Commitment in channel relationships is modeled as a function of (1) each party's perception of the other party's commitment, (2) self-reported and perceived pledges (idiosyncratic investments and contractual terms) made by each party, and (2) other factors such as communication level, reputation, and relationship history. A dyadic model represented by a simultaneous equation system is estimated with data from 378 pairs of manufacturers and industrial distributors. The results indicate that one type of pledge, idiosyncratic investments, has a strong effect on the commitment of both parties to the relationship. In addition, each party's commitment is affected by the perceived commitment of the other party. Finally, idiosyncratic investments signal commitment, affecting each party's perceptions of the other party's commitment.

The Use of Pledges to Build and Sustain Commitment in Distribution Channels

Conventional distribution channels based on arms-length market relationships between independent manufacturers and distributors often do not provide effective coordination of marketing activities (Stern and El-Ansary 1990). Though more effective coordination can be achieved through vertically integrated corporate channels, that governance mode may be costly and inflexible (Anderson and Weitz 1986). Quasi-integrated distribution channels based on mutual commitment by independent manufacturers and distributors are becoming a "highly significant feature in the organizational landscape" (Powell 1987, p. 68). That governance mode combines the coordination advantages of vertical integration, realizes scale economies of independent firms specializing in the performance of a business function, and avoids the inefficiencies of a bureaucratic control mode.

Because of mutual commitment, independent channel members work together to serve customer needs better, enhancing mutual profitability. Manufacturers in a committed relationship gain greater access to market information for developing products, garner more distributor assistance in launching new products and developing loyalty among end users, and reduce distributor interest in promoting competitive brands. Distributors in a committed relationship have greater access to products desired by their customers and more opportunity to differentiate themselves from other distributors. Both channel members can achieve a higher level of performance by working together than by operating independently (Business Week 1986; Stern and El-Ansary 1990).

The objective of our research is to examine the antecedents of commitments by both manufacturers and distributors to channel relationships. We build on previous studies of commitment in channel relationships (Anderson and Weitz 1989; Anderson and Narus 1990) by exploring the role of pledges—idiosyncratic investments and contractual terms. The empirical research reported here is based on a dyadic analysis in which the interrelationships of attitudes and beliefs held and activities undertaken by both parties are examined.

The conceptual framework and hypotheses for the study are presented in the next section. The results, based on
an analysis of data collected from 378 manufacturer-distributor dyads, are presented. We conclude with a discussion of the managerial implications and directions for future research.

**CONCEPTUAL FRAMEWORK**

We begin with a definition of commitment in channel relationships and then present a framework describing the interrelationship between commitment by a channel member and perceived commitment by the other channel member. Finally, the antecedents of commitment and the perceptions of commitment are outlined.

**Nature of Commitment**

The essence of commitment in interorganizational, introrganizational (e.g., O'Reilly and Chatman 1986), and interpersonal relationships (e.g., Becker 1960; Kelly 1983) is stability and sacrifice. Commitment to a relationship goes beyond a simple, positive evaluation of the other party based on a consideration of the current benefits and costs associated with the relationship. It implies the adoption of a long-term orientation toward the relationship—a willingness to make short-term sacrifices to realize long-term benefits from the relationship (Dwyer, Schurr, and Oh 1987). The long-term orientation is based on an assumption that the relationship is stable and will last long enough for the parties to realize the long-term benefits. In summary, commitment to a relationship entails a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship.

**The Role of Perceptions in Building Commitment**

Our model of mutual commitment is shown in Figure 1. In the model, each channel member's commitment to
the relationship is based on its perception of the other party's commitment. The cycle from \( \text{COMMIT}_{\text{WW}} \) → \( \text{COMMIT}_{\text{DM}} \) → \( \text{COMMIT}_{\text{IDO}} \) → \( \text{COMMIT}_{\text{MD}} \) → \( \text{COMMIT}_{\text{WW}} \) describes a positive reinforcement that increases the level of commitment by both parties over time. The mutually reinforcing nature of the cycle is consistent with the development of the norm of reciprocity (Gouldner 1960), cooperation in mixed-motive games (Axelrod 1984), and commitment between organizations and employees (Eisenberger et al. 1986). It is also consistent with theories of bargaining (Bacharach and Lawler 1981; Pruitt 1981).

Though our model implies a process by which commitment develops, the subsequent empirical research examines relationships at one point in time. From a static perspective, our model suggests that the parties in stable channel relationships have similar levels of commitment to the relationship. Asymmetries in commitment probably result in unsatisfactory relationships because the more committed party is vulnerable to opportunism by the less committed party. The less committed party is more willing to abandon the relationship and less willing to reciprocate sacrifices made by the more committed party. Perceptions about the other channel member's commitment may not be accurate. However, our model is based on at least some degree of accuracy—that is, perceptions about the other channel member's commitment are influenced by the other channel member's actual commitment. Channel members presumably reveal their true feelings, actions, and intentions to each other during interactions over time.

The relationships between commitment and perceptions of commitment are described in the following hypotheses.

\[ \begin{align*}
\text{H}_1: & \text{ The (a) manufacturer's perception of the distributor's commitment (\text{COMMIT}_{\text{MD}}) is affected by the distributor's commitment (\text{COMMIT}_{\text{DO}}) and the (b) distributor's perception of the manufacturer's commitment (\text{COMMIT}_{\text{WW}}) is affected by the manufacturer's commitment (\text{COMMIT}_{\text{DD}}).} \\
\text{H}_2: & \text{ The (a) manufacturer's commitment to the distributor (\text{COMMIT}_{\text{WW}}) is affected by its perception of the distributor's commitment (\text{COMMIT}_{\text{DO}}) and the (b) distributor's commitment to the manufacturer (\text{COMMIT}_{\text{DD}}) is affected by its perception of the distributor's commitment (\text{COMMIT}_{\text{DO}}).} 
\end{align*} \]

1Throughout the article, the first subscript for a construct (D for distributor and M for manufacturer) indicates the party that is perceiving the construct. The second subscript indicates the object being perceived and takes three values: D for distributor, M for manufacturer, and R for relationship. When a party reports on its own states or actions, the subscripts match. For example, \( \text{COMMIT}_{\text{MD}} \) is the manufacturer's perception of its own commitment (a state) and \( \text{COMMIT}_{\text{DM}} \) is the distributor's report of its own state of commitment. When the perceiver reports on or makes attributions to the other party or to a property of their relationship, the subscripts do not match. For example, \( \text{COMMIT}_{\text{DO}} \) is the commitment that the manufacturer attributes to the distributor and \( \text{COMMIT}_{\text{MD}} \) is the commitment the distributor attributes to the manufacturer. The subscript R refers to a property of the relationship (rather than a specific channel member).

2Williamson (1985) refers to these actions binding a party to a relationship as "creditable commitments." We use the term "pledges" instead to distinguish the managerial action (making credible commitments) from the state (commitment to a relationship).

3Ouchi (1980) argues that it is crucial for each party to perceive that the relationship is equitable. Either party may enhance perceptions of equity by making idiosyncratic investments, thereby signaling that it, too, is prepared to shoulder the risks of the relationship.

**Pledges**

We define pledges as actions undertaken by channel members that demonstrate good faith and bind the channel members to the relationship. Pledges are more than simple declarations of commitments or promises to act in good faith. They are specific actions binding a channel member to a relationship.

When a channel member makes a pledge to the other party in a relationship, it "weakens" its own position by reducing the alternative sources it can use to perform a channel function. However, Schelling (1960) develops a compelling argument for how parties can paradoxically strengthen a relationship by "tying their hands." Making pledges constrains the channel member but also commits the channel member to the relationship and provides a strong signal of that commitment to the other party. Two types of pledges examined in our research are idiosyncratic investments and contractual terms. 1

**Idiosyncratic investments.** Idiosyncratic investments are investments specific to a channel relationship. They are difficult or impossible to redeploy to another channel relationship; therefore, they lose substantial value unless the relationship continues. Some examples of idiosyncratic investments in channel relationships are training and/or dedicating personnel to servicing a specific manufacturer's products, adopting a common order processing system, building specialized facilities to handle a specific manufacturer's product line, and linking the manufacturer and distributor in the customer's mind through promotions.

