

UNEXERCISED CHANNEL POWER RELATED TO THE COSTS OF USING DIFFERENT TYPES OF POWER SOURCES

LYNNE RICHARDSON, *University of Alabama at Birmingham*

JOHN SWAN, *University of Alabama at Birmingham*

The bases of power and influence strategies streams of research in channels literature were combined to test relationships between the potential to use power and its actual use. The brewing industry proved fertile ground for this test. Results showed that more costly power sources are used less than those lower in cost. New categories of costs were introduced and supported empirically.

INTRODUCTION

While many researchers have focused on shifting attention from utilizing the more traditional bases of power methodology in channels literature to considering influence strategies, we contend that there is still much to be learned from the former paradigm. In fact, little attention has been given to combining consideration of both approaches in one paper. We propose to do that here.

Channel power has been a central concept in theoretical and empirical work in the marketing channels literature. Power has been found to be related to such important phenomena as control and conflict within the channel as well as channel member satisfaction and performance (cf., El-Ansary and Stern, 1972; Hunt and Nevin, 1974; Etgar, 1976; Wilkinson, 1979; Sibley and Michie, 1981; Lusch and Brown, 1982; Gaski and Nevin, 1985; Gaski, 1986; Frazier and Rody, 1991). An extensive theoretical literature on sources or bases of channel power, the exercise of power by a channel captain, and the consequences of using power has emerged.

A relatively unexplored issue regarding channel power is why some power held by the channel captain

remains unexercised. Gaski and Nevin (1985) argued that some of the findings concerning the effects of power that had been reported in the literature were weak or ambiguous because a distinction between exercised compared to unexercised power had not been made. They discovered that the distinction was important and that the channel captain did not exercise all of the potential power that was available. However, Gaski and Nevin (1985) did not extend their work to include a test of propositions that could provide an explanation concerning why power is not exercised. In this article, we will develop and empirically test an argument that the exercise of power is related to the cost(s) of using power. We have identified the brewing industry, an oligopoly, as a strong candidate for testing this argument. An oligopolistic situation provides opportunities for powerful firms to control distributor actions in more competitive markets.

Our theoretical argument concerning the exercise of channel power has been drawn from a stream of research that was not utilized by Gaski and Nevin (1985). The unique contribution of this article is that we address the issue of unexercised power by combining two main streams of research on channel power: 1) the bases of power; and 2) influence strategies approaches. An attempt to utilize both approaches has not appeared in the literature. Each stream of research has provided an important, but incomplete, perspective on why some channel power is unexercised. In the next section, we will describe

each approach, develop some important distinctions between them and explain how they can be combined to provide a more complete account of why power is not exercised. Then the hypotheses will be developed, followed by the methodology used to test them. The paper will conclude with the results, a discussion of the results, and directions for future research.

TWO APPROACHES TO CHANNEL POWER

The classical measurement of power used bases of power as proposed by Stern (1967) and has served as a framework for a series of studies over the last twenty years. Gaski (1984) provided a comprehensive review of the bases of power literature. Power refers to the power holder's ability to control or influence another, the target, or to get the target to do something that s/he would not do otherwise (Dahl, 1957; Emerson, 1962; Cartwright, 1965). According to French and Raven (1959), power is derived from sources or bases, such as rewards or punishments. The bases of channels power literature has conceptualized power as the perception of the target that the channel captain controls various sources or bases of power. In the channels literature, the bases of power have been dichotomized as coercive (punishment) and noncoercive (rewards) meted out by the channel captain (Hunt and Nevin, 1974; Gaski and Nevin, 1984). Operationally, channel power has been consistently measured as the target's perception of extent to which the channel captain provides rewards (e.g., sales training for the target's sales force) and punishment (e.g., threatening to revoke a franchise). The bases of power tradition has addressed a number of research questions including relationships between different sources and overall power, the amount of power held by the channel captain, and exercised compared to unexercised power.

