both Compliant Behavior and Feedback Behavior, H9:GrowthOrientation will have a positive effect on both Compliant Behavior and Feedback Behavior, H10: A. Harmony will have a positive effect on both Compliant Behavior and Feedback Behavior, H11: Expectation of Continuity will have a positive effect on both Compliant Behavior and Feedback Behavior.

In line with Kumar et al.'s research, fairness factors are expected to have a positive effect on relationship quality factors. Therefore, hypotheses for the effects of fairness dimensions on relational behavior dimensions are:

H12: CONACT will have a positive effect on Growth Orientation, A. Harmony, M. Harmony and Expectation of Continuity, H13: Professionalism will have a positive effect on Growth Orientation, M. Harmony and Expectation of Continuity,

H14: Distributive Fairness will have a positive effect on Growth Orientation, A. Harmony, and Expectation of Continuity.

In line with Morgan and Hunt's relationship marketing theory, relationship quality factors are expected to assume mediating roles between fairness factors and relational behaviors. This presents a rather complex set of assumptions, therefore it will be not be hypothesized separately but rather existing mediation effects will be observed and evaluated. H15: Relationship quality factors will have mediating roles between fairness and behavioral factors.

4.5 Universe and sample

Sample size was defined 400 to satisfy the rule that the sample size should be greater than 5 times the number of items. Then, we have taken Istanbul with all districts as it would be a context rich in diversity with its center and perimeter districts representative of Turkish mosaic and also to minimize the effects of regional differences on cause and effect relationships. The number of participants from each district were taken proportionately to the number of retailers in that district. The final determination of the participants was actualized by random selection from the same list. To capture and benefit from the variability that might exist amongst the FMCG firms and distributors, four main product categories were chosen to be surveyed. They were given quotas of 100 each. After being assigned randomly to a category, the participants were first probed if they were the main responsible of the shop and if positive than were asked to answer the questions by referring to their major supplier in the chosen category. In total, some 510 retailers were visited in a period of two months, about 110 observations were deleted due to control reasons.

4.6 Scales and data collection

A questionnaire, one of the main methods of data collection, was used in the research. Face to face interviewing was effectuated as the best method of data collection via questionnaire. The questionnaire consists of, along with questions related to informational items, items from the scales of fairness, relationship quality and relational behaviors which were employed by previous researchers in the channel marketing field.

Researchers who want to conduct quantitative, large-scale, empirical investigations of interorganizational relationships must frequently rely on reports of key informants. Key informant methodology was used in choosing respondents for this research. Some researchers have advocated using multiple informants to increase the reliability and validity of reports (Bagozzi, Yi, & Phillips, 1991). However, there are two main drawbacks that are outlined in literature for multiple informant methodology: first one is the selection problem which is the challenge of identifying the most competent informant to report on a particular relationship; second one is the perceptual agreement problem that arises if multiple informants are used because constructing an organizational response out of divergent informant reports become problematic (Kumar, Stern, & Anderson, 1993). Actually, the small average size of the independent retailer organization is creating a special case. These are generally run by three different type of couples: father and son, husband and wife or two close friends partnering in a venture. And often, there is one person mostly in charge with every aspect of the operation. In the study, the person who is in charge is identified before beginning the questionnaire. The need for multiple informants does not manifest strongly and therefore its concerns of convergence are directly avoided.

However, the questionnaire is about key informant's perceptions about organizations: firm and distributor. Giving information about organizational relations is in line with expectations from a key informant (Seidler, 1974). Key informants are not expected to be officially representative of their organizations in a statistical way; they are expected to be informed about the concepts of interests, be willing and able to communicate clearly about them. (Kumar et al., 1993).

Scales are adopted from channel marketing literature. In line with the behavioral research in channels (Heide & John, 1992; Lusch & Brown, 1996), three of MacNeil's relational norms, flexibility, solidarity and information sharing are adapted for our context from the relational behaviors scale that was used by Griffith, Harvey, and Lusch (2005). Fairness and Relationship Quality scales were adopted from Kumar et al. (1995). Several original items were added to scales based on the insights gathered from in-depth interviews. All scales are 7-point Likert type.

Table 1. Parts of the Questionnaire and the Number of Questions

Part	Definition	Nb. Of İtems	Scale
I.	Procedural Fairness Distributor	13	7 point Likert
	Procedural Fairness Firm	13	7 point Likert
II.	Distributive Fairness D & F	7	7 point Likert
III.	Affective Conflict Distributor	4	7 point Likert
	Affective Conflict Firm	4	7 point Likert
	Manifest Conflict D & F	4	7 point Likert
	Trust D & F	11	7 point Likert
	Commitment D & F	3	7 point Likert
	Expectation of Continuity D & F	3	7 point Likert
	Willingness to Invest D & F	3	7 point Likert
IV.	Flexibility Distributor	5	7 point Likert
	Information Sharing Distributor	4	7 point Likert
	Solidarity Distributor	6	7 point Likert
V.	Other Information	15	-
	Total Items	95	

Seven in-depth interviews were held with retailers to check the interpretation of the items and to search for additional insights. Five in-depth interviews were additionally held with marketing companies' salespeople to develop an understanding of the relevancy of concepts from their perspectives to increase content validity. Ten questionnaires were mailed to distributor owners and answered, thereafter phone interviews were held with them to clarify any issues of understanding to reassure the sensibility of the items and to improve content validity.

CHAPTER 5

FINDINGS AND DISCUSSION

5.1 Findings

Data collected by questionnaires was initially examined for descriptive statistics, frequency distributions, reliability and validity analyses. Cronbach Alpha reliability test was used to test the reliability of the scales in the study. Scales were subjected to exploratory factor analyses to determine validity. Finally, in line with the aim of the research, AMOS program was used to examine the complex relationships between the variables by SEM analyses for measurement and structural models, both for the distributor and the firm.

IBM SPSS version 25 and AMOS version 24 were used for analyses in the study. Findings about the analyses and interpretation of these findings are presented hereafter in this chapter.

5.2 Sample information and characteristic values

The distribution of the participating retailers based on location is given in Table 2, As mentioned before, Istanbul was selected for its representation of the Turkish mosaic due to its large number of counties and its socio-economic variety. The number of total participants per county was determined in line with the percentage of total number of retailers for respective county.

Table 2. Distribution of the Participants per County

	Participants per location				
	Base	Product Line 1	Product Line 2	Product Line 3	Product Line 4
Base	400	100	99	100	101
Kadıköy	36	9	9	9	9
Maltepe	28	7	7	7	7
Ümraniye	28	7	7	7	7
Ataşehir	28	8	6	7	7
Pendik	24	6	6	6	6
Küçükçekmece	20	5	5	5	5
Kartal	20	5	5	5	5
Esenyurt	16	4	4	4	4
Bahçelievler	16	4	4	4	4
Üsküdar	12	3	3	3	3
Beylikdüzü	12	3	3	3	3
Avcılar	13	3	3	3	4
Büyükçekmece	10	2	2	3	3
Bakırköy	10	3	2	2	3
Beykoz	10	3	2	3	2
Tuzla	7	1	2	2	2
Çekmeköy	8	2	2	2	2
Sarıyer	9	2	3	2	2
Şişli	10	2	3	3	2
Fatih	8	2	2	2	2
Beşiktaş	10	3	3	2	2
Kağıthane	8	2	2	2	2
Sancaktepe	9	2	2	2	3
Esenler	8	2	2	2	2
Zeytinburnu	8	2	2	2	2
Bağcılar	8	2	2	2	2
Gaziosmanpaşa	8	2	2	2	2
Beyoğlu	8	2	2	2	2
Şile	4	1	1	1	1
Silivri	4	1	1	1	1

The number of participants in each product category was given as a quota. Then, in accordance with the quota, retailers were probed for the firm that was most important to them in terms of economical parameters. The final distribution of participating firms and their distributors are displayed in Table 3.

Table 3. Distribution of the Firms and their Distributors

	Distribution of the Firms				
	Base	Product Line 1	Product Line 2	Product Line 3	Product Line 4
Base	400	100	99	100	101
Firm 1	66	66	0	0	0
Firm 2	34	34	0	0	0
Firm 3	100	0	0	100	0
Firm 4	77	0	77	0	0
Firm 5	8	0	8	0	0
Firm 6	12	0	12	0	0
Firm 7	97	0	0	0	97
Firm 8	4	0	0	0	4
Others	2	0	2	0	0

The main characteristics for the scales and their dimensions are also included in the analyses. Centralization and variability measures for scales are shown in following tables separately. The mean for procedural fairness scale is 4.99 out of 7; for distributive fairness it is 4.94; for relationship quality it is 5.15; and for relational behavior it is 4.84. Relationship quality is the scale with the closest mean to perfect score (5.15/7) and there seems to be not much difference with relational behavior scale (4.84/7) which is farthest away. However, sub dimensions show some variability within the scales. A closer look at relationship quality as an example, reveals that retailers claimed very positive emotions towards both the distributor and the firm, whereas the average for trust items is considerably lower. In the remainder

of this part, mean values and variation within the scales are shared in Table 4. and Table 5. for the distributor and the firm.

To begin with, procedural fairness values are computed. Within procedural fairness, refutability dimension has the lowest average, surpassed by explanation dimension, which is also below the overall scale average, knowledgeability, two-way communication, impartiality is greater than the overall scale average and courtesy has the highest average score. It seems like refutability presents itself as the most important fairness issue followed by explanation.

Table 4. Fairness Scale Statistics - Distributor

Fairness Scale Statistics - Distributor							
Scale Dimensions	Abbr.	N	Scale Mean	Variance	Std. Deviation	N of Items	Item Mean
Procedural Fairness	BPF 13	400	64.81	146	12.1	13	4.99
Two-way Com.	TCO		10.1	6	2.5	2	5.04
Impartiality	IMP		10.3	6	2.5	2	5.17
Refutability	REF		9.2	8	2.7	2	4.60
Explanation	EXP		9.7	6	2.4	2	4.87
Knowledgeability	KNO		10.0	5	2.3	2	5.00
Courtesy	CO		11.5	4	2.1	2	5.76
AFTER EFA							
Procedural Fairness	BPF 12	400	60.9	136	11.7	12	5.07
TCO.REF.EXP.KNO	BCONACT	400	39.0	79	8.9	8	4.88
IMP.CO	BIMPCO	400	21.9	16	4.0	4	5.47
Distributive Firness	BDF	400	29.7	101	10.0	6	4.94

The results are similar for the firm, only slightly higher than the distributor counterparts. The previous comments hold true for the firm fairness scale and its dimensions.

Table 5. Fairness Scale Statistics - Firm

Fairness Scale Statistics - Firm							
Scale Dimensions	Abbr.	N	Scale Mean	Variance	Std. Deviation	N of Items	Item Mean
Procedural Fairness	FPF 13	400	65.14	140.017	11.833	13	5.01
Two-way Com.	TCO	400	10.21	5.958	2.441	2	5.11
Impartiality	IMP	400	10.36	5.844	2.417	2	5.18
Refutability	REF	400	9.17	8.243	2.871	2	4.59
Explanation	EXP	400	9.82	5.831	2.415	2	4.91
Knowledgeability	KNO	400	10.11	5.187	2.277	2	5.06
Courtesy	CO	400	11.59	4.212	2.052	2	5.80
AFTER RELIABILITY TEST							
S8br1-12	FPF 12	400	61.25	130.158	11.409	12	5.10
AFTER EFA							
S8br1-3, 5-12	BPF 12 2F	400	56.6	111.436	10.556	11	5.15
S8br1-2, 5-10	BCONACT	400	39.3	78.398	8.854	8	4.91
S8br3, 11-12	BIMPCO	400	16.9	8.607	2.934	3	5.62
S2r1-3, 5-7	BDF	400	29.6	100.517	10.026	6	4.94

To continue the examination of scale characteristic values, relationship quality values are examined next. Within the relationship quality construct, trust related dimensions have the lowest scores, surpassed by commitment, manifest conflict and willingness to invest in this order, all below the scale average. Affective conflict which can be interpreted as affective harmony with their reversed structure of items has the highest score and above the average. And finally, expectation of continuity is above all trust related dimensions suggesting about the nature of this attitude that it leans towards “confirmation of a factual situation”, a “have to” rather than a “looking forward to” type of expectation as an attitude. Results for relationship quality construct and its dimensions are shared in Table 6.

Table 6. Relationship Quality Scale Statistics - Distributor

Relationship Quality Scale Statistics - Distributor							
		N	Scale Mean	Variance	Std. Deviation	N of Items	Item Mean
Relationship Quality	BRQ 28	400	144.2	568	23.8	28	5.15
Trust	BTRUST	400	52.8	126	11.2	11	4.80
Trust in Honesty	BTRUSTHO	400	28.6	34	5.8	6	4.77
Trust in Honesty	BTRUSTHO	400	23.9	39	6.2	5	4.78
Trust in Benevolence	BTRUSTBE	400	24.2	35	5.9	5	4.83
Commitment	BCOMMIT	400	14.9	14	3.7	3	4.95
Expectation of Continuity	BEXP	400	16.5	7	2.7	3	5.49
Willingness to Invest	BINVEST	400	15.3	9	3.0	3	5.11
Affective Conflict	BAC	400	24.7	25	5.0	4	6.17
Manifest Conflict	BMC	400	20.1	44	6.6	4	5.03
AFTER EFA							
	BRQ 24	400	123.0	520	22.8	24	5.13
	BRQ 22	400	111.7	443	21.0	22	5.08
Trust.Commit.Invest	BTCI	400	72.8	289	17.0	15	4.85
Affective Conflict	BMAC	400	18.8	13	3.7	3	6.26
Manifest Conflict	BMC	400	20.1	44	6.6	4	5.03

The results for the firm means are very similar to the distributor's although there is one less item in the scale for the firm. Generally speaking, variability of the scales for the firm and the distributor is the main differentiating factor as can be seen in Table 7.

Finally, relational behavior scale is studied. Within the relational behavior scale, flexibility dimension has the lowest score 4.42/7, this average is the lowest amongst all dimensions and all constructs, suggesting it is the hardest one to cultivate. Information sharing dimension is on the high end however, this might be due to duality in triggering mechanisms for information sharing: for one, daily and tactical complaints and also for more strategical topics such as providing feedback on new initiatives and on competitive activities concerning the channel partner. The results for relational behavior scale are shared in Table 8.

Table 7. Relationship Quality Scale Statistics - Firm

Relationship Quality Scale Statistics - Firm							
		N	Scale Mean	Variance	Std. Deviation	N of Items	Item Mean
Relationship Quality	FRQ 28	400	144.40	564.686	23.763	28	5.16
Trust	S7r5-15	400	52.8	126	11.2	11	4.80
Trust in Honesty	S7r5-10	400	28.6	34	5.8	6	4.77
Trust in Honesty	S7r5-6, 8-10	400	23.9	39	6.2	5	4.78
Trust in Benevolence	S7r11-15	400	24.2	35	5.9	5	4.83
Commitment	S7r16-18	400	14.9	14	3.7	3	4.95
Expectation of Continuity	S7r19-21	400	16.5	7	2.7	3	5.49
Willingness to Invest	S7r22-24	400	15.3	9	3.0	3	5.11
Affective Conflict	S5r1-4	400	24.7	25	5.0	4	6.17
Manifest Conflict	S7r1-4	400	20.1	44	6.6	4	5.03
AFTER RELIABILITY TEST							
S7r7 out CRA = 0,929	FRQ27	400	139.66	573.172	23.941	27	5.17
AFTER EFA							
S5R1,4 dbll; S7r20 low	BRQ 24	400	121.96	463.562	21.530	24	5.08
S7r1-6, 8-19, 21-24, S5r2-3							
Expectation of Continuity	FEXP	400	11.20	3.608	1.899	2	5.60
Trust.Commit.Invest	FTCI	400	72.80	288.660	16.990	15	4.85
Affective Conflict	FAC	400	12.52	7.138	2.672	2	6.26
Manifest Conflict	FMC	400	25.53	69.922	7.932	5	5.11

Table 8. Relational Behaviors Scale Statistics - Distributor

Relational Behaviors Scale Statistics - Distributor							
Scale Dimensions		N	Scale Mean	Variance	Std. Deviation	N of Items	Item Mean
Relational Behavior	BRB	400	67.8	211	14.5	14	4.84
Flexibility	BFLEX	400	22.1	46	6.8	5	4.42
Information Sharing	BINFO	400	21.4	14	3.8	4	5.34
Solidarity	BSOLID	400	24.4	32	5.7	5	4.87
AFTER EFA							
Relational Behavior	BRB	400	51.4	51	12.9	11	4.67
Solidarity.Flexibility	BSOLFLEX	400	36.1	110	10.5	8	4.51
Information Sharing	BINFO	400	16.4	8	2.8	3	5.46

Relational behavior values for the firm have very similar dimensional arrangements as the distributor's values and are shown in Table 9.

Table 9. Relational Behaviors Scale Statistics - Firm

Relational Behaviors Scale Statistics - Firm							
Scale Dimensions		N	Scale Mean	Variance	Std. Deviation	N of Items	Item Mean
Relational Behavior	FRB 15 S8b1-15	400	70.24	196	14.0	15	4.68
Flexibility	FFLEX 1-5	400	22.1	46	6.8	5	4.42
Information Sharing	FINFO 6-9	400	21.4	14	3.8	4	5.34
Solidarity	FSOLID 10-14	400	24.4	31	5.6	5	4.88
AFTER RELIABILITY TEST							
	FRB 14	400	67.4	207	14.4	14	4.81
AFTER EFA							
Relational Behavior	FRB 11	400	52.4	142	11.9	11	4.77
S8br7,10,14 out dbll	S8br1-6, 8-9, 11-13						
Solidarity.Flexibility	FSOLFLEX	400	36.1	110	10.5	8	4.51
Information Sharing	FINFO	400	16.4	8	2.7	3	5.46

Comparison of the dimensional characteristics reveal that the only observable difference between the distributor and the firm data is for the relational behaviors.

5.3 Exploratory factor analysis

The scales of this study are adapted from scales that were tested for reliability and validity and used outside Turkey for similar but different marketing channel contexts. Reliability and validity tests were run for all four scales (procedural fairness, distributive fairness, relationship quality and relational behaviors) for the data that was collected in this research. Reliability test tells us how reliable is the scale that was used to collect data in measuring the concept of interest. Collaterally, it sheds light to the reliability of data that was collected. The reliability is measured by Cronbach Alpha reliability test and can be computed for each latent variable as well as their underlying dimensions and can also be used to monitor the reliability of

the scale in case of seclusion of any particular item that makes part of each dimension (Cohen et al, 2007, p.506). Reliability values and the evaluation criteria are shared in Table 10.

Table 10. Cronbach Alpha Evaluation Criteria

Cronbach Alpha Evaluation Criteria	
0.9 < Cronbach Alpha	Very High Reliability
0.8 < = Cronbach Alpha < = 0.89	High Reliability
0.7 < = Cronbach Alpha < = 0.79	Reliable
0.6 < = Cronbach Alpha < = 0.69	Low Reliability
Cronbach Alpha < = 0.6	Not Reliability

Reliability values for all four scales are computed as (0.904) for procedural fairness, (0.960) for distributive fairness, (0.919) for relationship quality, (0.913) for relational behavior. These are all above the recommended critical 0.70 value and scales that are used in the questionnaire are all considered to have very high reliability. Reliability values for the fairness scales and their dimensions are given in Table 11. Two-way communication, impartiality, refutability and courtesy have very high reliability scores in respective order. Knowledgeability and explanation have acceptable reliability with values closer to high reliability bracket.

