

## The Effect of Conflict with the Apparel Manufacturer on Satisfaction of the Franchised Agency in the Apparel Industry

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### Abstract

*The purposes of this study are (1) to identify types and levels of channel conflicts between an apparel manufacturer and a franchised agency, (2) to investigate the effect of economic dependence on conflicts, and (3) to examine the effect of conflicts on satisfaction in a franchised agency's perspective in distributive channel of Korean apparel industry.*

*For this study, questionnaires were administered to the owner or the manager of 300 franchised agencies. Employing a sample of 209, data were analyzed by using means, factor analysis, pearson correlation and multi-regression analysis.*

*Major findings are as follows: 1) Types of conflicts between apparel manufacturers and franchised agencies are identified as goal divergence, difference in perception, ineffective communication and lack of role clarity. The highest level of conflicts are lack of role clarity, followed by goal divergence, difference in perception and ineffective communication. 2) Economic dependence leads to channel conflicts in part. Greater levels of economic dependence foster greater conflicts such as lack of role clarity and lower conflicts such as ineffective communication. 3) With respect to effect of conflict on satisfaction, the greater the levels of conflict, the lower the degree of satisfaction with role performance and with business decision and overall satisfaction.*

*Key words: conflict, satisfaction, franchised agency, distributive channel.*

### I. Introduction

During the past 30 years, retailing formats in Korean fashion industry have been diversified into department stores, specialty stores, franchised agencies, off-price retailers, multi-brand shops, etc. In 1980s franchised agencies have increased quantitatively by growing casuals market, as a result of the liberalization of school uniforms, '86 Asian Game and '88 Olympic Games. In recent years, franchised agencies account for

more than 40 percent of all retailers in Korean fashion industry<sup>1)</sup>.

A franchised agency, one of marketing channel members, is maintaining franchising agreement on pursuing retail profitability. Basically, franchising is defined as "a contractual relationship between franchisee and franchiser in which the franchiser offers or is obligated to maintain a continuing interest in the business of the franchisee in such areas as knowledge and training"<sup>2)</sup>. The franchisee operates under a common trade name, format or procedure owned

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<sup>1</sup> Specia Report: Outlet Street, *The Korea TexJournal*, February 1998.

<sup>2</sup> Easey, M. *Fashion marketing*. 161. 1995.

by or controlled by the franchiser. As franchising is providing various advantages to both franchisee and franchiser, a franchised store has been paid attention as a successful and popular retail format in the world fashion business.

However, the franchising system shows a different pattern in Korean fashion industry. That is, franchisee is expected to deposit money or mortgages to franchiser, an apparel manufacturer, to become its member with franchising agreement. The major role of franchisee is consignment as an agency and it takes channel margins in compensation of consignment.

In the vertical marketing system, distributive channel of fashion industry is a unified system and it comprises of a fabric producer, an apparel manufacturer and a retailer. An apparel manufacturer, as a channel leader, dominantly coordinates stages of production and distribution through the power. A franchised agency tends to comply an apparel manufacturer because its profits is dependent on the apparel manufacturer's reputation and marketing activities. If an apparel manufacturer has a high level of reputation or sales volume in the area of apparel industry, a franchised agency will pursue their relationships with the manufacturer continuously. If the apparel manufacturer doesn't want to continue its relationship with a franchised agency, it will use power to switch its partner, a franchised agency.

The unbalanced power stemming from the dependence of a franchised agency to an apparel manufacturer causes conflicts. In this regard, a franchised agency experiences conflicts inevitably for the constant interaction. The conflict may have a negative effect on a channel member's performance or satisfaction. Without controlling

or managing the conflict, it will be difficult to expect channel efficiency between two channel members.

The purposes of this study were: (1) to identify types and levels of conflicts between an apparel manufacturer and a franchised agency, (2) to investigate the effect of dependence on conflicts, and (3) to examine the effect of conflicts on satisfaction in a franchised agency's perspective in Korean apparel industry.

