Korean Retailers' Dependence Level: The Impact of Power Sources, Satisfaction, Conflict, and Long-Term Orientation

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〈Abstract〉

The purpose of this study was to analyze how economic factors (economic satisfaction, economic conflict) and non-economic factors (non-economic satisfaction, non-economic conflict) differentially influence Korean retailers' long-term orientation with manufacturers, and how they are influenced by manufacturers' power sources under different levels of retailer dependence. After Korean retailers were divided into high and low dependence groups, path differences between the two groups were compared. The results suggested that manufacturers' coercive and non-coercive power sources do not differentially influence high and low dependence retailers' economic and non-economic satisfaction, and economic and non-economic conflict. However, the economic satisfaction of low dependence retailers more strongly affects their long-term orientation than that of high dependence retailers. Also, the economic conflict of highly dependent retailers more strongly affects their long-term orientation as compared to low dependence retailers. Finally, the impact of non-economic conflict negatively influences a long-term orientation for both retailer groups.

Ⅰ. Introduction

For several decades, channel studies have focused on the developing of supplier - buyer relationships. Despite researchers' varied results and advanced models, the main reason these studies are continuously conducted is due to the complexity of the relationships between suppliers (or manufacturers) and buyers (or retailers). While most studies of the 70s and 80s investigated the relationships between suppliers' attitudes (such as power sources or influence strategies) toward buyers, and buyers' satisfaction (and/or conflict), studies of the 90s have begun to study supplier - buyer long-term relationships, that is, commitment, trust, long-term orientation. Therefore, most current channel studies have researched the relationships between long-term relationships and other constructs which impact on the long-term business relationship. A long-term relationship implies a lifelong relationship, and thus, each channel member feels a need to develop and maintain an effective and efficient relationship.

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Specifically, studies of power, satisfaction, conflict and dependence have become an important focus of channel relationship studies. Recently, the issues of multi-dimensional measurements of satisfaction and conflict have been raised. While many of the early studies produced inconsistent results regarding channel members' satisfaction and/or conflict because of uni-dimensional measurement, some later studies (Geyskens, Steenkamp and Kumar, 1999; Yu and Pysarchik, 2002) have reported the impact of differential effects of satisfaction and conflict. For example, Geyskens, Steenkamp and Kumar (1999) conceptualized economic satisfaction and non-economic satisfaction, and found that economic satisfaction and non-economic satisfaction independently influenced other constructs such as trust and conflict. Similarity, Yu and Pysarchik (2002) confirmed the differences between economic and non-economic conflict, and determined that economic conflict and non-economic conflict were negatively related to economic and non-economic satisfaction. Specifically, these two articles (Geyskens, Steenkamp and Kumar 1999; Yu and Pysarchik 2002) revealed that four constructs (economic satisfaction, economic conflict, non-economic satisfaction and non-economic conflict) separately influenced the dependent variables of trust, dependence and long-term orientation and were separately influenced by the independent variables of power sources and influence strategies. In other words, these two studies argued that satisfaction and conflict are not uni-dimensional, but multi-dimensional constructs.

Channel member dependence is another classic research stream of channel studies. Three dependence research approaches: (1) the sales profit approach (El-Ansary and Stern 1972), (2) the performance approach (Frazier 1983), and (3) the transaction-specific investment approach (Heide and John 1988), have dominated the conceptual frame of supplier-buyer dependence studies.

However, the empirical investigation of the relationships among dependence level, supplier power, economic factors (economic satisfaction and economic conflict) and non-economic factors (non-economic satisfaction and non-economic conflict) of channel members (retailers or buyers) has not yet been examined, though the theories of dependence and satisfaction are very well organized and developed. Thus, in this study, we tried

to link suppliers' power, buyer's satisfaction and their long-term orientation based on different dependence level of buyers.

Second, many channel relationship theories have been developed and conceptualized, but most research has been conducted by westerners. There is little information about Korea supplier-buyer relationship in other areas. Thus, this study will make an important contribution to the literature in the field by being one of the few to examine channel relationships in Korea.

Consequently, we examined how economic and non-economic satisfaction, and economic and non-economic conflict differentially influence Korean retailers' long-term orientation, and how these four constructs are influenced by manufacturers' power sources under different levels of dependence. Before moving into the actual study, a brief background of the Korean retailing industry is provided.

1.1 Korean Retailing Industry

When Korea was in an underdeveloped stage (up until 1980s), the Korean government's export-oriented trade policy was focused on supporting the development of strong manufacturers that could export their products. Also, the Korean government considered the retailing industry to be a service sector that increased unnecessary consumption (Lee and Kim 1996; Oh 1996). Consequently, Korean export-oriented trade policies supported manufacturing industries and de-emphasized the retail industry, which promoted strong diversified manufacturers called Chaebols (e.g., Samsung, Hundai, LG) and weak retailers (Sternquist and Jin 1998). Thus, the characteristics of Korean retailers were small, uncompetitive, and under-capitalized (Korea's Retail Industry in the New Millennium 2003).

Historically as well as today, the Korean manufacturer-dominated consignment system fosters a situation where manufacturers choose the products to be sold in retail stores, but allows the return of unsold merchandise to the manufacturers. In these practices, manufacturers usually hire their own salespeople to sell their products in retail stores. Thus, this system does not permit Korean retailers to gain experience in gauging the wants and needs of consumers. Because of this market

environment, traditionally powerful Korean manufacturers have used coercive strategies with retailers (Han 1997).

In 1996, when the Korean government opened its retailing market to international retailers without limitations on the number or size of foreign retail outlets, the weak and inexperienced Korean retailers had to compete with experienced international retailers such as Wal-Mart, Carrefour and Tesco. Further, new types of retailers (on-line retailing, discounters or category killers) emerged as new types of competitors. Thus, a new competitive retail environment was born in Korea. Combining this highly competitive retail environment with the devastating effects of the Korean economic crisis that began in 1997, Korean consumers' values and lives changed to more price sensitive and less impulsive purchase behaviors (Consumer behavior and purchasing pattern in IMF period 1998; Shim and Cho 2000).

These external (retailing market opening and economic crisis) and internal (consumer behavior and new type of retailers) events transformed not only the relationship between Korean manufacturers and retailers, but also the structure of the Korean retail industry. Dramatically

decreased consumer confidence and purchase capacity lead to a precipitous decrease in retail sales. This new consumption behavior encouraged low-price oriented retailers such as discount stores, and the resurgence of small traditional retailers. For example, the total annual sales of big discount stores have increased from 13 trillion won in 2001 to 28 trillion won in 2007. Also, the numbers of discount stores have continuously increased from 198 in 2001 to 371 in 2007 (Noh 2008). Apart from discount stores, on-line shopping malls have been dramatically expanding. The annual sales of on-line shopping malls were 1.7 trillion won in 2001, and they reached 15.9 trillion won in 2007, accounting for a 900 percent increase in only six years.

