

A Research on the Relationship between Marketing Channel Context and Channel Performance: An Empirical Study into Mobile-Phone Firms between Taipei & Beijing

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Abstract

This research has developed an analytical framework, which incorporates four measurement variables for a competitive marketing channel, they are channel structure, channel power, channel climate, and channel performance. Based on the questionnaire and personal interview, an empirical survey on mobile phone marketing channel located both in Taipei and Beijing was applied for system survey. SPSS statistical software tool was applied for survey data analysis with the functions of factor analysis, T test analysis, Pearson correlation coefficient analysis, and regression analysis. The major conclusions are summarized as followings: 1. Channel structure has significant influence on channel performance. 2. Channel power has significant influence on channel performance. 3. Channel climate has significant influence on channel performance. 4. Channel structure has significant influence on channel power. 5. Channel power has significant influence on channel climate. 6. Channel structure has significant influence on channel climate. Through the data surveyed, it is sufficient for us to make the characteristics comparison of marketing channel located in Taipei and Beijing. Channel management, information, protectionism and customer response speed etc. are the major problems occurred in China now.

Key words: Marketing channel, Channel structure, Channel power, Channel climate, Channel performance

1. Introduction

In the era of new economy, the life cycle of most products became shorter and shorter due to the continuous developing of information technology. In recent decades, the progress of industry developing in Taiwan is marching on the direction of high technology and high value-added precision industry, information communication is the most outstanding one especially. On situations of mature technology applied to the products of relative competitors, as well as the variety of customer demand, marketing channel has become the new policy for success. In adapting to this fluctuating marketing environments, to create a competitive marketing channel is the major business strategy, also it is the core capability and the critical successful factor for corporations in this new coming era.

China has borne the most attractive economic power

all over the world since 1979, the year of open, for her marvelous population and high economic growth rate. China has been the member of WTO (World Trade Organization) in 2002, that should lead China to adjust her economic developing style from production-oriented to customer-oriented, reduce and release the barrier of government regulation. Free trading, global marketing and global information flow should be the future trend for China. In the coming future for the corporations to win in China, it is the first consideration to build a strong marketing channel, then, they can grasp the keys to success.

Government regulations on telecommunication have been released step by step both in China and Taiwan. The opening on this new application area induces many new profitable business, business on internet, mobile phone, fixed network and broadband network are some typical applications. Due to the huge marketing capacity and high developing potentials in China, it's of no doubt for many competitors to share this "big pie" from both local and foreign corporations.

Taiwan and China are separated by Taiwan Strait, the distance is short geographically across the strait, but it's long in economic environments. Due to the difference in political and civil situations, the trading and marketing circumstance are quite different. This research has developed an analytical framework based on the questionnaire and personal interview, SPSS statistical software tool is applied for survey data analysis. The three major goals for this research are: (1) Survey on the relationship between marketing channel structure and marketing performance for retails of mobile phone in Taipei (Taiwan). (2) Survey on the relationship between marketing channel structure and marketing performance for retails of mobile phone in Beijing (China). (3) Compare and tell the difference in marketing channel structure and marketing performance between Taipei and Beijing.

2. Literature Review

This section will describe the definitions of marketing channel, channel structure, channel climate, channel power and measurement of channel performance. The corresponding literature reviews are summarized as Table 1.