The degree of investment specificity can vary. For example, a distributor might devote considerable resources to training its employees to service Apple computers. Some of that investment may be redeployable, because the knowledge acquired can be used to service other brands of computers. However, some of the knowledge is useful only for servicing Apple computers. The level of idiosyncratic investments refers only to the specific knowledge.

Williamson (1985) suggests that idiosyncratic investments stabilize relationships by altering the firm's own incentive structure (realigning its self-interest). By making idiosyncratic investments in a relationship, a channel member creates an incentive to maintain the relationship. For example, a manufacturer that links its identity to a specific distributor might find it difficult to switch a customer to a new distributor if the relationship ends.
Conversely, a distributor that trains its salespeople to sell a specific manufacturer's products may have to make additional retraining investments if the relationship ends. Thus, engaging in opportunistic behavior and risking the dissolution of the relationship is contrary to the self-interest of a channel member that has made idiosyncratic investments. Basically, idiosyncratic investment can align the incentive structures of the parties in a channel relationship. Mutual idiosyncratic investments can convert a competitive (win-lose) relationship into a cooperative (win-win, lose-lose) relationship.

H3: The level of idiosyncratic investments made by a manufacturer (INVEST\textsubscript{m}) in a relationship increases the manufacturer's commitment (COMMIT\textsubscript{m}) to the relationship.

H4: The level of idiosyncratic investments made by a distributor (INVEST\textsubscript{d}) in a relationship increases the distributor's commitment (COMMIT\textsubscript{d}) to the relationship.

Idiosyncratic investments also provide a powerful signal to the other party. Such investments are more than hollow promises. Observing the other party's pledges causes a channel member to be more confident in the other party's commitment to the relationship, because the other party will sustain economic consequences if the relationship ends.

H5: The distributor's perceptions of the level of idiosyncratic investments made by a manufacturer (INVEST\textsubscript{m}) in a relationship increase the distributor's perception of the manufacturer's commitment (COMMIT\textsubscript{m}) to the relationship.

H6: The manufacturer's perceptions of the level of idiosyncratic investments made by a distributor (INVEST\textsubscript{d}) in a relationship increase the manufacturer's perception of the distributor's commitment (COMMIT\textsubscript{d}) to the relationship.

**Contractual terms.** Williamson (1983, 1985) suggests that voluntarily contracting activities related to the relationship through contract terms is another form of a pledge. Some examples of constraining contract clauses are ones that establish territorial exclusivity (manufacturer) and exclusive dealing (distributor), limit termination to situations in which minimum performance goals are not achieved, and provide for advance notice of termination. For example, when distributors agree to sell only one brand in a product category, they limit their knowledge of other brands and may incur significant costs in switching to those brands if they decide to end the relationship with the exclusive brand. When manufacturers accept contracts requiring long periods of time between notification and termination, they incur significant opportunity losses if they decide to end the relationship. Such "self-enforcing" terms result in contracts that neither party wants to break because they both would suffer adverse consequences (Klein and Leffler 1981; Telsz 1980). Like idiosyncratic investments, these contract terms both commit the channel member and provide a convincing signal to the other party. Thus,

H7: Acceptance by manufacturers of contract terms with distributors involving (a) territorial exclusivity (EXCLUSIVE\textsubscript{m}), (b) termination only if distributor performance goals are not achieved (TERMINATE\textsubscript{m}), and (c) requirement of advance notification of termination (NOTIFY\textsubscript{m}) increases the manufacturer's commitment (COMMIT\textsubscript{m}) to the relationship.

H8: Acceptance by distributors of contract terms with manufacturers that restrict them to exclusivity of representation in the product class (EXCLUSIVE\textsubscript{d}) increases the distributor's commitment (COMMIT\textsubscript{d}) to the relationship.

H9: The manufacturer's perception of the category exclusivity it has been granted by the distributor (EXCLUSIVE\textsubscript{d}) increases the manufacturer's perception of the distributor's commitment (COMMIT\textsubscript{d}) to the relationship.

H10: The distributor's perception of the constraining contract terms accepted by the manufacturer in terms of (a) granting territorial exclusivity (EXCLUSIVE\textsubscript{m}), as well as specific covenants of (b) termination only if distributor performance goals are not achieved (TERMINATE\textsubscript{m}) and (c) advance notification of termination (NOTIFY\textsubscript{m}) increase the distributor's perception of the manufacturer's commitment (COMMIT\textsubscript{m}) to the relationship.

**Communications**

Communications play an important role in realizing the mutual benefits in quasi-integrated channels (Mohr and Nevin 1990). Channel members achieve coordination by sharing information through frequent two-way interchanges. Communication also fosters confidence in the continuity of the relationship and reduces dysfunctional conflict (Anderson and Weitz 1989; Anderson and Narus 1990; Dwyer, Schurr, and Oh 1987). Hence, our framework suggests channel members are motivated to commit to a relationship characterized by an open sharing of information. When that type of communication is present, the chances of realizing the benefits from the relationship are greater.

H11: The manufacturer's commitment to the channel relationship (COMMIT\textsubscript{m}) increases when the manufacturer perceives communication to be an open, two-way exchange (COMMUNICATE\textsubscript{m}).

H12: The distributor's commitment to the channel relationship (COMMIT\textsubscript{d}) increases when the distributor perceives communication to be an open two-way exchange (COMMUNICATE\textsubscript{d}).

**Conflict History and Reputation**

Our conceptual framework in Figure 1 indicates that perceptions of commitment are influenced by the observation of the other channel member's actions in the focal relationship and in other relationships.

*Conceptually, the distributor's perception of the manufacturer's contract clauses, TERMINATE\textsubscript{m} and NOTIFY\textsubscript{m}, should be the influencing factor. However, for reasons to be discussed, contract information could be collected only from the manufacturer.*
History. A history of a conflictual relationship may signal that the channel members are not committed to the relationship. Conflict may make it difficult to place confidence in the other party’s long-term orientation and willingness to make sacrifices to build the relationship. Gedik (1984) notes that conflict is one of the most widely studied phenomena in distribution channels because it is so pervasive and potentially destructive. Though conflict can be constructive when it leads to an exploration of new opinions, he notes that a persistent history of conflict will reduce the perception of commitment.

H2: The manufacturer’s perception of the distributor’s commitment (COMMIT_m) decreases as the manufacturer’s perception of the level of conflict (HISTORY_m) in the relationship increases.

H3: The distributor’s perception of the manufacturer’s commitment (COMMIT_d) decreases as the distributor’s perception of the level of conflict (HISTORY_d) in the relationship increases.

Reputation for fairness. Channel members can signal their level of commitment through their history in other channel relationships. By making sacrifices and demonstrating concern in other long-term relationships, channel members develop a reputation for operating effectively in quasi-integrated relationships. Such a reputation reduces the motivation of a channel member to act opportunistically, because such action would reduce the value of the reputation asset (Macauley 1963; Telser 1980). Hence, our framework suggests the following hypotheses.

H4: The manufacturer’s commitment (COMMIT_m) increases as the manufacturer’s perception of the distributor’s reputation for fairness in channel relationships (FAIR_m) increases.

H5: The distributor’s commitment (COMMIT_d) increases as the distributor’s perception of the manufacturer’s reputation for fairness in channel relationships (FAIR_d) increases.

Direct selling. Direct selling, in a dual channel of distribution in which some customers in a territory are sold directly and some are sold through distributors, can provoke substantial negative reactions by distributors (Stern and El-Ansary 1990). A manufacturer may serve some customers directly in the belief that they demand better service than distributors can give. Nonetheless, agents are likely to have less confidence in the continuity of relationships with manufacturers that use a dual channel of distribution.