Under these market conditions, retailers strived to meet consumers' desires by modifying their previously inefficient channel structures. Furthermore, large size discount stores and traditional retailers started to attain channel power after the economic recession. That is, the retail market structure has been slowly moving from a manufacturer-dominated market to a retailer-dominated market environment (Han 1998). Therefore, Korean buyers (retailers) have become more efficient.

Several experts regard that the competitors of Korean large scale retailers have equivalent abilities to those of foreign global retailers (Korea's Retail Industry in the New Millennium 2003). Also, recently the Korean government considers the distribution industry as a new sector for growth in the next decades.

Specifically, we chose the Korean cosmetic industry for this study because it represents a typical Korean retailing industry. First, sixty percent of the cosmetic stores are small and weak. Also, strong manufacturers have controlled product distribution through consignment systems based on a retailer's performance, as previously discussed. In other words, strong manufacturers had dominated the cosmetic industry.

After the economic crisis in Korea, however, cosmetic retailers' survival became an important issue. Consumers hesitated to buy expensive or luxury cosmetic products. Eventually, the sales of manufacturers and retailers significantly decreased, so small and weak cosmetic retailers went bankrupt. For instance, Korean cosmetic specialty stores declined in number from 61% to 40% of all retailers in Korea between 1996 to 2001 (Korea Cosmetic News 2001). Also, the number of manufacturers that produce mid-to-low priced high quality products has increased.

In this environment, the strong manufacturer-dominated channel structure was changing. Retailers tried to increase business with low-price manufacturers instead of high priced national brand product manufacturers with high prices and quality to appeal to consumers' price sensitive needs. Hence, strong Korean cosmetic manufacturers could not continue with their coercive practices with retailers. Specifically, the Original Equipment Manufacturer (OEM) system in which cosmetic retailers order products from manufacturers based on their needs was widely increased after the economic crisis (Korea Cosmetic News 1999a, Korea Cosmetic News 1999b). Due to these market changes, cosmetic retailers have increased their power against strong manufacturers (Korea Cosmetic Industry Association 2000a).

Ⅱ. Literature Review

2.1 Power & Power Sources

The concept of 'power' has been

considered an important construct for several decades in understanding the supplier-buyer relationship in that one channel member can change or control the channel partner within channel distribution. Power in a channel relationship study usually refers to the ability of the channel member to control the decision variables of the channel partner (Gaski, 1984).

According to Simon (1953), power can be determined from the magnitude of the power sources. Although there are many possible power sources, French and Raven (1959) defined five power sources in their framework, and Gaski (1986) summarized these power sources as:

1) Coercive Power Sources: B's perception that A has the ability to impose punishments on him

2) Reward Power Sources: B's perception that A has the ability to impose rewards on him

3) Legitimate Power Sources: B's perception that A has a legitimate right to prescribe behavior to him

4) Referent Power Sources: B's identification with A

5) Expert power sources: B's perception that A has some special knowledge or expertise

El-Ansary and Stern (1972) were the first to apply these power sources to the distribution channel, but they failed to find a significant relationship between channel members' power and antecedent constructs such as power sources and dependence. Later, Hunt and Nevin (1974) grouped power sources into coercive power sources and non-coercive power sources (expert, referent, reward, and legitimate), and found that franchisers' non-coercive power sources increased franchisees' satisfaction, while the use of coercive power sources decreased franchisees'satisfaction. Also, the results of Hunt and Nevin's (1974) study were confirmed by several studies (Lusch, 1977; Michie, 1978; Wilkinson, 1981).

2.2 Economic and Non-economic Satisfaction, and Economic and Non-economic Conflict

Satisfaction and conflict have been the major issues in channel relationship studies for many decades. Though there are many definitions of satisfaction, satisfaction is usually recognized as a channel member's overall approval of the channel relationship (Gaski and Nevin 1985). Channel conflict exists when one channel member perceives a channel

partner to be engaged in behaviors that prevent or impede him/her from achieving a goal (El-Ansary and Stern 1972).

Many researchers have examined the relationships between satisfaction and conflict, and other constructs such as power, influence strategies, trust, dependence, cooperation, and long-term orientation. Previous researches have shown that 1) conflict is negatively related to satisfaction (Brown, Lusch, and Smith 1991; Wilkinson 1981), 2) suppliers (manufacturers)' coercive power sources are positively related to buyers (retailers)' conflict and negatively related to satisfaction (Hunt and Nevin 1974; Lusch 1977; Brown and Frazier 1978 Gaski and Nevin 1985), 3) suppliers (manufacturers)' non-coercive power sources are positively related to buyers (retailers)' satisfaction and negatively related to conflict (Hunt and Nevin 1974; Lusch 1977; Wilkinson 1981 Gaski and Nevin 1985), and 4) satisfaction positively affects trust (Andaleeb 1996, Yu and Pysarchik 2002), dependence (Yu and Pysarchik 2002), and long-term orientation (Ganesan 1994, Yu and Pysarchik 2002), whereas conflict negatively affects those constructs.

Although most channel studies examined channel relationships among satisfaction and other constructs such as trust, dependence, and long-term orientation, some researchers focused on satisfaction measurements. Ruekert and Churchill (1984) developed two multi-item measures of satisfaction (direct satisfaction and indirect satisfaction) and applied these measures in an empirical study. Also, Simpson and Mayo (1997) suggested that measuring the multiple dimensions of satisfaction is necessary rather than using a composite or uni-dimensional satisfaction scale.

Later, Geyskens, Steenkamp and Kumar (1999) divided satisfaction into economic and non-economic satisfaction. According to their study, economic satisfaction is defined as "a channel member's positive affective response to the economic rewards that flow from the relationship with its partner, such as sales volume and margins" (Geyskens, Steenkamp and Kumar 1999: 224) and non-economic satisfaction is defined as "a channel member's positive affective response to the non-economic, psychosocial aspects of its relationship, in that interactions with the exchange partner are fulfilling, gratifying, and easy" (Geyskens, Steenkamp and Kumar 1999: 224).

Also, Geyskens, Steenkamp and Kumar

(1999) found that a channel member's use of a threat influence strategy decreases both economic satisfaction and non-economic satisfaction, while the use of a non-coercive influence strategy increases economic satisfaction and non-economic satisfaction with a member. However, it is interesting to note that the use of a promise influence strategy by a partner increases economic satisfaction and lowers non-economic satisfaction because retailers' economic rewards depend on a member's compliance with the request. In other words, retailers must comply or meet manufacturers' requirements to obtain their economic benefits. Under this conditional situation, retailers' intrinsic motivation and sense of autonomy tend to be undermined by manufacturers (decreasing non-economic satisfaction).

Recently, Yu and Pysarchik (2002) dichotomized economic and non-economic conflict. Economic conflict was defined as a channel member's negative reaction to economic decline, such as decreasing profits or financial loss, and non-economic conflict as a channel member's negative reaction to a non-economic encounter such as an impolite or disrespectful attitude, or discordant communication with a channel partner. They found that (1) Korean manufacturers'coercive power decreases retailers' economic and non-economic satisfaction, while the manufacturers' non-coercive power increases economic and non-economic satisfaction, (2) coercive power increases both economic and non-economic conflict, while non-coercive power decreases non-economic conflict, (3) retailers'economic and non-economic satisfaction are negatively related to economic and non-economic conflict respectively, (4) retailers' trust is a mediating factor between satisfaction (economic and non-economic) and a long-term orientation and (5) neither conflict nor satisfaction is uni-dimensional. Consequently, they confirmed the multi-dimensionality of conflict and satisfaction.