The bases of power approach has focused on the magnitude of power as perceived by the target, while in contrast the more recent influence strategies research has been centered on the channel captain's strategies used in order to exercise power (Wilkinson and Kipnis, 1978). Frazier (1984) defined an influence strategy as "a means or method of communication utilized by a firm's boundary personnel in applying its power" (p. 72). The use of

influence strategies has been measured by asking the target to report what the channel captain's representative has done. As an example, Boyle, Dwyer, Robicheaux and Simpson (1992) asked automobile dealers to indicate how frequently the manufacturer's salesperson had communicated in a number of ways, one of which was to promise to give something back in return for specific actions of the dealership.

As noted above, the bases of power stream has focused on sources and the magnitude of channel captain power. Influence strategies research has addressed a different set of questions including what strategies are used (e.g., recommendations, promises, threats, Boyle et al. 1992) and why different strategies may be used. Of particular importance to this study was the argument and finding offered by Frazier and Summers (1984) that firms would choose to use the least costly, yet most effective, strategies to influence another firm.

This study combines the power bases and influence strategies streams as follows. From the power bases research of Gaski and Nevin (1985) was drawn the conceptualization and measurement of exercised compared to unexercised power. From the influence strategies work came the theoretical argument that the exercise of channel power is related to the costs of using power. Next, the specific hypotheses tested in this study are discussed.

HYPOTHESES

The theoretical issues that were addressed in this study are based on the distinction between exercised compared to unexercised power. Gaski and Nevin (1985) found that the distinction made a difference in terms of the influence a channel captain's power had on the channel member that was the captain's target. A set of theoretical propositions will be developed in this section that directly extend Gaski and Nevin's study to cover two issues that have not been addressed in the channels power literature.

First, while Gaski and Nevin (1985) argued that unexercised power would exceed exercised power, a test of that theoretical idea has not been reported.

Gaski and Nevin (1985) reported significant correlations between power sources (unexercised power) and exercised power which suggest that a gap exists between power and its use. However, their analysis stopped short of investigating the proposition that unexercised power is greater than exercised power.

Second, a basic argument has been advanced in the literature that channel power is not exercised because the exercise of power is costly (Kasulis and Spekman, 1980; Frazier and Summers, 1984; Johnson, Koenig, and Brown, 1985). That fundamental proposition has been supported in terms of influence strategies, but not in terms of bases of power. We will present a theoretical argument drawn from the influence strategy literature that different sources of channel power incur varying costs of use and test the basic prediction that as the cost of exercising power increases, the exercise of power decreases.

Drawing from the channels literature, this study concerned three dimensions of power. One dimension is the type or base or source of power. The most fundamental distinction among different sources of power is the coercive-noncoercive distinction. Coercive sources punish or threaten while noncoercive sources either reward or help the channel member that is the target of the channel captain's power.

The second and third dimensions of channel power apply to each source or type of power. The second dimension of power is the potential amount of power that exists for a particular source. The third dimension is the actual use of the source (exercise of power) by the channel captain.

It is important to note at this point that early channels literature often referred to the use of power to achieve control but did not closely distinguish between obtaining control by the presence of a specific source in comparison to the exercise of use of the source. Gaski and Nevin (1985) found a distinction between the presence compared to the use of a power source. In this research the distinction made by Gaski and Nevin (1985) was tested across four major hypotheses.

The first hypothesis predicted that the exercise or use of power would be less than the sources or potential power available to the brewers as channel captains for the basic reason that the use of power can incur a variety of different kinds of costs. First, Frazier and Summers (1984) suggested that firms would choose to use the least costly, yet most effective strategies, to influence another firm. Two kinds of costs were proposed and supported: 1) resentment and damage to the relationship, and 2) the time and effort to make the influence attempt. Boyle, Dwyer, Robicheaux and Simpson (1992) tested types of strategies used in a contractual channel system. Negative associations were predicted and supported for relationism and threats, legalistic pleas and requests. Second, an FTC ruling has restricted the freedom of brewers to exercise power. Milewicz (1983) argued that powerful channel members need not and, for fear of antitrust retaliation, cannot completely exercise their power through forceful influence strategies. Third, the exercise of power can be costly to the channel captain if the channel member has countervailing power (Etgar, 1976). Fourth, since the use of power can be restricted and costly, brewers may build power to hold in reserve in order to meet contingencies. Thus, the first hypothesis was:

H1: Distributor perceptions of suppliers' potential sources of power, both coercive and reward, are significantly greater than are the perceptions of the suppliers' uses of those same sources of power.