Table 1 Characteristics of marketing channel

Topic	Brief Concept	Authors
Channel Structure	Divide into three major types based on processing functionalities: marketing trading, intermediate trading, hierarchical trading.	Owyer et al. (1981)
	Describe channel structure based on the level of intermediate trading: 0-level channel, 1-level channel, 2-level channel ...	Kotler (1997)
Channel Climate	Encourage the members of marketing channel to bear the feeling of mutual support based on the arrangement of partnership.	Rosenbloom (1987)
	The relationship among all members of marketing channel.	Reve & Stern (1986)
	Maintain a permanent partnership based on strategic consideration for the purpose of close and stable relationship.	Sheth (1994)
Channel Power	The control power of marketing channel strategies that one member of marketing channel overrides the others. This power can influence the decisions of total channel.	Stern et al. (1996)
	The source of channel power comes from the power perception of channel members. The common value and self-regulated rules generated through indirect and non-economic factors can influence the channel members with less disputable.	Lusch (1998) Rosenbloom (1987)
Channel Performance	Channel performance measurement should be built with multiple attributes and multiple levels' structure.	Stern et al. (1996)
	Review on the performance of retails based on the viewpoint of suppliers, there are four review modules: rationality system, behavior system, inner process system, open system.	Kumar et al. (1992)
	Review on the performance of wholesales based on the viewpoint of manufacturers, the quantitative index on profit rate and growth rate are the majors.	Kotler (1997)

A. Marketing Channel: The construction of all members who process the trading activities of goods or services from original providers to end consumers (Kotler, 1997). Trading process includes physical distribution, property transferring, payments, information exchange, risk management. The channel emphasize on the transferring process from providers to customers.

B. Characteristics of Marketing Channel

There are three major factors which compose the characteristics of marketing channel, they are channel structure, channel climate and channel power, all of these factors may have the critical influence to channel performances.

B-1. Channel Structure: The channel types that express how the marketing channel works.

B-2. Channel Climate: The perception of interrelationship among members of marketing channel.

B-3. Channel Power: The member who bears the control power over the others to influence the strategic activities of total marketing channel.

C. Measurement of Channel Performance: The outcome structure of total marketing channel as well as the performance measurement of their corresponding performance index.

3. Research Methodology

3.1 Survey Structure and Hypothesis Test

The three major characteristics in marketing channel has been discussed in the previous section. Figure 1 demonstrates the interrelationship among the three factors in marketing channel as well as channel performance. Based on the questionnaire and personal interview, we provide six hypothesis tests for system survey.

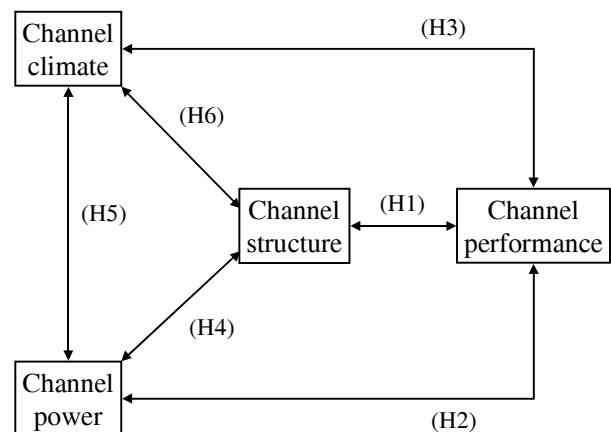


Figure 1 Survey structure

H1: Channel structure has significant influence on channel performance.

Channel structure has the sufficient influence on the characteristics of marketing channel and channel performance, communication styles are varied from one marketing channel to another (Rosenbloom 1987). On

the relational channel structure, the closer the channel relationship, the more the constructive communication is achieved (Etgar, 1997).

H2: Channel power is positively related to channel performance.

Channel power is defined as the decision variable that one member of the marketing channel has the power to control or influence on confidence, attitudes and activities of the others (Anderson et al., 2000; Stern et al., 1996). Channel power is positively related to the non-forced strategies of marketing channel (Brown et al., 2001). The higher the channel power appears, the more the non-forced strategies are applied on marketing channel (Mayo et al., 1998; Lusch, 2001).

H3: Channel climate bears the influence to channel performance.

Good channel climate will infer to good channel performance, that is strongly supported for all related literature survey on organization theory of marketing channel (Stern et al., 1996; Schul et al., 2001).

H4: Channel structure is significantly dependent on channel power.

There are mutual interrelationships between channel structure and channel power (Stern & Reve 1980). It is suitable to build up a marketing channel system based on centralized consideration in views of both channel structure and channel power. Under the marketing trading structure, the communication style will be collaborated if the channel power is symmetric, otherwise, it will be self-determined (Williamson 1981).

