



CHANNEL CONFLICT



Channel Conflict

- ★ A channel conflict may be defined as “A situation in which one channel member perceives another channel member(s) to be engaged in behavior that prevents it from achieving its goals”.
- ★ Conflict is opposition, disagreement or discard among the organizations.





★ Conflict is not always undesirable.



★ It is needed to have positive effect as loopholes in the existing system can be plugged timely and performance can be maximized.



★ It can keep other channel members on their toes knowing that a decline in performance might lead to a change in the channel arrangements.



★ “Channel conflict arises when the behavior of a channel member is in opposition, to its channel counterpart. It is opponent centered and direct, in which the goal or object sought is controlled by the counterpart.”

Coughlan, Anderson,



Conflicts can also be classified as



★ Vertical conflict



★ Horizontal conflict

★ Inter type conflict



★ Multi Channel conflict



Vertical conflicts

- ★ Vertical conflicts occur due to the differences in goals and objectives, misunderstandings, and mainly due to the poor communication
- ★ Lack of role clarity and over dependence on the manufacturers. For e.g. Today the large retailers dominate the market and dictate the terms. Hence there are often conflicts between these giant retailers and the manufacturers.



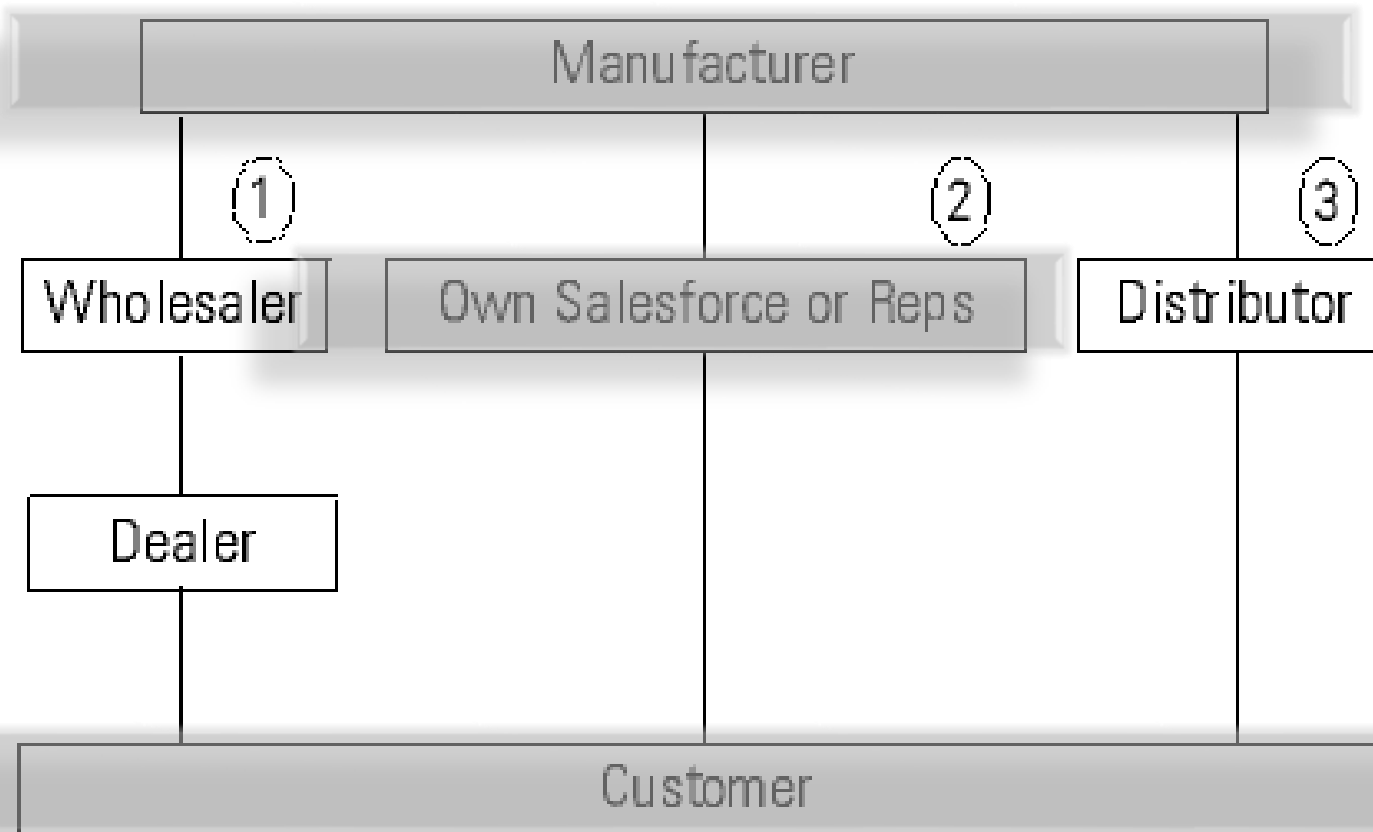


★ Wholesalers expect manufacturers to maintain the product quality and production schedules and expect retailers to market the products effectively. In turn, retailers and manufacturers expect wholesalers to provide coordination functional services. If they fail to conform each others expectations, channel conflict results.



VERTICAL CHANNEL CONFLICT

Figure 1 Traditional Channel Options





Vertical conflict example



- ★ For example, if the toy manufacturer discovers its products are arriving at retail stores later than scheduled, a conflict might develop between the manufacturer and the wholesaler responsible for shipping to retailers. At the same time, the retail stores might be in conflict with the wholesaler due to its inability to ship products on time.
- ★ Conflicts between different levels within the same channel.
- ★ **Example :** HUL came into a conflict with its distributors in Kerala on the issue of Commission



Some common reasons for vertical conflict are

- ★ **Dual distribution** i.e. manufacturers may bypass intermediaries and sell directly to consumers and thus they compete with the intermediaries.
- ★ **Over saturation**, i.e. manufacturers permit too many intermediaries in a designated area that can restrict, reduce sales opportunities for individual dealer and ultimately shrink their profits.





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- ★ **Partial treatment**, i.e. manufacturers offer different services and margins to the different channels members even at same level or favor some members.
 - ★ **New channels**, i.e. manufacturers develop and use innovative channels that create threat to establish channel participants.
 - ★ **No or inadequate sales support and training to intermediaries from the manufacturers.**
 - ★ **Irregular communication, non co-operation and rude behavior with the channel members.**



