

A Framework of Interorganizational Coordination
for Distribution Channel Management

by

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1987-1988

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ABSTRACT

The consistency or inconsistency of channel member attitudes and behavior forms the basis for a model designed to help determine the influence processes that need to be implemented and the influence objectives that need to be sought in order to effectively coordinate a firm's channel system. Communication strategies are discussed that can be used to implement each influence process. Decision theory is used to illustrate the types of data distribution channel managers should consider in planning their firms' interfirm influence attempts. A "segmentation approach" is recommended in attempting to achieve channel member participation in distribution channel programs.

INTRODUCTION

Now more than ever, the effective coordination and maintenance of inter-organizational exchange relationships within marketing channels are of extreme importance to business practitioners. Markets are becoming in Arndt's (1979) words increasingly domesticated where exchanges of products, services, and information between organizations are occurring on a long-term basis relative to the past. Rather than resort to a swift termination of an exchange when problems arise, more and more firms must learn to resolve their differences and problems, and work together so as to achieve increased levels of inter-firm cooperation. This is especially critical in industries where competition has switched from a consumer-product orientation to a channel orientation, in part, to defend against foreign competitors' in-roads into the market. Because channel design is very important in establishing entry barriers and competitive advantage, the maintenance of ongoing exchange relationships takes precedence over the initiation of new ones within many distribution channels.

Research in the marketing channels literature has provided some insight into the ways ongoing exchange relationships can be effectively managed. However, as Reve and Stern (1979) indicate, the emphasis here has been on the constructs of power and conflict, and not on the alternative processes and strategies available to the firm in seeking interfirm coordination and influence on associated firms' attitudes and behavior. This is especially unfortunate considering that, in many cases, managers within distribution channels are not fully aware of the range of influence strategies at the firms disposal, and do not carefully consider and evaluate which ones should be utilized within given interfirm influence attempts (cf., Ridgway 1957; Bucklin 1973; Kotter 1977). The "trial and error" method of setting influence objectives and selecting strategies appears to be used most commonly within distribution channels. Clearly,

new theories and frameworks must be developed to (1) further our understanding of influence processes within marketing channels and (2) provide a managerial as well as a normative perspective for dealing with ongoing interorganizational exchange relationships.

The purpose of this paper is to provide a conceptual framework to aid distribution channel managers in effectively coordinating ongoing exchange relationships. The framework rests on the prevailing attitudes and behavior of channel members toward specific distribution channel programs of an organization (e.g., sales promotion programs). Based upon the channel members' attitude-behavior consistency or inconsistency, it is possible to predict the influence processes that need to be implemented, the influence objectives that should be sought, and the communication strategies that are most appropriate to use within given two firm channel relationships to develop and sustain channel cooperation and, in the process, attain competitive advantage against major competitors. A decision theory framework is also developed to illustrate how managers can estimate the benefits and costs associated with implementing each influence process in promoting various distribution channel programs.

THE ATTITUDE-BEHAVIOR MODEL

While attitudes and behavior are usually positively correlated in an aggregate analysis and, therefore, generally consistent, there will be cases where they are inconsistent (Sheth and Horowitz 1977; Belk 1981; Sheth and Frazier 1982).¹ For example, in the distribution channels context, some dealers may participate in a special program developed by a manufacturer (e.g., a sales promotion program) but have negative attitudes toward its value while others may have positive attitudes toward the program but feel they do not have the time, money, or personnel to implement it effectively and, therefore, do not participate. The major premise of this article is that the nature of the consistency

or inconsistency between a channel member's attitudes toward an action (whether positive, neutral, or negative) and his corresponding behavior (engaged or non-engaged) will, in large part, determine the task confronting another firm in attempting to influence this channel member.

Table 1 presents the attitude-behavior model. Based on varying attitude-behavior conditions, six influence processes are identified along with corresponding influence objectives. The model is applicable to issues where a channel member's compliance with another firm's desires is voluntary and the behavioral alternatives are dichotomous, although the level of channel member involvement can certainly vary when engaged in the behavior. Examples of such channel issues include dealer, retailer, or wholesaler participation in special manufacturer programs such as leasing, training, inventory control, and sales promotion programs as well as their decision to carry a new product line.²

[Place Table 1 About Here]

Influence Processes and Objectives

Given a firm decides on a general program that is desirable to implement in its channel system (e.g., the introduction of a new product), associated channel members must be informed of the firm's desires and expectations. During this initial informing process, channel members must be given sufficient information on the program to form an attitude whether positive, neutral, or negative about its inherent desirability.