H5: The more effective of the channel power has the will to set a good channel climate.

“Trust” (Anderson, Lodish & Weitz, 2000) and “Permanent Relationship” (Hammond, Brown & Harmon 1996) are two critical variables affect the channel climate most. Trust is defined as the mutual self-regulated engagements or contracts, it is stable and reliable for all members of marketing channel, also, it is the commitment for every trading partner within a marketing channel. Permanent relationship refers to the perceptions of all trading partners in a marketing channel, they all have the will to maintain continuous and forever interrelationship (Hammond et al. 1996).

H6: Channel structure is significantly dependent on channel climate.

Members of marketing channel can process the relational exchange under the base of mutual support and full trust. Thus, the interrelation between channel climate and channel structure can catch its best effects. The more mutual confidence the members have, the more sufficient communication they do under the relational structure with climate of mutual support (Dwyer, Schurr & Oh 1981).

3.2 Data Collection

The survey population comes from mobile-phone retails located in Taipei and Beijing, the major retail

categories include IT (Information Technology) shopping malls, 3C (Computer, Communication, & Consumer Electronics) shops, chain stores and individual retailers. Survey data is randomly sampled proportional to its population and density of business activities, data is collected through personal interview. We issued 125 samples in Taipei and 116 samples in Beijing, 113 and 101 effective data is successfully collected, respectively.

The content of survey questionnaire data is focused on channel relation between mobile-phone manufacturer and retail, one unique manufacturer (brand) and one retail are set to be a survey “entity”, with which we can catch the relationship among channel characteristics and channel performance. The statistical software tool SPSS for Windows with version 10.0 is used for corresponding data analysis, it is also applied for variables validity and reliability assured.

4. Data Analysis

There are four characteristics considered in questionnaire design, they are channel structure, channel power, channel climate and channel performance. There are four, thirteen, eighteen and eight attributes contained in each characteristic respectively (see Table 3 - Table 6). Survey data is measured in Ordinal Scale (1, 2, 3 ...) for channel structure, the others are measured according to Likert's 7 grading scales (e.g. 1 represents extremely satisfaction, 7 represents extremely dissatisfaction). We issued 125 samples in Taipei and 116 samples in Beijing, 113 and 101 effective data is successfully collected, respectively.

The basic types of channel structure are similar on mobile phone marketing located in Taipei and Beijing, the upper lever (1-level) includes manufacturers and agents owned by local or foreign corporations, the middle level (2-level) is distributors, and the lower level (3-level) is retails. Retails can be owned by various categories, they are individual retails, voluntary chain stores (VC), franchise chain stores (FC), regular chain stores (RC) owned by manufacturers, agents, and mobile service company. The communication type is direct and fluent between members of level-1 and level-2, level2 and level-3, also, members of level-1 can contact with members of level-3 and catch sufficient information through telephone, facsimile, meeting, and personal contacts. Distributors play the roles of intermediate linking functions for both material flow and information flow, the major objective for distributors is to increase distribution efficiency, reduce total inventory, and reduce business risk.

SPSS statistical software tool is applied for survey data analysis: 1. Factor analysis is used for channel structure declarative data analysis. 2. T test analysis is used to review whether channel characteristics and their relative attributes have significant difference. 3. Pearson correlation coefficient analysis is applied to review whether the data among all characteristics of marketing channel is significantly dependent. 4. Regression analysis answers the questions about “What's the relationship between each pairs of marketing

channel's characteristics?" and "How about the degree of correlation?"

4.1 Declarative Data Analysis of Channel Structure

Declarative data analysis is based on the types of retail (Scategories) located in Taipei and Beijing, Table 2 summarizes the survey data of channel structure between Taipei and Beijing. The major difference occurred is that VC and FC stores take the brief portions (37.17%) in Taipei, while individual retails in Beijing win the top (42.57%). Due to the progressing of standardization on mobile phone industries, specialization, scale enlargement, and centralized control should become the new tendency, thus, IT shopping mall, 3C shops, VC and FC stores, and RC owned by telecommunication service company, will take major portion of channel structure in the near future. The channel structure developed in Taipei is earlier than which in Beijing, it tells the reason why the difference occurred.