## II. Literature Review

### 1. Conflict

Stern and El-Ansary states "channel conflict is a situation which one channel member perceives another channel member to be engaged in behavior that is preventing or impeding him from achieving his goals"<sup>3</sup>. Marketing channels are particularly prone to experience conflicts because of the constant interaction among producers, wholesalers and retailers, and their interdependence<sup>4</sup>.

Etgar partitioned causes of channel conflicts into attitudinal and structural difference among channel members<sup>5</sup>. He explained attitudinal source of conflict as disagreement about channel role, expectation, perceptions and channel communications, while structural causes of conflicts as a clash of opposite interest such as goal divergence, drive for autonomy, and fights over scarce resources.

Marketing researchers about conflicts have been focused 1) to determine dimensions or levels of conflicts in channel structure<sup>6</sup>, 2) to develop conflict measures or constructs<sup>7,8</sup>, 3) to identify the relationship between power and conflict<sup>9-13</sup>, 4) to analyze the effect of conflict on channel

<sup>3</sup> L. W. Stern and A El-Ansary *Marketing Channel*. Englewood Cliffs, NJ: Prentice-Hall, Inc. p.284. 1988.

<sup>4</sup> M. Etgar. Source and types of intrachannel conflict. *Journal of Retailing*, 55, 61-78. 1979.

<sup>5</sup> M. Etgar, *op.cit.*, 61-78. 1979.

<sup>6</sup> P. L. Robbins, T. W. Speh and M. L. Mayer, Retailers' perceptions of channel conflict issues. *Journal of Retailing*, 58, 46-67. 1982.

<sup>7</sup> J. R. Brown and R. L. Day, Measures of manifest conflict in distribution channels. *Journal of Marketing Research*, 18, 263-274. 1981.

performance or satisfaction<sup>14-17</sup>, and 5) to develop a model of channel relationships including various variables<sup>18)19)</sup>, etc.

However, in research area of clothing and textiles, conflicts in determining channel behavior have received little attention.

## 2. Conflict in Franchising System

Franchising, according to Easey, is defined as "a contractual relationship between franchisee and franchiser in which the franchiser offers or is obligated to maintain a continuing interest in the business of the franchisee in such areas as knowledge and training; wherein the franchisee operates under a common trade name, format or procedure owned by or controlled by the franchiser and, in which the franchisee has made or will make a considerable capital investment in his business from his own resources<sup>20)</sup>". The advantages to franchisee are to obtain the benefits of the name, reputation, brand image already established with the public through any national advertising, less risk of business failure, etc. The advantages to fran-

chiser are rapid expansion without causing cashflow problem, initial fee plus regular royalty payment, and less risk.

Since franchising offers many advantages to both franchiser and franchisee, it has been paid attention to practitioners. However, the franchising system has been applied differently to some extent in Korean fashion industry. On maintaining franchising agreement, franchisee has to deposit money or mortgages to franchiser and its role has been emphasized on consignment as an agency. Franchiser, an apparel manufacturer, consigns their merchandises for sale to a franchised agency, while the franchised agency sells the consigned merchandises in brand name of an apparel manufacturer. Under this interaction, they inevitably experience conflicts.

In order to control and manage such conflicts, an apparel manufacturer and a franchised agency must coordinate together toward the common goal of providing the final consumer with good value and seeking profits. For enhancing the coordination of activities so as to lower harmful conflict level, it is necessary to

<sup>4</sup> L. J. Rosenberg and L. W. Stern, Conflict measurement in the distribution channel, *Journal of Marketing Research*, 8, 1971, 437-442.

<sup>9</sup> J. R. Brown, R. F. Lusch and D. D. Muehling, Conflict and power-dependence relations in retailer-supplier channels. *Journal of Retailing*, 59, 1983, 53-80.

<sup>16</sup> M. Etgar, Intrachannel conflict and use of power. *Journal of Marketing Research*, 15, 1978, 273-274.

<sup>11</sup> R. F. Lusch, Intra channel conflict and use of power: A reply. *Journal of Marketing Research*, 15, 1978, 275-276.

<sup>12</sup> P. L. Schul and E. Babakus, An examination of the interfirm power-conflict relationship: the intervening role the channel decision structure. *Journal of Retailing*, 64, 1988, 381-404.