After being so informed, some channel members may engage in the program with a positive attitude toward its inherent desirability (cell 1 in Table 1). This is, of course, the ultimate goal of the cooperation attempt with each channel member. However, even when attitudes and behavior are consistent, and in the desired direction, some actions on the part of the firm's field sales representatives may be required to (1) keep channel members in this cell, (2) promote commitment and a strong effort to effectively perform the desired behavior, and

(3) enhance the probability that they will perform similar behaviors in the future.³ Toward these ends, a reinforcement process is appropriate to facilitate. It refers to rewarding channel members for engaging in a behavior towards which they presently have a positive feeling.

The general objective of the reinforcement process is to keep the channel members in the positive attitude, engaged behavior cell. This can be accomplished through reinforcing their behavior, their attitudes, or both. Behavioral reinforcement involves providing economic rewards to the channel members so as to strengthen future compliant behavior as suggested by operant conditioning (Skinner 1953; Nord and Peter 1980). This may involve improving the firm's delivery system as well as directly providing special rewards (e.g., increased cooperation on product allocation) to the channel members. Reinforced behavior is also likely to subsequently lead to reinforced attitudes (Howard and Sheth 1969). On the other hand, psychological reinforcement centers on the attitude towards the behavior and is based on intrinsic rewards (e.g., encouragement, compliments) and general discussions on why the behavior is inherently attractive. Vicarious learning (Nord and Peter 1980) may be also induced by providing examples of other channel members who are currently involved in the behavior and happy with its results. A carrot (rather than a stick) approach is the basis for the reinforcement process in view of the fact that channel members are performing the desired behavior with a positive attitude.

In other exchange relationships, channel members may engage in the behavior but with only a neutral attitude toward the desirability of such involvement (cell 2). This may be due to a host of reasons including the desire to avoid a confrontation or perform a favor for their channel partner. In such cases, the channel members' engagement in the behavior may be only temporary and may not lead to subsequent attitude change. Furthermore, they may not have a high level of motivation to perform the behavior well. In such cases, a moderate

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nonengaged behavior, it will be more difficult to remove the above constraints. Implementation of a radical inducement process (cell 5) appears appropriate here. In each of these processes, behavioral change is the general objective and, as such, movement of channel members to cell 1 from cell 4 or to cell 2 from cell 5 is desired. If the latter movement is achieved, further attempts to alter the channel members' attitude and thus move them to cell 1 (facilitation of the moderate rationalization process) can take place.

When channel members' attitudes and behavior are consistent but in a negative direction (cell 6), implementation of a confrontation process needs to be considered (cf., Bennis, et al. 1976). This is the most painful and difficult influence process to implement within distribution channel relationships. As such, channel managers must decide whether it is worth the effort to attempt to change attitudes and behavior in light of the resistance and apparent high costs associated with this approach (Hunt and Nevin 1974; Lusch 1976).

Behavioral confrontation requires the field sales representatives attempt to induce the channel members to perform the behavior while having a negative attitude toward its value. They must utilize their firm's power to create blockades toward the channel members' existing, undesirable behavior and alter the channel members' motivation toward performing the desired behavior. Psychological confrontation involves a direct attack on the existing attitudes that channel members have toward the desired behavior. In each case, a "stick" approach appears to be necessary. Movement of channel members directly to cell 1 is likely to be too radical a change and not cost effective. In general, an attempt to move channel members to cell 3 by means of mandatory compliance or high incentives may be most effective although movement to cell 5 can also be considered, at least in the short run.⁵

STRATEGIES TO IMPLEMENT THE INFLUENCE PROCESSES

Thus far, various influence processes and their basic objectives have been stressed. As suggested in the previous section, to implement these processes and attain their objectives, communication strategies must be selected and utilized. The most basic implication of the model presented in Table 1 is that field sales representatives must use different types of communication strategies and change the orientation (tactics) of specific strategies across the different attitude-behavior groups. While a particular strategy or tactic may be effective in facilitating one process and attaining one influence objective, it may not work well in all situations. Therefore, it is vital that alternative communication strategies are linked to each of the influence processes.