Table 2 Channel structure summary (Taipei vs. Beijing)

Type of retails	Number		Ratio (%)	
	Taipei	Beijing	Taipei	Beijing
Individual retails	29	43	25.66	42.57
VC or FC stores	42	24	37.17	23.76
RC owned by agent	31	21	27.43	20.79
RC Owned by mfg.	4	3	3.54	2.97
Others	7	10	6.19	9.90
Total	113	101	100	100

4.2 T-test on Channel Characteristics and Their Relative Attributes

T-test is used to review whether the data of two areas (Taipei and Beijing) has significant difference according to attributes within each characteristic of marketing channel (see Table 3 - Table 6).

4.2.1 Attributes of Channel Structure

Survey data is measured in Ordinal Scale. Table 3 shows the summarized analysis results, the content of each attribute is described as follows:

- Retails Types: 5 categories are divided and refer to: 1. individual retailers, 2. VC and FC stores, 3. RC owned by agents, 4. RC owned by manufacturers, 5. others.
- Retails Location: the place where mobile phone products are sold. 1. IT shopping malls, 2. VC and FC stores, 3. 3C shops, 4. RC owned by telecommunication service company, 5. individual retails, 6. others.
- Ordering Types: set up a replenishment order, 1. to manufacturer directly, 2. not to manufacturer directly.
- Ordering Methods: the way setting up an order from retailer to manufacturers, 1. by telephone, 2. by facsimile, 3. by post mail, 4. by EOS (Electronic Ordering System), 5. through internet, 6. others.

Table 3 T-test on attributes of channel structure

Attributes	Average		S.D.		Avg.	S.D	T Value
	Taipei	Beijing	Taipei	Beijing			
Retails type	2.78	2.26	1.61	1.02	2.52	1.32	2.79*
Retails location	2.84	3.03	1.41	1.63	2.94	1.52	-0.90
Order to mfg.	1.00	1.01	0	0.10	1.01	0.05	-1
Ordering method	3.77	1.93	1.06	1.16	2.85	1.11	11.96**

Remark: ** Means $P < 0.01$ * Means $P < 0.05$

4.2.2 Attributes of Channel Power

Survey data is measured according to Likert's 7 grading scales. Likert's 7 grading scales refer to 1. extremely satisfied, 2. very satisfied, 3. satisfied, 4. fair, 5. unsatisfied, 6. very unsatisfied, 7. extremely unsatisfied. Table 4 shows the summarized analysis results for significant items only.

Table 4 T-test on attributes of channel power

Attributes	Average		S.D.		Avg.	S.D	T Value
	Taipei	Beijing	Taipei	Beijing			
Technical support	5.82	4.14	1.44	1.08	4.98	1.26	1.84*
Policy and procedure of order-return	4.50	4.23	1.40	1.18	4.37	1.29	-1.51
Fair price negotiation	4.04	4.66	1.30	1.16	4.35	1.23	3.66**
Strict punishment on counter-regulation	5.54	5.86	0.98	1.20	5.70	1.09	2.13*
Support on marketing strategies and competition information	5.44	5.78	1.04	1.10	5.61	1.07	2.30*
Mutual discussion on business strategies	5.38	4.02	1.30	1.30	4.70	1.30	3.55**
Show expectation only, no incentive, no punishment	5.42	4.12	1.59	1.44	4.77	1.52	3.37**
Hint on "accept my suggestions, comes more profit"	5.46	4.14	1.33	1.32	4.80	1.33	3.74**
Feedback business information periodically	5.41	4.46	1.57	1.29	4.94	1.40	5.36**

4.2.3 Attributes of channel climate

Survey data is measured according to Likert's 7 grading scales referring to 1. extremely satisfied, 2. very satisfied, 3. satisfied, 4. fair, 5. unsatisfied, 6. very unsatisfied, 7. extremely unsatisfied. Table 5 shows the summarized analysis results for significant items.