Table 11. Fairness Cronbach Alpha Reliability Test Results - Distributor

Fairness Cronbach Alpha Reliability Test Results - Distributor					
Scale Name	Scale Dimensions	Abbr.	Cronbach Alpha Dimension	Nb. of Items	Item Mean
Procedural Fairness	S1ar1-13	BPF 13	0.904	13	4.99
	Two-way Communication	TCO	0.888	2	5.04
	Impartiality	IMP	0.817	2	5.17
	Refutability	REF	0.816	2	4.60
	Explanation	EXP	0.766	2	4.87
	Knowledgeability	KNO	0.778	2	5.00
	Courtesy	CO	0.816	2	5.76
	AFTER RELIABILITY TEST				
	S1ar1-12	BPF 12	0.925	12	5.07
	AFTER EFA				
keep S1r4	S1ar1-12	BPF 12	0.925	12	5.07
oust S1ar4 dbll	S1ar1-3, 5-12	BPF 11	0.919	11	5.07
	S1ar1-2,5-10	BCONACT	0.931	8	4.88
keep S1r4	S1ar3-4,11-12	BIMPCO	0.816	4	5.47
oust S1ar4 dbll	S1ar3, 11-12	BIMPCO	0.781	3	5.58
Distributive Fairness - Distributor	1 Dimension	BDF	0.960	6	4.94

There are no reliability issues for the firm fairness scale and its dimensions as shown in Table 12.

Table 12. Fairness Cronbach Alpha Reliability Test Results - Firm

Fairness Cronbach Alpha Reliability Test Results - Firm					
Scale Name	Scale Dimensions / Items	Abbr.	Cronbach Alpha Dimension	Nb. of Items	Item Mean
	S1br1-13	FPF13	0.896	13	5.01
	Two-way Communication	TCO	0.870	2	5.11
	Impartiality	IMP	0.791	2	5.18
	Refutability	REF	0.838	2	4.59
	Explanation	EXP	0.800	2	4.91
	Knowledgeability	KNO	0.779	2	5.06
	Courtesy	CO	0.848	2	5.80
	AFTER RELIABILITY TETS				
S8r13 out CR A	S1br1-12	FPF12	0.917	12	5.10
	AFTER EFA				
	S1br1-3, 5-12	FPF 11	0.913	11	5.15
	S1br1-2, 5-10	FCONACT	0.927	8	4.91
	S1br3, 11-12	FIMPCO	0.785	3	5.62
	Distributive Fairness - Firm	BDF	0.961	6	4.94

Relationship Quality scale with 28 initial items has very high Cronbach Alpha value (0.919). However, trust in honesty dimension initially assumed low reliability and switched to high reliability bracket after item S7r7 was removed following the item Cronbach Alpha recommendation. Expectation of continuity dimension has a very low and unacceptable level of reliability (0.116). Item Cronbach Alpha values were not susceptible to ameliorate the scale's reliability by removing items either. Other relationship quality dimensions have very high reliability. The Cronbach Alpha values for Relationship Quality scale and its dimensions are shown in table 13.

Table 13. Relationship Quality Cronbach Alpha Reliability Test Results - Distributor

Relationship Quality Cronbach Alpha Reliability Test Results - Distributor					
	Scale Dimensions	Abbr. Dimension	Cronbach Alpha Dimension	Nb. of Items Dimension	Item Mean
Relationship Quality	Initial İtems	BRQ 28	0.919	28	5.15
	Trust	BTRUST	0.890	11	4.80
	Trust in Honesty	BTRUSTHO	0.679	6	4.77
	Trust in Honesty	BTRUSTHO	0.898	5	4.78
	Trust in Benevolence	BTRUSTBE	0.914	5	4.83
	Commitment	BCOMMIT	0.885	3	4.95
	Expectation of Continuity	BEXP	*0.166*	3	5.49
	Willingness to Invest	BINVEST	0.744	3	5.11
	Affective Conflict	BAC	0.884	4	6.17
	Manifest Conflict	BMC	0.854	4	5.03
	AFTER RELIABILITY TEST				
oust S7r7 Cr. A	S3r1-4, S7r1-6, 8-24	BRQ 27	0.929	27	5.17
oust S7r7 Cr. A S7r19 - 21 Dim. CR. A	S3r1-4, S7r1-6, 8-18, 22-24	BRQ 24	0.934	24	5.13
	AFTER EFA				
oust S3r1,S3r20 dbll	S3r2-4, S7r1-6, 8-19, 21-24	BRQ 25 4F	0.922	25	5.13
oust S3r1, S7r24 dbll	S3r2-4, S7r1-6, 8-18, 22-23	BRQ 22 3F	0.928	22	5.08
Relationship Quality	S7r19,24	EXP	0.602	2	5.60
	S7r5-18, 22-23	TCI	0.963	15	4.85
	S3r2-4	AC	0.871	3	6.26
	S7r1-4,21	MC	0.854	4	5.03

The relationship quality of the firm and the distributor differentiates mainly across the respective emotions the retailer possess towards both entities as can be seen in Table 14.

Table 14. Relationship Quality Cronbach Alpha Reliability Test Results - Firm

Relationship Quality Cronbach Alpha Reliability Test Results - Firm					
	Scale Dimensions / Items	Abbr. Dimension	Cronbach Alpha Dimension	Nb. of Items Dimension	Item Mean
Relationship Quality	Relationship Quality	FRQ 28	0.919	28	5.16
	Trust	S7r5-15	0.890	11	4.80
	Trust in Honesty	S7r5-10	0.679	6	4.77
	Trust in Honesty	S7r5-6, 8-10	0.898	5	4.78
	Trust in Benevolence	S7r11-15	0.914	5	4.83
	Commitment	S7r16-18	0.885	3	4.95
	Expectation of Continuity	S7r19-21	*0.166*	3	5.49
	Willingness to Invest	S7r22-24	0.744	3	5.11
	Affective Conflict	S5r1-4	0.880	4	6.17
	Manifest Conflict	S7r1-4	0.854	4	5.03
	AFTER RELIABILITY TEST				
S7r7 out dbll	S7r1-6, 8-24, s5r1-4	FRQ 27	0.929	27	5.17
	AFTER EFA				
out S5r1,4 dbbl; s7r20 low	S7r1-6, 8-19, 21-24, S5r2-3	FRQ 24	0.92	24	5.08
Relationship Quality	S7r19, 24	EXP	0.602	2	5.60
	S7r5-18, 22-23	TCI	0.963	15	4.85
	S3r2-4	AC	0.886	2	6.26
	S7r1-4, 21	MC	0.869	5	5.11

Relational behavior scale has a very high Cronbach Alpha (0.935). Its dimensions, flexibility, solidarity, and information sharing also have high reliability values in decreasing order as shown in Table 15 and Table 16.

Table 15. Relational Behaviors Cronbach Alpha Reliability Test Results - Distributor

Relational Behaviors Cronbach Alpha Reliability Test Results - Distributor					
	Cronbach Alpha	N	Cronbach Alpha Dimension	Nb. of Items	Item Mean
BRB	S8r1-15	BRB 15	0.913		4.71
BFLEX	Flexibility	BFLEX	0.895		4.42
BSOLID	Solidarity	BSOLID	0.886		4.87
BINFO	Information Sharing	BINFO	0.826		5.34
	AFTER RELIABILITY TEST				
S8r15 out Cr. A	S8r1-14	BRB 14	0.935		4.84
	AFTER EFA				
S8r6,8,9 out dbll CM	S8r1-5,7,10-14	BRB 11 1F	0.940	11	4.67
S8r7,10,14 out dbll RCM	S8r1-5,11-13; S8r6,8-9	BRB 11 2F	0.918		4.77
BFLEXSOL	Flexibility.Solidarity	0.935	0.935		4.51
BINFO	Information Sharing	0.811	0.811		5.46

Table 16. Relational Behaviors Cronbach Alpha Reliability Test Results - Firm

Relational Behaviors Cronbach Alpha Reliability Test Results - Firm					
	Scale Dimensions / Items	Abbr.	Cronbach Alpha Dimension	Nb. of Items	Item Mean
S8br1-15	Relational Behavior	FRB 15	0.905	15	4.68
S8br1-5	Flexibility	FFLEX	0.895	5	4.42
S8br10-14	Solidarity	FSOLID	0.874	5	4.88
S8br6-9	Information Sharing	FINFO	0.826	4	5.34
	AFTER RELIABILITY TEST				
	S8br1-14	FRB 14	0.929	14	4.81
	AFTER EFA				
S8br7,10,14 out dbll	S8br1-6, 8-9, 11-13	FRB 11	0.918	11	4.77
S8br1-5, 11-13	Flexibility.Solidarity	FFLEXSOL	0.935	8	4.51
S8br6, 8-9	Information Sharing	FINFO	0.811	3	5.46

A total of five items were removed due to item Cronbach Alpha recommendations. One item each from procedural fairness and relational behavior due to item Cronbach Alpha values and three items representing expectation of

continuity dimension are removed from relationship quality scale due to unacceptable reliability for this dimension. Items removed because of reliability tests and the resulting Cronbach alpha values are shown in Table 17.

Table 17. Scales after Items are Removed due to Reliability Issues - Distributor

Scales after items are removed due to reliability issues - Distributor					
Scales	Before	After	Cr.A	Cronbach Alpha	Items Removed Cr. A.
Procedural Fairness	13	12	0.904	0.925	S1ar13
Distributive Fairness	6	6	0.960	0.960	x
Relationship Quality	28	24	0.919	0.934	S3r1, S7r19,20,21
Relational Behavior	15	14	0.913	0.935	S8ar15

Items removed because of reliability tests and the resulting Cronbach alpha values are shown in Table 18 for the firm data:

Table 18. Scales after Items are Removed due to Reliability Issues - Firm

Scales after items are removed due to reliability issues - Firm					
Scales	Before	After	Cr.A	Cronbach Alpha	Items Removed Cr. A.
Procedural Fairness	13	12	0.904	0.925	S1ar13
Distributive Fairness	6	6	0.960	0.960	x
Relationship Quality	28	24	0.919	0.934	S3r1, S7r19,20,21
Relational Behavior	15	14	0.913	0.935	S8ar15

Validity and reliability are closely related. Reliability is a pre-requirement for validity. However, a valid scale can as well be unreliable. To have validity is to secure that the scale measures the construct of interest and not some other unidentified concept. To have validity for observed variables is relatively easier compared to latent variables. Most common validity methods are shortly explained thereafter.

Content validity of the scales: Content validity is about having items that are related to the subject that is desired to be measured. To have a high content validity for a study, items must be checked with experts from the related field and/or must be

converted from the related literature. The scales used in this study have content validity as they are adapted from scales that are used in other research in the channels field. Nevertheless, experts from the context of this research have been solicited and affirmative response is taken for the content relevance and validity. Hence, each one of the scales is considered to have content validity.

Structural validity of the scales: Structural validity is about how well the observed variables explain the change or variability in latent variable or how well they express it. Items that seem irrational to provide an explanation for the latent variable should be removed from the scale. Exploratory factor analysis was performed to test structural validity.

Discriminative validity of the scales: Discriminative validity means how well the scale would differentiate between the different dimensions of the subject of interest. Factor analysis is used to determine discriminative validity. Results of the factor analysis should be in line with the theory.

After the reliability analysis of the scales, an exploratory factor analysis was performed before stepping into confirmatory factor analysis due to multi-dimensional structure of the scales used in the study. Items loading to more than one factor or loading to a different theoretical dimension are accepted as problematic and removed from the scale. Another reason to remove items is the weakness of the theoretical factor loading score, items with factor loading coefficient less than 0.50 are accepted to be low and are removed from the scale.

Before stepping into exploratory factor analysis, the data should be examined for its suitability for factor analysis. In other words, observed variables are examined to see if they would distribute under certain existing factors. For this purpose, Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy is used. The method

for evaluating KMO values is given in Table 19. A KMO value below 0.50 means the data is not suitable for factor analysis.

Table 19. KMO Evaluation Criteria

KMO Evaluation Criteria	
0.9 < = KMO	Very Good
0.8 < KMO < = 0.89	Good
0.7 < = KMO < = 0.79	Acceptable
0.6 < = KMO < = 0.69	Mediocre
0.5 < = KMO < = 0.59	Low
KMO < = 0.50	Unacceptable

In parallel with KMO value, the result of the Bartlett Sphericity Test should be consulted to confirm the data for factor analysis suitability. This test is used to test if relationship exists amongst the observed items. It is effectuated by rejecting the null hypothesis (Ho) that states there is no correlation amongst the observed variables ($p < 0,05$).

Items that remained in scales after reliability analysis were subjected to KMO and Bartlett Sphericity test. KMO test results are all above 0.90 (very good category) and p values from Bartlett test are all 0,000 suggesting that there is correlation among measured variables (Table 20). These results indicate that the data is suitable for factor analysis.

Table 20. KMO and Bartlett Test Results - Distributor

KMO and Bartlett Test Results - Distributor						
Scales	Abbreviation	Kaiser-Meyer-Olkin Sampling Adequacy Test	Bartlett Sphericity Test			Adequacy for Factor Analysis
			Chi_Square Value	df.	p	
Procedural Fairness	BPF12	0.92	3178.991	66	0.000	Adequate
Distributive Fairness	BDF6	0.941	3027.91	15	0.000	Adequate
Relationship Quality	BRQ24 3F	0.954	7618.178	351	0.000	Adequate
Relational Behavior	BRB14	0.949	3891.492	91	0.000	Adequate

The scales for the firm have all very high KMO values and p values from Bartlett test are all 0,000 suggesting that there is correlation among measured variables (Table 21). These results indicate that the firm data is suitable for factor analysis.

Table 21. KMO and Bartlett Test Results - Firm

KMO and Bartlett Test Results - Firm						
Scales	Abbreviation	Kaiser-Meyer-Olkin Sampling Adequacy Test	Bartlett Sphericity Test			Adequacy for Factor Analysis
			Chi_Square Value	df.	p	
Procedural Fairness	FPF 12	0.906	3113.887	66	0.000	Adequate
Distributive Fairness	FDF 6	0.938	3019.088	15	0.000	Adequate
Relationship Quality	FRQ 27	0.953	8195.938	351	0.000	Adequate
Relational Behavior	FRB 14	0.936	3673.857	91	0.000	Adequate

In social sciences research, factor loadings are required to be 0.31 and higher to be acceptable, however 0.50 and above improve the strength of the factorization. In line with this, lower limit for factor loadings in this study is taken as 0.50. Principal Components Method, widely used as method of preference, is used to calculate items' factor loadings. Also, for rotation of the factors in case of need, Varimax method is applied for its provision of more observable factor structures (Tabachnick and Fidell, 2007, p. 633).

All scales were subjected to exploratory factor analysis (EFA) as the results of the adequacy tests were all positive. At the end of EFA some theoretical dimensions loaded together forming new and unified dimensions. This happened for all the scales. This was presented to and interpreted as retailers' practical inability to differentiate between closely related concepts by Thesis Progression Committee. New and unified dimensions were used in the rest of the study. Items that posed problems with low loadings or loading to more than one factor were removed. Since the reliability for the scales would be affected after removal of the problematic items, new values for the scale reliability are computed and added to relevant tables. Scales with Cronbach Alpha value of 0.70 and higher are accepted internally valid and therefore used.

The EFA analysis results and factors for distributor procedural fairness are reported in Table 22 Procedural fairness has two factors after EFA and S1ar4 is removed for loading to more than one factor. Cronbach Alpha for resulting scale of 11 items is 0.919 and this is a very high reliability. Three item information sharing dimensional scale also has reliable Cronbach Alpha value of 0.781.

Table 22. EFA Procedural Fairness - Distributor

Rotated Component Matrix[a]			
Procedural Fairness - Distributor		Component	
		CONACT	INFO
S1a_r1	Two-way Communication	0.814	
S1a_r2	Two-way Communication	0.789	
S1a_r3	Impartiality		0.690
S1a_r5	Refutability	0.773	
S1a_r6	Refutability	0.827	
S1a_r7	Explanation	0.776	
S1a_r8	Explanation	0.790	
S1a_r9	Knowledgeability	0.752	
S1a_r10	Knowledgeability	0.803	
S1a_r11	Courtesy		0.864
S1a_r12	Courtesy		0.860
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.[a]			

The component matrix for the firm and the loadings of the observed variables are also shown on Table 23.

Table 23. EFA Procedural Fairness - Firm

Rotated Component Matrix			
Procedural Fairness - Firm		Component	
		CONACT	IMPCO
S1b_r1	Two-way Communication	0.786	
S1b_r2	Two-way Communication	0.763	
S1b_r3	Impartiality		0.636
S1b_r5	Refutability	0.740	
S1b_r6	Refutability	0.828	
S1b_r7	Explanation	0.841	
S1b_r8	Explanation	0.786	
S1b_r9	Knowledgeability	0.781	
S1b_r10	Knowledgeability	0.808	
S1b_r11	Courtesy		0.898
S1b_r12	Courtesy		0.888
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.[a]			

Distributive fairness is a unidimensional construct. EFA results confirm one dimension structure for our data with very high factor loading scores for the items. The results for the exploratory factor analysis for distributive fairness variable and distributor data are shown in Table 24.

Table 24. EFA Distributive Fairness -Distributor

Component Matrix[a]		
		Distributive Fairness
		DF
S2_r1	Distributive Fairness	0.948
S2_r2	Distributive Fairness	0.940
S2_r3	Distributive Fairness	0.735
S2_r4	Distributive Fairness	0.950
S2_r6	Distributive Fairness	0.950
S2_r7	Distributive Fairness	0.941
Extraction Method: Principal Component Analysis.		
a. 1 components extracted.		

The component matrix for the firm and the loadings of the observed variables are also shown on Table 25. The loadings for the firm data are all above 0.90 except for S2r3 which is also above critical value.

Table 25. EFA Distributive Fairness - Firm

Component Matrix[a]		
		Distributive Fairness
		DF
S2_r1	Distributive Fairness	0.948
S2_r2	Distributive Fairness	0.940
S2_r3	Distributive Fairness	0.735
S2_r5	Distributive Fairness	0.960
S2_r6	Distributive Fairness	0.950
S2_r7	Distributive Fairness	0.941
Extraction Method: Principal Component Analysis.		

Results of EFA analysis for relationship quality scale of remaining 27 items after reliability test are shown on Table 26. Expectation of continuity items with unacceptable dimensional scale reliability are kept in the overall RQ scale due to the latter's very high reliability (0.929) after keeping these items, in order to preserve diverse information coming from these items. Two of the willingness to invest items loaded in one factor structure of trust - commit - invest dimension. This dimension had a very high reliability score of (0.962), therefore it was kept intact. One of the expectations of continuity items factored together with a willingness to invest item, giving birth to an acceptable continuity measure in terms of content validity. The two-item dimension is also about long-term expectation, it rather bears a recognition or acceptance that the relationship will continue to exist in long-term due to existing market dominance of the firm in its category. This dimension has low but acceptable reliability, has content validity. However, overall RQ scale has a very high reliability score (0.929), hence four factor structure is kept for the theoretical model. After EFA, S3r1 and S7r20 are removed because of double loading with another dimension. The resulting 4 factor and 25 item Relationship Quality Scale has a very high reliability with a Cronbach Alpha value of 0.922.