<sup>13</sup> P. L. Schul, W. M. Pride, and T. L. Little, The impact of channel leadership behavior on intrachannel conflict. *Journal of Marketing*, 47(Summer), 1983, 21-34.

<sup>14</sup> J. C. Anderson and J. A. Narus, A model of distributor's perspective of distributor-manufacturer working relationship. *Journal of Marketing*, 20, 1984, 62-74.

<sup>15</sup> J. Eliashberg and D. A. Michie, Multiple business goals sets as determinants of marketing channel conflict: An empirical study. *Journal of Marketing Research*, 1984 Feb., 75-88.

<sup>16</sup> R. F. Lusch, Channel conflict: Its impact on retailer operating performance. *Journal of Retailing*, 52, 1976, 3-12.

<sup>17</sup> B. Rosenbloom, Conflict and channel efficiency: Some conceptual models for decision maker. *Journal of Marketing*, 37, 1973, 26-30.

<sup>18</sup> G. L. Frazier, J. D. Gill and S. H. Kale, Dealer dependence levels and reciprocal actions in a channel of distribution in a developing country. *Journal of Marketing*, 1989 Jan., 50-69.

<sup>19</sup> S. J. Skinner, J. B. Gassenheimer and S. W. Kelly, Cooperation in supplier-dealer relations, *Journal of Retailing*, 68(2), 1992, 381-404.

<sup>20</sup> M. Eassey, *op.cit.*, 1995, 161.

identify types and levels of conflicts as a focal construct of relationships on channel behavior.

In distributive channel of Korean fashion industry, types and levels of conflicts between an apparel manufacturer and a franchised agency will be existed differently. In standpoint of a franchised agency, we posit the following hypothesis.

**Hypothesis 1:** A franchised agency will demonstrate different types and levels of conflicts with an apparel manufacturer.

## **2. Researches on dependence, conflict and satisfaction of channel relationship**

A franchised agency is forced to sell much merchandises. If a franchise agency's sales reaches to the desired goals successfully resulting from an apparel manufacturer's reputation and marketing activities, its dependence on the apparel manufacturer may increase. It is clear that a franchised agency's dependence on its manufacturer provides a strong motive to perform its obligation. Dependence of a franchised agency on an apparel manufacturer refers to agency's need to maintain with its partner in order to achieve desired goal. Because sales and profit are two extremely important goal in all business organizations, the agency wants to maintain the relationships with competitive partner who make high level of sales and profits. In other words, the greater the percent of sale and profit contributed by an apparel manufacturer to a franchised agency, the greater the agency's dependence on the apparel manufacturer.

Dependence is expected to have an indirect and positive effect on perceived conflict levels<sup>21</sup>. This expectation is based on the direct relationship between dealer's dependence and

use of coercive power by manufacturers. As a franchised agency's dependence on its partner increases, the partner will have less need to rely on coercive influence tactics and will achieve compliance from the agency. If a franchised agency is dependent on an apparel manufacturer financially, then it will be willing to comply the apparel manufacturer, and lead to lower conflict.

In this approach, a high level of financial dependence on relationship would motivate conflicts through a constant interaction. Therefore, the greater a franchised agency's dependence on an apparel manufacturer, the less the agency's conflict with the apparel manufacturer. This leads to the following hypothesis.

**Hypothesis 2:** A franchised agency's dependence on an apparel manufacturer will influence conflict negatively.

Satisfaction refer to a channel member's approval of the channel relationship<sup>22</sup>. The construct of satisfaction is of a fundamental importance in understanding channel relationships. It is defined as a channel member's positive affective response to psychological aspects of its relationship<sup>23</sup>. A channel member satisfied with psychological aspects appreciates the contacts with its partner and likes working together in achieving the common goal. On unbalanced power between channel members, conflicts result in dissatisfaction on the part of the weaker members. Conflict in channel relationships is likely to occur over dissatisfaction by its partner. As a channel member participates in collective activities, it experiences lower conflicts and leads to be satisfied with their relationship.

In this approach, channel conflict is expected

<sup>21</sup> J. R. Brown, R. F. Lusch and D. D. Muching, *op.cit.*, 1983, 53-80.