Differentials in the Cost and Use of Coercive and Reward Power

The second hypothesis was based on the higher relative costs to the channel captain of using coercive rather than reward sources of power. Reward sources include both marketing and financial assistances. Many of the distributor's actions can and do have strong impacts on the brewer as well. The basic premise is that if coercive sources are used, they can potentially harm the brewer's interests as well as punish the distributor. If a delivery is delayed to a distributor, the result is lost sales for both channel members. Providing marketing and

financial assistances to distributors results in positive outcomes for both brewer and distributor. Based on the general premise that coercive sources are more costly than reward sources, the second hypothesis follows:

- H2: The differences between the potential and uses of reward sources will be smaller than the differences between potential and uses of coercive actions.

Differentials in the Cost of Different Types of Coercive Power

We will develop an argument that a distinction can be made between two costs of coercive power. While the literature supports the categories that we propose, relationship costs and mutual costs, the distinction between the two has not been explicitly developed.

Relationship costs consist of the damage that the use of punishment can inflict on the business relationship between the channel captain and the channel member that is targeted. The exercise of coercive power has been found to increase conflict, reduce channel member satisfaction, give targets the motivation to try and punish the channel captain, and join with other targets to oppose the channel captain (cf., Hunt and Nevin, 1972, Lusch, 1976). Relationship costs are the general costs of using any type of coercive power.

In addition to relationship costs, some sources of coercive power involve mutual costs because the use of the sources can potentially harm the brewer's interests as well as punish the distributor. If a delivery is delayed to a distributor, the result can be lost sales for both. A coercive action that involves a mutual cost also has a relationship cost, since the act of punishment can damage the business relationship between the parties. Thus the total mutual costs would exceed the relationship actions and if the use of power is sensitive to costs of use, then mutual coercive power would be employed less readily than relationship power, with the result that:

- H3: Within coercive power sources, the differences between the potential and uses of mutual cost sources will be larger than the

differences between potential and use of relationship cost actions.

Differentials in the Cost of Different Types of Reward Power

The cost to the channel captain of rewarding the target is posited to vary across different types of rewards depending upon the extent to which the reward requires a large or a small direct incremental allocation of resources to each target. Low incremental cost rewards would include programs developed for channel members in general which require a small incremental cost for any specific target. As an example, some, but not all, types of marketing assistances involve a "fixed" cost to the brewer of obtaining the basic resource, such as developing a sales training program for distributor salespeople or conducting marketing research on consumer buying patterns. However, the incremental cost of providing sales training or sharing marketing research results with a specific distributor would be relatively low compared to direct investment types of marketing assistance such as providing trade allowances. In general, providing financial assistances, such as inventory financing, to the distributor would be a high direct cost mode of assistance. Assuming that the use of power decreases with increasing costs, the fourth hypothesis was:

- H4: Within noncoercive power sources, the differences between the potential and use of high incremental cost sources will be smaller than the differences between potential and use of low incremental cost actions.

Countervailing Power and the Use of Power

In some channels the captain's use of power may be restricted by the countervailing power of channel members. Countervailing power is the power of the target to control the entity that attempts to exercise power over the target (Etgar, 1976). High countervailing power would raise the cost to the channel captain of exercising power. Low countervailing power would suggest a setting where the cost of using power in terms of the channel

member reducing the channel captain's favorable outcomes would be slight. Essentially, countervailing power is high if the channel captain is dependent on the channel member and countervailing power is low if the captain is independent of the member.

High countervailing power could have two possible effects. First, coercive sources would be little used and the gap between source compared to use for coercive sources would increase. The reason for expecting the effects just posited is that the punishment of the channel member in the use of coercive power would give the member motivation to evoke countervailing power, which would raise the cost to the channel captain of exercising power. The second possible influence of higher countervailing power would be to give the channel captain incentive to rely on reward power since reward power should not give the member reason to oppose the channel captain. Further, the cost of coercive power is high so the captain would come to rely on rewards, or at least other noncoercive sources. The fifth and sixth hypotheses were:

- H5: Within coercive power sources, as the countervailing power of the target member increases, the differences between the potential and use of power sources by the channel captain will increase.
- H6: For the channel captain, within noncoercive power sources, as countervailing power of the target member increases, the differences will decrease between the potential and use of power sources:
 - H6a: in general.
 - H6b: for marketing assistances.
 - H6c: for financial assistances.