Table 2 briefly describes fourteen communication strategies identified through a review of relevant research in the social psychology, sociology, political science, organizational behavior, and marketing literatures as well as interviews with dealers and manufacturer representatives in the automobile distribution channel, and wholesalers in the medical supply and equipment channel. Each strategy is placed into one of five influence categories based on whether it (1) involves verbal communication, (2) highlights a specific, desired channel member behavior, (3) implies consequences of channel member compliance or noncompliance, and (4) implies that the firm would directly mediate rewards or punishments in the relationship. The categories and strategies dealing with verbal communications range from implicit, unfocused strategies (i.e., the indirect strategies) to direct, focused, and pressurized strategies (i.e., the direct, mediated strategies). The behavioral modification strategies are the only nonverbal strategies identified in Table 2.

[Place Table 2 About Here]

An attempt to link these strategies and the previously identified influence processes is presented in Table 3. Here, an evaluation of each strategy is presented in terms of its apparent appropriateness in facilitating each influence process. The predictions within Table 3 are based on (1) the character of each strategy, (2) the nature of each process, and (3) the rationale that either attitude change, behavior change, or both must be facilitated within a given process. For example, in terms of the psychological reinforcement process, use of warnings and the negative, normative strategy are clearly inappropriate considering their negative nature and the fact that here channel members have positive attitudes toward a behavior in which they are currently engaged. A "maybe" prediction is included in Table 3 where a reasonably high level of confidence does not exist concerning whether a given strategy is appropriate or inappropriate in facilitating a given process.

[Place Table 3 About Here]

A detailed description of the rationale behind each prediction in Table 3 is beyond the scope of this paper. However, several points merit discussion:

1. Recommendations and the positive, normative strategy appear relatively appropriate in implementing both rationalization processes. However, the orientation and tactics utilized in carrying out these strategies change across each process. For example, recommendations need to be more strongly stated and persuasive in facilitating the radical versus the moderate rationalization process because a negative attitude must be dealt with in the former process. Likewise, for both inducement processes, while the relative appropriateness of the strategies generally does not vary, their basic orientation does.
2. Similarly, while several strategies appear appropriate in facilitating more than one general influence process, their character and orientation may change across the processes. For example, use of a legalistic reference strategy in the behavioral reinforcement process is meant to reinforce a behavior a channel member believes in and is currently performing. The field sales representative may comment that the channel member's behavior is congruent with the general nature of the interfirm agreement and compliment him for this involvement. On the other hand, in concentrating on behavioral change in the confrontation process, a more coercive approach must be taken. The field sales representative may imply that the interfirm agreement requires the channel member to engage in the behavior and that legal actions may be initiated should nonperformance of the behavior continue into the future.

3. The "stick" approach recommended in the confrontation process is very risky. When channel members have negative attitudes and are not performing the behavior, pressurized measures may merely serve to alienate them and polarize their views. Defense mechanisms may arise causing the psychological confrontation approach to fail (cf., Arygris 1970). Use of threats or coercive legal references may generate high levels of conflict in the channel relationship (Beier and Stern 1969; Lusch 1976). However, should the channel manager decide to implement the confrontation process, use of other strategies or a more indirect approach by field sales representatives appears even less effective.

4. Certain strategies center directly on either behavior or attitudes in the reinforcement and confrontation processes. This distinction is very important for field sales representatives to consider in implementing each process and selecting among alternative strategies. However, feedback effects from attitudes to behavior and from behavior to attitudes may certainly result. For example, providing positive reinforcement to channel members as rewards in the behavioral reinforcement process directly centers on behavior. Subsequently, because more positive connotations surround the performance of the behavior, channel members' attitudes toward the behavior may become more positive.

The predictions within Table 3 must be considered tentative at this time. However, they should provide channel managers a greater understanding of each influence process and its associated objective(s), and guidance in normatively evaluating the costs and benefits of available strategies, and their applicability under varying attitude-behavior conditions. The predictions in Table 3 will, hopefully, also stimulate empirical research to test their correctness in both the laboratory and actual distribution channels.