<sup>22</sup> J. F. Gaski and J. R. Nevin, The differential effects of exercised and unexercised power structure in a marketing channel. *Journal of Marketing Research*, 22, May, 1985, 130-142.

<sup>23</sup> I. Geyskens, J. Steenkamp and N. Kumar, A meta-analysis of satisfaction in marketing channel relationships, *Journal of Marketing*, 36, 1999, 223-238.

<sup>24</sup> S. J. Skinner, J. B. Gassenheimer and S. W. Kelly, *op.cit.*, 1992, 381-404.

to be related inversely to satisfaction. The greater the incompatibility and tension of a franchised agency, the lower the agency's satisfaction of channel arrangement. Skinner, Gassenheimer, and Kelly support a negative causal link between conflict and satisfaction<sup>24</sup>. A negative causal link between an apparel manufacturer and a franchised agency is hypothesized as follows.

Hypothesis 3: A franchised agency's conflict with an apparel manufacturer will negatively influence satisfaction.

### III. Research Method

#### 1. Collection of Data

For this study, questionnaires were administered

to 300 franchised agencies located in Kwangju during July, 1998. Based on convenience sampling, franchised agencies were contacted. The owner or the manager of a franchised agency was asked to fill out the questionnaire.

Total 209 franchised agencies were informed for this study. <Table 1> indicates description of subjects. In terms of the product category which they sell, 23.4% of these 209 are agencies of casuals, followed by 23.0% were infant and children's wear, 17.2% were sportswear and 14.4% were men's wear.

Approximately 55% of respondents have returned unsold products to their manufacturers after the period of normal sales and only 17% don't return the unsold products and sell them under the right of its ownership. In terms of price line, majority of subjects(74.2%) have sold

<Table 1> Profile of respondent franchised agencies

| Variable   |                            | Number | Percentage |
|--|----------------------------|--------|------------|
| Product category                                   | Women's wear               | 15     | 7.2        |
|  | Men's wear                 | 30     | 14.4       |
|  | Casuals                    | 49     | 23.4       |
|  | Infant and children's wear | 48     | 23.0       |
|  | Intimate wear              | 7      | 4.3        |
|  | Jeans wear                 | 18     | 8.6        |
|  | Sportswear                 | 36     | 17.2       |
|  | Others                     | 4      | 1.9        |
| Contract on unsold merchandises                    | 100% returns               | 115    | 55.0       |
|  | Mixed returns              | 73     | 35.1       |
|  | Never returns(buying)      | 17     | 8.1        |
| Price line   | Better                     | 54     | 25.8       |
|  | Moderate and Budget        | 155    | 74.2       |
| Store space  | Under 10 pyung             | 46     | 22.0       |
|  | 10~20 pyung                | 88     | 42.1       |
|  | 20~30 pyung                | 40     | 19.1       |
|  | 30~40 pyung                | 12     | 5.7        |
|  | 40 pyung and over          | 23     | 11.0       |
| Numbers of years in Business with the manufacturer | 2 years or less            | 78     | 37.9       |
|  | 3~4 years                  | 62     | 30.0       |
|  | 5~6 years                  | 37     | 18.0       |
|  | 7 years and over           | 29     | 14.1       |
| Total  |                            | 209    | 100.0      |

in moderate or budget line and 23.8% have sold in better line at their stores.

Responses to question indicate that 37.9 % of respondents have history in business with the manufacturer under two years and 63.1% have three years and over.

## 2. Instrument

The instrument was a self-administered questionnaire comprised of four sectors; cause of conflicts, economic dependence, satisfaction and characteristics of a franchised agency. Conflict represented the level of tension, frustration and disagreement in their relationship and its measures were developed from previous researches<sup>25,26</sup>. Questions were revised and adopted toward a franchised agency in Korea fashion industry, and the 20 best items were selected. Respondents were asked to indicate how strongly they agreed with each conflict-issue statement, range from 5, strongly agree, to 1 strongly disagree.

Dependence means an agency's need to maintain their relationships. For economic dependence, respondents were asked to report the agency's sales volume and a channel margin. The determinants of economic dependence level were gross margin, which were measured to multiply an agency's sales and a channel margin.