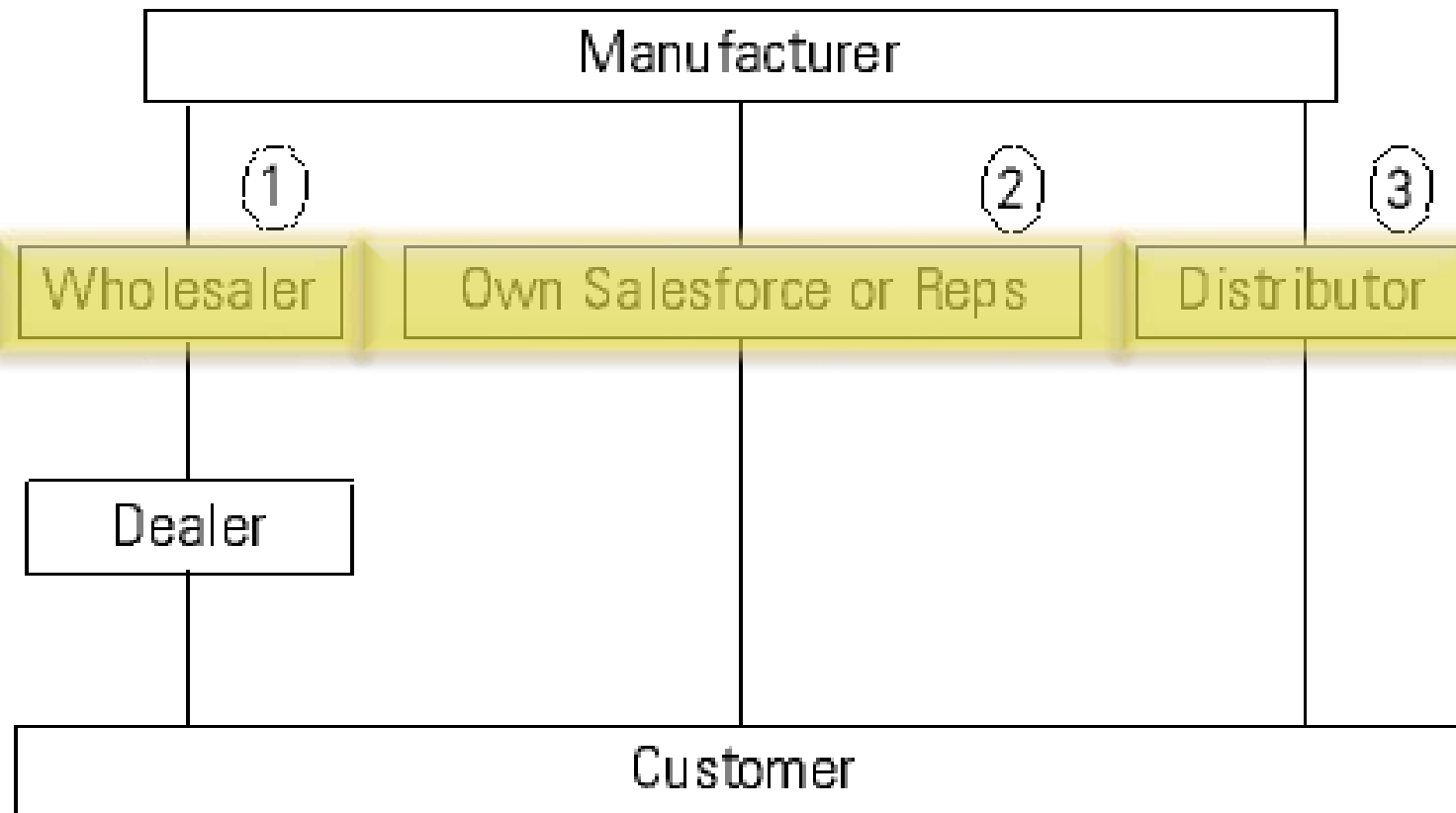
Horizontal conflicts

- ★ Horizontal conflicts are the conflicts between the channel members at the same level, i.e. two or more retailers, two or more franchisees etc. These conflicts can offer some positive benefits to the consumers. Competition or a price war between two dealers or retailers can be in favor of the consumers.



HORIZONTAL CHANNEL CONFLICT:-

Figure 1 Traditional Channel Options





Horizontal conflict example



★ For example, suppose a toy manufacturer has deals with two wholesalers, each contracted to sell products to retailers in different regions. If one wholesaler decides to branch its operations into the other wholesaler's region, a conflict will result. If the toy manufacturer doesn't help solve the problem, its business dealings with both the wholesalers -- and the downstream retailers, as well -- might be in jeopardy. It may also lead to:

- ★ A. Sales Cannibalization
- ★ B. Margin Dilution (Patanjali suing Amazon and other online sellers)
- ★ C. Customer diversion



Reasons behind horizontal conflicts

Price-off by one dealer / retailer can attract more customers of other retailers.

- ★ Aggressive advertising and pricing by one dealer can affect business of other dealers.
- ★ Extra service offered by one dealer / retailer can attract customers of others.
- ★ Crossing the assigned territory and selling in other dealers / retailers / franchises area.
- ★ Unethical practices or malpractices of one dealer or retailer can affect other and spoil the brand image.