In order to test the hypotheses, an appropriate setting was needed.

STUDY SETTING AND BACKGROUND

The setting for this study was the wholesale beer distribution industry. The brewing industry in the United States, monopolistically competitive as recently as 1970, was an oligopoly when this study was conducted. In 1970, the largest four breweries' sales

represented 38.2 percent of the domestic beer market (Hemphill, 1988) but, by 1987 industry sources reported that the largest four brewers' cumulative market share was 81.6 percent (Hemphill, 1988).

Oligopolies present opportunities for powerful firms to control the operations of suppliers and distributors who operate in more competitive markets. The dominant brewers (e.g., Anheuser-Busch, Miller, Stroh and Coors) have the potential to use their market power to control their distributors and to extract monopoly-like shares of available channel profits from those distributors.

The brewers rely upon franchised wholesalers to perform a comprehensive set of marketing functions to compete effectively in their local markets. These functions include, among others, stocking adequate assortments, operating effective and efficient logistics systems, and managing a field sales force.

Theoretically, this was an excellent setting for the study because it is generally believed that brewers possess considerable market power and are able to use this power to influence the marketing activities and other aspects of their wholesalers' operations.

A potential limitation of the setting for this study was the extent to which the brewers' use of power may have been constrained by the countervailing power of the distributors and/or legal regulations. Legal restrictions or extremely high countervailing power could have two possible effects. First, coercive sources would be little used and, secondly, the gap between source compared to use for coercive sources would increase. Two measures of countervailing power were included in the design of this study and are used to incorporate countervailing power in the analysis. Legal restrictions or countervailing power did not appear to severely restrict the use of coercive sources as brewer use of coercive sources was not uniformly low compared to the use of financial assistances. The subscale mean for coercive uses (2.02) exceeds that for financial uses (1.87). See Table 3.

In terms of managerial implications, this channel system was a good setting in which to test the

proposed hypotheses because there are other channel systems in which one member holds the majority of power (e.g., automobiles, petroleum distribution). The findings from this effort may be helpful when considering decisions in similar situations. Next we turn to the methodology.

METHODOLOGY

The Sample

The *National Beverage Marketing Directory 1988* served as the sampling frame for the study. It contains the name and address of every licensed beer wholesaler in the U.S. The sample of 1500 was stratified by wholesaler sales volume and city size to enhance representativeness.

Since some beer wholesalers distribute more than one brewer's products, respondents were asked to answer all questions for their major supplier. This was defined as the brewer whose products account for the greatest percentage of the distributor's annual dollar sales volume.

The survey produced 324 useable responses and represented all regions of the U.S. The useable response rate was 21.6 percent. This compares favorably to response rates of 14.6 percent (Krapfel and Spekman, 1987), 26 percent (Hunt and Nevin, 1974) and 19 percent (Etgar, 1976) for mail surveys in other channels studies. A follow-up mailing was used and late respondents did not differ significantly on key characteristics from early respondents; therefore, nonrespondent bias is presumed to be minimal.

Twenty one percent of the respondents reported their job titles as president, and twenty six percent were vice presidents. General and sales managers accounted for another 45 percent. Seidler (1974) and Phillips (1981) have questioned using single sources as informants. However, the respondents in this study can be presumed (1) to be very aware of the relationship their firm has with the brewer and (2) to have influence at the highest level of the organization to interact with the brewer's personnel. While interviewing sales managers and vice presidents during survey preparation a realization that most beer

distributors have small management teams occurred; these key people can accurately express the organization's sentiments, i.e., perceptions and feelings about the major distributor that guide strategic decision making.

Variable Measures

Three major constructs were measured: (1) perception of potential power, or level of brewer power sources, (2) brewer use of those sources, and (3) countervailing power held by the distributor. Based upon industry trade literature and extensive personal interviews with industry executives representing three different brewers in a two hundred mile radius, sixteen items were identified to measure the potential and use of power sources, while two items were used to measure countervailing power.