H6: The distributor’s perception of the manufacturer’s commitment (COMMIT_d) decreases the more the manufacturer engages in direct selling (DIRECT_m).4

4Conceptually, the measure should be DIRECT_m, as the distributor’s perception of the manufacturer’s commitment should be influenced most closely by the distributor’s perception of direct selling (accurate or not). However, for reasons to be discussed, only the manufacturer’s report of direct selling was available.
dyads involved multiple distributor informants. In those cases, the constructs were measured by averaging the informants’ responses.

**Measure Development**

Measure development was based on the procedure recommended by Nunnally (1978). Multiple items were developed to assess each construct. Following Campbell’s (1955) guidelines for querying key informants, we stated items in simple, concrete terms using the language employed by the respondents. Field interviews were used to pretest and refine the wording of items.

In developing the items, we used parallel wording for both the manufacturer and distributor measures and for self-reported and perceived measures. For example, an item used to measure the distributor’s commitment (COMMITd) was “We have a strong sense of loyalty to this supplier,” was reflected to “We have a strong sense of loyalty to this distributor” for assessing the manufacturer commitment (COMMITm). Similar wording was used for items assessing perceptions. For example, an item assessing the distributor’s perception of the manufacturer’s commitment (COMMITp), “This manufacturer has a strong sense of loyalty to us,” became “This distributor has a strong sense of loyalty to us” to assess the manufacturer’s perception of the distributor’s loyalty (COMMITm).

Exploratory factor analysis and an examination of the item intercorrelations, means, and standard deviations were used to purify the scales. That analysis was performed separately for responses by distributor and manufacturer key informants. A few items were deleted because of low variance in responses and the possibility of multiple interpretations.

After purifying the scales, we assessed unidimensionality by the presence of a first factor in a principal components analysis that accounted for a substantial portion of the total variance. In addition, all items had a loading greater than .4 on the first factor with the theoretically correct sign. Internal consistency of the scales was assessed by calculating the Cronbach alpha. The desire to maintain parallelism between the measures did not violate the unidimensionality criteria or reduce the internal consistency.

**Measures**

All measures in the study are reported in the Appendix tables. The correlation matrix for the measures is shown in Table 1.

**Commitment and perceived commitment.** Ten items were used to assess commitment and perceived commitment by the manufacturer and distributor. Informants responded to those items (and all items used in our research) on 7-point scales anchored by “strongly disagree” and “strongly agree.” The 10 items tap the multiple facets of commitment incorporated in our definition, including a strong sense of loyalty, expectation of continuity in the relationship, willingness to invest in the relationship, and a willingness to make short-term sacrifices to realize long-term benefits. In addition, items tapping behaviors that our field interviews had shown to be compatible with commitment were included, such as defending the other party against criticism and being patient when the other party makes mistakes. Finally, the term “commitment” and commonly used synonyms such as “alliance” were employed in the construction of the items. The set of 10 items reflects the behaviors, attitudes, and intentions corresponding to a close, long-term, well-coordinated relationship that goes beyond positive affect and “business as usual.” The mean, standard deviation, and Cronbach alpha are shown for COMMITd0 and COMMITm0 in Table A1 and for COMMITdm and COMMITmd in Table A2.

**Idiosyncratic investments and perceived idiosyncratic investments.** The manufacturer’s and distributor’s self-reported pledges through idiosyncratic investments were assessed with 11 and 10 items, respectively. Those items assess the level of investment in the relationship by the distributor and manufacturer and the degree to which those investments are not redeployable to other relationships. The items address a range of investments including training, facilities, and linking the manufacturer and distributor in the customer’s mind. A subset of five of the items was used to assess the perception of idiosyncratic investments. The mean, standard deviation, and Cronbach alpha are shown for INVESTd and INVESTm in Table A3 and for INVESTd and INVESTm in Table A4.

**Exclusivity and perceived exclusivity.** Manufacturer and distributor self-reports of pledges made by establishing exclusivity in the relationship (Table A5) were assessed with two items, including a question about the number of competing lines carried/competing distributors used. The items were standardized and summed to form a scale. The Cronbach alpha values for EXCLUSIVE and EXCLUSIVE were .66 and .43, respectively. These were the only scales in the study that were below Nunnally’s criterion of .70 for reliability.

Perceptions of exclusivity were assessed with five items that included a specific measure of the number of potential competing product lines and competing distributors available (Table A6). The items were standardized and summed to form a scale.

**Contract terms.** The manufacturers participating in the study did not want their distributors queried about the contract terms governing the relationships. Therefore the use of contract terms as pledges was ascertained solely from information provided by the manufacturer. Manufacturers described contract provisions by indicating whether termination was restricted to situations in which the distributor failed to meet performance goals (TERMINEdm) and whether advance notice was required before terminating a distributor (NOTIFYdm).

**Communications.** The manufacturer’s and distributor’s perceptions of the degree to which the relationship was characterized by open communications and sharing of information (COMMUNICATEdm) and COMMUNI-
### Table 1
**Correlation Matrix of Measures**
(complete dyads only: 379)

|     | D1   | D2   | D3   | D4   | D5   | D6   | D7   | D8   | D9   | M1   | M2   | M3   | M4   | M5   | M6   | M7   | M8   | M9   | M10  |
|-----|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|      |
| D1  | 1.00 |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| D2  | 0.63 | 1.00 |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| D3  | 0.48 | 0.29 | 1.00 |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| D4  | 0.21 | 0.14 | 0.04 | 0.00 |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| D5  | 0.03 | 0.07 | 0.00 | 0.00 | 0.00 |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| D6  | 0.51 | 0.63 | 0.22 | 0.15 | 0.65 | 1.00 |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| D7  | -0.36 | -0.43 | -0.07 | -0.39 | -0.43 | 1.00 |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| D8  | 0.41 | 0.56 | 0.49 | 0.17 | 0.60 | 0.48 | 0.14 | 1.00 |      |      |      |      |      |      |      |      |      |      |      |      |
| D9  | 0.34 | 0.41 | 0.30 | 0.41 | 0.37 | 0.38 | 0.15 | 0.90 | 1.00 |      |      |      |      |      |      |      |      |      |      |      |
| M1  | 0.03 | 0.17 | 0.05 | 0.09 | 0.08 | 0.11 | -0.08 | 0.05 | 0.02 | 1.00 |      |      |      |      |      |      |      |      |      |      |
| M2  | 0.22 | 0.23 | 0.15 | 0.22 | 0.21 | 0.22 | -0.16 | 0.11 | 0.21 | 0.63 | 1.00 |      |      |      |      |      |      |      |      |      |
| M3  | 0.02 | 0.08 | 0.14 | 0.03 | 0.00 | 0.05 | -0.11 | 0.05 | 0.03 | 0.38 | 0.28 | 1.00 |      |      |      |      |      |      |      |      |
| M4  | 0.17 | 0.16 | 0.20 | 0.35 | 0.12 | 0.14 | 0.06 | 0.16 | 0.51 | -0.01 | 0.15 | 0.18 | 1.00 |      |      |      |      |      |      |      |
| M5  | 0.18 | 0.17 | 0.18 | 0.17 | 0.19 | 0.19 | -0.10 | 0.15 | 0.16 | 0.57 | 0.60 | 0.39 | 0.20 | 1.00 |      |      |      |      |      |      |
| M6  | 0.15 | 0.14 | 0.10 | 0.26 | 0.13 | 0.16 | -0.13 | 0.14 | 0.15 | 0.43 | 0.56 | 0.14 | 0.27 | 0.45 | 1.00 |      |      |      |      |      |
| M7  | -0.18 | -0.15 | -0.02 | -0.12 | -0.11 | -0.18 | -0.23 | -0.08 | -0.12 | -0.38 | -0.43 | 0.01 | -0.15 | -0.22 | -0.46 | 1.00 |      |      |      |      |
| M8  | 0.10 | 0.08 | 0.16 | 0.19 | 0.04 | 0.02 | 0.04 | 0.04 | 0.19 | 0.46 | 0.56 | 0.50 | -0.27 | -0.58 | -0.26 | -0.22 | 1.00 |      |      |      |
| M9  | 0.19 | 0.11 | 0.23 | 0.20 | 0.13 | 0.08 | -0.11 | -0.07 | 0.08 | 0.33 | 0.47 | 0.18 | 0.41 | 0.39 | 0.44 | -0.26 | -0.26 | 1.00 |      |      |
| M10 | 0.08 | 0.08 | 0.25 | -0.01 | 0.02 | 0.07 | 0.00 | 0.08 | 0.10 | 0.17 | 0.03 | 0.06 | 0.02 | 0.14 | 0.18 | 0.04 | 0.33 | 1.00 |      |      |

*Underlines indicate p < .05.

