

Channel Conflicts with a Focus on the Internet Case Study: Food Products in Iran

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Abstract—The aim of this study is to present the manner by which a distributor company's managers can recognize channel conflict and the measures to reduce the bad effects of channel conflict. To obtain the main method of data collection in this research, descriptive and qualitative approaches were selected on the basis of interviews (the conducted interviews were face-to-face and in-depth). A case study was also carried out in addition. The two companies under observation in this research are: a) 'Chika Company' and b) 'Etk Chain Stores'. The study clearly indicated that the managers of these companies are quite aware of the channel conflict issue. Numerous conflicts by the Internet were also discovered. In each company well-functioning strategies were used for the prevention and decrease of the bad effects of channel conflict. These strategies varied due to companies' conditions variation.

Index Terms—Channel conflicts, conventional marketing channels, e-commerce, internet.

I. INTRODUCTION

Opportunities such as decreased costs and access to new market sections have been given to business marketers by electronic commerce. Moreover, internet provides firms with constant worldwide data and creates potentially distinctive challenges. The channel conflict has become significantly important for firms since the time they commenced the use of internet [1]. Online electronic commerce threatened the traditional distribution channels. Moreover, how such channel conflict is managed by suppliers, is an important factor that determines the company's success [2]. Such a conflict tends to happen when traditional channels compete in a destructive way to sell to the same markets. They believe that such a conflict happens when the parties disagree over substantive issues or when, due to emotional antagonism, there is a friction between the parties. When there is a conflict, the existing balance of power between the marketing channel members may break done. The result of such a break done is the probable raise of lawsuits, trust destruction, financial loss and market shrinkage. The manufacturers may be fought against when the intermediaries are afraid of the negative effects of disintermediation [3,4]. Different divisions may manage different marketing channels in a company, amongst which conflict may arise. Such a conflict may even arise

between members of a supply chain. For instance a conflict may occur in a manufacturer who competes with its resellers via an Internet channel to sell directly to the end user [5,6]. When a company decides to make online direct sales to customers, it will experience lower levels of conflict. There are several ways for manufacturing companies to minimize a channel conflict: [7]

- The price of products offered online is not lower than the resale price offered by the partner
- The places of orders fulfilment on the company's website is diverted to that of the partners
- The partners are promoted on the company's website
- The partners are encouraged to advertise on the company's website
- The offering of products on the company's website limited
- The products offered on the website, are given unique brand name
- The products offered on the website are delivered within the demand life cycle
- The company's overall distribution strategy is communicated and coordinated more effectively
- Super over-reaching goals are used [7].

II. METHODOLOGY

For this research, a descriptive and a qualitative approach were selected. Case studies were also carried out. The sample considered here is of non-probability type. In order to collect the required data, focused interviews was implemented and used as a main method. Therefore, face-to-face and in-depth interviews were executed in Iran. The collected data were then analyzed to determine within-case analysis and cross-case analysis. The findings were then compared for cross-case analysis. Two research questions for this paper are:

1: How distributor managers realize channel conflict?

1.1 How does the number of goods offer on the Internet affect channel conflict?

1.2 How does competing between channels affect channel conflict?

2: What actions must be taken to reduce negative effects of channel conflict?

III. FINDINGS

A. Within Case Analysis: Chika Company

"Perceived conflict occurs when a channel member senses that oppositions of some sort exists; oppositions of viewpoints, of perceptions, of sentiments, of interests or of intentions.

Manuscript received May 5, 2012; revised June 20, 2012. There was not any financial support for this paper. Paper title is the Impact of internet on Conventional Marketing Channels, A Case Study of Food Products in Iran.

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Perceived conflict is cognitive and notation of a situation of contention” [8].

TABLE I: ANALYSIS OF CHIKA – FORMS OF CHANNEL CONFLICT [9]

Concept	Conceptual Definition	Findings
Latent conflict	Exists when the conditions are right for contention but the organization is unaware of it.	Not found
Functional conflict	Conflict that drives the channel members to improve their performance.	Not found
Perceived conflict	Perceived conflict occurs when a channel member senses that oppositions of some sort exists	Internet related channel conflict in this state.
Affective/felt conflict	Perceived conflict with negative emotions.	Not found
Manifest conflict	Channel members try to prevent other from achieving aims.	Not found

TABLE II: EXPLANATION OF CODING SYSTEM

+	Supports the theory
-	Doesn't support the theory
-/+	Partially supports the theory

TABLE III: CODED DATA BASE ON RESEARCH THEORY

Theories	No.				
	1	2	3	4	5
The number of goods offer on internet	+	+	+	+	-
Competition between channels	+	+	-	-	-

1) The number of goods offers on the Internet

Interviewees 1, 2, 3 and 4 believed that varieties mean more customer attraction and more sales. Therefore, it does not have a positive impact in conflict creation. No. 5 believed that when online, varieties will not affect the level of sales. Nevertheless, in order to minimize conflicts, the followings were suggested:

- To offer more new varieties online than conventionally presented goods
- To provide more information online about available goods
- Supervision over the available products in the store or shelves
- Similarities between provision of online-sales products and conventional sales product

TABLE IV: THE SIGN “✓” MEANS MENTIONED BY INTERVIEWEES AND SIGN “X” MEANS IT HAS NOT MENTIONED BY THEM.