Table 26. EFA Relationship Quality - Distributor

Rotated Component Matrix[a]					
		Component			
		TCI	MC	AC	EXP
S3_r2	Affective Conflict			0.835	
S3_r3	Affective Conflict			0.828	
S3_r4	Affective Conflict			0.737	
S7_r1	Manifest Conflict		0.789		
S7_r2	Manifest Conflict		0.821		
S7_r3	Manifest Conflict		0.834		
S7_r4	Manifest Conflict		0.779		
S7_r5	Trust in Honesty	0.822			
S7_r6	Trust in Honesty	0.791			
S7_r8	Trust in Honesty	0.742			
S7_r9	Trust in Honesty	0.836			
S7_r10	Trust in Honesty	0.848			
S7_r11	Trust in Benevolence	0.820			
S7_r12	Trust in Benevolence	0.801			
S7_r13	Trust in Benevolence	0.830			
S7_r14	Trust in Benevolence	0.748			
S7_r15	Trust in Benevolence	0.807			
S7_r16	Commitment	0.739			
S7_r17	Commitment	0.796			
S7_r18	Commitment	0.797			
S7_r19	Expectation of Continuity				0.740
S7_r21	Expectation of Continuity		0.786		
S7_r22	Willingness to Invest	0.741			
S7_r23	Willingness to Invest	0.711			
S7_r24	Willingness to Invest				0.692
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.[a]					

The component matrix for the firm and the loadings of the observed variables are shown on Table 27.

Table 27. EFA Relationship Quality- Firm

Rotated Component Matrix					
		Component			
		TCI	MC	AC	EXP
S5_r2	Affective Conflict			0.826	
S5_r3	Affective Conflict			0.865	
S7_r1	Affective Conflict		0.791		
S7_r2	Manifest Conflict		0.825		
S7_r3	Manifest Conflict		0.838		
S7_r4	Manifest Conflict		0.788		
S7_r5	Manifest Conflict	0.827			
S7_r6	Trust in Honesty	0.797			
S7_r8	Trust in Honesty	0.749			
S7_r9	Trust in Honesty	0.834			
S7_r10	Trust in Honesty	0.848			
S7_r11	Trust in Honesty	0.832			
S7_r12	Trust in Benevolence	0.814			
S7_r13	Trust in Benevolence	0.836			
S7_r14	Trust in Benevolence	0.747			
S7_r15	Trust in Benevolence	0.803			
S7_r16	Trust in Benevolence	0.753			
S7_r17	Commitment	0.807			
S7_r18	Commitment	0.818			
S7_r19	Commitment				0.769
S7_r21	Expectation of Continuity		0.788		
S7_r22	Expectation of Continuity	0.770			
S7_r23	Willingness to Invest	0.723			
S7_r24	Willingness to Invest				0.705

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.[a]

Relational behavior EFA results are shown on Table 27. Rotated Component Matrix is taken into account for Relational Behavior scale EFA as it gives birth to a two-factor structure where flexibility and solidarity items load to one factor with very high Cronbach Alpha (0.935) and information sharing items stand out as one factor with high reliability (0.811). Items S7r7, r10 and r14 are removed from the

scale due to double loading the other dimension. The resulting 11 item Relational Behavior scale has a very high reliability with a (0.918) Cronbach Alpha value.

Table 28. EFA Relational Behavior - Distributor

Rotated Component Matrix[a]			
		FLEXSOL	INFO
S8_r1	Flexibility	0.693	
S8_r2	Flexibility	0.864	
S8_r3	Flexibility	0.713	
S8_r4	Flexibility	0.848	
S8_r5	Flexibility	0.862	
S8_r6	Information Sharing		0.778
S8_r8	Information Sharing		0.862
S8_r9	Information Sharing		0.822
S8_r11	Solidarity	0.768	
S8_r12	Solidarity	0.765	
S8_r13	Solidarity	0.851	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.[a]			

The component matrix for the firm and the loadings of the observed variables are also shown on Table 29.

All the scales that were used in the study were tested for reliability (Cronbach Alpha) and validity (EFA). Resulting scores and the factor structures for the research data are shown in the previous tables. Initial dimensions were determined by the developers of the scales and adopted from the literature. When using structural equation models to test theoretical hypotheses, initially confirmatory factor analyses must be run for the measurement models. AMOS version 24 is used to accomplish for confirmatory factor analysis.

Table 29. EFA Relational Behavior - Firm

Rotated Component Matrix			
		Component	
		FLEXSOL	INFO
S8b_r1	Flexibility	0.644	
S8b_r2	Flexibility	0.841	
S8b_r3	Flexibility	0.769	
S8b_r4	Flexibility	0.855	
S8b_r5	Flexibility	0.861	
S8b_r6	Information Sharing		0.836
S8b_r8	Information Sharing		0.864
S8b_r9	Information Sharing		0.795
S8b_r11	Solidarity	0.755	
S8b_r12	Solidarity	0.767	
S8b_r13	Solidarity	0.853	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.[a]			

In factor analysis, scales' total explained variance should be between 40% and 60% to be acceptable, above 60% is evaluated as good, 70% and higher is very good. In this study, scales that resulted after reliability tests and exploratory factor analyses, have all very good levels of total variance explained. The factors, the part of the variance each factor explains, and total variance explained for the scale are shown in Table 30. Procedural fairness scale's total variance explained is 69.568%; distributive fairness scale's total variance explained is 83.569%, relationship quality scale's total variance explained is 70.791% and relational behavior scale's total variance explained is 70.791%. Reliability tests and factor analyses show that all four scales have high reliability and validity. Total variance explained for fairness, relationship quality and relational behavior are all above 60% for the distributor data. For all three variables, first dimension accounts for more than 40% of the variability in the variable for the distributor data.

Table 30. Total Variance Explained - Distributor

Total Variance Explained - Distributor			
Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
Total Variance Explained - BPF			
CONACT	5.259	47.809	47.809
IMPCO	2.394	21.760	69.568
Total Variance Explained - BRQ			
TCI	10.099	40.397	40.397
MC	3.401	13.605	54.002
AC	2.478	9.914	63.916
EXP	1.672	6.687	70.602
Total Variance Explained - BRB			
SOLFLEX	5.312	48.292	48.292
INFO	2.475	22.498	70.791

Total variance explained for the firm is shown in Table 31. Total variance explained for fairness, relationship quality and relational behavior are all above 60% for the firm data. For all three variables, first dimension accounts for more than 40% of the variability in the variable for the firm data.

Table 31. Total Variance Explained - Firm

Total Variance Explained - Firm			
Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
Total Variance Explained - BPF			
CONACT	5.259	43.828	43.828
IMPCO	2.752	22.931	66.759
Total Variance Explained - BRQ			
TCI	10.073	41.970	41.970
MC	3.386	14.110	56.079
AC	1.821	7.589	63.668
EXP	1.727	7.196	70.864
Total Variance Explained - BRB			
SOLFLEX	5.158	46.888	46.888
INFO	2.407	21.879	68.768

After the reliability tests and the exploratory factor analyses, it was established that all four scales used in the research were suitable to measure a certain construct in terms of having high reliability and validity. After completion of reliability and validity tests, the scales were subjected to confirmatory factor analysis as the first step of structural equation modeling.

5.4 Confirmatory factor analysis and structural equation modeling

EFA tells us which dimension each item in the scale belongs to; whereas confirmatory factor analysis (CFA) confirms which latent variable each item is related to. CFA is used to study the theoretical relationship between observed and latent variables, to confirm the validity of the theory and structural validity of the scales (Schreiber et al., 2006, p. 323). CFA enables to determine the suitability of an existing scale for a data collected in a different industry, for a different context, and at a different time frame. A scale that is confirmed by CFA is said to have validity. The relationships of observed and latent variables of the measurement models may be established by CFA (Schreiber et al., 2006) using correlation and covariance matrices. CFA is effectuated for the measurement models before the analysis of the structural model.

5.4.1 Sample size adequacy for CFA and SEM

There are various studies about the required sample size for CFA and SEM analyses based on two aspects of the models: the number of variables and the number of parameters (MacCallum et al., 2001). Some researchers also stated minimum sample

size requirements. Hutcheson and Sofroniou, (1999) suggested that sample size should be minimum 150. Hatcher, (1994) suggested that the minimum should not be less than five times the number of variables in the model. The sample size of this study is 400 and satisfies the minimum sample size requirements mentioned in the literature. In parallel, parameter point of view which governs the relationship between the number of parameters in measurement models and the sample size, and widely respected, states that the sample size should be at least 10 times greater than the number of parameters (correlation, covariance, variance) in the measurement models (Schreiber et al., 2006, p 326). The sample size in this study, 400, satisfies these suggestions for the sample size. In other words, the sample size is sufficient for the CFA analysis of the measurement models and SEM analysis.

5.4.2 Methods used in parameter calculations

Maximum likelihood (ML), generalized least squares (GLS), weighted/unweighted least squares methods, ADF or asymptotical distribution free are mostly used. Maximum likelihood generalized least squares are preferred when the multi-variate normality assumption is satisfied. ADF asymptotical distribution free is most preferred when data does not satisfy multi variate normality assumption. In this method, the sample size can be restraining factor as it requires a greater size than ML or GLS. Ordinary Least Squares (OLS) can also be used, however this method might violate the requirements for model fit indices.

5.4.3 Standardized regression coefficients and statistical significance

These are regression coefficients that represent how well the observed variable defines the latent variable. Hair et al., (2010) defines 0.50 as required minimum for a regression coefficient to be accepted as sufficient. The significance of the regression coefficients is tested by t-test. If t value is greater than 1.96, it is significant at p = 0.05; and if it is greater than 2.56, it is significant at p = 0.001 confidence level (Shumacker and Lomax 2020). If a regression coefficient is statistically insignificant, it should be removed from the model.

5.4.4 Convergent, divergent and structural validity

Establishing validity is the next step in CFA. First, parameters of comparison for that definition are computed. The parameters used for comparison purposes are: (1) composite reliability (CR) of the factors with regard the construct; (2) AVE (average variance extracted) as an indicator of factor convergent validity, (3) MSV (maximum shared variance with other factors) found by squaring the highest correlation coefficient for the factor with other factors, (4) (MaxR) Has the maximum inter-factor correlations' squared, (5) the square root of AVE as factor's greatest estimated value which constitutes the diagonal of the validity measures table, and (6) correlations between factors. In order to establish convergent validity, a factor first needs to satisfy composite reliability requirements by being greater or equal to 0.70 to show sufficient internal validity as well as having an AVE score of minimum 0.50 to show that items explain the variance in the factor at a satisfactory level. There are several checks for divergent validity. To start with AVE (average variance extracted

for the factor) should be greater than MSV (maximum shared variance with other factors) (Fornell and Larcker, 1981, p.46). Second, estimated explained value or square root of AVE, the diagonal of the matrix, should be less than maximum inter-factor correlations squared (MaxR)H (Anderson and Gerbing, 1988). Third, square root of AVE or estimated explained value of the factor should be greater than the correlation with other variables. First and second level CFAs are completed according to these guidelines.

5.4.5 Confirmatory factor analysis (CFA)

CFA is done in this part of the study, to confirm the scales and their dimensions that were defined by EFA. CFA is done in two steps. First step is the first level CFA, where for each scale dimension the effects of the latent variable on the items of the dimension is determined. The validity and structural validity of these dimensions are established. In this part of the study, estimated values, model fit indices and validity tables are provided for the measurement models that were constructed of the dimensions of each scale. Model graphics are provided.

5.4.5.1 Procedural fairness CFA

In theory, procedural fairness scale items gather under six dimensions. After EFA on the data from retailers, there are two dimensions. Two-way communication, refutability, explanation, knowledgeability form the first factor. The second factor is constituted from impartiality and courtesy items. Based on the EFA results for procedural fairness scale, the model of first level CFA for the distributor data is

given on Figure 2. Standard regression coefficients between the latent variable and observed variables that are presumed to explain the change in the latent variable are shown on the arrows and are supposed to be greater than 0.50. When procedural fairness first level measurement model is examined, all coefficients are above 0.50, therefore it can be concluded that the latent variables have sufficient effect on the observed variables. In parallel, p values for the coefficients are examined and they are all significant at p = 0,001 value. If there were any insignificant parameters, the related items would be removed out of the model. After the value and significance of the regression coefficients, model fit indices are scrutinized.

The model for the firm data is also shown in Figure 3.

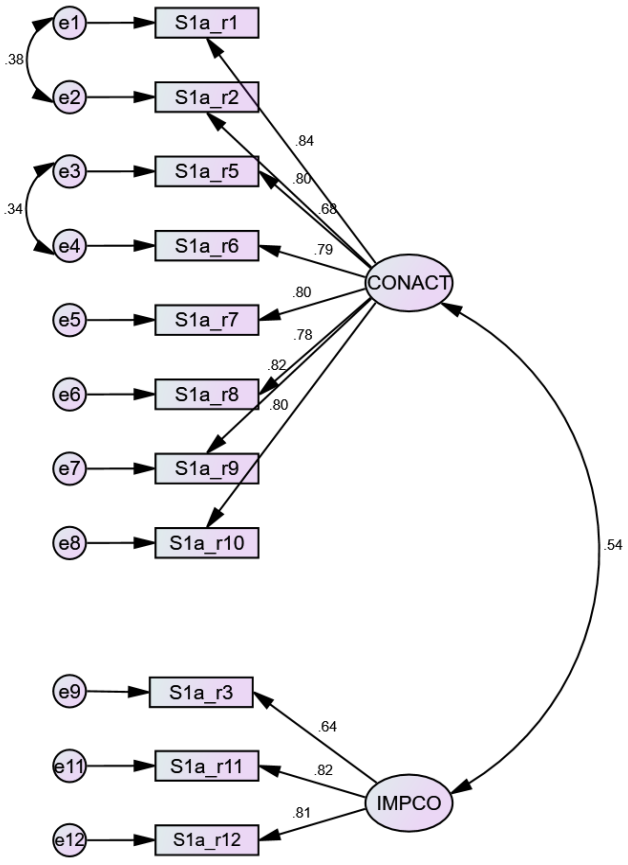


Figure 2 Procedural fairness first level measurement model distributor

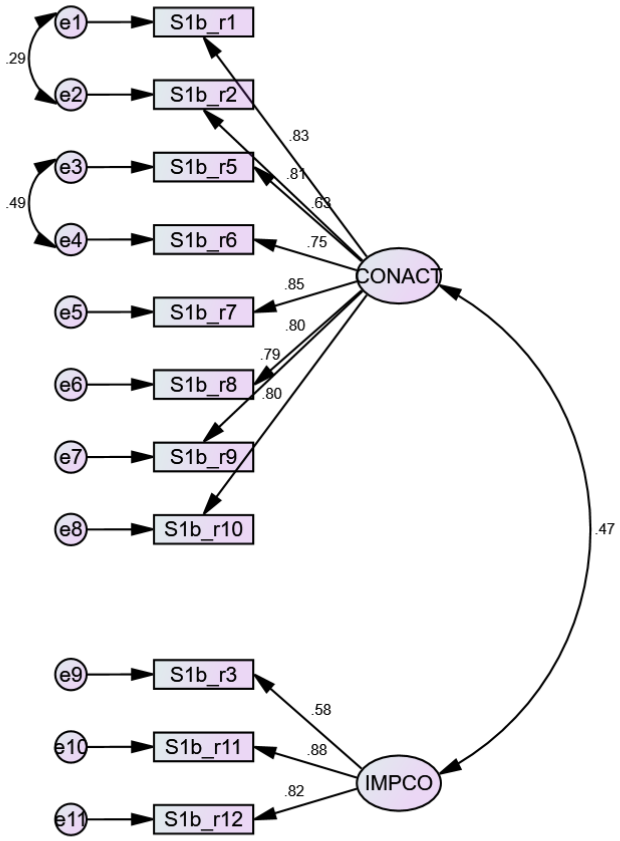


Figure 3 Procedural fairness first level measurement model firm

Evaluating all the fit indices (Table 32), it can be said that the model fits well the research data. Pclose can also be brought to acceptable level by drawing a covariance between e10 and e11. However, in that case, at the subsequent step of validity, IMPCO variable develops a convergent validity problem, its AVE value of 0.465 is just below the acceptable level. Hence the above model without additional covariance with better convergent validity is preferred.

Table 32. Model Fit Measures - BPF

Model Fit Measures - CFA BPF			
Measure	Estimate	Threshold	Interpretation
CMIN	125.166	--	--
DF	41	--	--
CMIN/DF	3.053	Between 1 and 3	Acceptable
CFI	0.97	> 0.95	Excellent
SRMR	0.072	< 0.08	Excellent
RMSEA	0.072	< 0.06	Acceptable
PClose	0.007	> 0.05	Terrible

The procedural fairness model has a better fit with the firm data as shown in Table 33.

Table 33. Model Fit Measures - FPF

Model Fit Measures - FPF			
Measure	Estimate	Threshold	Interpretation
CMIN	113.834	--	--
DF	41	--	--
CMIN/DF	2.776	Between 1 and 3	Excellent
CFI	0.974	> 0.95	Excellent
SRMR	0.074	< 0.08	Excellent
RMSEA	0.067	< 0.06	Acceptable
PClose	0.029	> 0.05	Acceptable

Composite reliability, convergent and divergent validity of the scales and its dimensions are also studied. Table 34 shows that, both dimensions of procedural fairness have very high composite reliability, with CR > 0.70. Furthermore, average variance extracted, AVE for each dimension is over 0.50 suggesting convergent validity for these dimensions. Also, AVE for the factors are greater than the MSV, maximum shared variance, and MaxR(H) is greater than the value in the diagonal, maximum estimated value for the dimension or square root of AVE. These latter equations suggest that dimensions have also divergent validity. So observed

variables under each factor measure related but different dimensions. All dimensions having both convergent and divergent validity and composite reliability, it can be said that procedural fairness scale has structural validity and reliable.

Table 34. Validity Analysis - BPF

Validity Analysis - BPF						
	CR	AVE	MSV	MaxR(H)	CONACT	IMP
CONACT	0.93	0.625	0.296	0.933	0.791	
IMP	0.803	0.579	0.296	0.823	0,544***	0.761

The procedural fairness scale has composite reliability, convergent and divergent validity for the firm data. Hence, the scale has structural validity for the firm data. The results of the validity analysis are shown in Table 35.

Table 35. Validity Analysis - FPF

Validity Analysis - FPF						
	CR	AVE	MSV	MaxR(H)	CONACT	IMPCO
CONACT	0.927	0.616	0.221	0.933	0.785	
IMPCO	0.813	0.598	0.221	0.86	0,470***	0.773

5.4.5.2 Relationship quality measurement model first level CFA

In theory, relationship quality scale items gather under six dimensions. After EFA on the data from retailers, there are four dimensions. Trust (trust in honesty and trust in benevolence), commitment, and willingness to invest items form the first factor, abbreviated as TCI. The second factor is constituted from affective conflict items, abbreviated as AC. Third factor is manifest conflict items and abbreviated as MC, this factor contains an item about attitude towards the continuance of the relationship which credibly might have been interpreted as a manifestation of conflict in the

minds of retailers. The fourth factor, with low but acceptable reliability is about expectation of continuity, abbreviated as EXP. Based on the EFA results for procedural fairness scale, the model of first level CFA is given on Figure 4. Standard regression coefficients between the latent variable and observed variables that are presumed to explain the change in the latent variable are shown on the arrows and are supposed to be greater than 0.50. When relationship quality first level measurement model is examined, all coefficients are above 0.50; therefore, it can be concluded that the latent variables have sufficient effect on the observed variables. In parallel, p values for the coefficients are examined and they are all significant at p = 0,001 value. If there were any insignificant parameters, the related items would be moved out of the model. After the value and significance of the regression coefficients, model fit indices are scrutinized.

The model for the firm is shown in Figure 5. The regression coefficients from latent variables to observed variables and correlation between the latent variables are very similar to the distributor model. The main difference in the firm model is that S3r4 was also removed due to double loading in exploratory factor analysis.

Overall evaluation of all the fit indices (Table 36), indicates that the model fits well the research data. The initial fit of the model for the research data did not suggest any modification indices to be taken into account.