2.3 Dependence

In channel relationships, dependence is defined as one firm's need to maintain a relationship with another firm to achieve a desired goal (Frazier 1983). Generally, channel members' dependence has been regarded as a reverse power relationship. Thus, if channel member A is highly dependent on a channel partner B, then B will have power over A.

In many Western countries, retailer dependence on suppliers is measured by both economic and role performance. On the basis of Emerson's (1962) work, two approaches: sales and profit, and role performance have been used to measure dependence in channel relationship studies. El-Ansary and Stern (1972) developed the sales and profit approach and several other researchers expanded this approach to channel members' dependence measures (Etgar 1976; Brown, Lusch, and Muehling 1983; Kale 1986). The assumption of the sales and profit approach is that channel member A's dependence on channel partner B will increase if the percentage of sales and profit with B increases.

Frazier (1983) developed a second dependence approach, role performance. Role performance indicates how well a channel member achieves his/her roles in an exchange relationship (product, services, and information) with the channel partner. Thus, when channel member A's perception of channel partner B's role performance increases, A's dependence on B increases. In other words, when B's role performance is high, A is motivated to sustain the relationship with B. Therefore, it is very difficult for A to replace B when B's perceived role

performance is high. The role performance approach has been widely studied by several researchers (Anderson and Narus 1984; Frazier and Summers 1986).

Finally, Heide and John (1988) developed a third dependence approach based on transaction cost analysis (TCA). Heide and John (1988)'s study identified four situations in which a channel member's dependence on the channel partner is increased:

(1) when the outcomes from the channel member A-channel member B relationship are critical, highly valued, and the magnitude of the exchange itself is greater,

(2) when the outcomes from a relationship are comparatively higher or better than the outcomes available from alternative relationships,

(3) when few alternative sources of exchange are available,

(4) when few potential alternative sources of exchange are available (Heide and John, p.23).

2.4 Economic Dependence Level and Role Performance in Buyers' and Sellers' Markets

In a sellers' market, manufacturers' role

performance and retailers'economic dependence are unrelated because the number of manufacturers are smaller than the number of retailers (Frazier, Gill, and Kale 1989). In this market situation, retailers have few options to replace their suppliers when manufacturers do not perform very well. Therefore, manufacturers' role performances do not influence retailers' dependence level.

On the other hand, in a buyers' market, role performance and retailers' dependence are strongly related. In this market environment, manufacturers realize that their performance and contribution to retailers' goals critically influence retailers' dependence. In other words, in a buyers' market, role performance is more important, and thus produces greater economic dependence (Frazier, Gill and Kale 1989). Moreover, retailers are not likely to succumb to a manufacturer's coercive action because retailers have other suppliers from which to select. Thereby, a manufacturer's role performance is a critical factor in a buyers' market.

2.5 Economic Dependence Level, Power Sources, Satisfaction and Conflict in Buyers' and Sellers' Markets

In a sellers'market, manufacturers do not need to build strong cooperative relationships with their retailers because the costs of maintaining and achieving cooperative relationships are high and the benefit of cooperation is hard to measure. Therefore, channel member coordination and cooperation are not very important to manufacturers (Frazier, Gill, and Kale 1989). Also, manufacturers' use of coercive power sources is positively related to the level of dealer dependence (Kale 1986). For manufacturers, a coercive attitude will be attractive because they can get quick responses and/or compliance from retailers due to the lack of alternative manufacturers. Thus, manufacturers are likely to use coercive power sources when retailers are highly dependent in sellers' market conditions.

However, in a buyers' market, cooperation between manufacturers and retailers is important because it increases mutual goal attainment (Frazier, Gill, and Kale 1989). In a buyers' market, manufacturers'non-coercive strategies will be more effective since retailers have many supplier alternatives (Frazier and Summers 1984). Thus, if manufacturers use coercive power sources, retailers' conflict in a buyers' market will be

greater than that of retailers in a sellers' market.

Based on these theoretical assumptions, our question is how manufacturers' power sources differentially influence economic and non-economic factors at different dependence levels. Under the new Korean retailer-centered buyers' market environment, the use of manufacturers' coercive power sources with highly dependent retailers will cause economic conflict because the retailers' economic loss will be greater than that of low dependence retailers. For example, if manufacturers refuse to sell products or intentionally delay new product deliveries to their highly dependent retailers, the economic loss to these retailers will be serious. Furthermore, when manufacturers continuously use coercive power to the retailers, retailers may consider changing their main suppliers (or manufacturers). However, it may take a long time to establish a new relationship with a new manufacturer.

Also, the non-economic conflict of highly dependent retailers which results from manufacturers' coercive power will be greater than that of low dependence retailers. For instance, manufacturers' coercive power sources (delay delivery of products, refuse to sell, do not supply

new products and/or refuse to sell) will not be perceived positively by retailers. Moreover, it is not likely that manufacturers provide positive social and/or personal relationships to the retailers when they use coercive power. Given this situation, the negative non-economic relationships between manufacturers and retailers will be expected. Thus, it is hypothesized:

H1a: The use of manufacturers' coercive power will have a more negative effect on highly dependent retailers' economic satisfaction than on low dependence retailers.

H1b: The use of manufacturers' coercive power will have a more positive effect on highly dependent retailers' economic conflict than on low dependence retailers.

H1c: The use of manufacturers' coercive power will have a more negative effect on highly dependent retailers' non-economic satisfaction than on low dependence retailers.

H1d: The use of manufacturers' coercive power will have a more positive effect on highly dependent retailers'

non-economic conflict than on low dependence retailers.

Conversely, if Korean manufacturers use non-coercive power sources such as providing pricing, ordering or inventory management assistance to highly dependent retailers, the impact on the retailers'economic and non-economic satisfaction will be greater than that of low dependence retailers. Also, highly dependent retailers' economic and non-economic conflict will be lower than on low dependent retailers. If manufacturers use non-coercive power, highly dependent retailers can maintain stable relationships with existing manufacturers, and do not need to worry about changing existing partner which is required to tremendous time and money. Further more, highly dependent retailers can concentrate on coordination and cooperation with their existing manufacturers increasing mutually efficient and effective relationships. Thus, it is hypothesized:

H2a: The use of manufacturers' non-coercive power will have a more positive effect on highly dependent retailers'

economic satisfaction than on low dependence retailers.

H2b: The use of manufacturers' non-coercive power will have a more negative effect on highly dependent retailers' economic conflict than on low dependence retailers.

H2c: The use of manufacturers' non-coercive power will have a more positive effect on highly dependent retailers' non-economic satisfaction than on low dependence retailers.