THE FEASIBILITY OF PROGRAMS AND REQUIRED INFLUENCE PROCESSES:
ESTIMATION AT THE CORPORATE LEVEL

At the corporate level, distribution channel managers must take a "total system" perspective to decide (1) the programs or behaviors that require implementation in the channel, (2) the influence objectives that must be sought in order to reach the firm's overall channel objectives, and (3) the influence processes that require facilitation. An understanding of the distribution of channel members across the cells in the attitude-behavior model would aid managers in making these decisions. If a large number of channel members are expected

to be located in the negative attitude-nonengaged behavior cell on a given program, it is likely in the best interest of the company not to pursue that particular channel program. This may also be the appropriate course of action if the expected percentage of channel members in the engaged, positive attitude cell is low, indicating that relatively high influence costs will be incurred in attempting to gain channel member participation. Another alternative would be for the manager to have his field sales representatives implement only some of the influence processes, to designate only certain channel member groups as "targets" in attempts to achieve participation in a program.

The more heterogeneous the professional and economic backgrounds of the channel members as well as the financial situations they face, the less likely it is that all of them will be concentrated in any one cell. Therefore, in highly diverse and pluralistic distribution channels, it will be necessary to utilize a mix of processes and strategies for an optimal achievement of channel objectives. The larger the percentage of channel members exhibiting attitude-behavior consistency, the greater the need to implement the reinforcement and confrontation processes. On the other hand, the more channel members who exhibit attitude-behavior inconsistency, the greater the need to implement inducement and rationalization processes.

Knowledge of the population distribution is necessary but not sufficient for determining viable influence objectives and which influence processes should be implemented. As suggested previously, there will likely be differential coefficients of effectiveness (based on the percentage of a channel member group which move in the desired direction), constraints, and costs associated with facilitating each process through use of a communication strategy or a combination of strategies. Such considerations must be taken into account by the

manager along with information on the distribution of channel members in the attitude-behavior model.

An Example

An illustration of the types of data managers at the corporate level need to consider before implementing behaviors and programs in a channel system are presented in Table 4. The desired behavior in this example concerns the voluntary participation of 400 dealers in a special sales promotion program designed by a manufacturer to cover a four week period. It is assumed that an appropriate mix of influence strategies is used in implementing each influence process. The general example is applicable to a wide variety of administered and contractual channel systems ranging from sales promotions for consumer products such as pantyhose and automobiles to industrial products such as pressure sensitive identification labels and chemicals (if industrial distributors were substituted for dealers). After discussing the fundamental constructs, a decision theory approach is developed in combining these constructs to estimate the benefits and costs associated with implementing the influence processes. Furthermore, methods that can be used to obtain measures of the constructs are also discussed later.

[Place Table 4 About Here]

Fundamental Constructs. The expected distribution of dealers within the model after being informed of the sales promotion program by the firm's field sales representatives must first be identified. These hypothetical data are found at the top of each cell in Table 4.

Where channel members agree to engage in the program, the average benefit of their involvement needs to be estimated. Short term benefits are generated by channel member involvement in the program (e.g., extra sales generated at a dealership through participation in the sales promotion). Long term benefits

question. For example, in cell 1, it is assumed that 5% of the dealers will either lower their original positive attitude toward the sales promotion program and/or drop the program altogether after they have agreed to participate if the reinforcement process is not implemented. The average decay cost represents the average loss to the firm that results from the decrease in involvement or shift in attitude and/or behavior. Decay costs include decreases in the dealer dependence in the relationship and the field sales representative's credibility as well as increases in dealer resistance in gaining cooperation on similar programs in the future (thereby increasing future communication and influence costs). For example, in cell 1 the average decay cost is assumed to be \$800. The higher the decay probability and the average decay cost in a given cell, the greater the likelihood that its associated influence process will require implementation.

To further evaluate the attractiveness of facilitating each influence process in Table 1, influence objectives must be specified for each cell in the model. For example, two alternative influence objectives are presented for the radical rationalization process (cell 3) in Table 4, one changing channel member attitudes from negative to neutral, the other changing attitudes from negative to positive. Each influence objective will have associated incremental costs should an attempt be made to achieve it and incremental benefits should the objective be attained in a relationship. Incremental costs include communication expenses (e.g., field sales representative time and travel expense) in implementing a given process, special rewards given to induce changes in channel member behavior, improvements in the delivery system, surveillance costs in viewing the nature of a channel member's behavior over time, future favors to repay current favors, etc. For example, the average incremental cost in

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attempting to move a channel member from cell 4 to cell 1, implementing the moderate inducement process, is assumed to be \$100.

