The Effect of Channel Function Performance on Relationship Quality with Organizational Buyers:
A Case Study in Iranian Food Distribution Company

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ABSTRACT

The continuous changes in the world and the pressure of competition in global markets make organizations to preserve and improve long term relations with customers. Additionally, the feature of distribution network has changed the quality of relationship into a strategic opinion. This research attempts to investigate the relationship quality between distributer channel function with their organizational buyers as well as the impact of interdependence between the partners in the relationship. A survey was conducted by questionnaire instrument distributed between 243 organizational buyers of Iranian Food Distribution Company. Data were analyzed by SPSS and LISREL software. Testing a structural equation modeling showed that the operation of distributor has a positive effect on the relationship quality while the effect of total interdependence on relationship quality became negative.

Keywords: Relationship Quality, Channel Function, Interdependence, Satisfaction, Trust, Commitment, Conflict

INTRODUCTION

Nowadays, many manufacturers have not necessary ability for direct marketing and use brokers for economy in huge distribution, considerable decrease in work volume. Even if there are sufficient financial facilities, use of these facilities in main profession has more efficiency; therefore, advantages of using distribution channel is obvious (Kotler & Armstrong, 2010).Function of distribution companies as one of the most important distribution channels in viewpoint of economics is to change form of manufacturers' goods into form of consumers' demanding goods.

A distribution channel has other important tasks besides transfer of goods from manufacturer to consumer, time saving and connecting goods owners and customers to each other. Researches show that having relation with customer is one of the important duties of distribution channel which causes to keep customer, collect necessary information, new

ideas from customers and facilitate functional planning. Increase of relationship quality with customer has external positive effect for distributor. It also causes a powerful situation in relation with superior manufacturers (Skarmeas, Katsikeas, Spyropoulou, & Salehi-Sangari, 2008).During last two decades, many organizations have understood the importance of their customer's satisfaction and found that keeping available customers has less costs than attracting new customers. In addition, being powerful relation between satisfaction of customer and accepted profitability and increasing customer satisfaction has been changed to the most important functional goal of most organizations. Therefore, distribution channels should always supervise on interaction between themselves and their customers to offer valuable goods and services while knowing their needs and values in order to gain different dimensions of relationship

marketing. On the other hand, relationship quality is inevitable in distribution channel because nowadays, marketing tends to be based on relationship and increase of quality in relationship with customers. Furthermore, one of important factors in relationship quality is said to be interdependence between members of the channel (Skarmeas et al., 2008). Increase of relationship quality which its important factors are trust and satisfaction cause to grow benefit and quality of services (Boonajsevee, 2005). In this regard, the relationship quality causes to create royalty of customers for further relation. Consequently, the quality of relationship facilitates sale, create interdependence and power. On the other hand, one of the most expanded challenges of relationship marketing is that it is simpler in statement than execution and its function is difficult (Godson, 2009). It is a dream that customers want always to have relation with manufacturer or distributor. Therefore, recognizing factors that cause relationship is very necessary and it has benefits for the parties (Rauyruen & Miller, 2007).

Considering to fulfilled studies, although the effect of distribution channel function on relationship quality was seen in developed countries but whether this relation is in the same way in developing countries such as Iran or has the similar results in other industries. Lack of research about aforementioned relation in Iran makes this research has been fulfilled based on studied model in developed countries, considering to the importance of the issue of food in third world countries and considering that a food distribution channel having suitable facilities can cause to decrease the prime cost and also improve delivery and finally health and quality of food. Also, the importance of relationship marketing is now specific and no research in this case has done in distributing companies to the best authors' knowledge. So, this study attempts to uncover and fill the existing gap in Iranian researches.

LITERATURE REVIEW

Now, changes in the field of information, technology, needs of people in global markets is very much but in business subject, change in values demanded by people is the most critical change and considering to these changes cause companies to compete. A kernel of these values is gained by making relation with customers. Distribution channels should consider that they are responsible to keep relationships as a bridge between producers and buyers and losing a customer cause to lose value of that customer's lifetime. Therefore, a distribution channel should take all steps that know for recognizing and providing better services for its valuable customers.

 Considerable point in subject of relation with customer is that cost of keeping present customer is more less than cost of gaining new customer. Relational tendencies ensure success of organizations. Subject of relation with the most beneficiaries of organization (customer) is the topic that is very important due to importance of its content and loyal customers have been mentioned as important capitals and one of reaching to this valuable capital is suitable relation and considering to relationship quality. Relationship marketing is the marketing that has been established based on a network of relations(Godson, 2009). Important factors of relationship

marketing which means marketing activities including communication, development and keep relational successful exchanges is relationship quality (Ng, 2010).