Inter Type conflict

- ★ Inter type conflict occurs when, the Intermediaries dealing in a particular product starts trading outside their normal product range. For example, now the supermarkets such as Reliance Fresh also sell vegetables and fruits and thus compete with small retailers selling these products. Large retailers often offer a large variety and thus they compete with small but specialized retailers. This concept is called as **“Scrambled Merchandising”** where the retailers keep the merchandise lines that are outside their normal product range.





Multi-channel Conflict

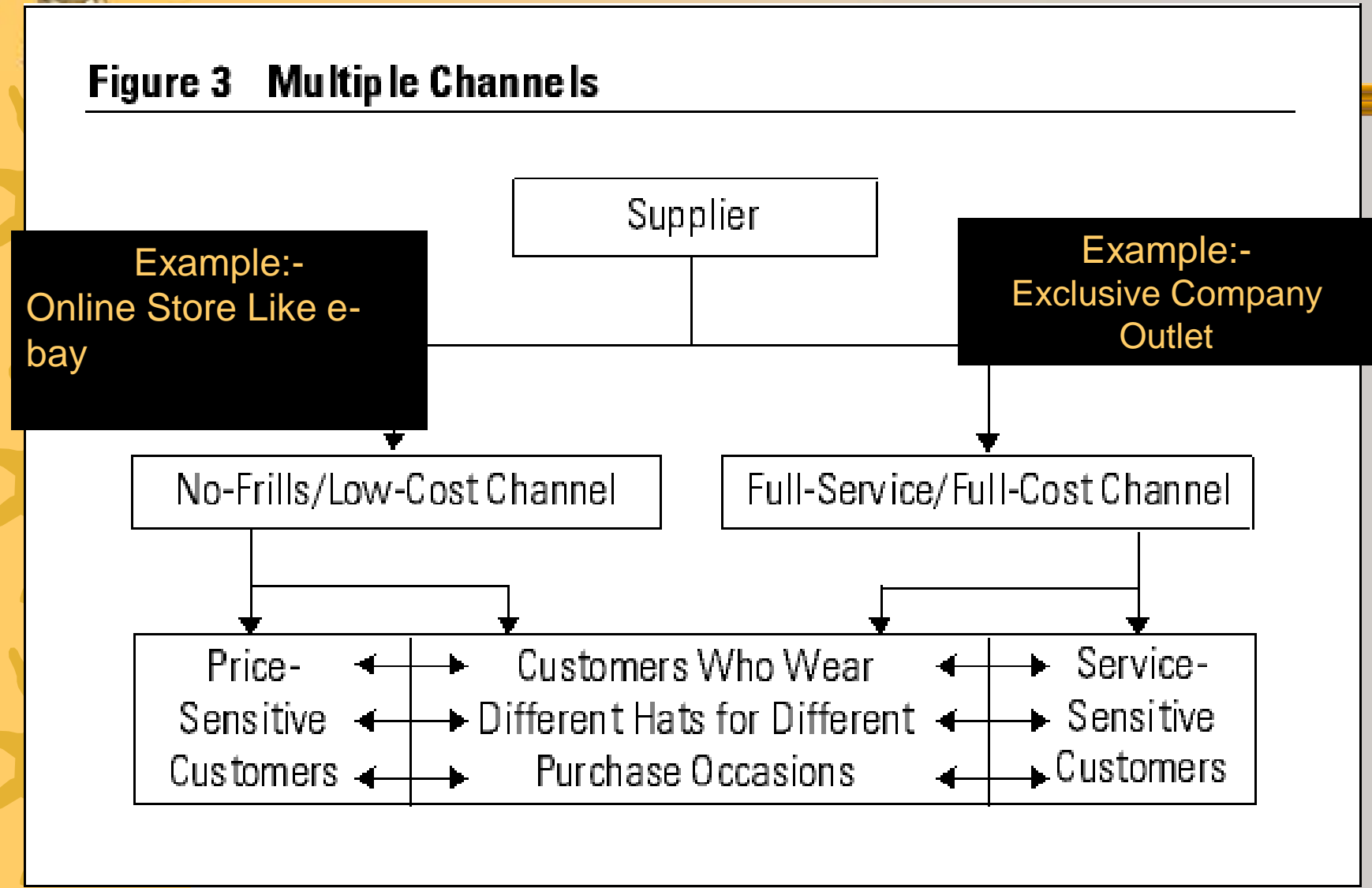
- ★ Multi-channel conflict occurs when the manufacturer uses a dual distribution strategy, i.e. the manufacturer uses two or more channel arrangements to reach to the same market.
- ★ Manufacturers can sell directly through their exclusive showroom or outlets. This act can affect the business of other channels selling manufacturer's brands.
- ★ Manufacturers can bypass the wholesalers and sell directly to the large retailers. Conflict becomes more intense in this case as the large retailers can enjoy more customers and so the profit due to offering more variety and still economical prices, which is possible due to a volume purchase.