H2d: The use of manufacturers' non-coercive power will have a more negative effect on highly dependent retailers' non-economic conflict than on low dependence retailers.

2.6 Long-Term Orientation

By definition, channel member's long-term orientation reflects the interdependence of channel partners such that there are long run joint outcomes that benefit both channel members(Kelly and Thibaut 1978). In channel relationship studies, the concept of long-term orientation is considered to be an ultimate goal for both retailers and manufacturers because positive factors such as trust,

satisfaction, commitment and dependence are positively related to long-term orientation (Ganesan 1994, Yu and Pysarchik 2002). Also, Ganesan (1994) mentioned that both channel member (buyers) and channel partner (sellers) get competitive advantages such as information on new and hot selling product, competitive activity, and cooperative advertising with long-term relationships

An important issue is that the term "longevity of a relationship" is different from the term "retailer's long-term orientation". According to Ganesan (1994)'s study, longevity or length of relationship does not adequately reflect a retailer's long-term orientation. Although duration of a relationship tends to influence a retailers' long-term orientation, sometimes length of relationship does not mean long-term orientation (e.i., sellers and buyers relationships in a sellers' market situation; sellers should maintain business relationships with suppliers for survival. Thus, longevity of business relationship does not mean the closeness of relationship in sellers' market). Thus, retailers' long-term orientation rather than the length of the relationship will be more likely to be a better criteria of

closeness in relationship.

While many studies examined the economic impact of a long-term orientation, other researchers studied long-term relationships and non-economic outcomes (Lazer, Murata and Kosaka 1985; Shimaguchi 1978; Sternquist 1998; Yu and Pysarchik 2002) and found that there is a positive relationship between non-economic satisfaction and long-term orientation (Yu and Pysarchik 2002).

2.7 Dependence Level, Long-Term Orientation and Economic Factors

It is important to determine the differential effects of economic and non-economic factors on long-term orientation under different dependence levels. In a sellers' market, manufacturers with highly dependent retailers have little motivation to establish strong and cooperative relationships with retailers. In this channel environment, retailers must yield to manufacturers' coercion or pressure regardless of the retailers' satisfaction or conflict. However, in a buyers'market, retailers' economic and non-economic satisfaction is important to sustain a long-term orientation. In this market environment, because there are

many alternative suppliers, manufacturers will lose their retailers to competitor manufacturers who provide better economic and non-economic satisfaction.

Regarding dependence level and economic satisfaction in a buyers' market, Gilfond and Shao (1989) reported that if several comparable alternative suppliers are available (buyers' market with low dependence situation), economic satisfaction is required to increase a dealer's commitment and mutual ties (long-term orientation). Moreover, Frazier, Gill and Kale (1989) found that dependence on economic performance (economic satisfaction) was a primary determinant to maintain long-term relationships. Thus, it is hypothesized:

H3a: Economic satisfaction with manufacturers will have a stronger positive effect on low dependence retailers' long-term orientation than on highly dependent retailers.

Economic conflict caused by manufacturers' use of coercive power has critical financial consequences for highly dependent retailers. For example, if an existing manufacturer goes bankrupt, this may be detrimental damage for highly

dependent retailers because major portion of the supplies has been provided by existing manufacturer (or supplier). On the other hand, for low dependence retailers, it is not likely to be concerned because they can easily change to new suppliers though economic conflict arises with existing manufacturers. Thus, it is hypothesized:

H3b: Economic conflict with manufacturers will have a more negative effect on highly dependent retailers' long-term orientation than on low dependence retailers.

2.8 Economic Dependence Level, Long-Term Orientation and Non-Economic Factors

As previously mentioned, economic factors are critical for retailers in that they rely on the economic benefits of their relationships with manufacturers for survival. However, non-economic factors are also important for long-term relationships. Based on previous studies, non-economic satisfaction and non-economic conflict influence long-term orientations directly and/or indirectly. Geyskens, Steenkamp and Kumar (1999)

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found that non-economic satisfaction indirectly impacts commitment through trust. Geyskens and Steenkamp (2000) indicated that non-economically satisfied channel members tend to stay and improve their relationships with channel partners. Also, Yu and Pysarchik (2002) reported that non-economic conflict negatively influences long-term orientation whereas non-economic satisfaction positively influences long-term orientation through trust.

Non-economic factors also play a key role in long-term orientation for both high and low dependent retailer groups.   In real business situation, though highly dependent retailers may be economically satisfied, they may not be non-economically satisfied with manufacturers' attitude. For instance, it is possible that manufacturers could provide economic incentive (economic satisfaction) with impolite or disrespectful attitudes (non-economic conflict) simultaneously to retailers.   In this situation, if manufacturers cannot provide economic satisfaction to the retailers anymore, the mutual relationship will be easily broken. However, when manufacturers provide both economic satisfaction and non-economic satisfaction to retailers,

relationships between retailers and manufacturers will not be easily damaged though unexpected situation that could cause economic losses occur. Therefore, offering non-economic satisfaction with economic satisfaction for retailers will encourage strong motivation to retailers' long-term orientation.

For low dependence retailers, Geyskens and Steenkamp (2000) reported that high on-economic (social) satisfaction could increase economic satisfaction because a channel member who has a satisfactory relationship with a channel partner wants to maintain the relationship and cooperate, resulting in mutual goal maximizing economic benefits. Thus, low dependence retailers, who are not satisfied economically but satisfied non-economically, may try to maintain positive relationships with manufacturers in anticipation of an economically-beneficial relationship. Consequently, non-economic satisfaction may be an important factor for both high and low dependence retailers to establish a long-term orientation with manufacturers. Thus, it is hypothesized:

H3c: Non-economic satisfaction will be positively related to long-term orientation for both high and low

dependence retailers. Therefore, there will be no significant difference between both groups.

When we are considering the impact of non-economic conflict on channel relationships, Hofstede's (1991) collectivistic vs individualistic culture dimension provides logical explanation. According to the Hofstede (1991), Korea is one of the collectivistic cultures. Collectivist culture values emphasize social community and group harmony. Thus, preference for teamwork or cooperation is more likely to be greater for collectivist than for individualist cultures. Furthermore, as collectivists learn more about each other's situation overtime, they quickly establish interdependent relationships and value these relationships (Hofstede's 1991). Thus, once non-economic conflict occurs between channel members and partners, it will be very severely damage mutual relationship and hard to recover it. Therefore, regardless of dependence level, most Korean retailers try to avoid non-economic conflict with manufacturers to maintain harmony in the channel relationship. Thus, it is hypothesized:

H3d: Non-economic conflict will be

negatively related to long-term orientation for both high and low dependence retailers. Therefore, there will be no significant difference between both groups.