In fulfilled study about effect of functional role of distribution channel on relationship quality shows that relationship quality is created by two factors of satisfaction and trust and these factors cause to create commitment and finally royalty (Boonajsevee, 2005) and it is one of principles of relationship marketing which includes trust, commitment and satisfaction (Fynes, de Búrca, & Mangan, 2008). Although, relationship quality was considered as a combination of some or all of these constructs recently (Hibbard, Kumar, & Stern, 2001; Jap, 2001; Kumar, Scheer, & Steenkamp, 1995). Function of distribution channel includes all activities which is done for offering goods from manufacturer to consumer and all affairs which remove separation of goods and services from real consumers (Kotler & Armstrong, 2010) and they includes the following different factors:

-Location: it is predicated to facilities providing services, availability and facilities of distribution channel like visiting period (Skarmeas et al., 2008) .

-Assortment: it is predicated to amount of assortment of products offered by distribution channel (Skarmeas et al., 2008).

-Financial and price setting policies: sets of financial policies and pricing and credit agreements which are proposed by Distribution Company (Skarmeas et al., 2008).

-(Promotional) Information: it is predicated to all promotions and information about products and way of their use.

-Personnel: it is predicated to quality of personnel's function and eligibility and quality of personnel's services of Distribution Company.

In addition, one of the critical factors in relationship marketing is interdependence between distribution channel members and interdependence that is more important than monitoring. Because cooperation leads to success and if there is interdependence between channel members, there will be no need to pose a high degree of commitment and trust, and interdependence between channels members ensuring reduce conflicts. However, the reduction and elimination of conflicts and disagreements is not always the ideal situation for distribution channel and also the conflict is not always considered as a threat for distribution channels. In this way some conflicts between members of distribution channel causes the competition and innovation. Recently, a new viewpoint to distribution channel has been developed that is committed to developing long-term relationships, and there is consensus that long-term relationship leads to supply and distribute the products with higher quality and lower cost.

RESEARCH HYPOTHESIS

Function of distribution channel is an effective factor in quality of relation between distributor and customer and the results of the research show that function of distribution channel, including location, assortment, financial and price setting policies, (promotional)information and personnel, cause to create relationship quality. Subject of relationship quality in distribution channel is very important considering

to clear results of relationship quality which yield to more satisfaction, trust and commitment of customers and decrease of conflicts. According to changing environment and environmental inconstancy of Iranian organizations, relationship quality is one of factors that make distribution channel to compete. Therefore, due to the mentioned explanations, the first hypothesis is expressed as follows:

H1: Function of distribution channel has positive and meaningful effect on relationship quality.

On the other hand, Interdependence, which is predicated to power amount of dependence and need of the parties, is fundamental factor within members of distribution channel and interdependence is more important than supervision. Bradford and Weitz (2008)stress that members of distribution channel are better to cooperate for success in used strategies instead of standing up against it because more cooperation causes more success (Bradford & Weitz, 2008). If there is interdependence in available relationships, there is no need to high degree of trust and commitment and dependence within members of distribution channel ensures decrease of conflicts. Therefore, final hypothesis has been proposed:

H2: interdependence has positive and meaningful effect on relationship quality.

So, based on the literature review and also the proposed model by Bruggen et.al,(2005), the research framework was offered in Figure 1.
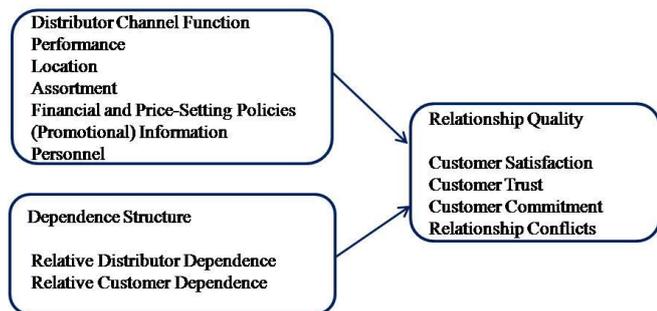

Figure1. Research framework based on Van Bruggen et.al,(2005)

RESEARCH METHODOLOGY

In this research, customers of a major Iranian Food Distribution Company were selected as population who were 659 retailer, wholesaler, sale cooperatives and chain markets in Tehran city and they have continuous relation with that Food Distribution Company. Sample was gained as 243 considering to sampling formula and the questionnaire distributed into customers and finally used for studying and conclusion. Present research is empirical and based on quantitative method required data was collected. Additionally, this study is constructed based on the model developed by Van Bruggen et.al,(2005). Questionnaire has been used for collecting data and after analyzing them, the hypothesis has been tested. Total items for the constructs applied in this study were determined on a 7-pointLikert scales, ranging from1 (strongly disagree) to 7 (strongly agree).In this way, SPSS software and LISREL software were used for analyzing data.