Average incremental benefits of a successful influence attempt are quite different depending upon whether a dealer originally planned to be engaged or nonengaged in the program. For those in the nonengaged behavior cells, the average incremental benefit of a successful influence attempt is equal to the original opportunity cost of the dealer's nonparticipation in the program. Where dealers originally planned to participate, average incremental benefits are based on such factors as increased involvement in the current sales promotion program and higher levels of cooperation on similar programs in the future.

Each influence attempt with each dealer will not be successful; the probability of success must be considered for each influence process and their accompanying influence objective(s). For example, in cell 4 the success probability in attempting to move dealerships to cell 1, thus successfully implementing the moderate inducement process, is assumed to be 30% indicating that 9 dealerships would be predicted to move to cell 1 ($30 \times .3$).⁸ Success probabilities are likely to be highest in facilitating the reinforcement process while lowest when implementing the confrontation process. Obviously, the lower the average incremental cost, the higher the average incremental benefit, and the higher the probability of success, the greater the desirability of implementing an influence process.

Finally, there will be a risk associated with implementing some of the influence processes, the possibility that certain channel members will react negatively to the additional influence attempt and move to a more adverse position in their original cell or to another cell in the model. The percentage of channel members expected to react negatively to the influence attempt in a given

cell is reflected by the risk probability. The average risk cost reflects such factors as a change in behavior from engaged to nonengaged, the lowering of a channel member's attitude toward both the program and the field sales representative, less involvement in the program, less cooperation in future behaviors, and higher levels of conflict in the relationship based on the channel member's negative response to the influence attempt. Counterinfluence and retaliation costs should also be considered. While the decay cost reflects the results of no influence attempt beyond the initial informing process, the risk cost reflects possible adverse results of an additional influence attempt. For example, the risk probability is assumed to be 30% in cell 6 where the average risk cost per dealership is assumed to be \$400 for a total risk cost of \$8,400 (70 dealerships x .3 x \$400) if the confrontation process is implemented in the channel system. The higher the risk probability and the average risk cost, the less desirable will be implementing an influence process.

Computational Method. The above constructs must be considered together in a collective, systematic fashion so that an overall estimate can be attained of the benefit or cost associated with implementing each influence process while seeking a given influence objective. Toward this end, a system of equations will now be developed. The following symbols are used to represent the constructs in the equations:

- N_i = the number of dealers in cell i
- \bar{B}_i = the average benefit of having a dealer engaged in the behavior in cell i (i = 1 or 2 or 3)
- \bar{C}_i = the average opportunity cost of having a dealer nonengaged in the behavior in cell i (i = 4 or 5 or 6)
- D_i = the probability of a dealer switching to a less attractive position in the model should no further influence attempt be undertaken in cell i (the decay probability)

- \overline{DC}_i = the average cost associated with a dealer switching to a less attractive position in the model should no further influence attempt be undertaken in cell i (the average decay cost)
- \overline{IC}_{ij} = the average incremental cost of an additional influence attempt (per contact) in cell i seeking objective j
- \overline{IB}_{ij} = the average increment benefit of achieving influence objective j in cell i
- S_{ij} = the probability of successfully achieving influence objective j in cell i (the success probability)
- R_{ij} = the probability of a dealer reacting negatively to the field sales representative seeking influence objective j in cell i (the risk probability)
- \overline{RC}_{ij} = the average cost incurred when a dealer reacts negatively to the field sales representative seeking influence objective j in cell i (the average risk cost)

Equation (1a) estimates the expected benefit (BW_i) a firm would achieve from each of the engaged behavior cells with no additional influence attempt beyond initially informing the channel members of the desired behavior; that is, the expected benefit without implementing the reinforcement and rationalization processes. Equation (2a) exhibits the corresponding calculations for the nonengaged behavior cells, CW_i representing the expected cost the firm will incur by choosing not to implement their associated influence processes.

$$(1a) \quad BW_i = (N_i \times \overline{B}_i) - (N_i \times D_i \times \overline{DC}_i)$$

$$(2a) \quad CW_i = (N_i \times \overline{C}_i) + (N_i \times D_i \times \overline{DC}_i)$$

The decay cost is deducted from the expected benefit in (1a) while added to the level of opportunity cost in (2a).