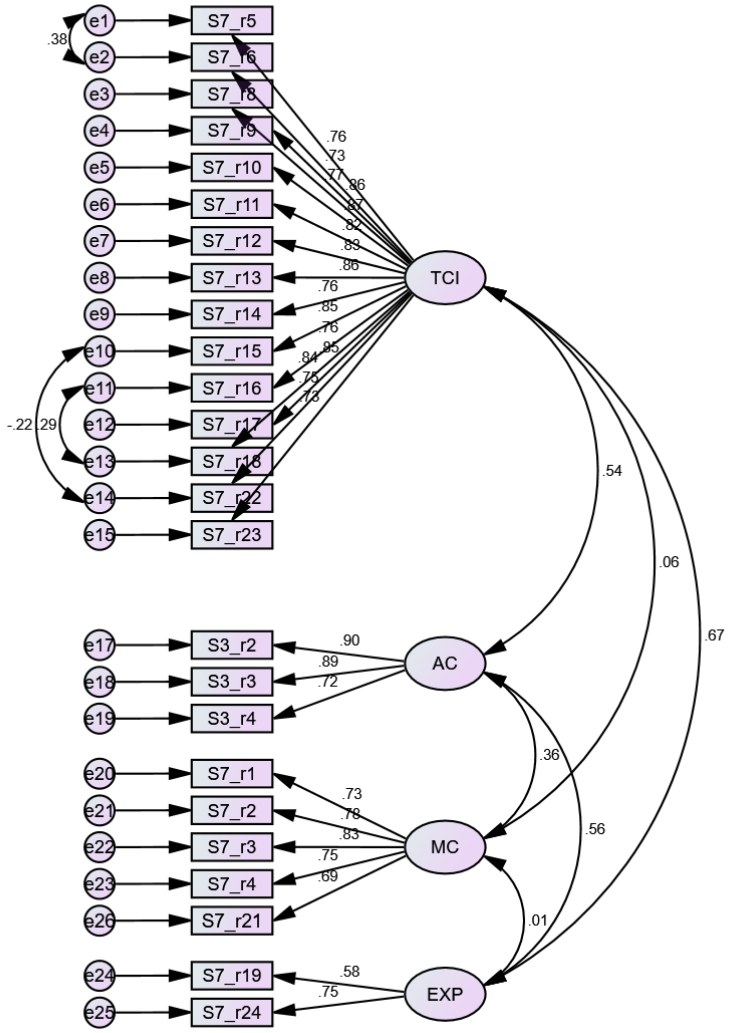


Figure 4 Relationship quality distributor CFA 4F

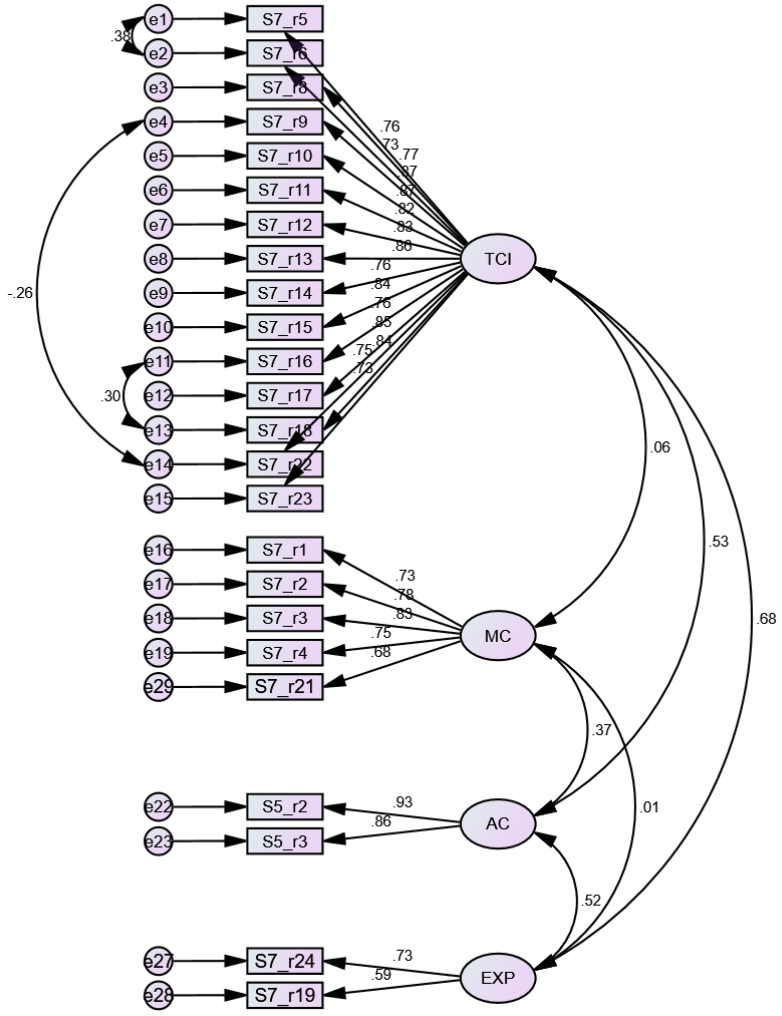


Figure 5 Relationship quality firm CFA 4F

Table 36. Model Fit Measures - Relationship Quality Distributor CFA 4F

Model Fit Measures - Relationship Quality Distributor CFA 4F			
Measure	Estimate	Threshold	Interpretation
CMIN	714.76	--	--
DF	266	--	--
CMIN/DF	2.687	Between 1 and 3	Excellent
CFI	0.94	> 0.95	Acceptable
SRMR	0.072	< 0.08	Excellent
RMSEA	0.065	< 0.06	Acceptable
PClose	0	> 0.05	Not Estimated

The model fit matrix for the firm model is shown in Table 37. The RQ model for the firm has a better CFI value and all other indices are also improved compared to the distributor data.

Table 37. Model Fit Values - Relationship Quality Firm

Measure	Estimate	Threshold	Interpretation
CMIN	595.724	--	--
DF	243	--	--
CMIN/DF	2.452	Between 1 and 3	Excellent
CFI	0.951	> 0.95	Excellent
SRMR	0.073	< 0.08	Excellent
RMSEA	0.06	< 0.06	Acceptable
PClose	0.003	> 0.05	Terrible

Composite reliability, convergent and divergent validity of the scales and its dimensions are also studied. Relationship quality has four dimensions. Table 37 shows that, three dimensions of procedural fairness have very high composite reliability, with CR > 0.70. Furthermore, average variance extracted, AVE for these dimensions is over 0.50 suggesting convergent validity for these dimensions. Also, AVE for these factors are greater than the MSV, maximum shared variance, and MaxR(H) is greater than the value in the diagonal, maximum estimated value for the dimension or square root of AVE. These latter equations suggest that first three dimensions have also divergent validity. So observed variables under factors TCI, AC and MC measure related but different dimensions. However, this cannot be said for the fourth factor EXP. EXP dimension has composite reliability problem with CR = 0,614 and presents a convergent validity issue and has AVE = 0.448, less than recommended value of 0.50. Also, as an indicator of discriminant validity issue, AVE for EXP is less than MSV, maximum shared variance. In parallel, square root of AVE is less than factor EXP's correlation with TCI.

Table 38. Validity Analysis - Relationship Quality CFA Distributor 4F

	CR	AVE	MSV	MaxR(H)	TCI	AC	MC
TCI	0.965	0.646	0.455	0.967	0.804		
AC	0.877	0.707	0.319	0.903	0,543***	0.841	
MC	0.87	0.573	0.129	0.877	0.063	0,359***	0.757
EXP	0.614	0.448	0.455	0.641	0,674***	0,565***	0.007

The validity analysis of four dimensional RQ scale for the firm data is shown on Table 39. Expectation dimension is also posing moderate validity issue in the firm model.

Table 39. Validity Analysis - Relationship Quality CFA Firm 4F

	CR	AVE	MSV	MaxR(H)	TCI	MC	AC	EXP
TCI	0.965	0.646	0.465	0.968	0.804			
MC	0.870	0.573	0.133	0.877	0.063	0.757		
AC	0.889	0.800	0.280	0.901	0,529***	0,365***	0.894	
EXP	0.610	0.441	0.465	0.626	0,682***	0.012	0,523***	0.664

It can be said that EXP is weakening the structural validity of relationship quality scale behind both convergent and discriminant validity issues. After removing S7r19 due to residual covariances to improve reliability and convergent validity, one item EXP dimension is no longer viable. Excluding EXP, the dimension with lowest initial reliability, second model has three factors, namely TCI, AC and MC. Meanwhile, in second level CFA, the four-factor model including EXP has very good model fit indices, but similarly to Level 1 CFA, this time the RQ construct presents an indication of convergent validity problem with AVE = 0.465. In further analysis, this model produces significant and similar results in terms of the relationship of the constructs in theoretical model compared to the model where EXP is excluded from relationship quality dimension. The three-factor model for Relationship Quality has all the regression coefficients greater than 0,50. The relationship between latent variables and observed variables is sufficiently strong. The model without EXP has three dimensions as shown in Figure 6.

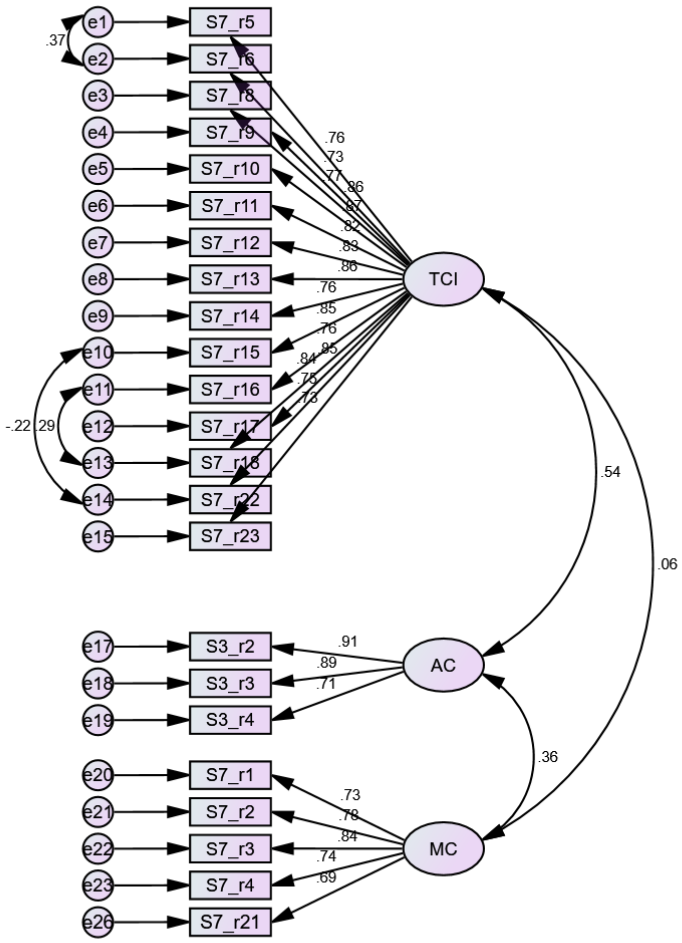


Figure 6 Relationship quality CFA distributor 3F

The Model Fit results for three-dimensional relationship quality indicate that the model has an acceptable fit with the research data. The model fit indices are shown in Table 40.

Table 40. Model Fit Measures - Relationship Quality CFA Distributor 3F

Measure	Estimate	Threshold	Interpretation
CMIN	556.936	--	--
DF	223	--	--
CMIN/DF	2.497	Between 1 and 3	Excellent
CFI	0.953	> 0.95	Excellent
SRMR	0.075	< 0.08	Excellent
RMSEA	0.061	< 0.06	Acceptable
PClose	0.002	> 0.05	Terrible

Validity for three-dimensional distributor relationship quality model is also acceptable. Table 41 indicates that there are no composite reliability, convergent validity nor discriminant validity issues for this model. CR values for all factors are greater than 0.70. AVE for all factors are greater than MSV and the diagonal values are less than MaxR(H).

Table 41. Validity Analysis - Relationship Quality CFA Distributor 3F

	CR	AVE	MSV	MaxR(H)	TCI	AC	MC
TCI	0.965	0.647	0.295	0.967	0.804		
AC	0.876	0.705	0.295	0.904	0,543***	0.84	
MC	0.864	0.561	0.125	0.876	0.037	0,353***	0.749

5.4.5.3 Relational behavior measurement model - first level CFA

In theory, relational behavior scale has three dimensions: flexibility, solidarity, and information sharing. Exploratory factor analysis on the research data acknowledges two dimensions under relational behavior construct. Solidarity and flexibility items constitute the first factor and hence this dimension is abbreviated as SOLFLEX. The second factor is constituted from information sharing items and therefore short-named as INFO. Based on the EFA results for relational behavior scale, the model of first level CFA is given on Figure 7.

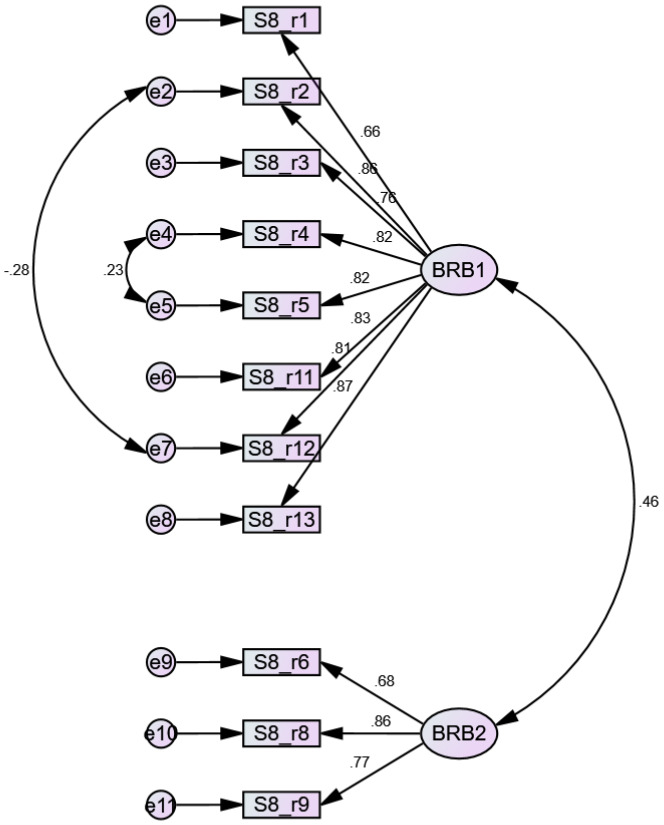


Figure 7 Relational behavior first level measurement model distributor

Standard regression coefficients between the latent variable and observed variables, which explain the change in the latent variable and shown on the arrows, are supposed to be greater than 0.50. When Relational Behavior First Level Measurement Model is examined, all coefficients are above 0.50, therefore it can be concluded that the latent variables have sufficient effect on the observed variables. In parallel, p values for the coefficients are examined and they are all significant at p = 0.001 value. After the value and significance of the regression coefficients, model fit indices are scrutinized.

The model for the firm is shown on Figure 8. Modification indices are between different variables of the same dimension, other than that coefficients are very similar for FLEXSOL. However, for INFO, coefficients for item six and nine are observably different for the firm and the distributor.

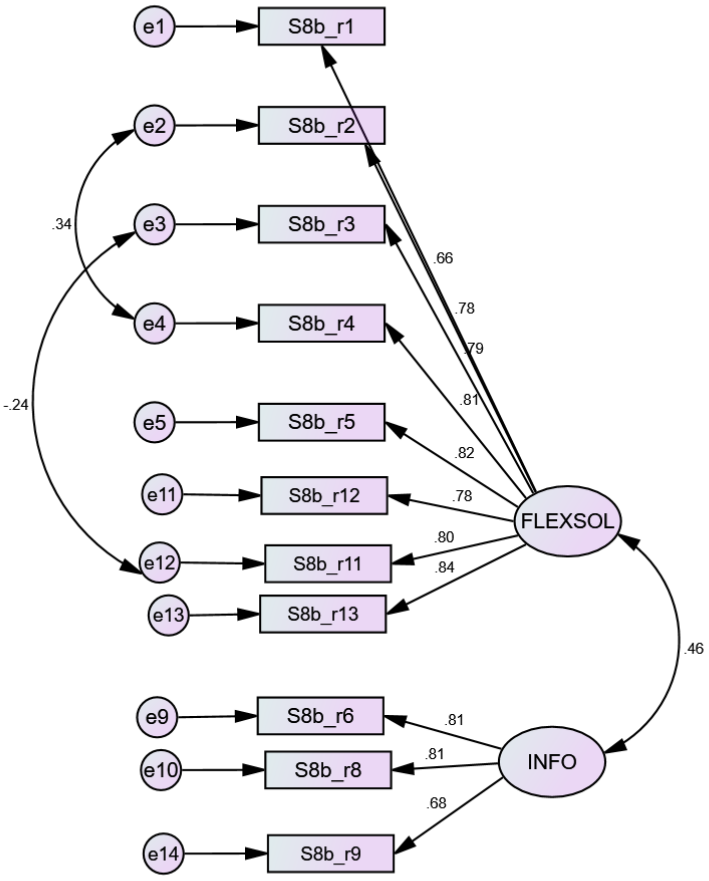


Figure 8 Relational behavior CFA firm

Evaluating all the fit indices together in Table 42, it can be said that the model fit for the research data is acceptable.

Table 42. Model Fit Measures - Relational Behavior CFA Distributor

Measure	Estimate	Threshold	Interpretation
CMIN	134.856	--	--
DF	41	--	--
CMIN/DF	3.289	Between 1 and 3	Acceptable
CFI	0.968	> 0.95	Excellent
SRMR	0.052	< 0.08	Excellent
RMSEA	0.076	< 0.06	Acceptable
PClose	0.002	> 0.05	Terrible

Model fit values for the firm are very similar to the values for the distributor as shown on Table 43. Model fit improvement recommendation is to remove S8br13 due residual covariances.

Table 43. Model Fit Measures - Relational Behavior CFA Firm

Measure	Estimate	Threshold	Interpretation
CMIN	141.679	--	--
DF	41	--	--
CMIN/DF	3.456	Between 1 and 3	Acceptable
CFI	0.963	> 0.95	Excellent
SRMR	0.049	< 0.08	Excellent
RMSEA	0.078	< 0.06	Acceptable
PClose	0.001	> 0.05	Terrible

Composite reliability, convergent and divergent validity of the Relational Behavior dimensions are also studied. Table 44 shows that, both dimensions of relational behavior have very high composite reliability, with CR > 0.70. Furthermore, average variance extracted, AVE for each dimension is over 0.50 suggesting convergent validity for these dimensions. Also, AVE for the factors are greater than the MSV, maximum shared variance, and MaxR(H) is greater than the value in the diagonal, maximum estimated value for the dimension or square root of AVE. These latter confirmations suggest that dimensions have also divergent validity. It can be concluded that observed variables explain well the variability in the latent variable they belong to, so there is convergent reliability; and they do not belong to other dimensions, there is discriminant validity. All dimensions having

both convergent and divergent validity and composite reliability, it can be said that relational behavior scale has structural validity and reliable.

Table 44. Validity Analysis - Relational Behavior CFA Distributor

	CR	AVE	MSV	MaxR(H)	BRB1	BRB2
BRB1	0.937	0.650	0.21	0.942	0.806	
BRB2	0.818	0.601	0.21	0.839	0,459***	0.776

There are no validity concerns for the relational behavior scale measuring the firm data.