Ⅲ. Methodology

3.1 Survey Instrument Development

The questionnaire used in this study included measures of exercised coercive power sources, exercised non-coercive power sources, economic satisfaction, non-economic satisfaction, economic conflict, non-economic conflict, and long-term orientation. When responding to survey items, retailers first wereasked to identify their most important manufacturer, and then respond to the questions with this manufacturer in mind. Exercised coercive power sources and exercised non-coercive power sources were measured through scales previously developed by Gaski and Nevin (1985). A seven-item, five-point scale was used to measure the manufacturer's exercised coercive power (1=Never to 5=Very often). Exercised non-coercive power was measured by Gaski and Nevin's(1985)

fifteen-item, five-point Likert-type scale.

Wilkinson's (1981) eight-item, five-point Likert-type scale (1=Completely Dissatisfied to 5=Completely Satisfied) was used for economic satisfaction. Gaski's (1986) three-item and Andaleeb's (1996) three-item, five-point scale (1=Strongly Disagree to 5=Strongly Agree) were used to measure non-economic satisfaction. Economic conflict was assessed through the scale previously developed by Gaski and Nevin (1985), which contains a nine-item, five-point Likert-like scale (1=Strongly Disagree to 5=Strongly Agree). No scale exists for measuring non-economic conflict in marketing channels. Therefore, Eggeman, Moxley and Schumm's (1985) seven-item, five-point Likert-type marital conflict scale was adjusted for the study (1=Strongly Disagree to 5=Strongly Agree). Yu and Pysarchik (2002) already used these items in thier supplier-buyer relationship study. Ganesan's (1994) six-item, five-point Likert type scale was used for long-term orientation (1=Strongly Disagree to 5=Strongly Agree). To classify the high and low dependence groups, subjects were asked "What percentage of the volume in this category is accounted for by your primary (major) manufacturer? _____

%. "Retailers indicating 40% and above were classified as highly dependent (N=111), and those indicating below 40% (N=99) were classified as having low dependence.

To achieve comparability, great attention was given to the issue of equivalence of meaning during translation. The questionnaire was originally developed in English, and then double-blind back translated into Korean. Moreover, two pretests of the questionnaire were conducted to increase the comprehension and cross-cultural appropriateness of the constructs and specific measurements in the questionnaires. The pretest results indicated that slight modification in wording of items was needed to reflect the Korean retailing environment.

3.2 Data Collection

The sample consisted of small and medium size Korean cosmetic retailers, and they were randomly drawn from the telephone directory. To increase the representativeness of the sample, data were collected in 15 cities in Korea (Seoul, Chonju, Iksan, Anyang, Kimpo, Inchon, Shihung, Buchon, Bupyung, Kunsan, Namwon, Busan, Janghang,

Table 1. Sample Characteristics

Characteristic	High dependence Retailers		Low dependence Retailers	
	Frequency (N=111)	Percent (%)	Frequency (N=99)	Percent (%)
*Retailers'Average Sales per Month (Won)**				
1,000,000 and below (below $870)	5	4.5	6	6.1
1,000,000~2,000,000 ($870~1,740)	33	29.7	35	40.2
2,000,000~3,000,000 ($1,741~2,609)	26	23.4	22	25.3
3,000,000~4,000,000 ($2,609~3,478)	10	9.0	11	12.6
4,000,000+ (over $3,470)	21	18.9	13	14.9
Missing	16	14.4	12	
Retailers' Years with Major Manufacturer				
Less than 4 yrs	47	53.4	56	70.9
4 ~ 10 yrs	37	42.1	21	26.6
More than 10	4	4.5	2	2.5
Missing	23		20	
Retailers' Number of Employees				
Less than 3	56	60.9	46	61.3
3 and more	36	39.1	29	38.7
Missing	19		24	
Gender of Respondent				
Male	15	13.5	10	10.1
Female	96	86.5	89	89.9
Age of Respondent				
Below 30	33	29.7	24	24.2
30 ~ 39	50	45	49	49.5
40 ~ 49	25	22.5	25	25.3
Above 50	3	2.5	1	1

* 1$ = 1150 Won

Deagu, and Kwanju). To ascertain the willingness and interest of participation in this study, either the store owner or marketing manager was contacted by telephone. The data for the study were collected using a drop off/pick up survey procedure. The research assistants in Korea distributed a questionnaire including explanatory letter to respondents. Completed questionnaires were picked up by research assistants from respondents. Actually 350 questionnaires were distributed, and 210 usable questionnaires were collected, yielding a respondent rate

Table 2. Descriptive statistics – High Dependence Retailers

Construct	Mean	Std.	Range	Skewness	Kurtosis
EXCO	2.36	.734	1.00-4.50	.051	-.088
EXNOCO	2.89	.733	1.00-5.00	.029	.061
ECOSA	2.94	.581	1.67-5.00	.531	1.140
NECOSA	3.12	.562	1.67-5.00	.273	1.088
ECOCON	2.28	.674	1.00-4.33	.128	-.008
NECOCON	2.86	.664	1.00-4.67	.141	.795
LONG	3.44	.575	2.25-5.00	.420	.252

Descriptive statistics - Low Dependence Retailers

Construct	Mean	Std.	Range	Skewness	Kurtosis
EXCO	2.52	.741	1.00-5.00	.198	.538
EXNOCO	2.60	.720	1.00-3.00	-.608	-.296
ECOSA	2.73	.515	1.33-4.00	-.804	.999
NECOSA	2.98	.583	1.67-4.33	-.084	.223
ECOCON	2.51	.581	1.00-4.00	-.279	-.153
NECOCON	3.03	.506	2.00-4.67	.396	1.279
LONG	3.05	.520	1.25-4.25	-.545	1.322

EXCO: Exercised coercive power sources, *EXNOCO:* Exercised non-coercive power sources, *ECOSA:* Economic satisfaction, *NECOSA:* Non-economic satisfaction, *ECOCON:* Economic conflict, *NECOCON:* Non-economic conflict, *LONG:* Long-term orientation.

of 60%. Table 1 presents characteristics of the sample. Also, Table 2 shows descriptive statistics of constructs.

3.3 Results

3.3.1 Confirmatory factor analysis

The two-step approach to structural equation modeling suggested by Anderson and Gerbing (1988) was used in this study. Before estimating the paths to test the relationships among constructs, a confirmatory factor analysis for the seven constructs and their 58 indicators for both high and low dependent groups was conducted to assess construct, convergent and discriminant validity through Amos 4.0. However, twenty-eight items had associated factor loadings (λ) less than .45 in high and low groups. Thus, a second CFA model with twenty eight-items removed was conducted again (three items in exercised coercive power sources, ten items in non-coercive power

sources, five items in economic satisfaction, three items in non-economic satisfaction, three items in economic conflict, and four items in non-economic conflict were removed). Table 3 indicates the results of the second CFA for the