Equation (1b) exhibits the calculations required to estimate the expected benefit (BI_{ij}) of seeking influence objective j by implementing an influence

process in each of the engaged behavior cells. Equation (2b) produces an estimate of the expected cost (CI_{ij}) to the firm where influence objective j is sought in each of the nonengaged behavior cells.

$$(1b) \quad BI_{ij} = (N_i \times S_{ij} \times (\overline{B}_i + \overline{IB}_{ij})) + (N_i \times (1-S_{ij}) \times \overline{B}_i) \\ - (N_i \times \overline{IC}_{ij}) - (N_i \times (1-S_{ij}) \times R_{ij} \times \overline{RC}_{ij})$$

$$(2b) \quad CI_{ij} = (N_i \times (1-S_{ij}) \times \overline{C}_i) + (N_i \times \overline{IC}_{ij}) + (N_i \times (1-S_{ij}) \times R_{ij} \times \overline{RC}_{ij}) \\ - (N_i \times S_{ij} \times \overline{IB}_{ij})$$

In (1b) the incremental influence cost and risk cost are deducted from benefits while in (2b) incremental benefits are deducted from the firm's opportunity cost, incremental influence cost, and risk cost.⁹

Equation (1c) computes the expected net benefit or cost (NBC_{ij}) associated with seeking influence objective j in cell i (engaged behavior cells) by comparing the expected benefit after implementing each influence process with the expected benefit with no additional influence attempt. Likewise, equation (2c) computes the expected net benefit or cost (NBC_{ij}) of implementing the influence process in each nonengaged behavior cell.

$$(1c) \quad NBC_{ij} = BI_{ij} - BW_i$$

$$(2c) \quad NBC_{ij} = CW_i - CI_{ij}$$

In both equations, if NBC_{ij} is positive, a net benefit is expected to result from attempting to achieve influence objective j in cell i .

Finally, equation (3) provides an estimate of the overall benefit the firm is expected to receive by implementing the program in question (OB_k), in this case the hypothetical sales promotion program.

$$(3) \quad OB_k = \sum_{i=1}^3 (BW_i + NBC_{ij}) + \sum_{i=4}^6 NBC_{ij}$$

$$\text{iff } NBC_{ij} > 0$$

If NBC_{ij} is less than or equal to zero in a given cell, it is not included in the computation because the associated influence process would not be implemented. In a given cell, if more than one influence objective is being considered, the highest NBC_{ij} is used in (3).

Table 5 summarizes the data presented in Table 4, applying the above equations where appropriate. As evident, the only instance where a net loss occurs from implementing an influence process is in cell 6 where the firm would be better off not implementing the confrontation process. This result is based on the low probability of success and the high risk cost associated with its implementation. If the other influence processes are implemented, a net benefit is predicted for the firm in each case. However, it must be stressed that these results are meant only as an example of what could occur in an actual channel system. Clearly, the appropriateness of each influence process will be situation specific and must be examined as such. Results for cell 3 in Table 5 indicate that the influence objective of attempting to move channel members to a neutral attitude produces a larger net benefit than the objective of attempting to move channel members all the way to the positive attitude, engaged behavior cell, largely because of their associated incremental costs, success probabilities, and risk probabilities.

[Place Table 5 About Here]

The overall benefit generated from the sales promotion program after implementation of the desirable influence processes is estimated to be \$336,984 from equation (3). From this, the cost of developing the sales promotion and delivering appropriate materials to the dealerships as well as the cost of initially informing each channel member of the desired behavior would need to be deducted.¹⁰ The manager could then evaluate whether the expected benefit of this sales promotion program is higher than the expected benefit associated with implementing other programs or behaviors in the channel.

Three assumptions were made in developing and applying the equations that deserve explicit consideration. First, it was assumed that when an influence process was implemented, all channel members in the cell in question would be contacted. In actual channel systems, given management approval, field sales representatives could use some discretion in who they actually attempt to influence within a given cell, hopefully cutting overall incremental costs as a result.

Second, it is assumed in equation (3) that if the implementation of an influence process is expected to provide a net benefit (relative to no additional influence attempt), it would be desirable to implement by the firm irrespective of its level. This decision rule may not be appropriate in all situations. Another way to evaluate whether or not to implement an influence process is to estimate its marginal contribution by comparing its net benefit with the incremental costs incurred by field sales representatives in implementing it. For example, in cell 1, the expected net benefit of reinforcing current attitudes and/or behavior is \$16,100 while the increment cost in doing so is \$2800 ($\20×140 dealerships). Its output/input ratio is, therefore, 5.75. This and other such ratios are exhibited at the bottom of each cell in