D1 = distributor's commitment to the relationship (COMMIT<sub>d</sub>)
D2 = distributor's perception of the manufacturer's commitment (COMMIT<sub>m</sub>)
D3 = distributor's idiosyncratic investments in the relationship (INVEST<sub>d</sub>)
D4 = distributor's exclusive dealing in the manufacturer's product class (EXCLUSIVE<sub>d</sub>)
D5 = distributor's perception of the level of communication in relationship (COMMUNICATE<sub>d</sub>)
D6 = distributor's perception of the manufacturer's reputation for fairness (FAIR<sub>m</sub>)
D7 = distributor's perception of the history of conflict in the relationship (HISTORY<sub>d</sub>)
D8 = distributor's perception of the degree to which manufacturer has granted exclusivity in the territory (EXCLUSIVE<sub>m</sub>)
D9 = manufacturer's commitment to the relationship (COMMIT<sub>m</sub>)
M1 = manufacturer's perception of the manufacturer's commitment to the relationship (COMMIT<sub>m</sub>)
M2 = manufacturer's perception of the manufacturer's commitment (COMMIT<sub>m</sub>)
M3 = manufacturer's idiosyncratic investments in the relationship (INVEST<sub>m</sub>)
M4 = degree to which manufacturer grants territorial exclusivity to distributor (EXCLUSIVE<sub>m</sub>)
M5 = manufacturer's perception of the level of communication in relationship (COMMUNICATE<sub>m</sub>)
M6 = manufacturer's perception of the distributor's reputation for fairness (FAIR<sub>d</sub>)
M7 = manufacturer's perception of the history of conflict in the relationship (HISTORY<sub>m</sub>)
M8 = manufacturer's perception of the level of idiosyncratic investments made by the manufacturer (INVEST<sub>m</sub>)
M9 = manufacturer's perception of the distributor granting exclusive representation in product category (EXCLUSIVE<sub>d</sub>)
M10 = extent of direct selling by manufacturer (DIRECT<sub>d</sub>)

**CATEG<sub>d</sub>** were each assessed with six items (Table A7).

Conflict history and reputation. The manufacturer's and distributor's perceptions of the history of their relationship (HISTORY<sub>d</sub> and HISTORY<sub>m</sub>) were assessed with six items (Table A8) that specifically elicited the degree to which the problems with the relationship resulted in the parties' considering other alternatives.

The manufacturer's and distributor's perceptions of the other party's reputation in channel relationships (FAIR<sub>d</sub> and FAIR<sub>m</sub>) were assessed with three items (Table A9) that elicited the other party's reputation for fairness, concern, and self-interest.

Direct selling. The manufacturer's use of direct selling, DIRECT<sub>d</sub>, was assessed by a question about what percentage of sales in the territory were made directly by the manufacturer, bypassing the distributor. As in the case of contractual terms, the participating manufacturers did not want their distributors to respond to this question.

**Model Estimation**

The framework in Figure 1 was cast in the following system of four equations:

\[
\begin{align*}
\text{COMMIT}_{d} &= B_{0} + B_{1}\text{COMMIT}_{m} + B_{2}\text{INVEST}_{d} \\
&\quad + B_{3}\text{EXCLUSIVE}_{m} + B_{4}\text{TERMINATE}_{d} \\
&\quad + B_{1}\text{NOTIFY}_{m} + B_{2}\text{TERMINATE}_{d} \\
&\quad + B_{2}\text{DIRECT}_{d} + \varepsilon_{d} \\
\text{COMMIT}_{m} &= B_{0} + B_{1}\text{COMMIT}_{d} + B_{2}\text{INVEST}_{m} \\
&\quad + B_{3}\text{EXCLUSIVE}_{d} + \varepsilon_{m} \\
&\quad + B_{2}\text{COMMUNICATE}_{d} + B_{3}\text{FAIR}_{m} \\
&\quad + \varepsilon_{m} \\
\text{DIRECT}_{m} &= B_{0} B_{1}\text{COMMIT}_{d} + B_{2}\text{INVEST}_{m} \\
&\quad + B_{3}\text{EXCLUSIVE}_{d} + \varepsilon_{m}
\end{align*}
\]
COMMITMENT IN DISTRIBUTION CHANNELS

$$+ \sum_b \text{EXCLUSIVE}_{b} + \sum_b \text{HISTORY}_{b}$$

$$+ \epsilon_{\text{MD}}$$

$$\text{COMMIT}_{\text{MD}} = \beta_0 + \beta_1 \text{COMMIT}_{\text{MD}} + \beta_2 \text{INVEST}_{\text{MD}}$$

$$+ \beta_3 \text{EXCLUSIVE}_{\text{MD}} + \beta_4 \text{NOTIFY}_{\text{MD}}$$

$$+ \beta_5 \text{TERMINATE}_{\text{MD}} + \beta_6 \text{FAIR}_{\text{MD}}$$

$$+ \epsilon_{\text{MD}}$$

Note that three constructs affecting the distributor's perception of the manufacturer's commitment—grounds for termination, notification of termination, and extent of direct selling—should be based on the distributor's responses. Because the manufacturers were unwilling to have those perceptions collected in the distributors' questionnaires, the manufacturers' reports were used in the model. That information provided by the manufacturers is likely to be accurate, but may not correspond to the distributors' perceptions.

The system of equations was estimated by three-stage least squares regression. The results are reported in Tables 2 through 5. The estimated system of equations has a system-weighted $R^2$ of 52%, suggesting that the variables in the framework account for a substantial portion of the variance in the endogenous variables—commitment and perceived commitment on the part of both sides of the channel.

RESULTS

Distributor Perception of the Manufacturer's Commitment

The results in Table 2 indicate that distributor perceptions of the manufacturer's commitment are affected by the level of commitment indicated by the manufacturer, supporting $H_{1b}$. Distributors attribute more commitment to manufacturers that are committed to them ($B_{1b} = .106$, $p < .10$). However, the relationship is only marginally significant.

Distributor perceptions are influenced strongly by pledges—their perception of idiosyncratic investments made by the manufacturer ($H_2$) and the manufacturer's granting of territorial exclusivity ($H_{10}$). When distributors believe manufacturers have made nondeployable investments in the relationship, they perceive the manufacturers as being more committed ($B_{13} = .308$, $p < .01$). Exclusivity also significantly increases the distributor's perception of the manufacturer's commitment ($B_{13} = .308$, $p < .01$). Finally, distributor perceptions are affected by the history of the relationship. When distributors view their relationship as having been rocky and conflictual in the past, they perceive the manufacturer as being less committed to the relationship ($B_{20} = -.249$, $p < .01$), supporting $H_{10}$.

Our results indicate that distributors disregard several hypothesized factors in developing their perception of the manufacturer's commitment. Contract clauses restricting the manufacturer's freedom to terminate a relationship ($H_{1a}$ and $H_{1b}$) and the use of direct selling ($H_{12}$) do not have a significant impact on the distributor's perception of the manufacturer's commitment. However, the measure of those constructs is based on information provided by the manufacturer. Therefore the weak relationship may be due to inaccuracy in perceiving the nature of the contract or the manufacturer's use of direct selling.