MULTI CHANNEL CONFLICT:-

Figure 3 Multiple Channels





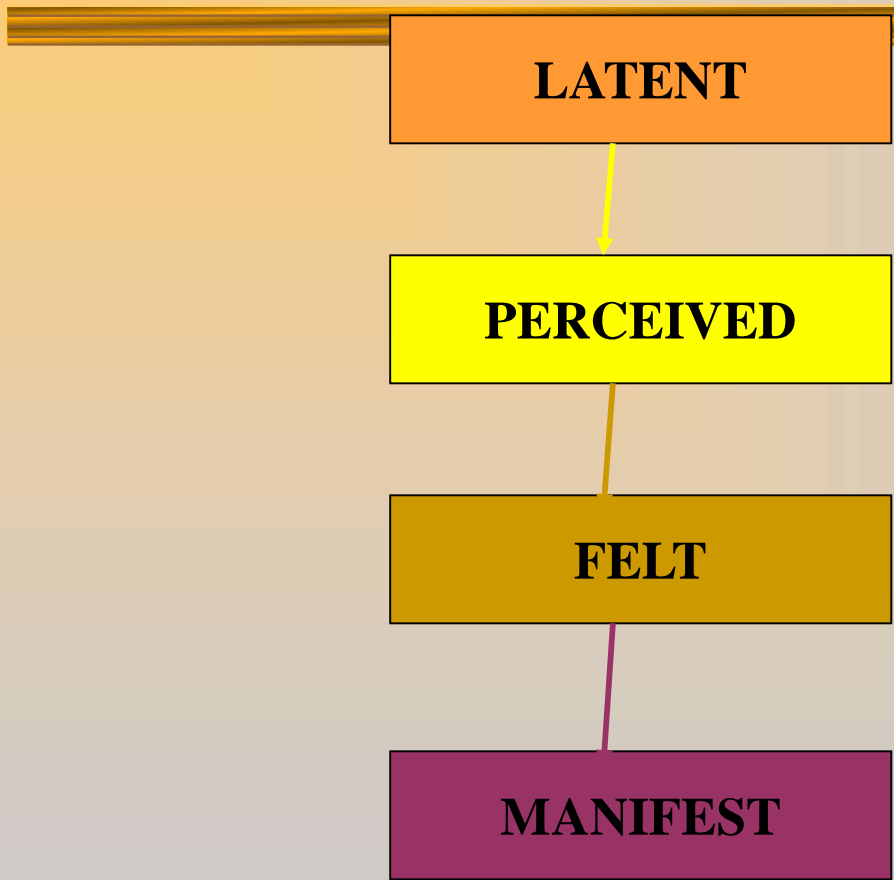
Multi Channel Conflict example

- ★ For instance, suppose the toy manufacturer participates in two marketing channels. In the first channel, the manufacturer sells its products directly to consumers via its official website. In the second channel, the manufacturer sells its products to wholesalers for resale to retailers. If the toy manufacturer's website sells the products for much lower prices than retail stores, sales in the second channel will plummet. The resulting conflict will require some solution that works for both channels.