Table 5 T-test on attributes of channel climate

Attributes	Average		S.D.		Avg.	S.D	T Value
	Taipei	Beijing	Taipei	Beijing			
Commit to business strategies	5.71	4.06	1.37	1.07	4.89	1.22	2.06*
Manufacturer is royal	5.53	4.33	1.36	1.20	4.83	1.28	4.58**
Adaptable to environments	3.66	4.12	1.29	1.07	3.89	1.18	-2.83**
Take care on retail's business troubles	5.35	4.23	1.20	1.20	4.79	1.20	5.34**
Provide resource support	6.88	5.92	1.01	1.08	6.40	1.05	7.14**
CIS of mfg. is good to benefits	5.15	4.57	1.46	5.54	4.86	3.50	2.47*
Desire to maintain permanent relationship	5.06	5.68	1.19	1.32	5.37	1.26	3.53**
Keep mutual cooperation with mfg.	5.25	4.00	1.14	1.07	4.63	1.11	4.92**
Acknowledge to keep permanent relationship	5.08	5.87	1.27	1.28	5.48	1.28	4.47**
Willing of permanent contracts	6.84	4.09	1.32	1.28	5.47	1.30	6.99**
High degree of team-work	5.05	4.34	1.26	1.22	4.70	1.24	7.55**
Share the common benefits	6.74	4.38	1.37	1.28	5.56	1.33	8.98**
Keep good partnership atmosphere	5.01	4.02	1.14	1.36	4.52	1.25	5.82**

4.2.4 Attributes of Channel Performance

Survey data is measured according to Likert's 7 grading scales referring to 1. extremely satisfied, 2. very satisfied, 3. satisfied, 4. fair, 5. unsatisfied, 6. very unsatisfied, 7. extremely unsatisfied. Table 6 shows the summarized analysis results for significant items of channel performance.

Table 6 T-test on attributes of channel performance

Attributes	Average		S.D.		Avg	S.D	T Value
	Taipei	Beijing	Taipei	Beijing			
Satisfy on current ROI	6.77	5.30	1.11	1.17	6.04	1.14	3.39**
Satisfy on current marketing shares	5.21	5.52	1.20	1.03	5.37	1.12	2.01*
Sales is grown up stably	5.71	4.05	1.14	1.24	4.88	1.19	2.10*
Achieve average inv. requested by manufacturer	5.70	4.32	1.41	1.25	5.01	1.33	3.42**
Achieve sales performance requested by mfg.	5.52	4.33	1.39	1.29	4.92	1.34	4.42**
Wills to keep continuous cooperation with mfg.	5.29	5.85	1.66	1.41	5.57	3.07	2.62**

T-test is also used to review whether the data of two areas (Taipei and Beijing) has significant difference according to each characteristic of marketing channel, Table 7 lists the summarized results on four characteristics of marketing channel. Based on the analysis results listed at Table 7, it is clear to find out that there exists significant difference ($P < 0.01$) between Taipei and Beijing in every characteristic of marketing channel. The difference in channel structure may be caused by the business revolution on channel structure, business tendency to chain store system and large-scale shopping malls, difference in economic policies and consumption attitudes.

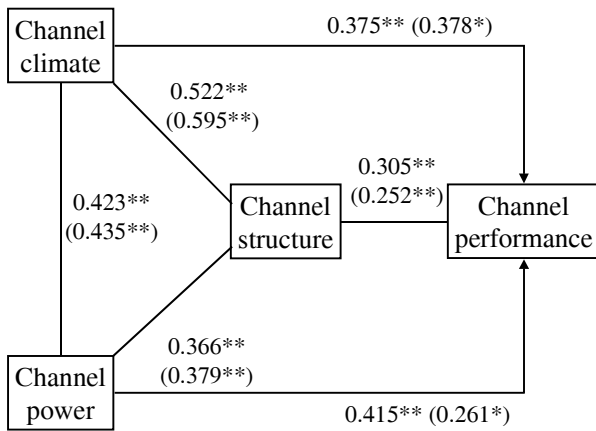
Table 7 T-test on characteristics of marketing channel