Satisfaction was measured in three areas adapted from Lewis and Lambert<sup>27</sup>; satisfaction with role performance, overall satisfaction and satisfaction with business decision. The measures included statements indicating the extent which a franchised agency was satisfied with an apparel manufacturer. Respondents responded to each items on a 5 point Likert-type scale. Responses were indicated on a 5 point scale with 5 being "feel very positive" and 1 being "feel very negative". The instrument used to measure satisfaction with role performance

comprised of 12 items. Overall satisfaction included "we were satisfied with transaction with our manufacturer in overall" and satisfaction with business decision included "we were satisfied with initial decision with our business" by a single item, respectively.

## 3. Statistical Technique

Employing a sample of 209, data were analyzed by using means, factor analysis, Pearson Correlation and multi-regression analysis. Factor analysis was used to test Hypothesis 1 since it was necessary to explore types of conflicts. Conflict items from each factor were summed to create multi-item indices. Mean score and standard deviation of each conflict type were calculated to identify levels of the conflict types.

Pearson Correlation was used to test hypothesis 2, which related to amount of each conflict associated with economic dependence measured by gross margin. Multi-regression analysis was used to test hypothesis 3. It tested the effects of conflict types as predictor (independent) variables on satisfaction with role performance, overall satisfaction and satisfaction with initial decision in business as dependent variables, respectively.

## IV. Results and Discussion

### 1. Types of Conflicts between an Apparel Manufacturer and a Franchised Agency

Factor analysis resulted in dimensions of conflicts between an apparel manufacturer and a franchised agency. 8 items from 20 were eliminated before final factor analysis because the communality was under .40 or they didn't explain contents of the factor. Principal component analysis using varimax rotation resulted in four underlying dimensions of conflicts.

<sup>25</sup> J. R. Brown, R. F. Lusch & D. D. Muehling, *op.cit.*, 1983, 53-80.

<sup>26</sup> M. Etgar, *op.cit.*, 1979, 61-78.

<sup>27</sup> M. C. Lewis and D. M. Lambert, A model of channel member performance, dependence, and satisfaction. *Journal of Retailing*, 67, 1991, 205-225.

Factor loadings ranged from 0.85 to 0.45. The factor loadings for each variable, the eigen values, and percentage of explained variance for each factor were summarized in <Table 2>.

Factor 1 was labeled "goal divergence" and included items related to difference between channel members who must cooperate on some activity when they were unable to reach a consensus on goal attainment. Factor 2 was

labeled "difference in perception" and included items related to difference in perceptions of the channel and its environment, and in expectations of channel members regarding sales record and accompanying payoffs of specific strategies. Factor 3 was labeled "ineffective communication" and included items related to lack of motivation for information transmission or standardized information processing procedure

<Table 2> Dimension of conflicts

| Conflict Items  | Factor 1<br>Goal<br>divergence | Factor 2<br>Difference in<br>perception | Factor 3<br>Ineffective<br>communication | Factor 4<br>Lack of role<br>clarity |
|---|--------------------------------|---|--|-------------------------------------|
| My manufacturer is in a stronger position than me by means of a contract                  | .81                            | .11                                     | -.08                                     | .10                                 |
| My manufacturer demands a deposit advantageous only for the manufacturer                  | .79                            | .11                                     | .14                                      | -.17                                |
| My manufacturer opens willingly a new agency near mine without agreement                  | .60                            | .28                                     | .49                                      | .24                                 |
| I am dissatisfied with store size and location required by my manufacturer                | .25                            | .71                                     | -.08                                     | .16                                 |
| I have different opinion about visual merchandising                                       | .13                            | .67                                     | .23                                      | .11                                 |
| My manufacturer costs me too high on its interior installment                             | .15                            | .64                                     | .03                                      | -.13                                |
| My manufacturer has much greater level of expectation in sales record                     | -.32                           | .45                                     | -.43                                     | -.02                                |
| The manufacturer's merchandiser is not equipped to serve promptly                         | .11                            | .16                                     | .80                                      | .14                                 |
| I have difficulties in communication with the manufacturer's merchandiser                 | -.02                           | -.15                                    | .71                                      | .20                                 |
| In spite of my requirement, the manufacturer doesn't respond reorder quickly              | -.08                           | .36                                     | .59                                      | -.29                                |
| There is unclear agreement as to services for damaged merchandises, returns and exchanges | .05                            | .07                                     | -.01                                     | .82                                 |
| The roles of the manufacturer and the franchised agency are not well defined              | .04                            | .07                                     | .21                                      | .76                                 |
| Eigenvalues   | 1.86                           | 1.85                                    | 1.81                                     | 1.56                                |
| Percent of variance   | 15.49                          | 15.43                                   | 15.08                                    | 12.99                               |
| Cumulative percent of variance  | 15.49                          | 30.92                                   | 46.00                                    | 58.99                               |