Distributor Commitment

The distributor's commitment to a relationship is affected by its perception of the manufacturer's commitment ($B_{22} = .203$, $p < .05$), supporting $H_{2b}$ (see Table 3). Some forms of pledges increase the distributor's commitment, whereas other forms do not. Making idiosyncratic investments in a relationship strongly increases the distributor's level of commitment ($B_{23} = .197$, $p < .01$), supporting $H_2$. However, another type of pledge, exclusive dealing, is not significantly related to the distributor's commitment ($H_{13}$).

A distributor's commitment also increases when it views the relationship as characterized by open communication ($B_{25} = .167$, $p < .01$), supporting $H_{15}$, and when it feels
Table 3

**Table 3: Distributor's Commitment to the Relationship**

<table>
<thead>
<tr>
<th>Hypothesized influences</th>
<th>Estimated coefficient</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributor's perception of the manufacturer's commitment (COMMITmn)</td>
<td>2.03</td>
<td>1.98**</td>
</tr>
<tr>
<td>Distributor's idiosyncratic investments in the relationship (INVESTmn)</td>
<td>1.97</td>
<td>6.68***</td>
</tr>
<tr>
<td>Distributor's exclusive dealing in the manufacturer's product class (EXCLUSIVEmn)</td>
<td>0.03</td>
<td>1.15</td>
</tr>
<tr>
<td>Distributor's perception of the level of communication (COMMUNICATIONmn)</td>
<td>1.67</td>
<td>3.15***</td>
</tr>
<tr>
<td>Distributor's perception of the manufacturer's reputation (FAIRmn)</td>
<td>0.05</td>
<td>1.69*</td>
</tr>
</tbody>
</table>

*p < .10  
**p < .05  
***p < .01

the manufacturer has a reputation for fairness in channel relationships (B, m = .055, p < .10), supporting H1b.

**Manufacturer's Perception of the Distributor's Commitment**

The results in Table 4 support all of the hypotheses about factors affecting the manufacturer's perceptions of the distributor's commitment. The commitment reported

**Table 4: Manufacturer's Perception of Distributor's Commitment**

<table>
<thead>
<tr>
<th>Hypothesized influences</th>
<th>Estimated coefficient</th>
<th>t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributor's commitment to the relationship (COMMITmn)</td>
<td>2.16</td>
<td>3.56***</td>
</tr>
<tr>
<td>Manufacturer's perception of the level of idiosyncratic investments made by the manufacturer (INVESTmn)</td>
<td>3.25</td>
<td>9.60***</td>
</tr>
<tr>
<td>Manufacturer's perception of degree to which distributor engages in exclusive dealing in the product category (EXCLUSIVEmn)</td>
<td>2.18</td>
<td>4.39***</td>
</tr>
<tr>
<td>Manufacturer's perception of the history of conflict in the relationship (HISTORYmn)</td>
<td>-2.17</td>
<td>7.97***</td>
</tr>
</tbody>
</table>

*p < .10  
**p < .05  
***p < .01

by the distributor has a significant effect on the manufacturer's perceptions (Bmn = .216, p < .01), supporting H8a. Further, the perception of pledges made by the distributor acts as a signal of the distributor's commitment. Both idiosyncratic investments (Bmn = .325, p < .01) and exclusive dealing (Bmn = .218, p < .01) by the distributor are related significantly to the manufacturer's perception of the distributor's commitment, supporting H8 and H9. Finally, manufacturers perceive lower distributor commitment when they view the relationship as having a conflictual history (Bmn = -.217, p < .01), supporting H3.

**Manufacturer Commitment**

As shown in Table 5, manufacturers are significantly more committed to relationships in which they perceive the distributor as being committed (Bmn = .527, p < .01), supporting H3. Pledges have a significant effect on the degree to which manufacturers are committed. Making idiosyncratic investments significantly increases commitment (Bmn = .176, p < .01), supporting H1, but surprisingly, granting territorial exclusivity has a significant negative effect on commitment (Bmn = -.216, p < .01), contrary to H2. Manufacturers also report more commitment to relationships in which there is higher level of open communication (Bmn = .220, p < .01), supporting H1.

Several hypothesized factors do not play a significant role in the formation of the manufacturer's commitment. Contract clauses restricting the manufacturer's actions (H9 and H3) and the perceptions of the distributor's reputation for fairness (H8b) are not related to commitment.

**Assessing Robustness of Results**

Commitment is obviously a complex phenomenon, poorly understood and subject to a variety of forces. No study can assess more than a fraction of the relevant determinants of commitment in a distribution channel. Nonetheless, the lack of well-developed theory about strategic alliances suggests that a large number of potentially important factors may be missing from our model. As specification error is thus inevitable, it is important to assess the robustness of our results to the omission of potentially relevant variables.

Omitted variables that may affect our findings may well be related to unmeasured company-specific effects, if any. To assess the strength of that possibility, dummy variables for 10 of the 11 complete divisions were included in each of the four equations estimated. Results appeared substantially unaffected. Fit indices improved little, and the estimated coefficients in Table 2 were substantially replicated. Further, most dummy variables did not have a statistically significant impact. Collectively, these results suggest that the study findings are at least reasonably robust.

**Discussion and Conclusion**

Our results, taken as a whole, provide substantial support for the framework of Figure 1. The same general
Commitment in Distribution Channels

Table 5
MANUFACTURER’S COMMITMENT TO THE RELATIONSHIP

<table>
<thead>
<tr>
<th>Hypothesized influences</th>
<th>Manufacturer’s perception of the distributor’s commitment (COMMIT&lt;sub&gt;mu&lt;/sub&gt;)</th>
<th>Estimated coefficient</th>
<th>t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>5.27</td>
<td>3.96***</td>
</tr>
<tr>
<td>Manufacturer’s idiosyncratic investments in the relationship (INVEST&lt;sub&gt;mu&lt;/sub&gt;)</td>
<td>1.76</td>
<td></td>
<td>4.24***</td>
</tr>
<tr>
<td>Dummy variable, if manufacturer signs contract with clause barring termination if minimum performance standard met by distributor, 0 otherwise (TERMINATE&lt;sub&gt;mu&lt;/sub&gt;)</td>
<td>-2.16</td>
<td></td>
<td>5.01***</td>
</tr>
<tr>
<td>Dummy variable, if manufacturer signs contract with clause requiring advance notice before terminating distributor, 0 otherwise (NOTIFY&lt;sub&gt;mu&lt;/sub&gt;)</td>
<td>-0.82</td>
<td></td>
<td>1.15</td>
</tr>
<tr>
<td>Manufacturer’s perception of the level of communication in relationship (COMMUNICATE&lt;sub&gt;mu&lt;/sub&gt;)</td>
<td>0.014</td>
<td></td>
<td>0.19</td>
</tr>
<tr>
<td>Manufacturer’s perception of the distributor’s reputation (FAIR&lt;sub&gt;mu&lt;/sub&gt;)</td>
<td>0.20</td>
<td></td>
<td>4.01***</td>
</tr>
</tbody>
</table>

*p < .10, **p < .05, ***p < .01.

Factors that influence distributors also influence manufacturers in the formation of their commitment to a business relationship. Further, those factors operate largely as hypothesized.

Commitment to Relationship

Idiosyncratic investments. For both distributors and manufacturers, pledging in the form of making idiosyncratic investments in the other party is associated with stronger commitment to the relationship. Distributors who make idiosyncratic investments in a relationship exhibit greater commitment to the supplier. Similarly, manufacturers who make idiosyncratic investments in their relationships have stronger commitments to their distributors. Transaction cost reasoning suggests that these distributors and manufacturers have created (intentionally or not) obstacles to abandoning each other; the exit barriers give them an incentive to make their relationships as fruitful as possible.

Idiosyncratic (transaction-specific) investments also appear to function as a powerful signal. Each party strongly conditions its perceptions about the other on its observations of idiosyncratic investments by the other. Put differently, distributors believe manufacturers are committed when they make visible distributor-specific investments. The same is true for manufacturers, who place more confidence in distributors that they see investing nonredeployable resources in the relationship.