Characteristic	Avg.	Taipei	Beijing	Difference	T Value
Channel structure	6.33	6.60	6.06	0.54	6.30**
Channel power	4.83	5.65	4.01	1.64	3.67**
Channel climate	4.67	5.30	4.04	1.26	9.43**
Channel performance	6.20	6.48	5.92	0.56	4.72**

4.3 Pearson Correlation Coefficient Analysis

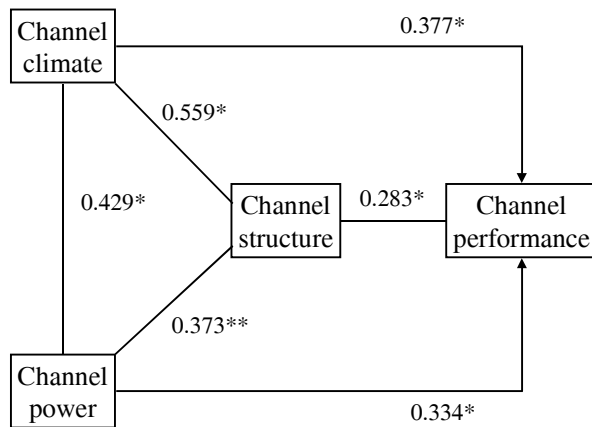
Pearson analysis is used to review whether the data among all characteristics of marketing channel is significantly dependent according to data of two areas (Taipei and Beijing) in individual and in summary. Figure 2 and 3 demonstrate the Pearson correlation coefficient in Taipei, Beijing, and summary, respectively.

The higher the value of correlation coefficient, the more correlated of the pairs. Based on Pearson correlation coefficient analysis, almost all the characteristics of marketing channel are mutually significant correlated.



Remark: * $P < 0.05$, ** $P < 0.01$; the value in parentheses means Beijing.

Figure 2 Correlation coefficient for Taipei and (Beijing)



Remark: * $P < 0.05$, ** $P < 0.01$

Figure 3 Pearson correlation coefficient (summary)

4.4 Regression Analysis

Based on the results of Pearson correlation coefficient analysis, we find out that all the characteristics of marketing channel are mutually significant correlated, the advanced question is, What's the relationship between each pairs? How about the degree of correlation? Regression analysis is used to review, whether "yes or no" and how about, the assigned dependent variable (abb. Dep. V.) is varied proportional to the assigned independent variable (abb. Indep. V.).

All regression analysis on pairs of characteristics of marketing channel are listed at Table 8 – 10, they demonstrate the analysis results on channel structure, channel power and channel climate vs. channel performance (Table 8), channel structure vs. channel power (Table 9), channel structure and channel power vs. channel climate (Table 10), respectively. Based on the analysis data, we get a general conclusion as that, there is significant correlation between assigned independent

variables vs. dependent variables except "channel climate vs. channel performance".

Table 8 Regression analysis on channel variable vs. channel performance

Dep. V.		Performance (Taipei)	Performance (Beijing)	Performance (Total)
Indep. V.				
Channel structure	β Coefficient	0.312**	0.257**	0.285**
	R^2	0.202	0.189	0.196
	Adjusted R^2	0.196	0.173	0.185
	F Value	11.298*	7.044*	9.171*
Channel power	β Coefficient	0.412**	0.370**	0.391**
	R^2	0.283	0.280	0.282
	Adjusted R^2	0.253	0.241	0.247
	F Value	5.658*	5.653*	5.656*
Channel climate	β Coefficient	0.202	0.262	0.232
	R^2	0.141	0.190	0.331
	Adjusted R^2	0.133	0.178	0.156
	F Value	2.958	3.551	3.255

Table 9 Regression analysis on channel structure vs. channel power

Dep. V.		Power (Taipei)	Power (Beijing)	Power (Total)
Indep. V.				
Channel structure	β Coefficient	0.452**	0.433**	0.443**
	R^2	0.336	0.323	0.330
	Adjusted R^2	0.327	0.310	0.319
	F Value	8.738**	8.551**	8.645*