Furthermore, it is necessary to mention that Cronbach's Alpha has been applied for reliability of the research as shown in Table 1. In addition, content validity was gained by confirmation of the questionnaire by marketing masters and top managers of that Distribution Company and applying questionnaires of the last research.

Table1. Reliability of constructs

Variable	No. of Statements	Cronbach' Alpha
Location	4	0.764
Assortment	3	0.626
Financial and price setting policies	3	0.835
(Promotional)information	7	0.741
Personnel	8	0.631
Relative Distributor Dependence (Dependence of distributor on customer)	4	0.647
Relative Customer Dependence (Dependence of customer on distributor)	3	0.749
Satisfaction	3	0.772
Trust	4	0.684
Commitment	3	0.868
Conflict	4	0.891
Total	45	0.877

In order to ensuring about correctness of questions, the questionnaire was analyzed by a confirmatory factor analysis. It was done through model of structural equations by using statistical Lisrel 8.53 software.

RESULTS

In accordance with Friedman test result as shown in Table 2, there exist difference among distribution channel components. Location has the highest ranking within other five factors of function of distribution channel and shows suitable situation of this variable within other factors of function of distribution channel. Studying indexes related to location by Friedman test showed that visiting period is more important than other indexes.

Table 2. Friedman test results of function of distribution channel

Frequency	243
Chi-square	216.026
df	4
Sig.	0.000

Moreover, location and financial and price setting policies have achieved the highest rank in the scale of the distributor channel function. In addition, according to Table 3, there is a difference between interdependence components that dependence of distributor on customer was the most important item.

Table 3. Friedman test results of interdependence

Frequency	243
Chi-square	124.885
df	1
Sig	0.000

Finally, considering the result of Friedman test related to the relationship quality factors (Table 4), there can be prioritized these items. Among dimensions of relationship quality, satisfaction and commitment placed at the first and second level of importance, respectively.

Table 4. Friedman test results of relationship quality

Frequency	243
Chi-square	143.235
df	3
Sig.	0.000

Before estimating the structural relationship, correlation coefficient among variables of model has been assessed by Pearson test, which its results were supported by path analysis results. On the other hand, based on Table 5, location

and function of distribution channel have positive and meaningful relation. Therefore, hypothesis 1 is confirmed.

This result has been confirmed by Van Bruggen et.al,(2005)as well. Also, assortment of products and function of distribution channel have positive and meaningful relation. So, this hypothesis is also confirmed and it agrees with study done by VanBruggen et.al,(2005). Financial policy setting and pricing and function of distribution channel have positive and meaningful relation.

This relation is confirmed in results of path analysis; therefore, this hypothesis is also accepted. Information and function of distribution channel have positive and meaningful relation. This relation is also accepted in results of path analysis and shows that it has second importance, while findings of Friedman's ranking show that this variable has lower rank.

Table 5. Results of the structural model

Direction	Coefficient	t-value	Result of test	Type of hypothesis
Function of distribution channel → Relationship quality	0.68	6.55	Confirmed	Structural
Interdependence → Relationship quality	-0.07	-0.75	Failed	Structural
Location → Function of distribution channel	0.93	12.32	Confirmed	Measuring
Assortment → Function of distribution channel	0.52	6.55	Confirmed	Measuring
Financial and price setting policies → Function of distribution channel	0.47	6.64	Confirmed	Measuring
(Promotional) Information → Function of distribution channel	0.61	8.04	Confirmed	Measuring
Personnel → Function of distribution channel	0.41	5.29	Confirmed	Measuring
Relative distributor dependence → Interdependence	0.56	3.64	Confirmed	Measuring
Relative customer dependence → Interdependence	0.42	2.42	Confirmed	Measuring
Satisfaction → Relationship quality	0.83	11.81	Confirmed	Measuring
Trust → Relationship quality	0.47	6.8	Confirmed	Measuring
Commitment → Relationship quality	1.0	16.21	Confirmed	Measuring
Conflict → Relationship quality	0.75	-11.16	Confirmed	Measuring

In this way, function of personnel and function of distribution channel have positive and meaningful relation. Considering to path analysis, this hypothesis is confirmed. Function of personnel is one of factors which are important in function of distribution channel. Furthermore, relative dependency of customer to distributor and interdependence has positive and meaningful relation. Therefore, this hypothesis is also confirmed. Satisfaction and relationship quality have positive and meaningful relation. Results show that satisfaction has second rank of importance and this hypothesis is confirmed. In addition, trust and relationship quality have positive and meaningful relation.