FOUR STAGES OF CONFLICT



Each stage is progressively more severe than the earlier one.



STAGES OF CONFLICTS



☀ Latent Conflict:

- ❖ Some amount of discord exists but does not affect the working or delivery of customer service objectives.
- ❖ Disagreement could be on roles, expectations, perceptions, communication.

☀ Perceived Conflict:

- ❖ Discords become noticeable – channel partners are aware of the opposition.
- ❖ Channel members take the situation in their stride and go about their normal business.
- ❖ No cause for worry but the opposition has to be recognized.



STAGES OF CONFLICTS

- Felt Conflict:
 - ❖ Reaching the stage of worry, concern and alarm. Also known as 'affective' conflict.
 - ❖ Parties are trying to outsmart each other.
 - ❖ Causes could be economical or personal.
 - ❖ Needs to be managed effectively and not allowed to escalate.
- Manifest Conflict:
 - ❖ Reflects open antagonistic behaviour of channel partners. Confrontation results.
 - ❖ Initiatives taken are openly opposed affecting the performance of the channel system.
 - ❖ May require outside intervention to resolve.





CHANNEL CONFLICT



For example, Coca Cola would like to increase its sales by offering a discount on its cans. However, the retailer knows that overall soda sales will not go up much when Coke is put on sale—consumers who bought other brands will just switch, for the most part. Therefore, the retailer might like to "pocket" any discount that Coke offers.



RESOLVING CONFLICTS

A 4 Stage Process

Understanding nature and intensity

Tracing the source of the conflict

Understand the impact of the conflict

Strategy and plan of action for resolution



CONFLICT RESOLUTION STYLES



Avoidance

Styles are a combination
of assertiveness and
co-operation.

Aggression

Accommodation

Compromise

Collaboration

Least effort and
results

Maximum effort and
Best results





AVOIDANCE

- ☀ Used by weak channel members.
- ☀ Problem is postponed or discussion avoided.
- ☀ Relationships are not of much importance.
- ☀ As there is no serious effort on getting anything done, conflict is avoided.



AGGRESSION



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- ☀️ Also known as a competitive or selfish style.
 - ☀️ It means being concerned about one's own goals without any thought for the others.
 - ☀️ The dominating channel partner (may be the principal) dictates terms to the others. Long term could be detrimental to the system.

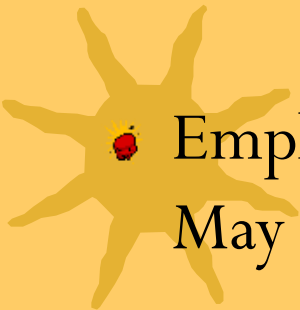
ACCOMMODATION



• A situation of complete surrender.



• One party helps the other achieve its goals without being worried about its own goals.



• Emphasis is on full co-operation and flexibility in approach.
May generate matching feelings in the receiver.



• If not handled properly, can result in exploitation.

COMPROMISE



Obviously both sides have to give up something to meet mid way.

Can only work with small and not so serious conflicts.

Used often in the earlier two stages.

COLLABORATION



☀️ Also known as a problem solving approach.



☀️ Tries to maximize the benefit to both parties while solving the dispute.



☀️ Most ideal style of conflict resolution – a win-win approach.



☀️ Requires a lot of time and effort to succeed.



☀️ Sensitive information may have to be shared.



ROLE OF LEADER

- ★ Reward power.
- ★ Coercive power.
- ★ Expert power.
- ★ Referent power.
- ★ Legitimate power.