Table 3. Results of Confirmatory Factor Analysis

Scale (Cronbach's alpha)	High Dependence Retailers		Low Dependence Retailers	
	Factor loading (λ)	t-value	Factor loading (λ)	t-value
Exercised Coercive (.79)				
Item 1	.75	5.78	.76	6.00
Item 2	.74	5.74	.59	4.92
Item 3	.59	4.90	.78	6.08
Item 4	.64	Fix	.68	Fix
Exercised Non-coercive (.79)				
Item 1	.62	5.60	.67	4.94
Item 2	.59	5.34	.70	5.10
Item 3	.56	5.02	.79	5.40
Item 4	.57	5.18	.77	4.95
Item 5	.77	Fix	.59	Fix
Economic Satisfaction (.61)				
Item 1	.61	4.13	.70	4.13
Item 2	.53	3.84	.65	4.24
Item 3	.45	Fix	.53	Fix
Non-economic Satisfaction (.80)				
Item 1	.81	8.24	.51	5.14
Item 2	.76	7.76	.98	6.00
Item 3	.78	Fix	.76	Fix
Economic Conflict (.86)				
Item 1	.80	6.67	.58	5.54
Item 2	.85	6.94	.73	7.17
Item 3	.82	6.80	.81	6.26
Item 4	.75	6.39	.70	6.81
Item 5	.63	5.61	.55	5.24
Item 6	.62	Fix	.64	Fix
Non-economic Conflict (.74)				
Item 1	.76	7.34	.72	5.47
Item 2	.58	5.70	.66	5.19
Item 3	.82	Fix	.66	Fix
Long-term Orientation (.85)				
Item 1	.70	5.90	.69	7.05
Item 2	.72	6.55	.78	7.26
Item 3	.72	5.30	.61	7.27
Item 4	.53	4.57	.52	5.29
Item 5	.74	6.12	.72	7.39
Item 6	.75	Fix	.69	Fix

measurement model and gives factor loadings and t-values.

Table 3 also indicates that every item has a significant t-value on its latent construct. This suggests that the measurement scales for each construct support high convergent and construct validity for both groups. First, a free model (model 1) was estimated in which the lambdas for every construct were free across groups (Table 4). Model 1,which evaluates configural invariance, produced χ^2 = 1304.9 with 768 degrees of freedom. Then, model 2 was estimated to indicate whether the factor covariances are equal across both high and low dependence groups. This procedure was conducted by constraining the ϕs to be equal. Model 2, which evaluates nomological validity, produced χ^2 = 1356.8with 789 degrees of freedom. The chi-square difference of these two models (model 1 and model 2) shows significance at p<.05 ($\Delta\chi^2$ = 51.9,

df = 21). Therefore, this indicates that the factor correlations are not invariant across the high and low dependent retailers.

The third model (model 3) was estimated to determine whether the measurement model is the same for high and low dependent groups (Table 3). To evaluate this model, factor loadings (lambdas) were constrained across both retailer groups. The χ^2 difference of these two models (model 1 and model 3) shows non-significant results ($\Delta\chi^2$ = 30.9, df = 23) which means that the measurement scale is assumed to be equal across both groups of retailers. Also, model 4 (constraining s and s model) shows significant differences with model 1 ($\Delta\chi^2$ = 81.9, df = 44). Thus, the final measurement model was evaluated on convergent validity, discriminant validity, nomological validity.

Table 4. CFA Model Comparison

	$\Delta\chi^2$	Df	CFI	RMSEA	$\Delta\chi^2$/ DF	Δ^2 Sig. Dif
Unconstrained (model 1)	1304.9	768	.791	.058		
ϕ constrained (model 2)	1356.8	789	.779	.059	51.9/ 21	Yes
λ constrained (model 3)	1335.8	791	.788	.058	30.9 / 23	No
ϕ,λconstrained (model 4)	1386.8	812	.776	.058	81.9 / 44	Yes

3.3.2 Hypothesis Tests

To test the hypotheses, a structural equation model was estimated. The theoretical model tested is shown in Figure 1. A two-group model was estimated to measure the relationships among all the constructs. The fit of the model for the high dependence retail group (χ^2 = 3, df = 3, p = .40, GFI = .992, AGFI = .929, CFI = 1.00, RMSEA = .00, RMR= .01) and the low dependence retail group (χ^2 = 2.2, df = 3, p = .54, GFI = .993, AGFI = .939, CFI = 1.00, RMSEA = .00, RMR= .012) is good. Also, results for the two groups indicated that our conceptual model fits the data well (χ^2 = 5.15, df = 6, p = .53, GFI = .993, AGFI = .934, CFI = 1.00, RMSEA = .00, RMR=.011). The correlation matrices for the high and low dependence retailer groups are presented in Table 5.

First, the effects of high dependence and low dependence retailer groups on exercised coercive power, exercised non-coercive power, economic satisfaction, non-economic satisfaction, economic conflict, non-economic conflict, and long-term orientation were estimated.
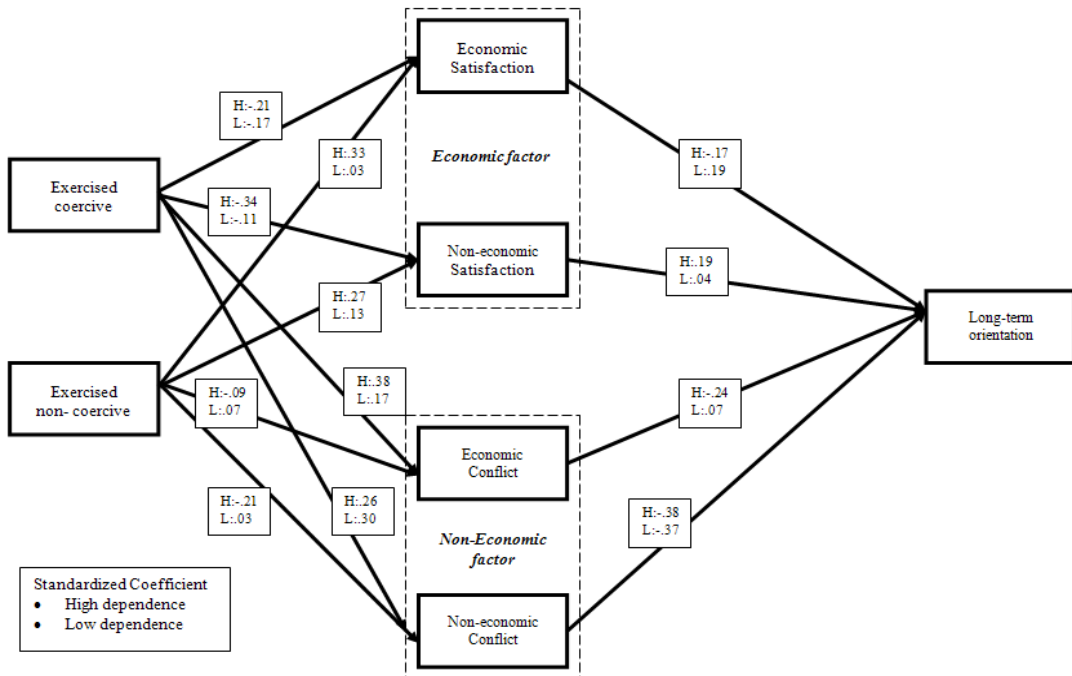