In this research, trust means customer feels that distributor thinks also about his/her benefit and positive effect of trust on relationship quality was confirmed and also the relationship between commitment and relationship quality is positive and meaningful. Commitment has the highest rank of importance while it is in second rank. However, conflict and relationship quality have negative and meaningful relation. And finally,

structural hypothesis has been studied by test of path analysis:

H1: function of distribution channel has positive and meaningful effect on relationship quality ($T = 6.55 > 1.96, \beta = 0.68$). This relation is confirmed by test of path analysis and the result agrees with results of Van Bruggen et.al,in 2005.

H2: interdependence has positive and meaningful effect on relationship quality ($T = -0.75 < 1.96, \beta = -0.07$). This hypothesis is failed by test of path analyzing and the results contradict results of Van Bruggen et.al,(2005) research.

Consequently, although thechi-squared value ($\chi^2 = 87.77, p = 0.00$)wasstatisticallysignificant, the other indices are all in the range that is considered to be satisfactory model fit to the data ($RMSEA = 0.0885$ and also the ratio of chi-squared over df is less than 3. Finally the ultimate model of the study is presented in Figure 2.
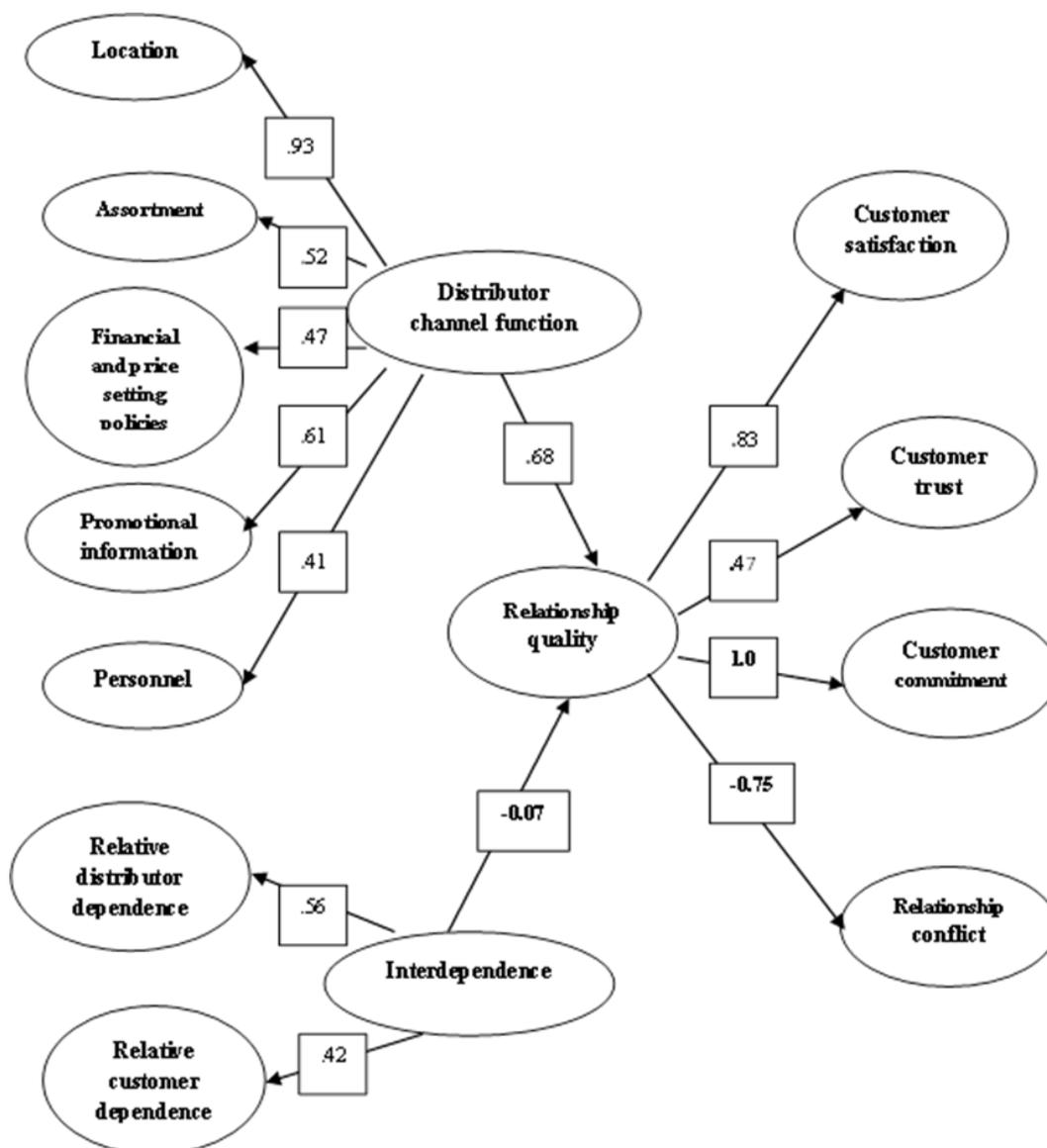
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Figure 2.Final model of the study