In short, idiosyncratic investments do appear to function in channel relationships as potent pledges. They are associated with stronger commitment on the part of the pledger and greater confidence on the part of the recipient. However, the effect of other forms of pledges is less straightforward. In particular, manufacturer’s self-restraining clause clauses appear to have little signaling or commitment-enhancing function. Of course, the lack of signalling function may be a question of measurement. Distributors’ perceptions about the manufacturer’s commitment were uninfluenced by the manufacturer’s report of clauses restricting allowable grounds for termination or obliging the manufacturer to give notice of termination. Perhaps distributors’ and manufacturers’ perceptions of their contracts differ substantially. Yet, given that such clauses are concrete and readily observable, one would expect high perceptual convergence about them between the two parties (John and Reve 1982).

A more likely explanation is Macneil’s (1980) argument that formal contracts do not play a substantial role in most relationships; rather, the set of understandings that have grown up over time (the “implicit contract”) is more influential. That speculation is supported by the lack of influence of formal contract clauses on the manufacturer’s own commitment, even though the manufacturer itself was the reporter. In that vein, Williamson (1985) argues that writing “complex contingent claims contracts” is infeasible in most relationships; consequently, contracts tend to play a lesser role, particularly as relationships become more complex and longer term.

The role of exclusivity is intriguing, as it is not symmetric for the two sides of the channel dyad. The distributor’s granting of exclusivity to the supplier (i.e., reducing or eliminating its coverage of competing brands) has mixed effects. Distributors who refrain from promoting competing brands, thereby increasing their dependence on the manufacturer, do not appear to be more dedicated to their relationship. Yet manufacturers who see distributors granting them exclusivity are much more confident of the strength of their distributor’s commitment to them. Hence, the distributor’s granting of exclusivity does appear to have signalling properties to the manufacturer.

The manufacturer’s side operates very differently. For manufacturers, granting exclusivity to their distributors means giving them protection from local competition by withholding product from other resellers. Distributors who feel so protected by their manufacturers do appear to process that information as a signal and believe their manufacturers to be more committed to them. Hence, for both manufacturer and distributor, observing the granting of exclusivity by the other side is processed as a signal of that party’s commitment.

However, manufacturers that grant exclusivity to their distributors appear to feel less committed than do man-
ufacturers that distribute more intensively! This competitive finding may be due to the reasons underlying the manufacturer's granting of exclusivity. Manufacturers resist granting exclusivity, as it reduces their territorial coverage and increases their dependence on their area reseller (Stern and El-Ansary 1990). Along those lines, Bucklin (1973) argues that exclusive distributors tend to overprice the product line and undersupport it (from the manufacturer's standpoint); manufacturers react by distributing more intensively than any single distributor would desire. Those arguments suggest that distributor requests for exclusivity are likely to be resisted vigorously by the manufacturer. Distributors that are accorded exclusivity may have wrested it from the manufacturer by virtue of their power in local markets. Manufacturers may begrudge such distributors their position and may feel obliged to sell through them—for the moment. It may not be surprising, then, that manufacturers do not hold positive feelings (such as trust and loyalty) about such distributors and hesitate to make sacrifices that will commit them to future business with such "partners."

In short, the results suggest that exclusivity—by either side—does not have self-commitment-enhancing properties. Yet each side takes the other side's exclusivity as a signal of commitment. Are they mistaken? Perhaps not. A distributor or manufacturer that has narrowed its option set may indeed be more committed than it realizes. To the extent that those perceptions represent forecasts about what one's counterpart will do, channel members may accurately forecast their partner's likelihood of staying in and building on the relationship. At the same time, they may not fully acknowledge the extent of their own dependence, and hence their own likelihood of staying in and strengthening their current relationship.

Communications. Two-way communication raises the commitment levels of both the supplier and the distributor. Communication commonly is cited in the distribution literature as a means to dampen conflict, increase trust, and improve coordination (Stern and El-Ansary 1988; Anderson and Weitz 1989; Anderson and Narus 1990). Our results suggest that the time, effort, and occasional frustration involved in exchanging information serve to move a business arrangement closer to the level of a strategic business alliance.

Reputation. Interestingly, reputation played a role only on the distributor's side. Distributors were more closely aligned with manufacturers whom they perceived to be fair in their dealings with other distributors. Suppliers, however, did not appear responsive (at least in commitment terms) to the distributor's reputation for fairness in dealing with manufacturers in general. A likely explanation is the difference in market position between manufacturer and distributor in our study. Committing only to reputedly trustworthy manufacturers presumably serves to reduce the distributor's risk of being mistreated once it has been drawn into a partnership arrangement. Such a risk is substantially higher for the distributor than for the manufacturer, as the distributors surveyed tended to be much smaller and more vulnerable than the large, powerful, national manufacturers that participated in our study. It is likely that smaller, less well-known manufacturers do indeed use the distributor's reputation for fairness in dealing with suppliers as a basis for deepening their commitments.

Perceptions of commitment. The role of perceptions of the other party's commitment in conditioning one's own commitment is intriguing. As noted, estimates of the other party's commitment do appear to be influenced strongly by observed pledges in the form of ideosyncratic investments and exclusivity, but the relationship's own history also exerts a powerful influence. Manufacturers and distributors who see their relationships as having had "more than the usual ups and downs" strongly doubt their counterpart's commitment. Research on conflict in distribution channels has demonstrated that disagreeing frequently and intensely over important issues creates dissatisfaction with the relationship (Gaski 1984). Our results indicate a strong carryover effect—conflict has lasting consequences in terms of undermining the foundation of a coordinated marketing effort between distributors and manufacturers. It appears difficult to recover from a negative history, as each side doubts the other's commitment—and that doubt in turn influences each side's own commitment to the relationship. In sum, conflict appears to pay lasting negative dividends. Viewed more optimistically, relationships that have been harmonious reap lasting positive dividends, as the parties attribute more commitment to each other and subsequently increase their own commitment to their relationship.

It is noteworthy that each side appears to factor the other side's commitment into its perceptions. Distributors attribute greater commitment to manufacturers that are more committed, and manufacturers do likewise. This finding suggests that (1) each party behaves in a way consistent with its dedication to the relationship and (2) that behavior is sensed by the counterpart and is incorporated into the counterpart's estimate. In short, distributors and manufacturers signal their perceptions, sentiments, and intentions with a certain level of accuracy, and those signals are picked up and incorporated by their channel counterparts. However, it is also noteworthy that those estimates are conditioned on much more than the other side's actual commitment, which suggests that commitment is signalled imperfectly. To fill the gaps, both distributors and manufacturers incorporate in their perceptions the history of their arrangement and the behaviors they observe in terms of ideosyncratic investment and exclusivity.

Directions for Future Research

An intriguing issue is one our study does not address—when is it advisable to develop a quasivertically integrated arrangement with a channel partner (distributor or manufacturer)? Our findings suggest that gaining commitment requires substantial sacrifice. When do the benefits of commitment outweigh the costs? For example, when does the vulnerability created by tying one's hands invite opportunism to an extent that erases the
benefits of demonstrating sincerity and increasing self-commitment? Another useful issue to explore is how a firm that wants to commit should select the intended “partner.” Such issues should be of particular interest to manufacturers and distributors searching for competitive advantage in an increasingly demanding environment (Athrol, Scheer, and Stern 1990; Speckman and Sawhney 1990).

Several other avenues for future research appear promising. One is the examination of asymmetry in commitment. Our results indicate a rough correspondence between the commitment levels of distributors and those of their manufacturers. There is considerable latitude for mismatches (e.g., manufacturers that are committed to distributors that are indifferent about them). Such mismatches could be manipulated strategically by a party that fears having its high level of commitment perceived and interpreted by the other side as dependence (Bacharach and Lawler 1981).