&lt;Table 3&gt; Levels of conflicts

| Type of conflict          | Mean | S.D  |
|---------------------------|------|------|
| Lack of role clarity      | 4.18 | 1.03 |
| Goal divergences          | 3.75 | 1.21 |
| Difference in perception  | 3.09 | 1.15 |
| Ineffective communication | 3.02 | 1.15 |

and mutual feelings of frustration. Factor 4 was labeled "lack of role clarity" and characterized by prescription when channel roles were not well defined for channel participants and when channel members deviated from established roles related to product exchange or returns.

To examine levels of conflicts, mean scores and S.D are presented in <Table 3>. The highest level of conflicts were lack of role clarity(4.18), followed by goal divergence(3.75), difference in perception(3.09) and ineffective communication (3.02). This result means that channel members experience highly conflicts stemming from lack of clarity in channel role or goal divergence in spite that it is expected reciprocal cooperation for role performance and goal attainment with franchising agreement.

## 2. The effects of economic dependence on conflicts

Relationships among conflicts toward economic dependence present in <Table 4>. The gross margin meaning economic dependence was positively related to goal divergence( $r=.161$ ,  $p<.05$ ), while it was negatively related to

ineffective communication( $r= -.129$ ,  $p<.05$ ).

It revealed that the greater the franchised agency's dependence on an apparel manufacturer, the less ineffective communication between them. This finding means if a franchised agency is economically dependent on a manufacturer, it will comply its partner and communicate in standpoint of the manufacturer. As a result, it leads less conflict between them. Besides, the greater the franchised agency's dependence on an apparel manufacturer, the greater the goal divergence. This finding means that as a franchised agency is economically dependent on a manufacturer, it has to be patient with conflicts unable to reach a consensus on a goal attainment.

As a result of testing hypothesis 2, the effect of economic dependence on conflict was weakly supported. This finding support Brown, Lusch and Muehling's finding<sup>21</sup> that dependence is expected to have indirect, positive effect on perceived conflict levels.

## 3. The effect of conflicts on satisfaction

### 1) The effects of conflicts on satisfaction with role performance

<Table 5> shows results from a multi-regression analysis performed to determine the effects of conflict types on satisfaction with role performance. The  $R^2$  value indicated that 34% of variance in the satisfaction with role performance could be explained by four conflict types. The conflicts influenced on satisfaction with role performance significantly( $F=25.60$ ,

&lt;Table 4&gt; The relationships between economic dependence and conflicts

| Economic dependence | Conflicts    | Goal divergence | Difference in perception | Ineffective communication | Lack of role clarity |
|---------------------|--------------|-----------------|--------------------------|---------------------------|----------------------|
|                     | Gross margin |                 | .161*                    | .097                      | -.129*               |

\* $p<.05$

<sup>21</sup> J. R. Brown, R. F. Lusch & D. D. Muehling, *op.cit.*, 1983, 53-80.