Power potential and use was measured following the approach employed by Gaski and Nevin (1985) who measured the presence of power sources by asking "how much capability" the supplier had to take each action. The use of power sources was determined by asking "how often" the supplier took each action. Power source potentials were measured with five point scales which ranged from "no capability" to "very much capability." For each power source (such as, the ability of the brewer to provide quality market research information to the distributor), the respondent indicated how capable or able the brewer was to perform the activity. A confirmatory factor analysis of the sixteen power sources items yielded three factors with eigenvalues in excess of 1.0, which collectively explained 54 percent of the variation among the items (see Table 1). Factor one is made up of coercive items and is labeled COERCIVE POTENTIAL. Factor two is marketing assistances (MARKETING POTENTIAL) and factor three is financial assistances (FINANCIAL POTENTIAL). It should be noted that the constructs were measured using summed scale scores, not factor scores, and the two types of assistances were combined into reward power sources during subsequent analyses.

Intrafactor reliability coefficients (Cronbach's alphas are on the diagonal) and interfactor correlation coefficients are shown in Table 2. These indicate

TABLE 1
Perceptions of Potential Brewer Power by Source

Power Sources	a Mean	Factors		
		1 COERCIVE POTENTIAL	2 MARKETING POTENTIAL	3 FINANCIAL POTENTIAL
<u>Coercive</u>				
Deliver unwanted goods	2.46	.672		
Set high minimum order size	3.16	.633		
Take legal actions to control	3.34	.487		
Require local promotions \$\$	3.74	.514		
Delay deliveries	2.61	.724		
"Short" orders	3.16	.787		
Change sales territories	2.02	.508		
Raise wholesale prices	3.47	.668		
<u>Marketing Assistances</u>				
Provide market research info	4.00		.736	
Assist in sales training	4.03		.798	
Provide inventory management	4.04		.811	
Provide warehousing assistance	4.33		.727	
<u>Financial Assistances</u>				
Provide inventory financing	3.07			.838
Provide business financing	2.83			.792
<u>Other Items</u>				
Give local promotional support	3.92		.619*	.401*
Provide trade allowances	3.86			.477*
Total and subscale means	3.30	3.00	4.10	2.95
Eigenvalues		5.19	2.66	1.19
Percent of explained variation		30.0	16.6	7.4
Total variance explained = 54.0%				

* Excluded from hypothesis testing

a = where 5 = very much capability; 1 = no capability

TABLE 2
Power Source Potentials Reliability and Correlation Coefficients

	COERCIVE POTENTIAL	MARKETING POTENTIAL	FINANCIAL POTENTIAL
COERCIVE POTENTIAL	.79a		
MARKETING POTENTIAL	.24	.82a	
FINANCIAL POTENTIAL	.37	.47	.80a

a=coefficient alpha

TABLE 3
Perceptions of Brewer Use of Power Sources

Power Uses	a Means	Factors			
		1 MARKETING USES	2 COERCIVE USES1	3 FINANCIAL USES	4 COERC USES2
<u>Coercive</u>					
Delivers unwanted goods	1.67		.634		
Sets high minimum order size	2.32		.613		
Takes legal actions to control	2.22		.513		
Requires local promotion \$\$	3.11		.618		
Delays deliveries	1.56		.539		
"Shorts" orders	1.91		.671		
Changes sales territories	1.30				.807
Raises wholesale prices	2.10				.637
<u>Marketing Assistances</u>					
Provides market research info	3.61	.672			
Assists in sales training	3.64	.791			
Provides inventory management	3.69	.757			
Provides warehousing assistance	4.02	.668			
<u>Financial Assistances</u>					
Provides inventory financing	1.94			.834	
Provides business financing	1.80			.859	
<u>Other Items</u>					
Gives local promotional support	3.46	.549*			
Provides trade allowances	3.47	**			
Total and subscale means	2.49	3.74	2.02^	1.87	2.02^
Eigenvalues		3.26	2.52	1.46	1.11
Percent of explained variation		20.4	15.8	9.1	6.9
Total variance explained = 52.5%					

* Excluded from hypothesis testing

** Excluded for failure to meet .40 factor loading criteria

^ Factors 2 and 4 were combined into one subscale, USECOER

a = where 5 = strongly agree used; 1 = strongly disagree used

TABLE 4
Use of Power Sources Reliability and Correlation Coefficients

	COERCIVE USES	MARKETING USES	FINANCIAL USES
COERCIVE USES	.74a		
MARKETING USES	.22	.80a	
FINANCIAL USES	.36	.39	.76a

a = coefficient alphas

high intrafactor reliability and interfactor independence.