Table 5. Implementing the moderate inducement process provides the highest benefit relative to its incremental costs. Implementation of the radical inducement process provides the lowest positive ratio and, therefore, next to the confrontation process its implementation can be most highly questioned. Such considerations would be especially critical for firms with a limited number of field sales representatives facing a severe time constraint.¹¹

Third and perhaps most significantly, it was assumed that all desirable influence processes are implemented and completed before the planned starting date of the sales promotion program. Furthermore, no decay effects were accounted for once an influence process was implemented. In many channel situations, field sales representatives may need to facilitate influence processes during an ongoing program and decay effects will be present even after the initiation of a program and the facilitation of an influence process. To handle these complexities, equations 1b and 2b could be modified to reflect such timing dynamics (cf., Aaker and Myers 1975; Levy and Simon 1978). A simpler approach would be to have managers make appropriate adjustments in their estimates of probabilities, and average benefits and costs.

Methods of Measurement. The most difficult task for the manager is how to attain adequate measures of the constructs exhibited in Table 4. At least four methods are available for the manager to utilize in the measurement process. First, an experiment could be carried out with dealers in a representative territory of the firm. A program could be developed and the influence processes could be implemented in attempting to gain participation in the program. The distribution of dealers in the model after initial informing them of the desired behavior could be calculated. The probabilities, benefits, and costs associated with seeking influence objectives in each influence process

could be tracked over time and calculated after the finish of the program. While relatively precise, this method is very costly in both time and money.

A second method of data collection would involve surveying dealers on their attitudes towards a variety of programs and use their intentions as a surrogate measure of behavior. They could be asked about the chances of their dropping a program once started, the benefits of the programs, the chances of their changing their attitudes and behaviors once established, etc. The cost factor as well as response bias are two obvious drawbacks of using this approach.

The third method would be to use the firm's field sales representatives to estimate these data. Based on each channel member's history of involvement and participation in the relationship, field sales representatives could predict the attitude and the behavior that each would exhibit toward the program in question. They would place each channel member in one cell of the model for each program under consideration. These predictions could be then aggregated at the corporate level. Field sales representatives could also estimate the value of the other constructs in Table 4.

Finally, the manager himself along with his corporate assistants could predict the distribution of dealers in the model and estimate the values of the other constructs based on their past experience in the channel. An information bank could be formed with data accumulated on channel member attitudes and behavior over time based, in part, on field sales representative inputs. The managers could use such data to aid in making their subjective estimates. The Delphi technique could be used to help reach consensus on the value of the constructs. Which method is selected will depend on the obvious trade-off inherent in market research, namely cost versus accuracy.

SUMMARY AND IMPLICATIONS

More attention needs to be given by both researchers or practitioners to developing a formalized approach to direct influence strategy and effectively coordinate ongoing exchange relationships in channels of distribution. The importance of such an effort is underscored by the many failures that occur in achieving channel member cooperation in distribution channel programs. This article has attempted to lay a partial foundation for such an approach based on the concept of attitude-behavior consistency or inconsistency. Depending upon the attitude-behavior condition in question, alternative influence processes were argued to be important. Moreover, each identified process has a corresponding objective or objectives, centering on reinforcing or changing either attitudes, behavior, or both.

The article has six major implications for distribution channel management. The most basic implication is that channel managers and field sales representatives must consider the concept of attitude-behavior consistency or inconsistency in order to understand the tasks confronting them within their interfirm influence attempts. This conceptualization provides direction and offers insights to practitioners as to when certain influence processes and objectives are relatively appropriate. Exclusive attention on either the channel members' cognitive structure or behavior will lead to ineffective interfirm influence attempts. Both attitudes and behavior as well as their interaction must be considered in coordinating ongoing exchange relationships.

Second, the model clearly suggests that reliance on a single influence approach or strategy across each exchange relationship is inappropriate; field sales representatives must use different communications strategies and/or change the orientation of specific strategies when implementing the different influence processes. Toward these ends, the article provided a listing and classification

of fourteen strategies of apparent applicability in distribution channels, the strategies ranging from implicit and unfocused in nature to direct focused, and pressurized. Most importantly, the strategies were linked to the attitude-behavior model, with predictions being made as to when the use of each would be relatively appropriate. This represents a starting point for the development of a contingency theory of influence strategy selection and utilization within interorganizational exchange relationships.