Figure 1

Table 5. Correlation Matrix

High Dependence Retailers

	EXCO	EXNOCO	ECOSA	NECOSA	ECOCON	NECOCON	LONG	SD
EXCO	1							.73
EXNOCO	-.023	1						.73
ECOSA	-.217**	.339*	1					.58
NECOSA	-.344**	.274*	.587**	1				.56
ECOCON	.383	-.099	-.400**	-.376**	1			.67
NECOCON	.264**	-.213**	-.411**	-.442**	.390**	1		.66
LONG	-.100	.100	.194*	.347**	-.389**	-.490**	1	.58

Low Dependence Retailers

	EXCO	EXNOCO	ECOSA	NECOSA	ECOCON	NECOCON	LONG	SD
EXCO	1							.74
EXNOCO	-.083	1						.72
ECOSA	-.176	.047	1					.52
NECOSA	-.123	.136	.238**	1				.58
ECOCON	.166	.053	-.189	-.036	1			.58
NECOCON	.293**	.007	-.473**	-.198*	-.155	1		.50
LONG	-.225**	.071	.367*	.160	.088	-.484**	1	.52

EXCO: Exercised coercive power sources, *EXNOCO:* Exercised non-coercive power sources, *ECOSA:* Economic satisfaction, *NECOSA:* Non-economic satisfaction, *ECOCON:* Economic conflict, *NECOCON:* Non-economic conflict, *LONG:* Long-term orientation.

Table 6 shows the standardized structural parameters and t-values for each construct. Then, to assess the differential effects of high dependence and low dependence retailers, a series of chi-square difference tests were conducted. Also, free model and constrained beta and gamma models show significant differences (see Table 7).

H1a (manufacturers' coercive power will have a more negative effect on highly dependent retailers' economic satisfaction than on low dependence retailers, $\Delta\chi^2$= 0.2, df=1), H1b (manufacturers' coercive power will have a more positive effect on highly dependent retailers' economic conflict than on low dependence retailers, $\chi^2 = \Delta3.6$, df=1), H1c (manufacturers' coercive power will have a more negative

Table 6. Standardized Effects (t-values)

Path Description	High Dependence	Low Dependence
EXCO → ECOSA	-.21 (-2.39)	-.17 (-1.74)
EXCO → NECOSA	-.34 (-3.94)	-.11 (-1.13)
EXCO → ECOCON	.38 (4.35)	.17 (1.73)
EXCO → NECOCON	.26 (2.88)	.30 (3.06)
EXNOCO → ECOSA	.33 (3.82)	.03 (0.33)
EXNOCO → NECOSA	.27 (3.11)	.13 (1.28)
EXNOCO → ECOCON	-.09 (-1.03)	.07 (0.68)
EXNOCO → NECOCON	-.21 (-2.30)	.03 (0.33)
ECOSA → LONG	-.17 (-1.65)	.19 (1.86)
NECOSA → LONG	.19 (1.830)	.04 (0.47)
ECOCON → LONG	-.24 (-2.61)	.07 (0.75)
NECOCON → LONG	-.38 (-4.14)	-.37 (-3.63)

Table 7. Path Constrained model

Path Constrained	χ^2	df	$\Delta\chi^2$/df	$\Delta\chi^2$ Sig.dif
Free model	5.2	6		
Constrained model (beta + gamma)	50.7	24	45.5/18	Yes
Univariate test				
Constrain EXCO → ECOSA	5.4	7	0.2/1	No
Constrain EXCO → NECOSA	7.9	7	2.7/1	No
Constrain EXCO → ECOCON	8.8	7	3.6/1	No
Constrain EXCO → NECOCON	5.2	7	0.0/1	No
Constrain EXNOCO → ECOSA	11	7	5.8/1	Yes
Constrain EXNOCO → NECOSA	6.1	7	0.9/1	No
Constrain EXNOCO → ECOCON	6.6	7	1.4/1	No
Constrain EXNOCO → NECOCON	9.0	7	3.8/1	No
Constrain ECOSA → LONG	11.2	7	6.0/1	Yes
Constrain NECOSA → LONG	6.5	7	1.3/1	No
Constrain ECOCON → LONG	10.5	7	5.3/1	Yes
Constrain NECOCON → LONG	5.3	7	0.1/1	No

effect on highly dependent retailers' non-economic satisfaction than on low dependence retailers, $\Delta\chi^2 = 2.7$, df=1) and H1d (manufacturers' coercive power will have a more positive effect on highly dependent retailers' non-economic conflict than on low dependence retailers, $\Delta\chi^2 = 0.0$, df = 1) are not supported. The

results indicate that manufacturer's coercive power sources do not influence economic dependence level on retailers' satisfaction and conflict.

H2b (manufacturers' non-coercive power will have a more negative effect on highly dependent retailers' economic conflict than on low dependence retailers, $\Delta\chi^2 = 1.4$, df=1), H2c (manufacturers' non-coercive power will have a more positive effect on highly dependent retailers' non-economic satisfaction than on low dependence retailers, $\Delta\chi^2 = 0.9$, df=1) and H2d (manufacturers' non-coercive power will have a more negative effect on highly dependent retailers' non-economic conflict than on low dependence retailers, $\Delta\chi^2 = 3.8$, df = 1) are not supported. However, H2a (manufacturers' non-coercive power will have a more positive effect on highly dependent retailers' economic satisfaction than on low dependence retailers, $\Delta\chi^2 = 5.8$, df=1) is supported.

Based on these results, it can be concluded that manufacturers' coercive power sources and non-coercive power sources do not differentially affect high and low dependence retailers' economic conflict, non-economic satisfaction, and non-economic conflict.

Finally, H3a (economic satisfaction with manufacturers will have a stronger positive

effect on low dependence retailers' long-term orientation than on highly dependent retailers, $\Delta\chi^2 = 6.0$, df=1) and H3b (Economic conflict with manufacturers will have a more negative effect on highly dependent retailers' long-term orientation than on low dependence retailers, $\Delta\chi^2 = 5.3$, df=1) show significant differences. Thus, H3a and H3b are supported. Also, H3c (There is no significant difference between the two groups for non-economic satisfaction, $\Delta\chi^2 = 1.3$, df=1) and H3d (There is no significant difference between the two groups for non-economic conflict, $\Delta\chi^2 = 0.1$, df = 1) are supported.

Ⅳ. Discussion and Implication

In this paper, we researched how economic and non-economic satisfaction, and economic and non-economic conflict are influenced by manufacturers' power sources, and how these four constructs are related to Korean retailers' long-term orientation under different levels of dependence. Also, a unique aspect of this study is that the theoretical constructs such as power, satisfaction, conflict and

long-term orientation are measured, analyzed and compared for both high dependence and low dependence retailers.