Table 45. Validity Analysis - Relational Behavior CFA Firm

	CR	AVE	MSV	MaxR(H)	FLEXSOL	INFO
FLEXSOL	0.928	0.617	0.21	0.931	0.786	
INFO	0.813	0.594	0.21	0.825	0,459***	0.77

These findings confirm that first level measurement model for relational behavior is sufficiently reliable and also has convergent and discriminant validity. Hence, items in the scale measure relational behavior dimensions with reliability and validity.

5.5 Second level confirmatory factor analysis

After establishing reliability and structural validity of the dimensions or in other words confirming that the items measure the dimensions that they are attached to with reliability and validity, second level confirmatory analysis is done to confirm the effects of these dimensions to overall scale. For this to be done, there must be more than three lower level dimensions. In our study, this is only the case for relationship quality. In this part of the study, second level confirmatory analysis

model is constructed to measure the effects of the dimensions to relationship quality scale.

5.5.1 Relationship quality second level confirmatory analysis

Second level measurement model is constructed for the models with reliability and structural validity in the first level confirmatory analysis. In this model, the relationship between the relationship quality latent variable and the dimensions that theory suggests that form the scale and confirmed through EFA and first level CFA, is examined. The model with four dimensions is shown in Figure 9. The regression coefficient for MC dimension is 0.16. This suggests that MC dimension does not explain well the variability in the latent variable.

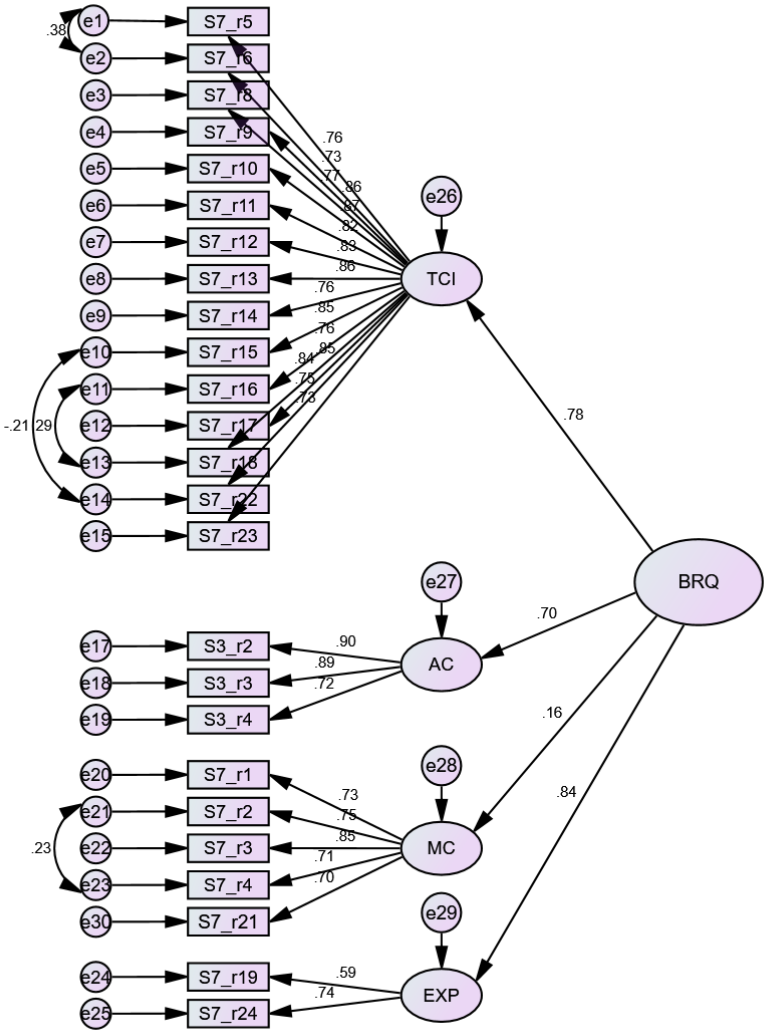


Figure 9 Relationship quality CFA 2nd level distributor 4F

To concur an association between the dimension and the latent variable, the regression coefficient must be at least 0.50. Accordingly, MC dimension needs to be taken out. Second level confirmatory analysis for the resulting three-dimensional model is shown in Figure 10. All regression coefficients for the resulting three-dimensional model are greater than 0.50. We can conclude that all dimensions act in harmony with the change in the latent variable relationship quality. The model fit for the model is also acceptable. The model fits well with the research data as shown in

Table 46. Most preferred indices, CMIN/df, CFI and SRMR are all excellent. CMIN/df is 2.753; CFI is 0.955 and SRMR is 0.039 respectively.

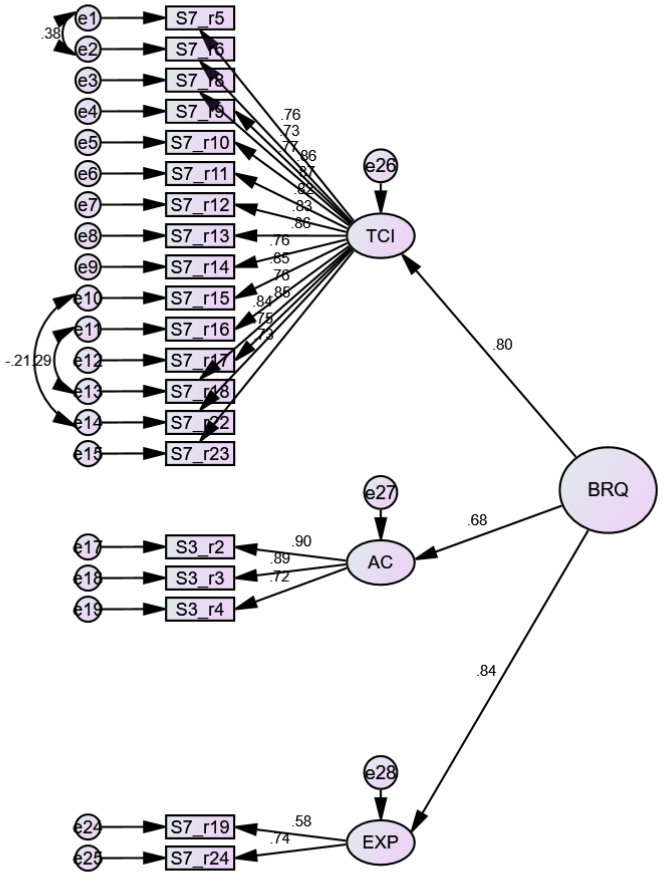


Figure 10 Relationship quality CFA 2nd level distributor 3F

The model for the firm is shown in Figure 11.

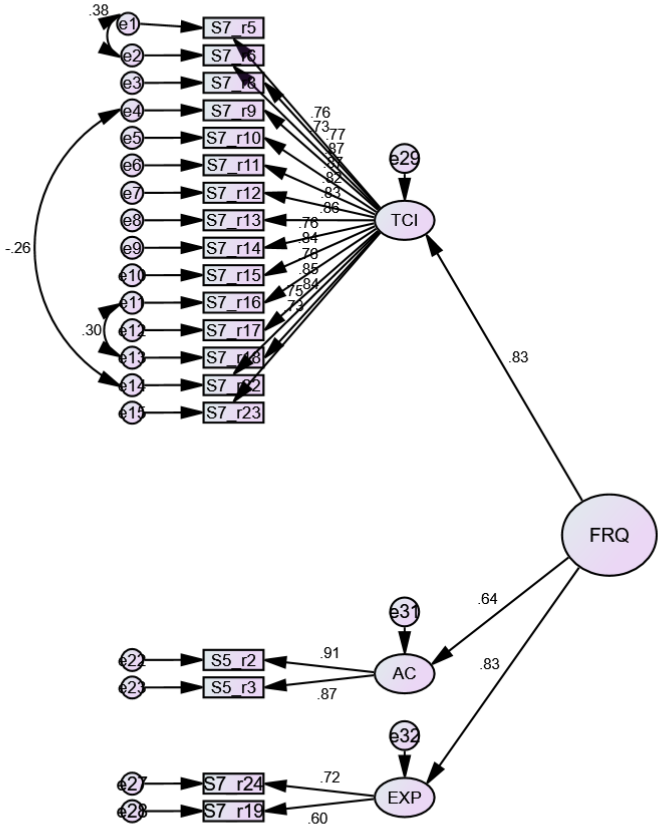


Figure 11 Relationship quality CFA 2nd level firm 3F

The model fit values for the distributor data for the relationship quality scale with three factors are shown in Table 46.

Table 46. Model Fit Measures - Relationship Quality CFA 2nd level Distributor 3F

Measure	Estimate	Threshold	Interpretation
CMIN	451.456	--	--
DF	164	--	--
CMIN/DF	2.753	Between 1 and 3	Excellent
CFI	0.955	> 0.95	Excellent
SRMR	0.039	< 0.08	Excellent
RMSEA	0.066	< 0.06	Acceptable
PClose	0	> 0.05	Not Estimated

The model fit values for the three-factor relationship quality model are all excellent for the firm data as shown in Table 47.

Table 47. Model Fit Measures - Relationship Quality CFA 2nd Level Firm 3F

Measure	Estimate	Threshold	Interpretation
CMIN	334.855	--	--
DF	146	--	--
CMIN/DF	2.294	Between 1 and 3	Excellent
CFI	0.969	> 0.95	Excellent
SRMR	0.036	< 0.08	Excellent
RMSEA	0.057	< 0.06	Excellent
PClose	0.076	> 0.05	Excellent

The model has no validity concerns either. Relationship Quality latent variable has a CR value of 0,82 > 0,70 and AVE is 0,606 > 0,50. Also MaxR(H) (0,837) is greater than the square root of AVE (0,778). The validity analysis results for relationship quality second level CFA is shown in Table 48.

Table 48. Validity Analysis - Relationship Quality CFA 2nd Level - Distributor 3F

	CR	AVE	MSV	MaxR(H)	BRQ
BRQ	0.82	0.605	0	0.837	0.778

The validity analysis for the firm is shown in Table 49. The model has reliability and structural validity.

Table 49. Validity Analysis - Relationship Quality CFA 2nd Level Firm 3F

	CR	AVE	MSV	MaxR(H)	FRQ
FRQ	0.812	0.593	0	0.834	0.77

5.6 Structural equation model of the study

The structural equation model is constructed in line with the findings of the first and second levels of measurement models. In this part of the study, the relationships between all latent and observed variables of the study are defined and modeled according to the purpose of the research as shown in Figure 12.

As can also be seen in the figure, the standardized effect of procedural fairness on relationship quality is very high at 0.84; the effect of distributive fairness is rather low at 0.14; both are significant at p = 0.001. The effect of procedural fairness and distributive fairness on relational behavior are 0.03 and 0.00 respectively in standardized values and they are not significant. The effect of relationship quality on relational behavior is also very high at 0.99. The effects of procedural fairness latent variable on its lower dimensions CONACT and IMPCO are 0.66 and 0.95; these figures are between 0.58 and 0.98 for the relationship quality; and for the relational behavior they are 0.61 and 0.82. These values also expressed as regression coefficients are statistically significant at p = 0,001 level.

To determine how well the structural equation model fits the data collected from the retailers for the purpose of the study, model fit indices are calculated and shown on Table 50. As these values are examined as a whole and compared to threshold values, it is determined that the data and the model have an acceptable fit. The results for the distributor theoretical model are shown in Appendix A.

Table 50. Model Fit Measures - Structural Equation Model Distributor

Measure	Estimate	Threshold	Interpretation
CMIN	2748.328	--	--
DF	968	--	--
CMIN/DF	2.839	Between 1 and 3	Excellent
CFI	0.893	> 0.95	Low
SRMR	0.079	< 0.08	Excellent
RMSEA	0.068	< 0.06	Acceptable
PClose	0	> 0.05	Not Estimated

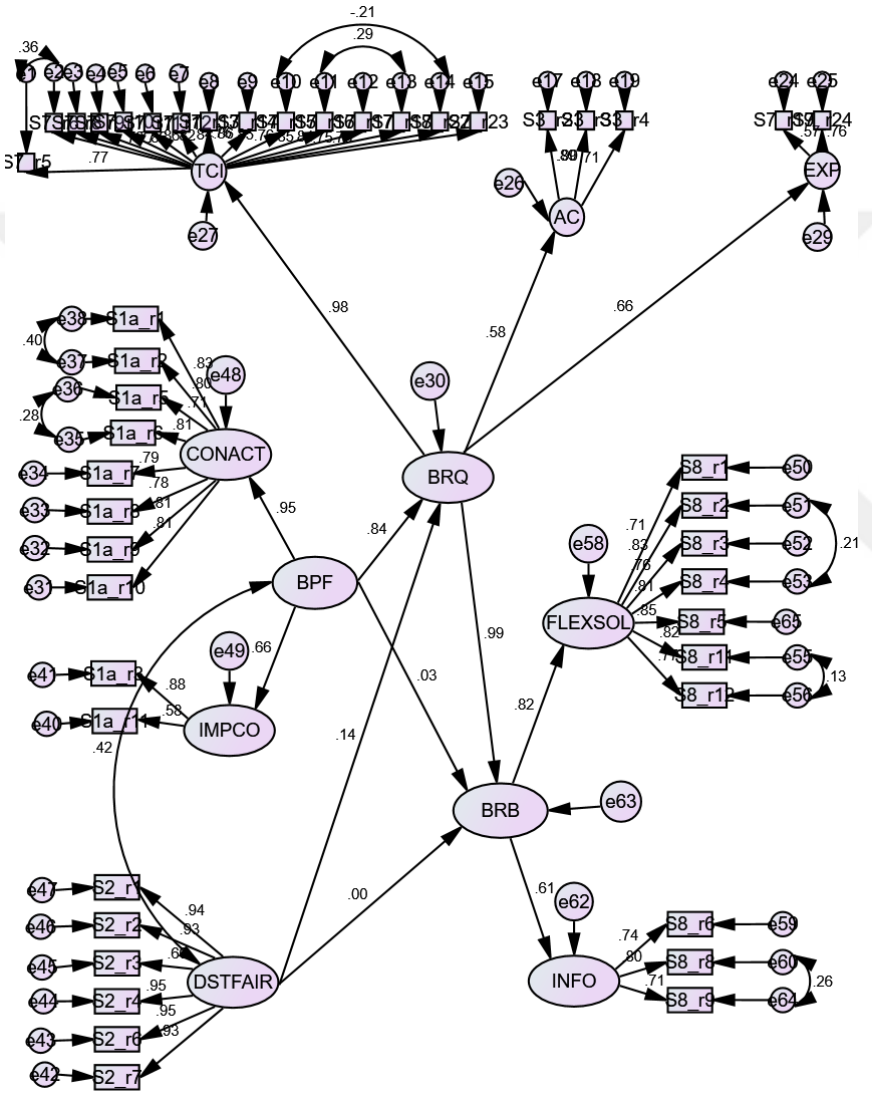


Figure 12 Structural equation model distributor

The model for the firm data can be seen in Figure 13, the effect of procedural fairness on relationship quality is 0.713; below the distributor, but still important in absolute standardized value and significant at p = 0.001. The effect of distributive

fairness on the relationship quality is 0.14; same as the distributor and significant at p = 0.001. The effect of procedural fairness on relational behavior is 0.38 and significant at p = 0.001; whereas this relationship was very low and not significant for the distributor. The standardized effect of distributive fairness on relational behavior is 0.14 and significant at p = 0.063; whereas this relationship coefficient was zero and not significant for the distributor. The effect of relationship quality on relational behavior is 0.584 and significant at p = 0.001 but considerably lower in absolute value for the firm. The effects of procedural fairness latent variable on its lower dimensions CONACT and IMPCO are 1.02 and 0.582; these figures are 0.47 for affective conflict, 0.66 for expectation of continuity and 1.06 for the relationship quality; finally, for the relational behavior they are 0.582 for IMPCO and 0.87 for FLEXSOL. These values also expressed as regression coefficients are all statistically significant at p = 0.001 level. The results for the firm theoretical model are shown in Appendix B.

The important difference for the two models is that, for the firm model fairness factors have direct effect on relational behavior at varying significance levels. For the distributor data there are no direct effects on relational behavior. The size of the effect of the relationship quality on relational behavior is considerably lower for the firm compared to the distributor.

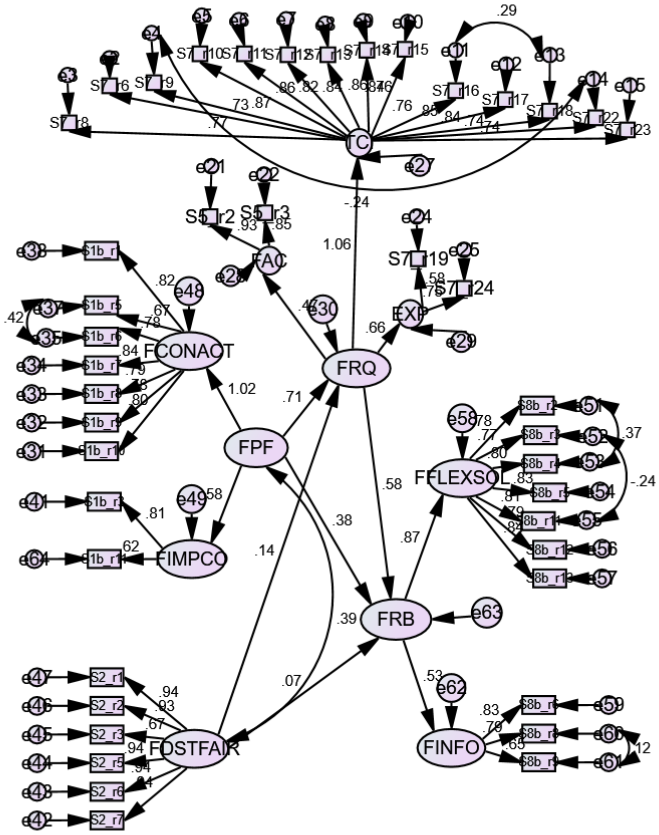


Figure 13 Structural equation model firm (FMV7)

To determine how well the structural equation model fits the data collected from the retailers for the firm, model fit indices are calculated and shown on Table 51. As these values are examined as a whole and compared to threshold values, all are acceptable or acceptable levels and the model can be said to have an acceptable fit.

Table 51. Model Fit Measures - Structural Equation Model Firm

Measure	Estimate	Threshold	Interpretation
CMIN	2306.051	--	--
DF	841	--	--
CMIN/DF	2.742	Between 1 and 3	Excellent
CFI	0.904	> 0.95	Acceptable
SRMR	0.079	< 0.08	Excellent
RMSEA	0.066	< 0.06	Acceptable
PClose	0	> 0.05	Not Estimated

5.7 Mediating effect of relationship quality

In the study, the mediating effect of the relationship quality on relational behavior is examined. This is done by using the approach proposed by 97Baron and Kenny (1986). This approach extends over the study of several relationships: (1) dependent variable's effect on the mediating variable, (2) mediating variable's effect on the dependent variable, (3) dependent variable's effect on the independent variable and (4) the existence of a reduced effect or rather a full effect through mediation on the independent variable in the presence of the mediating variable. In the presence of these relationships, the mediating effect might exist. In Amos, to decide on the mediating effect, the direct, indirect, and total effects are scrutinized together. In order the mediating effect to be meaningful the bootstrap confidence interval lower and upper values must be the same sign, either negative or positive (Preacher and Hayes, 2008). Bootstrap test will also provide the confidence level for a meaningful mediating effect by computing a p value.

In line with the purpose of the study, the mediating effect of relationship quality for fairness on the relational behavior is examined. The findings of the mediation analysis are shown in Table 52. The relationship quality has a full

mediating effect 0,865 for the procedural fairness of the distributor at p < 0,01 level of confidence. Although distributive fairness has an indirect effect of 0.151 significant at p < 0,100 level of confidence, the total effect has an unacceptable confidence level, p = 0.108.