The consequences of such misalignments could include heightened conflict, dissatisfaction, and eventual decline in the quality of the relationship. Dwyer, Schurr, and Oh (1987) argue that relationships evolve over time in a predictable pattern. Longitudinal studies examining that development would yield insight into the dynamics of asymmetric relationships. Further, longitudinal approaches may highlight dynamics that are not apparent in “snapshots” of current relationships (Anderson and Narus 1990). For example, pledging occurs in a process or sequence that is intertwined with the building of commitment. Bacharach and Lawler (1981) argue that, in the context of bargaining, as a party’s commitment increases, so does its level of concession. That reasoning suggests that over time commitment creeps upward (downward, inspiring step increases (decreases) in the posting of pledges.

Another issue warranting consideration is perceptual convergence within the dyad. Distributors and manufacturers are likely to see their environments and their relationships very differently for a variety of reasons, including exposure to different elements of the environment and divergence in personnel background and organizational motivation (John and Reve 1982). Indeed, Table I contains many relatively low correlations between one side’s readings of the other side’s states or actions—even low correlations between readings of states of the relationship (rather than the other party). The effects of perceptual divergence, though not the focus of our study, could be benign or destabilizing, conceivably, they could even be functional in the sense of provoking constructive conflict (Anderson and Narus 1990).

In our study, we considered a mechanism for commitment suggested by transaction-cost analysis. Other mechanisms may operate as well. For example, the social exchange perspective, applied to channels by Anderson and Narus (1984), highlights the importance of preferences. That perspective suggests that granting exclusivity is a more potent pledge if the manufacturer has multiple alternatives. Further, though pledges constitute barriers to exit, other barriers may operate—for example, the presence of social norms or the absence of alternative qualified options.

Our exploratory study of 278 manufacturer-distributor dyads is subject to several limitations. The fact that the sample of manufacturers is representative of well-established national suppliers may limit variation on some dimensions and reflects considerable market power on the part of suppliers. Further, as our study was exploratory, the measures used have not been cross-validated. Model specification, though based on transaction-cost analysis and prevailing theory in channels of distribution, is still at an early stage. Large-scale empirical studies of dyadic relationships in distribution channels are few (Anderson and Narus 1990), which makes specification necessarily more speculative. To our knowledge, only four other distribution channel studies have included the collection of dyadic data and use of the pairs to test hypotheses about the dyad:

—Rosenberg and Stern (1972) compared 87 dealer perceptions with manufacturer perceptions about performance.
—El-Ansary and Stern (1972) correlated power perceptions of 22 dealers with paired perceptions from wholesalers.

The findings of our field study suggest that building quasivertically integrated distribution channels is possible and that several ways to do so apply to both sides of the channel dyad. The concept of pledging plays an important role in creating and sustaining commitment. Distributors and suppliers who make a variety of pledges, notably in the form of idiosyncratic investments in each other, alter their own incentive structure in such a way as to deepen and strengthen their level of current involvement and to lay the foundation for future involve

*Anderson and Narus (1990) collected dyadic data but modeled each side of the dyad separately.
### Table A1
**MEASURES OF COMMITMENT TO THE RELATIONSHIP**

<table>
<thead>
<tr>
<th>Distributor’s commitment (COMMIT_u)</th>
<th>Manufacturer’s commitment (COMMIT_m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. We defend this supplier when others criticize them.</td>
<td>1. We defend this distributor when others criticize us.</td>
</tr>
<tr>
<td>2. We have a strong sense of loyalty to this supplier.</td>
<td>2. We have a strong sense of loyalty to this distributor.</td>
</tr>
<tr>
<td>3. We are continually on the lookout for another product to add to or replace this supplier for this product type (R).</td>
<td>3. We are continually on the lookout for another distributor to replace or to add in this distributor’s territory (R).</td>
</tr>
<tr>
<td>4. We expect to be distributing this supplier’s products for some time.</td>
<td>4. We expect to be using this distributor at some time.</td>
</tr>
<tr>
<td>5. If another company offered us a better product line, we would most certainly take them on, even if it meant dropping this supplier (R).</td>
<td>5. If another distributor offered us better coverage, we would most certainly take them on, even if it meant dropping this distributor (R).</td>
</tr>
<tr>
<td>6. We are not very committed to this supplier (R).</td>
<td>6. We are not very committed to this distributor (R).</td>
</tr>
<tr>
<td>7. We are quite willing to make long-term investments in selling this supplier’s line.</td>
<td>7. We are quite willing to make long-term investments in this distributor.</td>
</tr>
<tr>
<td>8. Our relationship with this supplier is a long-term alliance.</td>
<td>8. Our relationship with this distributor is a long-term alliance.</td>
</tr>
<tr>
<td>9. We are patient with this supplier when they make mistakes that cause us trouble.</td>
<td>9. We are patient with this distributor when they make mistakes that cause us trouble.</td>
</tr>
<tr>
<td>10. We are willing to dedicate whatever people and resources it takes to grow sales of this supplier’s products.</td>
<td>10. We are willing to dedicate whatever people and resources it takes to grow sales for this distributor.</td>
</tr>
</tbody>
</table>

Cronbach’s α = .83
Mean (SD) = 5.82 (.86)

### Table A2
**MEASURES OF PERCEPTIONS OF COMMITMENT TO THE RELATIONSHIP**

<table>
<thead>
<tr>
<th>Distributor’s perception of manufacturer’s commitment (COMMIT_m)</th>
<th>Manufacturer’s perception of distributor’s commitment (COMMIT_u)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. This supplier defends us when others criticize us.</td>
<td>1. This distributor defends us when others criticize us.</td>
</tr>
<tr>
<td>2. This supplier has a strong sense of loyalty to us.</td>
<td>2. This distributor has a strong sense of loyalty to us.</td>
</tr>
<tr>
<td>3. This supplier is continually on the lookout for a distributor to replace us (R).</td>
<td>3. This distributor is continually on the lookout for a supplier to replace us (R).</td>
</tr>
<tr>
<td>4. This supplier expects us to be distributing their products for a long time.</td>
<td>4. This distributor expects us to be working with them for a long time.</td>
</tr>
<tr>
<td>5. If another distributor offered better sales, this supplier would most certainly drop them on, even if it meant dropping us (R).</td>
<td>5. If another supplier offered better sales support, this distributor would most certainly take them on, even if it meant dropping us (R).</td>
</tr>
<tr>
<td>6. This supplier is not very committed to us (R).</td>
<td>6. This distributor is not very committed to us (R).</td>
</tr>
<tr>
<td>7. This supplier is quite willing to make a long-term investment in helping us.</td>
<td>7. This distributor is quite willing to make a long-term investment in helping us.</td>
</tr>
<tr>
<td>8. This supplier sees our relationship as a long-term alliance.</td>
<td>8. This distributor sees our relationship as a long-term alliance.</td>
</tr>
<tr>
<td>9. This supplier is patient with us when we make mistakes that cause us trouble.</td>
<td>9. This distributor is patient with us when we make mistakes that cause us trouble.</td>
</tr>
<tr>
<td>10. This supplier is willing to dedicate whatever people and resources it takes to grow our sales.</td>
<td>10. This distributor is willing to dedicate whatever people and resources it takes to grow our sales.</td>
</tr>
</tbody>
</table>

Cronbach’s α = .90
Mean = 5.29
SD = 1.04

### Table A2
**MEASURES OF PERCEPTIONS OF COMMITMENT TO THE RELATIONSHIP**

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>R indicates item was reverse worded.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cronbach’s α = .90
Mean (SD) = 5.30 (.96)
Table A3
MEASURES OF IDIOSYNCRATIC INVESTMENTS IN THE RELATIONSHIP