Brewer use of power was measured with five point Likert scales for which the distributor was instructed to indicate "strongly agree" if the supplier takes the action described (e.g., intentionally delays delivery); "strongly disagree" if the action was not at all typical of the supplier. Again, a factor analysis of the sixteen use items yielded four factors with eigenvalues in excess of 1.0, explaining 52.2 percent of the variation among the items (Table 3). Factor one is made up of the same marketing assistances items that comprise **MARKETING POTENTIAL** and is labeled **MARKETING USES**. Similarly, factor three is made up of the same items that comprise **FINANCIAL POTENTIAL** and is labeled **FINANCIAL USES**. Factors two and four are composed of the items that comprise **COERCIVE POTENTIAL**. Though the coercive items loaded on two factors here, they were combined as one factor, **COERCIVE USES**, so that the use of power scales would correspond with the sources of power scales in subsequent analyses.

Intrafactor reliability coefficients (Cronbach's alphas are on the diagonal) and interfactor correlation coefficients are shown in Table 4. These scores also indicate that little damage resulted to the scales by combining factors two and four into one coercive use of power factor scale. While combining the two scales may suggest that the factor analysis was an unimportant step in the method, the factor analysis demonstrated the independence between the three sets of different factors (coercive, marketing, financial sources) which was important given the model that was tested.

The power source measures were similar to those Gaski and Nevin (1985) used. In each instance, the distributor was asked to identify how much capability the supplier had to do certain activities. However, the activities used in this study were specific to the beer channel. When measuring the exercise of power sources, Gaski and Nevin asked the distributor to respond how often the supplier did certain activities, while this effort asked the distributor to either agree or disagree, at some level, with whether the supplier performed certain activities.

Countervailing power would be strong if both parties were equally dependent on each other and the balance of power was equal. Two questions were used to measure those dimensions of countervailing power. The first question, dependence, asked the distributor to indicate whether the supplier was more dependent on their firm or if their firm was more dependent on the supplier. The second question asked if the balance of power favored the distributor or supplier. The results suggested that the distributors felt a bit dependent on a slightly more powerful supplier. Dependence was close to equal (mean = 3.33 on a scale, where 3.0 indicated equal dependence). The supplier was perceived as moderately more powerful (mean = 3.7, where 5.0 indicated supplier is much more powerful). Dependence seemed to favor the supplier, however, the relationship was not so one-sided that suppliers could act without concern that the distributor had some countervailing power.

RESULTS

The first hypothesis was that perceptions of the brewers' potential sources of power are significantly greater than are the uses of those sources. Paired t-tests for the means of the measures for each item, subscale and total sum scale were conducted. In every test, the means on the two variables were found to differ significantly at the .001 level. Further, in every instance, the mean potential of each power item exceeded the mean use of the power source (see Table 5). Considerable support was found for the first hypothesis.

The second hypothesis was based on the argument that constraints on the use of coercive sources would result in large differences between potential minus use. However, reward sources are low in cost and utilized more fully resulting in a low P-U measure. The P-U difference scores were relatively large for coercive sources (.93), while the difference between potential and use for rewards (a combination of marketing and financial assistances) was .55. A paired t-test indicated a significant difference between the two at the .001 level (see Table 6). The second hypothesis was supported.