Measures	No.				
	1	2	3	4	5
Offer varieties online	x	✓	x	x	x
More varieties and information	✓	✓	x	✓	x
Constant supervision	x	x	✓	x	x
Similarities in the provision of online-selling	x	x	x	x	✓

2) Competition between channels

From the interviews, it can be inferred that interviewees 1 and 2 believed the competition between the conventional and

online provokes conflict since they were both in support of online purchasing. Other interviewees believed the competition between the two ways had no impact on conflict creation.

In order to mitigate conflicts the followings were suggested:

- Creation of organizational culture and customer-first culture
- Guide the employees toward the main objective of the company
- Separation of the offered goods in either way of selling
- Differentiate the in-selling incentive systems

TABLE V: THE SIGN “✓” MEANS MENTIONED BY INTERVIEWEES AND SIGN “X” MEANS IT HAS NOT MENTIONED BY THEM.

Measures	No.				
	1	2	3	4	5
Creation of organization culture	✓	x	x	x	x
Employees guidance	✓	x	x	x	x
Separation of offered goods	x	✓	x	x	x
Differentiation	x	✓	x	x	x

B. Within-Case Analysis: ETKA Company

Analysis of Chika – forms of channel conflict:

The forms of Chika’s channel conflicts are “Perceived conflict” which are the same as Etkā’s channel conflicts.

TABLE VI: CODED DATABASE ON RESEARCH THEORY

Theories	No.				
	1	2	3	4	5
The number of goods offer on internet	+	+	+	+	+
Competition between channels	-	-	+	-	-

1) The number of goods offers on the Internet

As clearly stated, a widely diversified range of products offered online can have a positive impact on acclaiming the public to use online shopping. In the conventional way, time limits prevented customers selectivity in their choice of shopping. Therefore, through diversity online shopping is also boosted. It is recommended that:

- The ability to make proper choice online for customers;
- Easy access to Internet and introduce a reliable way of product presentation;
- Good warehouse management
- Present diversified range of products online in comparison with the conventional ways

2) Competition between channels

According to interviewee 3, competition has negative effect on online sale since it involves challenging retailers which would mean they would in turn try to resist this i.e. challenge between online and retail. Interviewee 4 on the other hand, believed that creating competition would contribute to the production of good quality. He added that the more competition created, the higher the quality of goods. All others believed creating competition between the conventional ways and online sales would have no negative impact on online sales. The solution offered:

- Transfer the benefits of online sales to retailers can

mitigate working severity

TABLE VII: THE SIGN “✓” MEANS MENTIONED BY INTERVIEWEES AND SIGN “X” MEANS IT HAS NOT MENTIONED BY THEM

Measures	No.				
	1	2	3	4	5
Ability to make proper choice	✓	x	x	x	x
Easy access to internet	x	✓	x	x	x
Good access to Internet	x	x	✓	x	x
Present diversity online	x	x	x	✓	✓

C. Cross Case Analysis

TABLE VIII: CROSS-CASE ANALYSIS FINDINGS

Company	Chika	Etka
Form of conflict	Perceived	Perceived
Measures to reduce conflict	Strategy	Strategy

According to tables 3 and 6, the following table compares types of conflicts in companies on the basis of executed research.

TABLE IX: THE COMPARISON OF VARIOS CONFLICTS BETWEEN TWO COMPANIES

Company	Chika					Etka				
	No.									
Theories	1	2	3	4	5	1	2	3	4	5
The number of goods offer on internet	+	+	+	+	-	+	+	+	+	+
Competition between channels	+	+	-	-	-	-	-	+	-	-

IV. CONCLUSION

The two companies were successful in the use of both types of strategies. The function is a supplement to the conventional way of sales which has gained both customers and retailers satisfaction. Either of these companies has its own significance or variations compared to other, the significance is that they were both successful:

A. The Number of Goods Offers on Internet

Except for one, others were determined that diversity promotes online sale. Nonetheless, if varieties are promoted both online and by the conventional method, it would in parity and consequent in no conflict in either channel. Therefore, it is suggested that:

- Select replacements for online presented products
- Ease the access to online
- Proper warehouse management
- More Diversity presented online and in a higher quantity
- Use the two channels to provide the same products in parity

B. Competition between Channels

Other than interviewee 3, the rest think that competition between the conventional system and online system are not conflictive. To resolve these conflicts:

- Educate customer-first services
- Guide the staffs toward the main objectives of the company
- Separate the manufactures of both channels
- Differentiate the incentive systems
- The number of goods offer on Internet:

Based on our research findings and the above concluded, we can deduct that:

- The number of goods offer on the internet

In order to promote sales in both the traditional and Internet channels, proper warehouse management is essential; the diversity in both online and actual stores must be in parity. Ease of online access based on the manner of introducing goods online is also significant.

- Dissatisfaction of Salesmen:

If online and conventional systems are not separated in a store, the hard work on labor would cause staff dissatisfaction and therefore, decrease on sale. Other solutions are to redefine the organizational tasks and use trained staffs in each department to minimize dissatisfaction

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