&lt;Table 5&gt; The effects of conflicts on satisfaction with role performance

| Conflict                  | B      | S.D  | $\beta$ | t        | F        | R <sup>2</sup> |
|---------------------------|--------|------|---------|----------|----------|----------------|
| Goal divergence           | -.605  | .375 | -.093   | -1.61    | 25.60*** | .34            |
| Difference in perception  | -1.613 | .375 | -.248   | -4.30**  |          |                |
| Ineffective communication | -3.311 | .375 | -.510   | -8.83*** |          |                |
| Lack of role clarity      | -.698  | .375 | -.107   | -1.86    |          |                |
| (Constant)                | 24.972 | .375 |         | 66.63*** |          |                |

\*\*p&lt;.01, \*\*\*p&lt;.001

p<.001). Specifically, ineffective communication ( $\beta = -.510$ , p<.001) was the strongest predictor of conflicts between franchised agencies and apparel manufacturers, followed by difference in perception ( $\beta = -.248$ , p<.01).

This result revealed that satisfaction with role performance is negatively influenced by ineffective communication and difference in perception. In other words, a franchised agency that was dissatisfied with role performance of an apparel manufacturer was likely to experience ineffective communication and difference in perception. This finding supports Frazier, Gill, and Kale's conviction<sup>29</sup> that channel conflict has an indirect effect on satisfaction with role performance.

## 2) The effects of conflicts on overall satisfaction

<Table 6> shows the effects of conflict types

&lt;Table 6&gt; The effects of conflicts on overall satisfaction

| Conflicts                 | B     | S.D  | Beta  | t         | F        | R <sup>2</sup> |
|---------------------------|-------|------|-------|-----------|----------|----------------|
| Goal divergence           | -.187 | .058 | -.196 | -3.259*** | 19.81*** | .29            |
| Difference in perception  | -.178 | .056 | -.191 | -3.166**  |          |                |
| Ineffective communication | -.412 | .056 | -.441 | -7.321*** |          |                |
| Lack of role clarity      | -.110 | .056 | -.118 | -1.969*   |          |                |
| (Constant)                | 3.019 | .056 |       | 53.747    |          |                |

\*p&lt;.05, \*\*p&lt;.01, \*\*\*p&lt;.001

on overall satisfaction. The conflicts influenced on general satisfaction significantly (F=19.81, p<.001). Together these four significant predictor variables accounted for 29% (R<sup>2</sup>=.29) of explained variance in overall satisfaction. Ineffective communication ( $\beta = -.441$ , p<.001) was the strongest predictor of conflicts between franchised agencies and apparel manufacturers, followed by goal divergence ( $\beta = -.196$ , p<.001), difference in perception ( $\beta = -.191$ , p<.01) and lack of role clarity ( $\beta = -.118$ , p<.05).

This result revealed that overall satisfaction was negatively influenced by all types of conflicts such as ineffective communication, goal divergence, difference in perception and lack of role clarity. In other words, a franchised agency dissatisfied with an apparel manufacturer overall was likely to experience ineffective communication, goal divergence, lack of role clarity and difference in perception.

<sup>29</sup> G. L. Frazier, J. D. Gill & S. H. Kale, *op.cit.*, 1989 Jan, 50-69.

### 3) The effects of conflicts on satisfaction with business decision

As <Table 7> indicated, a multi-regression analysis was conducted using satisfaction with business decision as a criterion variable and four types of conflicts as predictor variables to ascertain the effects of conflicts on satisfaction with business decision. The  $R^2$  value indicated that 19% of variance in the satisfaction with business decision could be explained by four predictor variables. The conflicts influenced on satisfaction with business decision, significantly ( $F=11.87$ ,  $p<.001$ ). Specifically, ineffective communication ( $\beta = -.340$ ,  $p<.001$ ) was the strongest predictor of conflict types between franchised agencies and apparel manufacturers, followed by lack of role clarity ( $\beta = -.263$ ,  $p<.001$ ). These variables had negative beta coefficients.

This result revealed that satisfaction with business decision was negatively influenced by ineffective communication and lack of role clarity. In other words, a franchised agency that was dissatisfied with initial decision of business in an apparel manufacturer was likely to experience ineffective communication and to perceive lack of role clarity.