TABLE 5
Potential Compared to Use of Power Sources

Power Sources	Potential Means	Use Means	Potential minus Uses	p value
<u>Coercive</u>				
Deliver unwanted goods	2.46	1.67	.79	.001
Set high minimum order size	3.16	2.32	.84	.001
Take legal action to control	3.34	2.22	1.12	.001
Require high local promotions	3.74	3.11	.63	.001
Delay deliveries	2.61	1.56	1.05	.001
"Short" orders	3.16	1.91	1.25	.001
Change sales territories	2.02	1.30	.72	.001
Raise wholesale prices	3.47	2.10	1.37	.001
Subscale mean	3.00	2.02	.98	.001
<u>Marketing Assistances</u>				
Provide market research info	4.00	3.61	.39	.001
Assist in sales training	4.03	3.64	.39	.001
Provide inventory mgmt help	4.04	3.69	.35	.001
Provide warehousing assistance	4.33	4.02	.31	.001
Subscale mean	4.10	3.74	.36	.001
<u>Financial Assistances</u>				
Provide inventory financing	3.07	1.94	1.13	.001
Provide business financing	2.83	1.80	1.03	.001
Subscale mean	2.95	1.87	1.08	.001

where p value = paired t-test for differences between potential and use

TABLE 6
Potential Compared to Use of Power Sources

Sources	Potential	Use	P-U	t- value	p value
Coercive	2.97	2.04	.93		
Reward	3.75	3.18	.55	- 1.53	.001
Coercive:					
Relationship	3.01	2.13	.88		
Mutual	2.85	1.75	1.10	- 3.43	.001
Reward:					
High Incremental	3.40	2.67	.73		
Low Incremental	4.03	3.65	.38	7.12	.000
Coercive:					
High CVP*	2.89	2.03	.86		
Low CVP	3.12	2.03	1.09	- 1.90	NS
Reward:					
High CVP	3.66	3.16	.50		
Low CVP	3.88	3.23	.65	- 1.59	NS
Reward--Marketing:					
High CVP	3.98	3.61	.38		
Low CVP	4.17	3.76	.42	- .41	NS
Reward--Financial:					
High CVP	2.81	1.90	.91		
Low CVP	3.16	1.88	1.28	- 1.97	.048

*CVP, countervailing power

The third hypothesis was based on a distinction between two types of costs to the brewer of using coercive power, mutual and relationship costs. Relationship costs were defined as the negative impact on the business relationship of using power and included such items as delivering unwanted goods. Mutual costs are those where the use of a source mutually reduces the rewards of both the brewer and distributor. Mutual costs included delaying delivery of products and "shorting" orders which could reduce sales and profits for both channel members. Since mutual costs add to the cost of exercising power beyond relationship costs, the third hypothesis predicted that the differences between the potential and uses of mutual cost sources will be larger than the differences between potential and use of relationship cost actions. The mean P-U for relationship costs was .88, while the mean P-U for mutual costs was higher (1.10). The paired t-test showed a significant difference between these two means at the .001 level. The third hypothesis was supported.

The fourth hypothesis proposed that cost would inhibit the use of high incremental cost reward sources with the result that the potential minus use measure would be high. In contrast, cost would not discourage the use of low incremental cost actions, more of the potential would be used and the potential minus use difference would be low. High incremental costs included both providing business and inventory financing as well as giving promotional support and providing trade allowances. Low incremental costs are those actions considered marketing assistances (from Table 5). The P-U mean for high incremental costs is .73, while the mean P-U for low incremental sources is .38. The difference was significant at the .000 level and the fourth hypothesis was supported.

The countervailing power of the distributor was considered for hypotheses 5 and 6. The fifth hypothesis suggested that, for coercive power sources, as countervailing power increases, power use will be constrained and the difference between the potential and uses of power sources will increase. When countervailing power was "high," the P-U mean was .86, but when it was low, the difference was 1.09. This difference is in the opposite direction to what was

hypothesized, but the difference was not significant at the .05 level.

Countervailing power would inhibit the use of coercive sources, but not discourage the use of reward sources. As a result, H6a proposed that under higher countervailing power, brewers may turn to reward sources and the P-U measure would be low. This hypothesis was not supported. The P-U difference for "high" countervailing power was .50 compared to .65 for low countervailing power. The difference was not in the hypothesized direction, nor significant at the .05 level.

Analysis of the possible influence of countervailing power was extended by examining the two categories of reward components (see Table 6). For marketing assistances, H6b was not supported, but it was for financial assistances, H6c.