It is concluded that for the distributor the distributive fairness has no relevant effect on relational behavior in the presence of relationship quality even though it contributes to relationship quality; or if any at p = 0.108, then its effect is indirect and that effect is very low in magnitude. This can be an acceptable result as the established belief in retailer is that, the monetary policies and how the overall profit is distributed among the channel members is decided at the firm level.

Table 52. Mediating Effects - Structural Equation Model Distributor

Hypotheses	Standardized Direct Effect	Standardized Indirect Effect	Standardized Total Effect	Mediating Effect
BPF > BRQ	0.845**	-	0.845**	-
BDF > BRQ	0.147*	-	0.147*	-
BPF > BRB	-0.011	0.865**	0.855**	-
BDF > BRB	-0.03	0.151*	0.121	-
BRQ > BRB	1.024**	-	1.024**	-
BPF > BRQ > BRB	-	0.865	-	FULL
BDF > BRQ > BRB	-	-	-	NONE

The findings of the mediation analysis for the firm data are shown in Table 53. The relationship quality has a partial mediating effect 0.416 for the procedural fairness of the distributor at p < 0.050 level of confidence and its total effect is large in size (0.80) and significant at p < 0.01 level of confidence. The relationship quality has a partial mediation role for the procedural fairness of the firm on relational behaviors. The distributive fairness has an indirect effect of 0.083 significant at p < 0.100 level of confidence, and the total effect has an acceptable confidence level, p <

0.10. The relationship quality has a full mediating role for the distributive fairness of the firm on relational behavior.

Table 53. Mediating Effects - Structural Equation Model Firm

Hypotheses	Standardized Direct Effect	Standardized Indirect Effect	Standardized Total Effect	Mediating Effect
FPF > FRQ	0.713**	-	0.713**	-
FDF > FRQ	0.143*	-	0.143*	-
FPF > FRB	0.383*	0.416*	0.80**	-
FDF > FRB	0.074	0.083!	0.157*	-
FRQ >FRB	0.584*	-	0.584*	-
FPF > FRQ > FRB	-	0.416*	-	PARTIAL
FDF > FRQ > FRB	-	0.083!	-	FULL

5.8 Factorial models: Revealing relationships among factors

The study extends with factorial models featuring first degree variables which provide more insight into the dimensional interactions and articulate on the results of the theoretical models that feature second degree variables. In this part of the study, the relationships between the dimensional variables proposed by exploratory factor analyses are modelled with the aim of revealing additional information.

The relationships between the dimensions for the distributor data are shown in Figure 14.

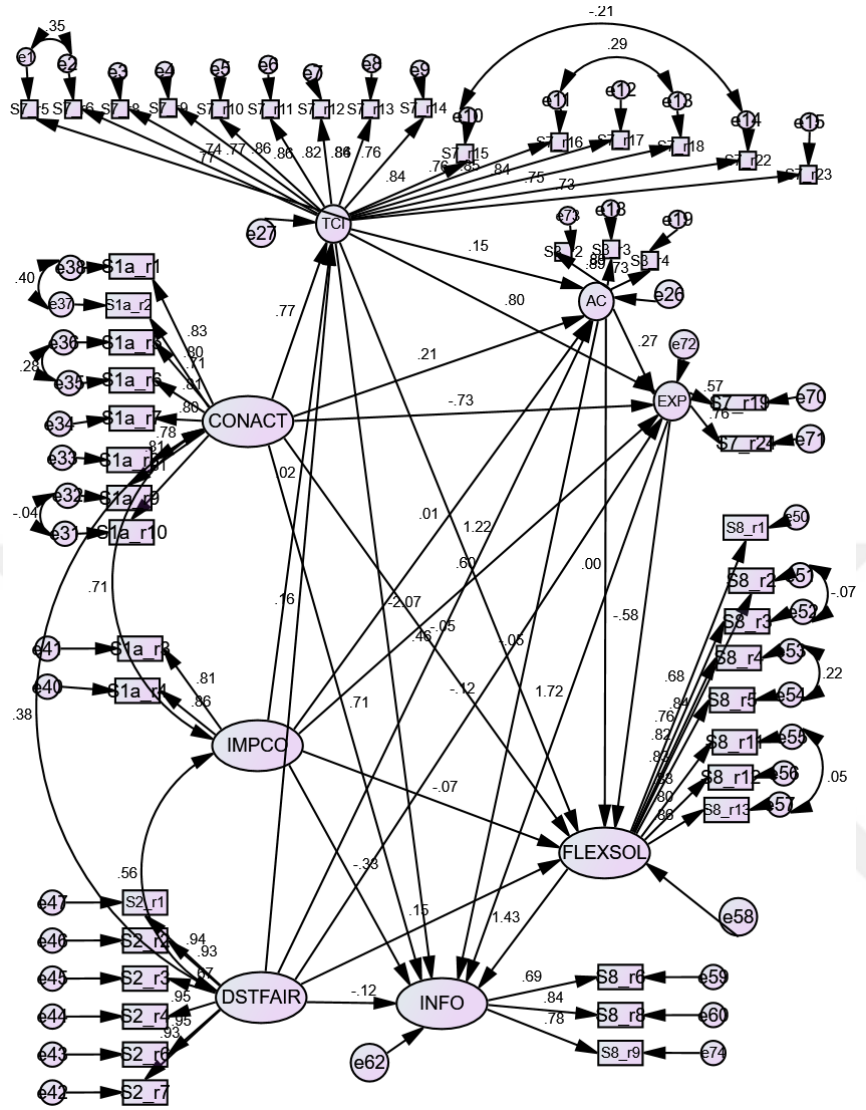


Figure 14 Factorial model distributor

First, significant direct effects of fairness factors on relational behaviors are examined for the distributor data. The standardized effect of distributive fairness on FLEXSOL is low (0.153), but significant at $p < 0,01$. There are no other significant regression coefficients from the dimensions of fairness to dependent variable FLEXSOL (flexibility, solidarity) in this model. As for the information sharing, INFO, the other dependent variable; CONACT (two-way communication,

refutability, explanation, and knowledgeability) has a coefficient of size (0.71) on INFO, at $p < 0.10$ level of confidence. There are no other significant direct effects in the distributor factorial model.

Next, direct effects of fairness factors on relationship quality factors are examined for the model. First, the effects of fairness factors on relationship quality factor TCI are scrutinized. CONACT > TCI has a value of (0.765). This is the largest coefficient among all relationships between fairness and relationship quality factors. Practically, it means that CONACT'ing is the most important factor in creating growth orientation (TCI) which is an essential aspect of marketing channel partnerships. As a matter of fact, growth orientation or TCI has the largest direct effect on relational behavior FLEXSOL creating a powerful path. Indeed, CONACT has the greatest total effect (0.905) on FLEXSOL via its indirect effect (0.953) on the latter mediated by TCI. This path communicates that; CONACT which involves communication, understanding and inclusion, creates a growth mindset (TCI) in channel partner; which in return triggers the latter's relational behavior FLEXSOL, a behavior exceptionally most needed to drive initiatives home.

Second largest coefficient between fairness and relational behavior factors belongs to the relationship between CONACT and EXP (-0.725).First, an overall observation about the findings must be laid out before interpreting this coefficient: the coherence of the direction of all relationships with other factors in the model is suggestive that the effect of EXP factor for the research data captures an obligation of continuity rather than an expectation of continuity. This is not against the common sense as one examines dominant sales shares of marketing firms in each category. With this realization, CONACT'ing can be said to reduce that negative feeling of obligation captured in EXP which itself can be anticipated to have negative

consequences on relational behaviors, and definitively on FLEXSOL. Sure enough, EXP has a moderately strong negative effect on FLEXSOL (-0.582). This path than reveals another valuable insight: CONACT contributes to FLEXSOL also by lowering EXP which in return has a lowering effect on FLEXSOL itself. It can be simplified as that CONACT contributes to FLEXSOL by augmenting what has a positive effect and by lowering what has a diminishing effect on FLEXSOL.

Third largest coefficient in fairness and relationship quality factorial relationships is the effect of impartiality, or the effect of IMP on EXP (0.599). This should come as no surprise as IMP hosts an implied indication of an ability not to make any individual favors. This relationship is behind the negative indirect effect of IMP on FLEXSOL mediated by EXP. Therefore, impartiality, although praised openly in the field, exerts a negative effect on relational behavior FLEXSOL. Interestingly, when complemented by courtesy items, IMPCO, has a positive effect on EXP. Unfortunately, courtesy items had to be ousted from the distributor model due to residual covariance modification index or model fit issues.

Fourth largest effect in fairness and relationship quality dimensions' factorial interactions is the positive effect of distributive fairness (DSTFR) on emotions (0.457). However, this does not create a fourth path onto relational behaviors as emotions (AC) does have no direct effects on either of the relational behaviors. Nevertheless, distributive fairness has a positive indirect effect on FLEXSOL (0,153) mediated by TCI.

Model fit values for the structural equation model with factorial design and distributor data are all acceptable or excellent. Therefore, it is concluded that factorial design model fits the distributor data well. The results of the model fit analyses are shown in Table 54.

Table 54. Model Fit Measures Structural Equation Model - Factorial Distributor

Model Fit Measures			
Measure	Estimate	Threshold	Interpretation
CMIN	2340.736	--	--
DF	997	--	--
CMIN/DF	2.348	Between 1 and 3	Excellent
CFI	0.922	> 0.95	Acceptable
SRMR	0.057	< 0.08	Excellent
RMSEA	0.058	< 0.06	Excellent
PClose	0	> 0.05	Not Estimated

Finally, indirect effects and mediating role of relationship quality dimensions between fairness and relational behavior dimensions are also studied for the distributor data. The findings of the mediation analysis for the factorial model of the distributor data are shown in Table 55. EXP, with its obligational sense revealed, has a full mediating effect of (-0.335) for IMP (impartiality, practically a measure of detachment, or avoidance of getting personal) on FLEXSOL (flexibility, solidarity) at $p < 0.01$ level of confidence. TCI (trust, commitment and willingness to invest in relationship which together are representative of growth orientation of retailer) and EXP also fully mediate CONACT's (two-way communication, refutability, explanation and knowledgeability) effect on FLEXSOL (flexibility, solidarity); the size of the mediation effect is 0.953 and is significant at $p < 0.01$ level of confidence. The results for the distributor factorial model are shown in Appendix C.

Table 55. Mediating Effects Structural Equation Model - Factorial Distributor

Hypotheses	Standardized Direct Effect	Standardized Indirect Effect	Standardized Total Effect	Mediating Effect
IMPCO > TCI	-	_	_	
CONACT > TCI	0.765**	_	0.765**	
DSTFAIR > TCI	0.163**	_	0.163**	
IMPCO > AC	-	_	_	
CONACT > AC	-	_	0.325**	
DSTFAIR > AC	0.457**	_	0.482**	
IMPCO > EXP	0.599**	_	0.617**	
CONACT > EXP	-0.725**	0.697**	_	
DSTFAIR > EXP	-	0.261**	_	
TCI > EXP	0.796**	_	0.836**	
AC > EXP	0.271**	_	0.271*	
IMPCO > FLEXSOL	-0.068	-0.335**	-0.403**	
CONACT > FLEXSOL	-0.047	0.953**	0.905**	
DSTFAIR > FLEXSOL	0.153!	0.119!	0.272**	
TCI > FLEXSOL	1.222**	-0.486**	0.736**	
AC > FLEXSOL	-	-0.158*	-0.155!	
EXP > FLEXSOL	-0.582**	-	-0.582**	
IMPCO > INFO	-	_	_	
CONACT > INFO	0.714*	-	0.36**	
DSTFAIR > INFO	-	_	0.146*	
TCI > INFO	-2.071**	2.485**	0.414**	
AC > INFO	-	_	0.193!	
EXP > INFO	1.721**	-0.833**	0.887**	
FLEXSOL > INFO	1.431**	-	1.431**	
IMPCO > EXP- > FLEXSOL		-0.335**		FULL
CONACT > TCI / -EXP- > FLEXSOL		0.953**		FULL

In the same manner, the relationships between the dimensions for the firm data is shown in Figure 15.

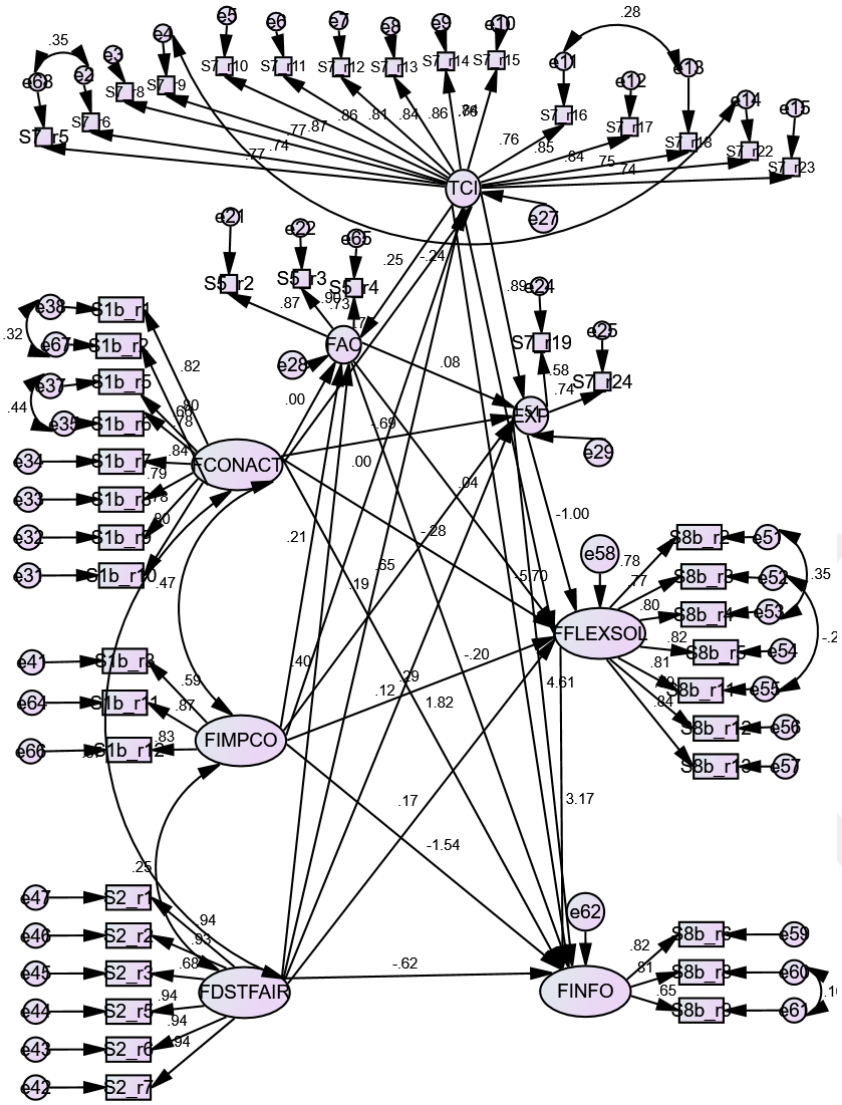


Figure 15 Factorial model firm

To begin with direct effects of the fairness factors on relational behaviors are observed. The standardized effect of DSTFAIR, distributive fairness, on FLEXSOL is low (0.165), however significant at $p < .10$ ($p = 0.082$). There are no other significant regression coefficients from the dimensions of fairness (CONACT, IMPCO, DSTFAIR) to dependent variable FLEXSOL (flexibility, solidarity) for the firm model. As for INFO, information sharing, the other dependent variable in factorial firm model, there are no regression weights with significance at $p < .10$

level of confidence. In this model, similar to the distributor model, the lower dimensions of the independent constructs do not have a rich direct relationship map with the lower dimensions of the dependent construct.

Next, direct effects of fairness factors on relationship quality factors are examined for the firm factorial model. First, the effects of fairness factors on relationship quality factor TCI are scrutinized. CONACT > TCI has a value of (0.754). This is the largest coefficient among all relationships between fairness and relationship quality factors. Practically it means that CONACT'ing is the most important factor in creating growth orientation, an essential ingredient for marketing channel partnerships. As a matter of fact, growth orientation or TCI has, in return, the largest direct effect (1.514) on relational behavior FLEXSOL. Indeed, CONACT has the greatest total effect (0.876) on FLEXSOL via its indirect effect (1.154) on the latter mediated by TCI. This important path which begins with CONACT, creates a growth mindset in channel partner which in return triggers the latter's relational behavior FLEXSOL, a behavior most needed for executional excellence.

Second largest coefficient between fairness and relational behavior factors belongs to the relationship between CONACT and EXP (-0.691). In line with distributor model, EXP factor for the firm research data captures an obligation of continuity rather than an expectation of continuity. With this realization, CONACT'ing can be said to reduce that negative feeling of obligation captured in EXP which itself can be anticipated to have negative consequences on relational behaviors, definitively on FLEXSOL. As expected, EXP has a strong negative effect on FLEXSOL (-0.996), almost twice bigger compared to distributor. This path than reveals another valuable insight: CONACT contributes to FLEXSOL also by

lowering EXP which in return has a lowering effect on FLEXSOL itself. Twice as much influential for the firm compared to distributor. It can be said that CONACT contributes to FLEXSOL by augmenting what has a positive effect and by lowering what has a diminishing effect on FLEXSOL.

CONACT has similar effects on FLEXSOL for the firm and distributor data. However, it does have no direct or indirect effect on INFO for the firm. Information sharing is triggered by different fairness factors, namely distributive fairness and impartiality-courtesy (IMPCO) in the firm model. Both DSTFAIR and IMPCO's effects on INFO are indirect and they have different triggering mechanisms, meaning they have different relationship quality factors as mediators. DSTFAIR is mediated by TCI on INFO, whereas IMPCO is mediated by EXP. As an important difference, IMPCO and DSTFAIR have no direct or indirect effect on INFO for distributor. For the distributor, the path to INFO is paved by CONACT'ing indeed.

Third largest coefficient in fairness and relationship quality factorial relationships is the effect of IMPCO on EXP (0.646). IMPCO, as outlined before, presents an implied ableness not to make any individual favors in the heat of the sales pressures. This holding back or sticking to the rules is behind the negative indirect effect of IMP on FLEXSOL mediated by EXP. IMPCO firm also has an indirect effect on INFO mediated by EXP (1,866). This additional effect compared to the distributor, may be a sign of how the firm weighs heavier on the retailer by virtue of being the origin for continuity of the relationship as EXP has a high positive effect on INFO.

Fourth largest effect in fairness and relationship quality dimensions' factorial scheme is the positive effect (0.405) of DSTFR, distributive fairness on AC, emotions. However, this does not create a fourth path onto relational behaviors as

AC, emotions do have no direct effects on either of the relational behaviors. Nevertheless, distributive fairness has a positive indirect effect on INFO (0,781) mediated by TCI.

Model fit values for the structural equation model with factorial design and firm data are all excellent. Therefore, it is concluded that factorial design model fits the firm data very well. The results of the model fit analyses are shown in Table 56.