<table>
<thead>
<tr>
<th>Distributor’s idiosyncratic investments (INVEST&lt;sub&gt;dd&lt;/sub&gt;)</th>
<th>Supplier’s idiosyncratic investment (INVEST&lt;sub&gt;ss&lt;/sub&gt;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. If we switched to a competitive line, we would lose a lot of the investment we’ve made in this supplier’s line</td>
<td>1. If we switched to a competitive distributor, we would lose a lot of the investment we’ve made in this distributor</td>
</tr>
<tr>
<td>2. It would be difficult for us to recoup investments made in this supplier’s line if we switched to a competitive line</td>
<td>2. It would be difficult for us to recoup investments made in this distributor if we switched to a competitive distributor</td>
</tr>
<tr>
<td>3. If we decided to stop representing this supplier, we would have a lot of trouble redeploying our people and facilities presently serving this supplier’s line</td>
<td>3. If we decided to stop using this distributor, we would have a lot of trouble redeploying our people and facilities presently serving this distributor</td>
</tr>
<tr>
<td>4. If we decided to stop representing this supplier, we would be wasting a lot of product knowledge that’s tailored to their brands</td>
<td>4. If we decided to stop representing this distributor, we would be wasting a lot of knowledge that’s tailored to their method of operation</td>
</tr>
<tr>
<td>5. We have made a substantial investment in personnel dedicated to this supplier’s product line</td>
<td>5. We have made a substantial investment in personnel dedicated to this supplier’s product line</td>
</tr>
<tr>
<td>6. We give extensive training to our customers on how to use this supplier’s product</td>
<td>6. —</td>
</tr>
<tr>
<td>7. We have gone out of our way to align ourselves with this supplier in the customer’s mind</td>
<td>7. We have gone out of our way to align ourselves with this distributor in the customer’s mind</td>
</tr>
<tr>
<td>8. We have invested a great deal in building up this supplier’s business</td>
<td>8. We have invested a great deal in building up this distributor’s business</td>
</tr>
<tr>
<td>9. We have made a substantial investment in facilities dedicated to this supplier’s product line</td>
<td>9. We have made a substantial investment in facilities dedicated to this distributor</td>
</tr>
<tr>
<td>10. We have made a substantial investment to create a reporting system that is similar to this supplier’s</td>
<td>10. We have made a substantial investment to create a reporting system that is similar to this distributor’s</td>
</tr>
<tr>
<td>11. We get a significant advantage from being located near this supplier’s facility</td>
<td>11. We get a significant advantage from being located near this distributor’s facility</td>
</tr>
</tbody>
</table>

Coefficient α = 81
Mean (SD) = 4.52 (.98)

Coefficient α = 80
Mean (SD) = 3.70 (.93)

*The distributor item 6 has no conceptual equivalent on the supplier side.

Table A4
MEASURES OF PERCEPTIONS OF IDIOSYNCRATIC INVESTMENTS IN THE RELATIONSHIP

<table>
<thead>
<tr>
<th>Distributor’s perception of manufacturer’s idiosyncratic investments (INVEST&lt;sub&gt;dm&lt;/sub&gt;)</th>
<th>Manufacturer’s perception of distributor’s idiosyncratic investments (INVEST&lt;sub&gt;md&lt;/sub&gt;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. This supplier has gone out of its way to link us with their product line</td>
<td>1. This distributor has gone out of its way to link us with their business</td>
</tr>
<tr>
<td>2. This supplier has made significant investments in training our people</td>
<td>2. This distributor has made significant investments in training our customers</td>
</tr>
<tr>
<td>3. It would be difficult for this supplier to recoup its investment in us if they switched to a new distributor</td>
<td>3. It would be difficult for this distributor to recoup its investment in us if they switched to another supplier for this product line</td>
</tr>
<tr>
<td>4. This supplier does a lot to help us become a more effective distributor, such as providing management training</td>
<td>4. This distributor does a lot to help us become a more effective supplier, such as providing customer training and service</td>
</tr>
<tr>
<td>5. This supplier puts on helpful programs that are designed to enhance our overall business</td>
<td>5. This distributor puts on helpful programs that are designed to enhance our overall business</td>
</tr>
</tbody>
</table>

Cronbach α = .80
Mean = 4.44
SD = 1.19

Cronbach α = .79
Mean = 4.21
SD = 1.12
### Table A5
**MEASURES OF EXCLUSIVITY**

<table>
<thead>
<tr>
<th>Distributor’s exclusivity of representation in product class (nonrepresentation of competing brands) (EXCLUSIVEE&lt;sub&gt;d&lt;/sub&gt;)</th>
<th>Manufacturer’s granting of territorial exclusivity to distributor (EXCLUSIVE&lt;sub&gt;e&lt;/sub&gt;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. We do not carry lines that compete with this supplier’s</td>
<td>1. We do not use distributors that compete with this distributor</td>
</tr>
<tr>
<td>2. How many companies that make products competitive with this supplier’s line do you carry? (R)</td>
<td>2. How many distributors carry your product line in this territory? (R)</td>
</tr>
</tbody>
</table>

Cronbach α = .66  
Mean (average of standardized items) = .05  
SD = .87  

*R indicates item was reverse worded.

### Table A6
**MEASURES OF PERCEPTIONS OF EXCLUSIVITY**

<table>
<thead>
<tr>
<th>Distributor’s perception of manufacturer’s granting of exclusivity (EXCLUSIVE&lt;sub&gt;e&lt;/sub&gt;)</th>
<th>Manufacturer’s perception of distributor’s granting of exclusive representation (EXCLUSIVE&lt;sub&gt;e&lt;/sub&gt;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. This supplier has given us an exclusive territory for their products.</td>
<td>1. This distributor carries only our brand for the type of product we make.</td>
</tr>
<tr>
<td>2. This supplier voluntarily refrains from adding distributors that would compete with us</td>
<td>2. This distributor voluntarily refrains from adding suppliers that would compete with us</td>
</tr>
<tr>
<td>3. This supplier seldom gives anyone an exclusive territory</td>
<td>3. This distributor seldom carries only one brand in a product category</td>
</tr>
<tr>
<td>4. This supplier has so many distributors that its distributors are bound to compete with each other when selling this supplier’s products</td>
<td>4. This distributor has so many suppliers that its distributors are bound to compete with each other</td>
</tr>
<tr>
<td>5. Of distributors in your territory capable of carrying this supplier’s line, how many carry this supplier’s line? distributors (R)</td>
<td>5. How many companies that make products competitive with your line does this distributor carry? (R)</td>
</tr>
</tbody>
</table>

Cronbach α = .72  
Mean (average of standardized items) = .01  
SD = .71  

*R indicates item was reverse worded.

### Table A7
**MEASURES OF PERCEPTIONS OF TWO-WAY COMMUNICATION**

<table>
<thead>
<tr>
<th>Two-way communication perceived by distributor (COMMUNICATE&lt;sub&gt;d&lt;/sub&gt;)</th>
<th>Two-way communication perceived by manufacturer (COMMUNICATE&lt;sub&gt;e&lt;/sub&gt;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. We keep this supplier well informed about what is going on in this distributorship and with customers</td>
<td>1. We keep this distributor well informed about our products and what is going on in our company</td>
</tr>
<tr>
<td>2. This distributorship and this supplier make it a point to keep each other well informed.</td>
<td>2. Our company and this distributor make it a point to keep each other well informed.</td>
</tr>
<tr>
<td>3. We hesitate to give this supplier too much information (R)</td>
<td>3. We hesitate to give this distributor too much information (R)</td>
</tr>
<tr>
<td>4. We are quite involved in the marketing and planning efforts of this supplier</td>
<td>4. We are quite involved in the marketing and planning efforts of this distributor</td>
</tr>
<tr>
<td>5. This supplier seeks our advice and counsel concerning their marketing efforts</td>
<td>5. This distributor seeks our advice and counsel concerning their marketing efforts</td>
</tr>
<tr>
<td>6. This supplier is willing to let us see their weaknesses as well as their strengths</td>
<td>6. This distributor is willing to let us see their weaknesses as well as their strengths</td>
</tr>
</tbody>
</table>

Cronbach α = .84  
Mean = 4.65  
SD = 1.23  

*C indicates item was reverse worded.*
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