Regarding manufacturers'power sources, the results of the SEM (Structural Equation Modeling) indicated that retailers'dependence level has little effect on the relationships between manufacturers' power sources and retailers' satisfaction and conflict. Empirical research reported that coercive and non-coercive power sources did not show any significant differences between both high and low dependence retailer groups except one path (non-coercive power economic satisfaction). It means that high and low dependence retailers tend to behave similarly in Korean channel relationship. Here are logical explanations for the lack of differences between high and low dependence retailers. Recently, the market environment is moving toward buyers' market. Also, the market share of mid-low priced brands is rapidly increasing. Thus, most of big cosmetic manufacturers will be more likely to maintain business relationships with retailers. Given this situation, if cosmetic manufacturers use coercive power, retailers will resist manufacturers' attitude regardless of level of dependence because

retailers have many alternatives from which to select. Therefore, the results of this study strongly recommended that Korean manufacturers should use non-coercive power to the retailers regardless of retailers' dependence level to increase satisfaction and decrease conflict.

Another interesting finding of the study is related to the effects of economic factors (economic satisfaction and economic conflict) on long-term orientation. The results indicated that economic satisfaction more positively affects the long-term orientation of low dependence retailers, whereas economic conflict negatively affects the long-term orientation of highly dependent Korean retailers.

For highly dependent retailers, they already have stable relationships with existing manufacturers and are economically satisfied, so they would not worry about their future economic satisfaction. Rather, they will be more concerned about economic conflicts that could cause serious economic damages such as disconnecting stable relationships or changing their main manufacturers, which require tremendous time and money investment. That's why economic conflict is more important for highly dependent retailers than economic satisfaction to

maintain long-term orientation.

For low dependence retailers, they are more likely to focus more on economic satisfaction rather than economic conflict. Actually, economic conflict for low dependence retailers might not be a big issue because they can easily disconnect relationships with existing manufacturers or exchange existing manufacturers to another manufacturers (or suppliers). Rather low dependence retailers want to have stable business relationships with manufacturers to achieve their goal in expanding economic satisfaction. From these results, we found that how retailers' economic satisfaction and economic conflict distinctively influence their long-term orientation under the different level of dependence. As mentioned, the Korean economic crisis changed not only the retail environment but the market structure as well. This situation thrust manufacturers and retailers into a survival situation. Therefore, it is not surprising that economic factors have become important for Korean manufacturers and retailers.

Finally, as we expected, non-economic factors (non-economic satisfaction and non-economic conflict) do not show any significant differences between the groups. Generally, individualist culture societies emphasize the rights and needs of the individual such as self-interest, freedom and individual achievement, whereas collectivist cultures societies are more focus on family, organizations, and community. People in collectivist societies tend to prefer tight social frameworks, emotional dependence on belonging to the organization, and a strong belief in group decision. Thus, in collectivistic culture, social relationships would be more critical in channel behaviors than in individualistic culture.

Especially, Korea rates one of the highest on Confucian culture societies (Hofstede and Bond 1988). People in Confucian culture are more likely to have certain qualities such as loyalty, reciprocal obligation and honesty. Therefore, Chang (2003) suggested that when negotiating with people in Confucian societies, negotiation partner should respects their values and be polite to establish a long-term business relationship with them. Under this cultural background, non-economic conflict that implies impolite and/or disrespectful attitudes will seriously damage channel relationships between Korean manufacturers and retailers regardless of dependence level.

For global and/or domestic companies,

one of the critical factors would be how to establish long-term business relationships with local buyers. Thus, we recommend that companies which wish to have long-term relationship have to focus on practices that establish economic and non-economic satisfaction. Also, supplier should mind that economically satisfied buyers and non-economically (or socially) satisfied buyers response (or react) differently.

Consequently, the main contribution of this study will be that the multi dimensionalities of the economic factor (economic satisfaction and economic conflict) and non-economic factor (non-economic satisfaction and non-economic conflict) are supported by results in that two types of factors (economic and non-economic) are differentially associated with antecedents (manufacturers' power sources) and consequence (long term orientation), as suggested by theoretical explanations.

Ⅴ. Limitations and Future Research

A limitation of the study is that only small cosmetic retailers were examined.

Future studies can expand the research for other types of retailers (department stores, general merchandise, discount stores, or various types of specialty stores such as books, clothes, electronic, drug, and food) to increase the generalizability of the finding.

The long-term versus short-term orientation study will provide interesting results too. According to Ganesan (1994), short-term oriented retailers are concerned with the options and outcomes of the current period, whereas long-term oriented retailers look toward achieving long-term goals. They have concerned for both current and future results. Short-term oriented retailers depend on the efficiencies of the market exchange in order to maximize their profits in a transaction (economic factor) whereas long-term oriented retailers rely on relational exchanges to increase profits through a series of transactions (economic and non-economic factors). Thus, a comparative study of economic and non-economic factors between long-term oriented countries such as Korea, China or Japan and short-term oriented countries such as the U.S.A or Western European countries would likely yield some interesting and revealing results.

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Appendix A (all scales are 5-point Likert scales)

Exercised coercive power: Gaski and Nevin (1985), (Never/Always)

1. The manufacturer delays delivery of products (generally).

2. The manufacturer is not on time or does not supply new or high quality products
   compared with my competitors.

3. The manufacturer delays warranty claims.

4. The manufacturer refuses to sell.

*Exercised non-coercive power: Gaski and Nevin (1985), (*Never/Always)

1. The manufacturer gives business advice.

2. The manufacturer provides service.

3. The manufacturer gives pricing assistance.

4. The manufacturer provides ordering assistance.

5. The manufacturer provides inventory management assistance.

*Economic Satisfaction: Wilkinson (1981), (*Very dissatisfied/Very satisfied)

1. The price at which the manufacturer sells cosmetics to you.

2. The credit facilities the manufacturer makes available to you.

3. The discount allowances your manufacturer gives you for large orders,   etc.

*Non-Economic Satisfaction: Gaski (1986)-item number 1-3, and Andaleeb (1996)-item
   number 4-6* (Very dissatisfied/Very satisfied)

1. The relationship between the manufacturer and me seems to reflect a happy situation.

2. The relationship between the manufacturer and me is very positive.

3. The manufacturer should be very satisfied with me.

Economic Conflict: (Gaski and Nevin 1985) (Strongly disagree/Strongly agree)

1. My manufacturer's policies reduce my profits.

2. My manufacturer makes it difficult for me to do my job.

3. My manufacturer has not been very fair with me.

4. My manufacturer doesn't help me in getting the job done.

5. My manufacturer doesn't seem to have my store's best interests at heart.

6. Dealing with my manufacturer does not benefit my store.

Non-economic Conflict: Eggeman, Moxley and Schumm (1985), (Never/Always)

1. Do you both begin to understand each other's feelings reasonably quickly?   R

2. Do you both get your points across to each other without too much trouble?   R

3. Do you both begin to appreciate each other's points of view on a matter fairly soon? R

   R = Scale reversed

*Long-term Orientation: Ganesan (1994), (*Strongly disagree/Strongly agree)

1. I believe that over the long run my relationship with the manufacturer will be profitable.

2. Maintaining a long-term relationship with the manufacturer is important to me.

3. I focus on long-term goals in this relationship.

4. I am willing to make sacrifices to help the manufacturer from time to time.

5. I expect my manufacturer to be working with me for a long time.

6. Any concessions I make to help out the manufacturer will even out in the long run.