To summarize from these relationships between conflicts and satisfaction, the conflicts have

negative impacts on satisfaction in a franchised agency's perspective. It is clear that the lower an franchised agency perceives psychological tension, the greater the agency would be satisfied with its partner affectively. It provides some support for Anderson and Narus's<sup>30</sup> and Skinner, Gassenheimer and Kelly's<sup>31</sup> conviction that there is a negative causal link between conflict and satisfaction and Frazier, Gill, and Kale's<sup>32</sup> assertion that the channel conflict has a direct effect on satisfaction. In addition, it supports Lusch's study<sup>33</sup> that channel conflict has a negative effect on the operative performance. It seems that a channel member's economic performance affects to participate in collective activities with less conflict and leads to be satisfied with their relationship.

## V. Conclusion

This study attempted (1) to identify types and levels of conflicts between an apparel manufacturer and a franchised agency, (2) to investigate the effect of economic dependence on conflict and (3) to examine the effect of conflict on satisfaction in a franchised agency's perspective in a distributive channel of Korean apparel industry. For this study, the owner or the manager of a franchised agency was informed

<Table 7> The effects of conflicts on satisfaction with business decision

| Conflicts                 | B     | S.D  | Beta  | t         | F        | R <sup>2</sup> |
|---------------------------|-------|------|-------|-----------|----------|----------------|
| Goal divergence           | -.057 | .053 | -.069 | -1.09     | 11.87*** | .19            |
| Difference In perception  | -.050 | .052 | -.061 | -.957     |          |                |
| Ineffective communication | -.275 | .052 | -.340 | -5.321*** |          |                |
| Lack of role clarity      | -.211 | .051 | -.263 | -4.107*** |          |                |
| (Constant)                | 3.34  | .052 |       | 64.72***  |          |                |

\*\*\* $p<.001$

<sup>30</sup> J. C. Anderson and J. A. Narus, *op. cit.*, 1984, 62-74.

<sup>31</sup> S. J. Skinner, J. B. Gassenheimer and S. W. Kelly, *op. cit.*, 1992, 381-404.

<sup>32</sup> G. L. Frazier, J. D. Gill and S. H. Kale, *op. cit.*, 1989 Jan., 50-69.

<sup>33</sup> R. F. Lusch, *op. cit.*, 1976, 3-12.

through questionnaires.

From this empirical research, three hypothesized relationships were generally supported. Major findings are as follows: 1) Types of conflicts between apparel manufacturers and franchised agencies are identified as goal divergence, difference in perception, ineffective communication and lack of role clarity. The highest level of conflicts are lack of role clarity, followed by goal divergence, difference in perception and ineffective communication. 2) Economic dependence leads to channel conflicts in part. Greater levels of economic dependence foster greater conflicts such as lack of role clarity and lower conflicts such as ineffective communication. 3) With respect to effect of conflict on satisfaction, the greater the levels of conflict is, the lower the degree of satisfaction is. Specifically, satisfaction with role performance is negatively influenced by ineffective communication and difference in perception. Overall satisfaction is negatively influenced by ineffective communication, goal divergence, lack of role clarity and difference in perception. Finally, satisfaction with business decision is negatively influenced by ineffective communication and lack of role clarity.

From this results, some implications for marketing practice are suggested. First implication is that apparel manufacturers need strategies to motivate financial dependence of a franchised agency by promoting its reputation through marketing activities because economic dependence influences conflicts and the conflicts influence channel efficiency, such as satisfaction with its partner. The second implication of the research findings is that it is necessary for both apparel manufacturers and franchised agencies to perceive reciprocity and to establish working partnerships. The third implication is that communication between channel members should be evaluated periodically for clarification of their roles and the achievement status of the desired goal because ineffective communication is the important determinant on both economic dependence and satisfaction. In addition, inter-

personal relationship of contacting staffs between an apparel manufacturer and a franchised agency should be focused on a personal base. The fourth implication is that apparel manufacturers need to motivate franchised agencies by developing role performance continuously because satisfactory role performance by an apparel manufacturer is reinforced by the franchised agency's initial decision to join the franchise system.

However, there are some limitation to interpret the findings from this study, because the data were collected from franchised agencies located in Kwangju only. It may be inappropriate to generalize these findings to all channels. For future research, relationships of various variables in determining channel behavior should be paid attention in franchising system. Also, a model between variables of channel behavior would be developed in fashion marketing channel from a logical starting point.

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