Table 56. Model Fit Measures Structural Equation Model - Factorial Firm

Model Fit Measures			
Measure	Estimate	Threshold	Interpretation
CMIN	2344.199	--	--
DF	998	--	--
CMIN/DF	2.349	Between 1 and 3	Excellent
CFI	0.92	> 0.95	Acceptable
SRMR	0.063	< 0.08	Excellent
RMSEA	0.058	< 0.06	Excellent
PClose	0	> 0.05	Not Estimated

Finally, indirect effects and mediating role of the relationship quality dimensions for the fairness dimensions on relational behavior dimensions for the firm model are also studied. The findings of the mediation analysis for the factorial model of the firm data are shown in Table 57. First of all, EXP has a full mediating effect of (1.866) for IMPCO of the firm on INFO (information sharing) at $p < 0,01$ level of confidence. TCI also partially mediates DSTFAIR's effect on INFO; the size of the mediation effect is 0.781 and is significant at $p < 0,01$ level of confidence. There are also two mediation paths for the other dependent variable FLEXSOL. EXP has a full mediating effect of (-0,651) for IMPCO of the firm on FLEXSOL at $p < 0.01$ level of confidence. Finally, TCI and EXP together mediate CONACT's effect

on FLEXSOL with a value of 1.154 and at $p > 0,01$ significance level. The results for the firm factorial model are shown in Appendix D.

Two of the results for the above models deserve to be underlined. First of all, CONACT is the fairness dimension with the greatest contribution to FLEXSOL by mainly nurturing growth orientation, TCI, for both the firm and the distributor. Second, close examination of relationships of EXP with other variables, together with the answers to open ended questions for affective conflict, suggest that EXP captures not a hopeful but rather a solemn acceptance of continuation. That is even if the retailer is not happy carrying the product line, the continuation of the relationship is unavoidable given the dominating shares of the participating firms in the sales and profit structure of the participating retailers (Appendix E).

In a nutshell factorial models reveal a matrix of complementary skills for firm and distributor dyads. To begin with, distributor's CONACT on INFO and firm's DSTFAIR on FLEXSOL are the only direct effects on relational behaviors for fairness factors in both models. Furthermore, firms seem to have a sharper edge on information gathering, INFO, when providing IMPCO and DSTFAIR, whereas distributor's DSTFAIR brings out FLEXSOL. The effects of CONACT and IMPCO on FLEXSOL are similar for the firm and the distributor. A summary for paths to obtain relational behaviors and a proposition on how to be a complementary firm - distributor dyad is shown in Table 58.

Table 57. Mediation Effects Structural Equation Model - Factorial Firm

Hypotheses	Standardized Direct Effect	Standardized Indirect Effect	Standardized Total Effect	Mediating Effect
IMPCO > TCI	-	-	-	
CONACT > TCI	0.754**	-	0.754**	
DSTFAIR > TCI	0.186**	-	0.186**	
IMPCO > AC	0.214**	-	0.215**	
CONACT > AC	-	0.19*	0.194**	
DSTFAIR > AC	0.405**	0.047*	0.452**	
TCI > AC	0.252*	-	0.252*	
IMPCO > EXP	0.646**	-	0.664**	
CONACT > EXP	-0.691**	0.685**	-	
DSTFAIR > EXP	-	0.201**	0.317**	
TCI > EXP	0.889**	-	0.909**	
AC > EXP	-	-	-	
IMPCO > FLEXSOL	-	-0.651**	-0.361**	
CONACT > FLEXSOL	-	1.154**	0.876**	
DSTFAIR > FLEXSOL	0.165*	-	0.149**	
TCI > FLEXSOL	1.514**	-0.895**	0.618**	
AC > FLEXSOL	-	-	-	
EXP > FLEXSOL	-0.996**	-	-0.996**	
IMPCO > INFO	-	1.866*	0.321**	
CONACT > INFO	-	-	0.239**	
DSTFAIR > INFO	-0.617!	0.781**	0.165*	
TCI > INFO	-5.702**	6.102**	0.40*	
AC > INFO	-	-	-	
EXP > INFO	4.611**	-3.161**	1.45*	
FLEXSOL > INFO	3.174**	-	3.174*	
MEDIATIONS				
IMPCO > EXP > INFO		1.866*		FULL
DSTFAIR > TCI > INFO		0.781**		PARTIAL
IMPCO > EXP > FLEXSOL		-0.651**		FULL
CONACT > TCI / -EXP- > FLEXSOL		1.154**		FULL

Table 58. A Suggestion Matrix on how to be a Complementary Firm - Distributor Dyad in Triggering Relational Behaviors

Relational Behavior	Direct Triggers	Indirect Triggers	Mediator(s)
INFO	CONACT - D	IMPCO - F DSTFAIR - F	EXP TCI
FLEXSOL	DSTFAIR - F	DSTFAIR - D CONACT - D & F IMPCO - D & F	TCI TCI & EXP EXP

CHAPTER 6

CONCLUSION

In marketing channels where long - term relationships are characterizing aspect; relational behaviors are important variables of interest and subject to intensive research. Adapted by channel researchers out of Macneil's original relational norms; flexibility, solidarity and information sharing are three relational behaviors that interest marketing channels most as they have a conclusive saying in the success or failure of most marketing initiatives. What are the most important factors that drive relational behaviors from the channel partners? Which one has the greatest impact on them? Fairness of the channel partner; or, trust, commitment, affect, long-term orientation towards the channel partner? Is distributive fairness, the factor that occupies most of the verbal exchange between partners, more important than the procedural fairness? Is fairness more important than relationship quality? Does relationship quality influence relational behaviors? What happens when there is a shortage of fair practices? Is it worth investing in relationship quality for those times of trouble: unfair treatments? How do these factors' effects on relational behaviors vary for the firm and the distributor, if they do? Where should the exchange partners put more emphasis upon to get relational behaviors? Where should each member of the firm distributor dyad be interested to invest most? These questions were at the roots of this research where the relationship between fairness and relational behaviors and the mediating role of relationship quality were studied.

The research was conducted with data that was gathered from four hundred independent retailers. The research sought to understand the intertwined relationships between the retailer, the brand marketing company or simply the firm and its

exclusive territorial sales distributor, simply the distributor. The study encompasses, for both the distributor and the firm: the testing of (1) the effects of the fairness and (2) relationship quality on relational behaviors, and (3) the mediation role of relationship quality on relational behaviors for fairness. The relationships were modeled separately for the firm and the distributor data and interpreted comparatively with the aim of shedding light on how to improve the dyad's mutual performance. In other words, on how to increase relational behaviors of the retailer towards the dyad. By dyad it is meant the firm and its exclusive territorial distributor. Scales were developed benefiting from existing literature and tested for reliability and validity for the research data. Structural equation modeling was used to test the research data.

Theoretical models reveal six important relationship categories for the research data. First, procedural fairness has a significant effect on relationship quality. Second, distributive fairness has a significant effect on relationship quality. Third, procedural fairness has approximately five times more leverage on relationship quality compared to distributive fairness. Fourth, only procedural fairness of the firm has a direct effect on relational behavior amongst the fairness variables. Fifth, relationship quality has a significant and large effect on relational behavior. Sixth, relationship quality mediates procedural and distributive fairness' effects on relational behavior. The factorial models additionally point out to mediation paths that maximize the effects on relational behaviors. Each path consists of a fairness dimension as independent variable, a relationship quality dimension as mediating variable, and a relational behavior dimension as dependent variable. The path with greatest coefficients is the CONACT > TCI > FLEXSOL mediation path. The factorial models also suggest that mediating paths to a particular relational

behavior might be different for the firm and the distributor. For example, to activate information sharing behavior; the distributor should CONACT and the firm should provide IMPCO and DSTFAIR. This differentiation opens the door for suggestions on how to effective complement each other for the firm - distributor dyad. The remainder of this chapter is a detailed discussion of these findings and their practical and academic implications.

First finding is the significant effect of procedural fairness on relationship quality (0.713 and 0.845 for the firm and the distributor) in line with channel marketing literature (Kumar et al., 1995). The effect of distributive fairness is also significant on relationship quality; however, the size of the effect is much smaller (0.143 and 0.147 respectively). There is an important and very positive message in the ratio of the effects of procedural fairness versus distributive fairness. It tells marketing firms that it is well worth investing in procedural fairness or in practical terms management of relationships. It shows that even if distributive fairness is somehow not perceived high, the game is not over. The only sustainable game is to put forward elements of fair management by boundary personnel. Because fair management of relationships or being procedurally fair is an internal resource of the company that can be tracked, measured and developed. Distributive fairness issues generally dominate most of the communication and are feared to be disengaging in relationships. However, the results of this study show that the leverage of procedural fairness on relationship quality is around five times compared to distributive fairness. This is encouraging news as it points out to a fertile and more manageable area to develop better relationships.

Relationship quality is a multi-dimensional construct. It binds together trust, commitment, emotions and long-term orientation into one composite measure that is

informative about the nature of the relationship. The factors that make up relationship quality, have been researched separately in various studies in terms of their effects on relational behaviors (Yılmaz et al., 2005; Jap et al., 1999).

Just like there are power failures that prevent machines from delivering products, there are fairness shortages in relationships. Unfair practices do occur during a long-term relationship between channel partners just like power failures happen unexpectedly. They happen because of various reasons: for example, lack of skill, lack of positive attitude, wrong strategy, bad execution. Relationship quality may be pictured as an emergency power supply for relationships to survive power failures that would be equivalent to short lived unfair practices. Relationship quality is a state of positive attitude that can be nourished by fair practices, and in return it can help channel partners to survive the effects of unfair practices and buy some time for constructive feedback.

Second finding of the study is the effect of relationship quality on relational behavior for both the firm and the distributor (0.584 and 1.024 respectively). The coefficient between relationship quality and relational behavior for the distributor is also the largest one of the studies. In fact, this is the most important relationship for the distributor. Both for the distributor and the firm relationship quality variable which has significant effect on relational behavior. This finding establishes relationship quality as an antecedent for relational behavior. This result is backed by the literature (Jap et. Al, 1999). Retailers that experience higher relationship quality with their channel partners will provide higher relational behavior in return. Retailers that trust and that are committed to their channel partners with a positive affect and an expectation of continuity are more flexible in their dealings and provide more solidarity and information to their suppliers.

In the structural equation model of the study where relationship quality is introduced as mediating variable, mediation of relationship quality brings out the indirect effect of fairness on relational behaviors. Otherwise both procedural and distributive fairness of the distributor and distributive fairness of the firm have no significant direct effects on relational behavior of the retailer.

The indirect effects of procedural fairness on relational behavior are 0.416 and 0.865 for the firm and the distributor respectively. The direct effect of procedural fairness on relational behavior for the distributor is found to be insignificant (-0.011). Hence, procedural fairness for the distributor has no direct effect on relational behavior. There is full mediation for procedural fairness on relational behavior for the distributor (0.855).

The case for the firm is somehow different. Procedural fairness of the firm has a significant direct effect (0.383) on relational behavior even in the presence of relationship quality as a mediating variable. Furthermore, the size of its total effect on relational behavior is increased (0.800) by partial mediation of relationship quality.

On the side of the distributive fairness, the indirect effects of distributive fairness on relational behavior are 0.083 for the firm and non-existent for the distributor. The direct effect of distributive fairness on relational behavior for the distributor is also found to be insignificant (-0.03). Hence, distributive fairness for the distributor has no direct nor indirect effect on relational behavior. Relationship quality does not mediate for distributive fairness of the distributor onto relational behavior. However, distributive fairness has a significant positive effect on the relationship quality for the distributor data. The direct effect for distributive fairness of the firm on relational behavior is also not significant (0.074). However, the size of

its total effect on relational behavior is increased (0,157) by full mediation of relationship quality.

The literature on the mediating effect of relationship quality for fairness on relational behavior is rather limited. However, similar mediation findings for lower dimensions of the relationship quality such as trust, commitment and long-term orientation do exist for different contexts (Andaleeb, 1995; Geyskens et al., 1996).

At the end of the study, relationship quality is established to have full mediating effect in the relation of procedural fairness (0.416 for the firm and 0.865 for the distributor respectively) with relational behavior in independent retailer context given the sampled data. It is also determined for the same sample that relationship quality plays a mediating role between the distributive fairness and relational behavior for the firm data. A practical interpretation for the results is possible. Retailers hold the firm accountable for procedural fairness and the distributor must have good relationship quality. The latter is common sense, but the former can be an eye opener for the firms. Furthermore, distributive fairness is only effective on relational behaviors when mediated by relationship quality.

In that respect, this research is believed to contribute to channels marketing literature and to managerial practice in FMCG sector, and distribution channels. Independent convenience retailers, a large number of locally owned independent shops are an important part of the social texture of the neighborhood and Turkish channel market segmentation. It is a unique and dynamic segment for Turkish individuals with entrepreneurship appetite, a big heart and mostly limited capital. They provide a public service in a somehow traditional segment of FMCG that is labor intensive and stressful. Management practice in this segment demands a higher degree of solidarity, flexibility and information sharing amongst the channel

members, or in other words the provision of relational behaviors. Hence understanding relational behaviors and their antecedents is of great importance. Suppliers must precisely comprehend the consequences of their management style on the behavior of this special set of small business owners to tap on their relational behaviors. Therefore, fairness and its effects on relationship quality and relational behaviors assume great value for this context.

Based on the results of the research, human resources may consider including fairness dimensions in its evaluation and development procedures. Evaluating boundary personnel's customer perception for fairness dimensions would add value to the organization as a whole as they each point individually to an area of personal improvement. This would lead to a plan for the improvement of the skill itself or its perception. Furthermore, the effect size of procedural fairness on relationship quality for the data suggests an opportunity for the suppliers to look ahead of the usual grind of everyday conflicts over profits with customers. Shared profits are somehow limited by external factors and governed by the invisible hand of the market, however its effect on the relationship quality and on relational behaviors is also low compared to the effect of procedural fairness. Therefore, suppliers that pay attention to implementation of procedural fairness dimensions, would benefit in greater increments from increased relationship quality and in return increased relational behavior from their customers. For example, refutability and explanation are rather two very sought after but less offered dimensions of the fairness based on the research data. The incremental adoption of these dimensions by suppliers to govern relationships, would not only benefit the trade segment, but a larger section of the society as a whole due to former's vast stretch over socio-economical map. In fact, this line of research led to improvements on trade laws in many developed countries.

As mediating effect of relationship quality (0.416 and 0.865 for the firm and the distributor respectively) between procedural fairness and relational behavior is evaluated, retailer's perception to have a higher degree of relationship quality with their suppliers has an increasing effect on their relational behaviors. In that respect, boundary personnel who provide procedural fairness in their dealings with the customers would facilitate their relational behaviors. Two-way communication, refutability of supplier's decisions, explanation of new undertakings that effect the retailers, knowledgeability about retailer's working conditions, impartiality in carrying out daily operations and finally courtesy will add to relationship quality score. All of these management style preferences will therefore contribute to retailers' increased relational behavior.

When evaluating the importance of relational behavior to marketing channels, one may think of the example of well-oiled engine. In a well-oiled engine, the parts move effortlessly, turning energy into action efficiently. If the energy for a smooth action in the business machine is the fairness, relationship quality is the oil and the action is relational behavior. As the result of an effective machine is the resource efficiency, same can be said for the channels. With trust and commitment at its heart, relationship quality would diminish the cost of over control and destructive conflicts. Hence, the relational behaviors will prevail. There are extensive research showing the effects of trust, commitment and other relationship quality dimensions' individual effects on the performance (Morgan and Hunt, 1994; Kumar et al., 1995).

An important responsibility lays in the hands of suppliers' leadership as to adapt fair management dimensions to everyday practice. This fairness movement must begin with internalization of the fairness values and communication of their immediate benefits. The follow up of healthy implementation of these values should

be part of human resources evaluation procedures. The evaluation of boundary personnel should not be assumed complete without the customer perception score concerning fair management principles. A trade segment that perceives itself valued and participative is a great value not only for the channel members but also for the whole society with its overreaching social ramifications.

Exploratory and confirmatory factor analyses established lower dimensions for the main scales. In the study, the relationships between the lower dimensions of fairness, relationship quality and relational behavior scales were also examined for their practical importance. These findings can be instrumental for further development of boundary personnel skill pool and for successful management of business relationships. There are several ways of looking at the ample information provided by factorial models and it is easy to get lost in interpretations. One way to look at these rather complex models, is to look for the answer to a simple question: which path works best for which channel partner to increase relational behaviors from the retailer? Or otherwise said, which causal paths have largest coefficients? With this question in perspective, CONACT dimension has the largest direct and indirect effect coefficients on behavioral factors for the distributor. CONACT's direct effect on INFO is the greatest among significant direct effects on this dimension of relational behavior (0.714*); and again, CONACT's indirect effect on FLEXSOL (0.953**) is the largest for this component of relational behavior. Closer look at the relationships between CONACT and RQ dimensions reveal two strong paths: CONACT > TCI (growth orientation) > FLEXSOL and CONACT > EXP > FLEXSOL. Hence, CONACT'ing skills; two-way communication, explanation, knowledgeability and refutability are the most important skills for distributors to display in order to cultivate both relational behaviors. This is in line with what is

practically expected from distributors in the field: to have a close connection with the retailers.

For the firm, only significant direct relationship between the fairness and behavioral dimensions is the effect of DSTFAIR on INFO. This is important to note as SOLFLEX dimension is more effective about what happens "now", because it effects the results of ongoing initiatives; whereas information sharing is more about "future" as relevant information will affect the future choices in possibly healthier manner. This can also be rephrased from opposite angle, as that there is a tactical aspect to FLEXSOL dimension and a rather strategical aspect to INFO dimension. Another message in this significance may be that retailer's distributive fairness expectation is addressed to the firm and not so much to the distributor. This is also in line with field observations. For the firm relationship quality factor TCI plays an important mediating role for fairness factor CONACT to tap on FLEXSOL. CONACT has a total effect of 0.876 on FLEXSOL fully mediated by TCI. In fact, this is very good news: procedural fairness, an internal organizational resource has greater effect on RQ and RB compared to distributive fairness which is more dependent on outside factors.

For further research, an area of interest would be to investigate the dependence of relational behaviors towards the firm and the distributor. For example, can the distributor, an independent profit-oriented company, invoke relational behaviors even though emotions or behaviors towards the firm are not favorable? Also, can we consider the time dimension for fairness and relationship quality. That is, can fairness be more recent history related than relationship quality? It would be interesting to design a research with two groups, one with high relationship quality and the other with low and measure the effect of fairness issues on the relational

behaviors. It would be interesting to see if the group with higher relationship quality would keep delivering relational behaviors for a longer period than the other group. What would determine the duration? How fast the group with low relationship quality reciprocate unfair treatment?

As an insurance policy for bad performance on the part of either of the supplying partners, it might be a good thing that retailer could differentiate between the two entities. Even in that case, it would be interesting to see how the relationships develop. Meaning, what would be the correlations for a group of high company RQ and low distributor RQ or vice versa.