DISCUSSION

Gaski and Nevin (1985) made an important distinction between exercised compared to unexercised power and argued, but did not test, the prediction that unexercised power would exceed exercised power. An important finding of this study was that the power potential exceeded use. Indeed, it appears that the channel captain had more power than was used, which raises the question of why power is not used.

An argument has been advanced in the influence strategies (what the channel captain communicates to the target in order to exercise power) literature that some types of strategies, such as threats, are not used frequently as such strategies incur a cost in terms of damage to the channel captain-target relationship (Kasulis and Spekman, 1980; Frazier and Summers, 1984; Johnson, Koenig, and Brown, 1985). The implications of that argument for the bases of power literature is that some sources of power may not be exercised because they incur a high cost. In this paper a theoretical argument was advanced that different sources of power incur varying costs of use. Evidence was found that as the cost of exercising power increases, the exercise of power decreases.

More specifically, we posited that the use of coercive power is high in cost as it can harm the interests of both the channel captain and channel member. Less of the potential coercive power was used compared to reward power. Concerning coercive power, a distinction was drawn between two categories of costs, relationship costs and mutual costs. A basic premise was that all coercive actions can damage the business relationship between the channel members and incur a relationship cost. Some coercive costs add an additional mutual cost as the exercise of power directly reduces the rewards of the channel captain when the member is punished. As an example, delaying delivery could result in lost sales for both channel members.

The analysis found that mutual cost actions were used less than relationship actions. The distinctions between coercive and reward power and mutual compared to relationship costs of coercive power were important as different levels of costs are involved and higher costs restricted the use of different types of power.

Reward power may also involve different categories of cost. High incremental cost actions are those that involve a high cost per channel member, such as providing financial assistance. Low incremental costs are incurred when a general resource, such as information on consumer buying behavior, can be used by many distributors. More of the potential of low compared to high incremental cost actions were used.

Finally, hypotheses were advanced that high compared to low countervailing power would inhibit the use of coercive sources and the channel captain would turn to reward sources. The results were mixed as of four hypotheses, only one was supported. More of the potential financial assistances were used under high versus low countervailing power. The one positive finding suggests that the impact of countervailing power on the use of power sources warrants future research. The setting for this study may have not provided a strong test of the hypotheses as the level of countervailing power held by the distributors was moderate. The distributors perceived the brewers as more powerful.

In summary regarding power potential and use, the brewers are perceived to possess considerable potential and they do use those sources of power. However, the levels of their power potential and their use of those potentials vary by type.

The findings are summarized and future research directions are noted below.

CONCLUSION

This study investigated relationships between the potential compared to the usage of coercive and noncoercive power sources and found that potential exceeded the use of those same sources. Evidence was found for a set of hypotheses that predicted that more costly power sources are used less than sources that are lower in cost. This study supported the basic argument that has been advanced in the literature that power is not exercised because the exercise of power is costly (Kasulis and Spekman, 1980; Frazier and Summers, 1984; Johnson, Koenig, and Brown, 1985). Another contribution of this study to knowledge of power in distribution channels was that some categories of the costs of using power that were implicit in the literature were proposed and hypotheses premised on the new types of costs, such as relationship and mutual costs, were supported.

This study has focused on the brewing industry, which has a power structure similar to other industries in the United States. Future research should focus on testing these relationships in similar industries (e.g., petrochemicals, automobiles) in order to validate the findings of this study. Research should also be conducted in dissimilar industries, possibly where the distributor retains more of the power (e.g., supermarkets, for although many manufacturers are powerful, the balance of power has shifted from manufacturers to supermarkets).

Additional efforts should also attempt to uncover and/or replicate the relationships between power and other constructs. For example, while conflict and performance have been considered in other studies, there is a need to reconsider relationships between power sources, use of power, satisfaction, conflict and performance, among other constructs, for

validation purposes. There is also a need to consider the quality of power sources and uses versus simply the ability to perform an activity and the actual performance of that activity.

Understanding relationships between social organisms begins with considering the power bases each has. This is true for channel systems as well. While there may not be a channel captain per se, often one member of the dyad will have more capabilities at its disposal than does the other. Only through continued research in this area will scholars and managers alike gain knowledge of how these systems function.

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