DISCUSSION

Location and function of distribution channel have positive and meaningful relation. Visiting period has the most important rank within other indices. In distribution companies, especially food distribution companies, period of visiting customer is very important because customer can have a suitable planning in addition to know discipline of the company by this ordered period of visiting. In related to assortment, products assortment and function of distribution channel have positive and meaningful relation. Totally, now, food distribution companies are expected to have complete goods basket or have necessary coordination in their products assortment. Additionally, positive relation of financial policy making and pricing with function of distribution channel and results of path analysis confirm this hypothesis but in this study, variable of financial policy making and pricing is placed in fourth rank, therefore, Distribution Company needs to consider more to this variable. This variable has second rank in Freidman ranking test and shows suitable status of the financial policy setting and pricing variable. Financial policy

making and pricing is necessary for retailers and wholesalers and price index and quality level is very important for customers because now, customers don't look for lower prices but for proportion of quality and price of offered products. Considering the positive relation between promotional information and function of distribution channel, offerings and cash and content discounts is very important. According to the positive relation between function of personnel and function of distribution channel and test of path analysis, we can say that function of personnel is very important in function of distribution channel. In Freidman ranking test for studying indexes of function of personnel, behavior of personnel is very important; therefore, Distribution Company should know that personnel are agents of the company and they should learn way of behaving with customer.

Moreover, positive and meaningful relation between relative dependence of distributor to customer and interdependence shows that getting customer has many costs; therefore, distributor becomes dependent to customer and

also confirmation of relation between relative dependence of customer to distributor and interdependence shows that there is hard competition between food distribution companies. Therefore, mostly, there isn't any dependence and other conditions result in purchase and change or eliminating Distribution Company is not a difficult work.

As satisfaction and relationship quality have positive and meaningful relation and test of path analysis implies that satisfaction is in the second rank, therefore, the company is in a suitable status. Studying indexes of this dimension explained that customers are satisfied from dealing with this company. Positive relation of trust and relationship quality and considering to results of test of path analysis, this variable is in last important rank and status of this variable is suitable but it is proposed that critical situation of customers of the company is considered and there is more honesty in their relationship. In accordance with the relation between commitment and relationship quality and their high ranking, it is proposed that this variable is more considered for creating relationship quality and commitments of company to customers becomes more.

Besides, the negative relation between conflict and relationship quality stresses that conflict in negotiations should be decreased because now, customers look for being regarded privately and say their special needs and negotiations becomes easier in order to meet needs of customer easily. Finally, the lack of confirmation of interdependence to relationship quality and its conflict with Van Bruggen et.al, (2005) research can be explained by studied industry. Their research is about industry of distributing painting products which is undertaken by several distribution companies. While, there are more than 400 food distribution companies in industry of food distribution and this hard competition cause decrease of dependency.

CONCLUSION AND SUGGESTIONS

Problem of this research is to recognize factors of function of distribution channel which is effective on quality of relation with organizational buyers. Results of hypothesis show that it is very important to make financial policy and price and promotional information in view of buyers in Tehran. However, the research has fulfilled only in viewpoint of customers of the Distribution Company and view of supplying company can be considered in future studies. Based on results of research and confirmation of hypothesis, it is proposed to business managers:

-To consider to category of financial and price setting policies more than before and use cash and content discounts.

-Distribution companies should consider more to content discounts related to factor of promotional information and have more creativity for providing promotions in sales.

-Considering to the studied about the distribution company, they could have more facility for returning goods.

-Ordered recourse of marketing to customer is very important and the company can control determined regions by providing list of ordered direction. Because customer can used to arranged presence of marketer and understand discipline of the company and its importance. Also, availability of marketers is very important.

-In case of assortment of goods, being completed of products in goods basket is very important. And unavailability of a commodity discourages customers.

-Customer is considered as capital and cost of losing customer should be always considered.

-Considering to multiplicity of Food Distribution Company that cause lack of dependence between customer and distributor, so Distribution Company should focus on customer and keeping relation with customer.

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