APPENDIX A

STRUCTURAL EQUATION MODEL:

DISTRIBUTOR THEORETICAL REGRESSION WEIGHTS

			Std. E.	Estimate	S.E.	C.R.	P
BRQ	<---	BPF	0.84	1.024	0.092	11.16	***
BRQ	<---	DSTFAIR	0.143	0.106	0.029	3.597	***
BRB	<---	BPF	0.027	0.02	0.135	0.149	0.882
BRB	<---	DSTFAIR	0.001	0	0.022	0.012	0.991
BRB	<---	BRQ	0.988	0.596	0.13	4.595	***
CONACT	<---	BPF	0.954	1			
IMPCO	<---	BPF	0.661	0.745	0.068	11.016	***
AC	<---	BRQ	0.581	0.611	0.058	10.569	***
FLEXSOL	<---	BRB	0.817	1			
INFO	<---	BRB	0.609	0.621	0.075	8.328	***
TCI	<---	BRQ	0.979	1			
EXP	<---	BRQ	0.662	0.318	0.043	7.382	***
S7_r5	<---	TCI	0.767	1			
S7_r6	<---	TCI	0.732	0.982	0.05	19.665	***
S7_r8	<---	TCI	0.771	0.743	0.044	16.71	***
S7_r9	<---	TCI	0.863	0.823	0.043	19.235	***
S7_r10	<---	TCI	0.862	0.876	0.046	19.209	***
S7_r11	<---	TCI	0.818	0.851	0.047	17.989	***
S7_r12	<---	TCI	0.837	0.898	0.049	18.513	***
S7_r13	<---	TCI	0.859	0.872	0.046	19.133	***
S7_r14	<---	TCI	0.76	0.857	0.052	16.432	***
S7_r15	<---	TCI	0.846	0.833	0.044	18.735	***
S7_r16	<---	TCI	0.76	0.781	0.048	16.431	***
S7_r17	<---	TCI	0.846	0.876	0.047	18.764	***
S7_r18	<---	TCI	0.842	0.915	0.049	18.633	***
S7_r22	<---	TCI	0.75	0.76	0.047	16.143	***
S7_r23	<---	TCI	0.734	0.69	0.044	15.76	***
S3_r2	<---	AC	0.9	1			
S3_r3	<---	AC	0.895	0.947	0.043	22.278	***
S3_r4	<---	AC	0.713	0.619	0.037	16.585	***
S7_r19	<---	EXP	0.569	1			
S7_r24	<---	EXP	0.759	1.447	0.189	7.67	***
S1a_r10	<---	CONACT	0.808	1			
S1a_r9	<---	CONACT	0.81	0.891	0.048	18.589	***
S1a_r8	<---	CONACT	0.777	0.96	0.055	17.55	***
S1a_r7	<---	CONACT	0.793	0.929	0.051	18.054	***
S1a_r6	<---	CONACT	0.809	1.082	0.058	18.541	***
S1a_r5	<---	CONACT	0.709	0.976	0.063	15.512	***
S1a_r2	<---	CONACT	0.802	0.97	0.053	18.294	***
S1a_r1	<---	CONACT	0.829	0.953	0.05	19.195	***
S1a_r3	<---	IMPCO	0.879	1			
S2_r7	<---	DSTFAIR	0.933	1			
S2_r6	<---	DSTFAIR	0.949	1.017	0.027	38.318	***
S2_r4	<---	DSTFAIR	0.946	1.041	0.027	37.92	***
S2_r3	<---	DSTFAIR	0.665	0.617	0.037	16.57	***
S2_r2	<---	DSTFAIR	0.93	0.984	0.028	35.501	***
S2_r1	<---	DSTFAIR	0.938	1.03	0.028	36.634	***
S8_r1	<---	FLEXSOL	0.707	1			
S8_r2	<---	FLEXSOL	0.827	1.597	0.101	15.743	***

S8_r3	<---	FLEXSOL	0.764	1.173	0.08	14.608	***
S8_r4	<---	FLEXSOL	0.807	1.474	0.096	15.354	***
S8_r11	<---	FLEXSOL	0.822	1.205	0.077	15.652	***
S8_r12	<---	FLEXSOL	0.773	1.243	0.084	14.715	***
S8_r6	<---	INFO	0.735	1			
S8_r8	<---	INFO	0.795	1.085	0.106	10.214	***
S1a_r11	<---	IMPCO	0.576	0.533	0.065	8.226	***
S8_r9	<---	INFO	0.705	1	0.106	9.417	***
S8_r5	<---	FLEXSOL	0.85	1.527	0.094	16.192	***

APPENDIX B

STRUCTURAL EQUATION MODEL:

FIRM THEORETICAL REGRESSION WEIGHTS

			Std. E.	Estimate	S.E.	C.R.	P
FRQ	<---	FPF	0.713	0.692	0.073	9.525	***
FRQ	<---	FDSTFAIR	0.143	0.084	0.023	3.664	***
FRB	<---	FDSTFAIR	0.074	0.051	0.027	1.859	0.063
FRB	<---	FRQ	0.584	0.681	0.111	6.106	***
FRB	<---	FPF	0.383	0.434	0.107	4.046	***
FCONACT	<---	FPF	1.02	1			
FIMPCO	<---	FPF	0.582	0.575	0.069	8.33	***
FFLEXSOL	<---	FRB	0.867	1			
FINFO	<---	FRB	0.527	0.432	0.051	8.431	***
FAC	<---	FRQ	0.473	0.627	0.071	8.817	***
EXP	<---	FRQ	0.659	0.398	0.052	7.663	***
TCI	<---	FRQ	1.058	1			
S7_r6	<---	TCI	0.733	1.322	0.084	15.804	***
S7_r8	<---	TCI	0.77	1			
S7_r9	<---	TCI	0.873	1.121	0.057	19.656	***
S7_r10	<---	TCI	0.862	1.18	0.061	19.361	***
S7_r11	<---	TCI	0.816	1.142	0.063	18.035	***
S7_r12	<---	TCI	0.837	1.209	0.065	18.632	***
S7_r13	<---	TCI	0.858	1.173	0.061	19.245	***
S7_r14	<---	TCI	0.76	1.154	0.07	16.521	***
S7_r15	<---	TCI	0.842	1.117	0.059	18.781	***
S7_r16	<---	TCI	0.761	1.052	0.064	16.524	***
S7_r17	<---	TCI	0.847	1.181	0.062	18.927	***
S7_r18	<---	TCI	0.84	1.229	0.066	18.701	***
S7_r22	<---	TCI	0.745	1.016	0.063	16.091	***
S7_r23	<---	TCI	0.735	0.93	0.059	15.869	***
S5_r2	<---	FAC	0.934	1			
S5_r3	<---	FAC	0.853	0.858	0.062	13.785	***
S1b_r9	<---	FCONACT	0.784	0.923	0.053	17.502	***
S1b_r8	<---	FCONACT	0.79	1.046	0.059	17.666	***
S1b_r7	<---	FCONACT	0.844	1.035	0.054	19.338	***
S1b_r1	<---	FCONACT	0.816	1.029	0.056	18.472	***
S1b_r3	<---	FIMPCO	0.806	1			
S2_r7	<---	FDSTFAIR	0.936	1			
S2_r6	<---	FDSTFAIR	0.94	1.004	0.027	37.46	***
S2_r5	<---	FDSTFAIR	0.943	1.028	0.027	37.989	***
S2_r3	<---	FDSTFAIR	0.674	0.623	0.037	16.996	***
S2_r2	<---	FDSTFAIR	0.935	0.985	0.027	36.578	***
S2_r1	<---	FDSTFAIR	0.937	1.026	0.028	36.992	***
S8b_r2	<---	FFLEXSOL	0.778	1			
S8b_r3	<---	FFLEXSOL	0.774	0.798	0.048	16.545	***
S8b_r4	<---	FFLEXSOL	0.795	1.023	0.047	21.743	***
S8b_r5	<---	FFLEXSOL	0.826	1.052	0.058	18.088	***
S8b_r11	<---	FFLEXSOL	0.809	0.791	0.045	17.509	***
S8b_r12	<---	FFLEXSOL	0.791	0.895	0.052	17.122	***
S8b_r13	<---	FFLEXSOL	0.836	0.964	0.052	18.367	***
S8b_r6	<---	FINFO	0.833	1			
S8b_r8	<---	FINFO	0.789	0.902	0.087	10.41	***
S8b_r9	<---	FINFO	0.648	0.694	0.076	9.156	***

S1b_r11	<---	FIMPCO	0.624	0.663	0.085	7.844	***
S1b_r10	<---	FCONACT	0.8	1			
S7_r24	<---	EXP	0.751	1.416	0.171	8.262	***
S1b_r5	<---	FCONACT	0.673	1.034	0.072	14.363	***
S1b_r6	<---	FCONACT	0.783	1.135	0.065	17.444	***
S7_r19	<---	EXP	0.576	1			

APPENDIX C

STRUCTURAL EQUATION MODEL:

DISTRIBUTOR FACTORIAL REGRESSION WEIGHTS

			Std. E.	Estimate	S.E.	C.R.	P
TCI	<---	CONACT	0.765	0.916	0.078	11.761	***
TCI	<---	IMPCO	0.02	0.024	0.073	0.335	0.738
TCI	<---	DSTFAIR	0.163	0.124	0.03	4.172	***
AC	<---	CONACT	0.211	0.245	0.118	2.073	0.038
AC	<---	IMPCO	0.008	0.009	0.095	0.096	0.923
AC	<---	DSTFAIR	0.457	0.336	0.041	8.175	***
AC	<---	TCI	0.149	0.144	0.087	1.667	0.096
EXP	<---	CONACT	-0.725	-0.405	0.079	-5.094	***
EXP	<---	IMPCO	0.599	0.339	0.065	5.234	***
EXP	<---	DSTFAIR	-0.119	-0.042	0.028	-1.525	0.127
EXP	<---	TCI	0.796	0.371	0.06	6.2	***
EXP	<---	AC	0.271	0.13	0.038	3.438	***
FLEXSOL	<---	CONACT	-0.047	-0.039	0.127	-0.305	0.76
FLEXSOL	<---	IMPCO	-0.067	-0.056	0.103	-0.544	0.587
FLEXSOL	<---	DSTFAIR	0.153	0.08	0.03	2.699	0.007
FLEXSOL	<---	EXP	-0.583	-0.859	0.242	-3.55	***
FLEXSOL	<---	AC	0.003	0.002	0.048	0.05	0.96
FLEXSOL	<---	TCI	1.222	0.84	0.121	6.959	***
INFO	<---	CONACT	0.7	0.51	0.304	1.677	0.093
INFO	<---	IMPCO	-0.242	-0.178	0.217	-0.821	0.411
INFO	<---	DSTFAIR	-0.146	-0.068	0.062	-1.094	0.274
INFO	<---	AC	-0.078	-0.049	0.106	-0.463	0.644
INFO	<---	TCI	-2.073	-1.261	0.644	-1.958	0.05
INFO	<---	EXP	1.697	2.215	0.959	2.31	0.021
INFO	<---	FLEXSOL	1.442	1.277	0.528	2.416	0.016
S7_r5	<---	TCI	0.772	1			
S7_r6	<---	TCI	0.738	0.984	0.05	19.827	***
S7_r8	<---	TCI	0.767	0.735	0.044	16.758	***
S7_r9	<---	TCI	0.861	0.816	0.042	19.397	***
S7_r10	<---	TCI	0.862	0.871	0.045	19.432	***
S7_r11	<---	TCI	0.817	0.844	0.047	18.121	***
S7_r12	<---	TCI	0.837	0.892	0.048	18.699	***
S7_r13	<---	TCI	0.86	0.868	0.045	19.366	***
S7_r14	<---	TCI	0.761	0.853	0.051	16.595	***
S7_r15	<---	TCI	0.845	0.827	0.044	18.909	***
S7_r16	<---	TCI	0.76	0.776	0.047	16.563	***
S7_r17	<---	TCI	0.846	0.87	0.046	18.948	***
S7_r18	<---	TCI	0.841	0.909	0.048	18.81	***
S7_r22	<---	TCI	0.751	0.757	0.046	16.318	***
S7_r23	<---	TCI	0.734	0.686	0.043	15.89	***
S3_r3	<---	AC	0.894	1			
S3_r4	<---	AC	0.726	0.667	0.039	17.135	***
S1a_r10	<---	CONACT	0.807	1			
S1a_r9	<---	CONACT	0.812	0.895	0.049	18.326	***
S1a_r8	<---	CONACT	0.776	0.962	0.055	17.489	***
S1a_r7	<---	CONACT	0.795	0.933	0.052	18.076	***
S1a_r6	<---	CONACT	0.807	1.082	0.059	18.425	***
S1a_r5	<---	CONACT	0.71	0.979	0.063	15.511	***
S1a_r2	<---	CONACT	0.801	0.97	0.053	18.202	***

S1a_r1	<---	CONACT	0.83	0.956	0.05	19.154	***
S1a_r4	<---	IMPCO	0.856	1.065	0.062	17.108	***
S1a_r3	<---	IMPCO	0.806	1			
S2_r7	<---	DSTFAIR	0.932	1			
S2_r6	<---	DSTFAIR	0.949	1.018	0.027	38.316	***
S2_r4	<---	DSTFAIR	0.946	1.041	0.028	37.767	***
S2_r3	<---	DSTFAIR	0.669	0.621	0.037	16.751	***
S2_r2	<---	DSTFAIR	0.93	0.984	0.028	35.397	***
S2_r1	<---	DSTFAIR	0.938	1.031	0.028	36.527	***
S8_r1	<---	FLEXSOL	0.677	1			
S8_r2	<---	FLEXSOL	0.845	1.703	0.111	15.389	***
S8_r3	<---	FLEXSOL	0.762	1.221	0.087	14.014	***
S8_r4	<---	FLEXSOL	0.817	1.557	0.104	14.936	***
S8_r5	<---	FLEXSOL	0.832	1.561	0.103	15.186	***
S8_r11	<---	FLEXSOL	0.832	1.274	0.084	15.167	***
S8_r12	<---	FLEXSOL	0.796	1.337	0.091	14.62	***
S8_r13	<---	FLEXSOL	0.863	1.569	0.1	15.667	***
S8_r6	<---	INFO	0.749	1			
S8_r8	<---	INFO	0.791	1.06	0.091	11.698	***
S7_r24	<---	EXP	0.76	1.45	0.134	10.787	***
S3_r2	<---	AC	0.894	1.049	0.045	23.17	***
S7_r19	<---	EXP	0.569	1			

APPENDIX D

STRUCTURAL EQUATION MODEL:

FIRM FACTORIAL REGRESSION WEIGHTS

			Std. E.	Estimate	S.E.	C.R.	P
TCI	<---	FCONACT	0.754	0.701	0.053	13.207	***
TCI	<---	FIMPCO	0.002	0.002	0.049	0.043	0.966
TCI	<---	FDSTFAIR	0.186	0.104	0.019	5.348	***
FAC	<---	FCONACT	0.004	0.005	0.107	0.047	0.963
FAC	<---	FIMPCO	0.214	0.356	0.091	3.931	***
FAC	<---	FDSTFAIR	0.405	0.296	0.036	8.206	***
FAC	<---	TCI	0.252	0.331	0.114	2.904	0.004
EXP	<---	FCONACT	-0.691	-0.417	0.067	-6.255	***
EXP	<---	FIMPCO	0.646	0.529	0.07	7.52	***
EXP	<---	FDSTFAIR	0.115	0.042	0.022	1.911	0.056
EXP	<---	FAC	0.079	0.039	0.034	1.146	0.252
EXP	<---	TCI	0.889	0.577	0.077	7.523	***
FFLEXSOL	<---	FCONACT	-0.278	-0.372	0.628	-0.593	0.553
FFLEXSOL	<---	FIMPCO	0.29	0.527	0.776	0.68	0.497
FFLEXSOL	<---	FDSTFAIR	0.165	0.132	0.076	1.741	0.082
FFLEXSOL	<---	FAC	0.038	0.041	0.092	0.444	0.657
FFLEXSOL	<---	TCI	1.514	2.177	0.86	2.53	0.011
FFLEXSOL	<---	EXP	-0.996	-2.208	1.428	-1.547	0.122
FINFO	<---	FCONACT	1.822	1.694	2.91	0.582	0.561
FINFO	<---	FIMPCO	-1.545	-1.95	3.783	-0.516	0.606
FINFO	<---	FDSTFAIR	-0.617	-0.343	0.552	-0.62	0.535
FINFO	<---	FFLEXSOL	3.174	2.205	2.71	0.814	0.416
FINFO	<---	FAC	-0.199	-0.151	0.351	-0.43	0.667
FINFO	<---	TCI	-5.702	-5.696	8.425	-0.676	0.499
FINFO	<---	EXP	4.611	7.101	10.272	0.691	0.489
S7_r6	<---	TCI	0.737	1.335	0.084	15.869	***
S7_r8	<---	TCI	0.768	1			
S7_r9	<---	TCI	0.87	1.121	0.058	19.47	***
S7_r10	<---	TCI	0.862	1.183	0.061	19.254	***
S7_r11	<---	TCI	0.815	1.144	0.064	17.928	***
S7_r12	<---	TCI	0.836	1.211	0.065	18.52	***
S7_r13	<---	TCI	0.858	1.176	0.061	19.139	***
S7_r14	<---	TCI	0.762	1.16	0.07	16.508	***
S7_r15	<---	TCI	0.841	1.119	0.06	18.649	***
S7_r16	<---	TCI	0.762	1.058	0.064	16.515	***
S7_r17	<---	TCI	0.847	1.185	0.063	18.829	***
S7_r18	<---	TCI	0.841	1.235	0.066	18.66	***
S7_r22	<---	TCI	0.75	1.027	0.063	16.181	***
S7_r23	<---	TCI	0.736	0.934	0.059	15.828	***
S5_r2	<---	FAC	0.875	1			
S5_r3	<---	FAC	0.903	0.97	0.043	22.298	***
S1b_r9	<---	FCONACT	0.784	0.92	0.052	17.641	***
S1b_r8	<---	FCONACT	0.791	1.044	0.059	17.831	***
S1b_r7	<---	FCONACT	0.842	1.029	0.053	19.441	***
S1b_r1	<---	FCONACT	0.824	1.035	0.055	18.836	***
S1b_r3	<---	FIMPCO	0.59	1			
S2_r7	<---	FDSTFAIR	0.936	1			
S2_r6	<---	FDSTFAIR	0.941	1.005	0.027	37.525	***
S2_r5	<---	FDSTFAIR	0.943	1.028	0.027	37.893	***

S2_r3	<---	FDSTFAIR	0.677	0.626	0.037	17.115	***
S2_r2	<---	FDSTFAIR	0.934	0.984	0.027	36.462	***
S2_r1	<---	FDSTFAIR	0.938	1.026	0.028	37.007	***
S8b_r2	<---	FFLEXSOL	0.784	1			
S8b_r3	<---	FFLEXSOL	0.766	0.784	0.047	16.634	***
S8b_r4	<---	FFLEXSOL	0.8	1.021	0.046	21.988	***
S8b_r5	<---	FFLEXSOL	0.822	1.039	0.057	18.294	***
S8b_r11	<---	FFLEXSOL	0.807	0.783	0.044	17.786	***
S8b_r12	<---	FFLEXSOL	0.792	0.89	0.051	17.446	***
S8b_r13	<---	FFLEXSOL	0.84	0.961	0.051	18.824	***
S8b_r6	<---	FINFO	0.82	1			
S8b_r8	<---	FINFO	0.806	0.935	0.068	13.66	***
S8b_r9	<---	FINFO	0.649	0.707	0.064	11.066	***
S1b_r11	<---	FIMPCO	0.868	1.26	0.104	12.125	***
S1b_r10	<---	FCONACT	0.802	1			
S7_r24	<---	EXP	0.742	1.382	0.12	11.528	***
S1b_r5	<---	FCONACT	0.663	1.016	0.072	14.185	***
S1b_r6	<---	FCONACT	0.777	1.124	0.064	17.428	***
S7_r19	<---	EXP	0.583	1			
S5_r4	<---	FAC	0.728	0.664	0.039	16.83	***
S1b_r12	<---	FIMPCO	0.831	1.188	0.099	11.947	***
S1b_r2	<---	FCONACT	0.803	0.996	0.055	18.167	***
S7_r5	<---	TCI	0.771	1.358	0.081	16.76	***

APPENDIX E

IMPORTANCE IN TERMS OF SALES AND PROFITS

	Product Line 1	Product Line 2	Product Line 3	Product Line 4
Base	100	99	100	101
Firm 1	66	0	0	0
Firm 2	34	0	0	0
Firm 3	0	0	100	0
Firm 4	0	78	0	0
Firm 5	0	8	0	0
Firm 6	0	12	0	0
Firm 7	0	0	0	96
Firm 8	0	0	0	4
Other	0	2	0	0

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