Table 10 Analysis on channel structure and power vs. channel climate

Dep. V.		Climate (Taipei)	Climate (Beijing)	Climate (Total)
Indep. V.				
Channel structure	β Coefficient	0.238*	0.278*	0.258*
	R^2	0.176	0.179	0.178
	Adjusted R^2	0.158	0.161	0.160
	F Value	6.634*	7.453**	7.044*
Channel power	β Coefficient	0.328*	0.319*	0.324*
	R^2	0.169	0.157	0.163
	Adjusted R^2	0.158	0.141	0.150
	F Value	6.534*	5.453**	5.994*

5. Conclusions

This research has developed an analytical framework, which incorporates four measurement variables for a competitive marketing channel on mobile phone located both in Taipei and Beijing. According to 6 hypothesis tests listed at Figure 1, we get the conclusions that all characteristics (channel structure, channel power, channel climate) of marketing channel have significant influence on channel performance, and there are inter-relationship among channel characteristics.

The conclusions of data analysis in details are summarized as follows:

1. Channel structure has significant influence on channel performance.

On the relational channel structure, the closer the members of marketing channel are, the more effective

and cooperative communication they have (Brown 1981; Bharadwaj, Varadarajan & Fahy 1993; Colin 2000). We get the same conclusion as the result of literature review. There exists some basic difference between marketing orientation structure and relational channel structure, the closer the relational channel structure is, the more fluent communication, better negotiation, closer cooperative relationship they have, thus, will achieve better channel performance.

2. Channel power has significant influence on channel performance.

Based on the results of literature review, the dominating member exists in a marketing channel, will have the capability to build up a smoothing communication procedure and set up a good channel climate. It is not to abuse the rights one override another, but increase the power to influence the others, thus, it forms a good channel climate and improve the channel relationship. The strategies of dominating member can influence the total strategies of marketing channel through channel communication (Frazier 1983; Summers 1984). The higher degree of dominating power that one member has, the more probable that non-forced policy can be used (Lusch & Brown 1996). If the dominating member can use the power properly, then, they can march on the common goals and catch better channel performance under the situations of cooperative communication and close relationship.

3. Channel climate has significant influence on channel performance.

The members of marketing channel can achieve better team-work cooperation on the channel climate with higher mutual confidence and longer permanent relationship, which is similar to the conclusion surveyed (Anderson & Weitz 1989). If the better channel climate is built, the more smooth mutual communication will be, thus, increase the strength of team-work cooperation and channel performance.

4. Channel structure has significant influence on channel power.

Marketing channel of mobile phone is now progressing on the situations of continuous innovation, new incomer of channel structure impacts much on the current marketing channel, it cause the rearrangement of current channel structure, thus, it impacts the relationship of current channel power also.

5. Channel power has significant influence on channel climate.

Under the interrelationship between channel power and channel climate, members of marketing channel can choose either "go one's own way" or "mutual cooperation" while facing on issues of power conflict. If they choose mutual cooperation, then, it can reduce the negative effects caused which is similar to the conclusion surveyed (Kotler, 1997).

6. Channel structure has significant influence on channel climate.

On the interrelationship of channel structure and

channel climate, members of marketing channel bear the perception of common benefits, they are eager to create an atmosphere of mutual confidence, build up a relational channel structure, and set up a smooth communication channel. They all search for the goals of long-term channel performance, thus, can reduce the overall channel cost.

Marketing channel is a true business resource, to control the marketing channel means to handle the gate to customers, will hold the key to success. Communication industry is a great growth, giant changeable and quick customer response industry. In China, there are many shortcomings appeared, less efficiency transportation system, bureaucracy, protectionism and less operational efficiency are the majors, which should be improved much more.

The characteristics of marketing channel can be extended to a wide scope, the economic and social factor can be introduced in the future study, the more factors considered, the more complicated situation may be occurred, thus we can catch more in details. In the same way, this model can also be applied to various industries for advanced survey.

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