The third primary implication is that a segmentation approach will often be required within a channel system when attempting to motivate channel member involvement in a special program or behavior. In some cases, attitude change will be the primary objective. With other channel members, the reinforcement of current attitudes is appropriate. Behavioral reinforcement or change will be of central interest in other relationships. Moreover, the difficulty of obtaining channel member compliance with the influence attempt will vary across the alternative attitude-behavior conditions and may necessitate that only certain of the influence processes are implemented in given situations; differential levels of benefits, costs, and constraints will be associated with facilitating each process.

Fourth, in selecting organizations to join a firm's channel system, ideological agreement on business and marketing strategy between the firms' corporate management is of extreme importance. Typically, this is ignored as other factors such as the background, aptitude, and business success of a firm's personnel, and its market position dominate the channel design process. High levels of ideological agreement in the channel system will mean a greater number of channel members in the positive attitude, engaged cell in the attitude-behavior model across most programs. Along with higher levels of cooperation, this will lead to lowered influence costs over time.

Fifth and perhaps most significantly, corporate level management must make decisions to implement programs and influence processes as investment decisions, estimating the benefits and costs to the firm of the influence processes and general program in question. A system of equations was developed herein to aid corporate management in deciding the programs or behaviors and influence processes that are desirable to implement, and the influence objective that is most appropriate to seek within a given process. Comparisons in overall expected benefits across alternative programs are a necessity. While very preliminary, this represents an important contribution as such decisions are frequently made on a largely subjective, non-quantitative, non-systematic basis.

Finally, new training programs must be designed centering on the coordination of ongoing exchange relationships within distribution channels. Traditionally, firms have provided intensive training only on appropriate ways to initiate exchange relationships, not on their coordination. Corporate management must effectively communicate with the firm's field sales representatives the programs and influence processes that are to be implemented, and the influence objectives that are to be sought within the channel system. It is very important that the field sales representatives understand the nature of each influence process and communication strategy.

EXTENSIONS

A variety of future research needs are suggested within the article. Six will be stressed. First, research is required on the long-run ramifications of low participation in programs and behaviors in a firm's distribution channel. While a segmentation approach was recommended herein with the possibility that only a portion of the influence processes would be implemented for a given program, the impact this has on cohesion in the channel system and the future

involvement of currently cooperative channel members must be studied. This concern may be especially critical where trade associations are strong and a high level of interaction exists among peers. Perhaps a threshold level of member participation is required before a program should be implemented in the channel.

Second, the predictions in Table 3 concerning the appropriateness of specific communication strategies in implementing specific influence processes must be empirically tested, promoting a more complete understanding of each influence process at the same time. The costs, benefits, and effectiveness of each influence strategy must be analyzed within both laboratory and field settings.

Third, measurement of the constructs exhibited in Table 4 is problematic. While four methods were discussed that can be used in estimating the distribution of dealerships in the attitude-behavior model, the average benefits of participation, success probabilities, etc., research is required in developing reliable and valid measures of these constructs.

Fourth, the conceptual framework in this article is focused on processes and mechanisms of influence and must be broadened to include other factors of obvious relevance to exchange relationships. The power of each party to the exchange, personal characteristics of the firm's field sales representatives and their contacts (e.g., trustworthiness, empathy, business experience, personality traits), and the environmental structure surrounding the exchange (e.g., the physical and psychological setting, norms within the channel system, the structure of the market, the state of the national economy) are among the other factors that must be linked to the influence framework developed herein (cf., Bagozzi 1978). For example, a firm that possesses a high level of power (a high potential for influence) in an exchange should have a relatively high probability of success associated with implementing each influence process.

Fifth, the basic conceptual framework developed herein can be applied to other areas of marketing where exchange is of central interest and, therefore, influence processes are of relevance. Family and organizational buying behavior are two obvious areas where influence processes, influence objectives, and communication strategies are all important. Adjustments in the conceptual framework will likely need to be made if the initiation of an exchange is studied rather than coordination of an ongoing exchange. Furthermore, the relevant set of communication strategies is likely to vary across different contexts. For example, in a personal selling context where bargaining behavior takes precedence, strategic probes, self-disclosures, different approaches to handling objections, and different closes are among the communication strategies that need to be linked to the alternative influence processes.

Finally, additional models and frameworks must be developed that extend the model developed herein, identifying other influence processes of relevance within the distribution channel. The model in Table 1 is limited to behaviors or programs where channel member participation is voluntary and where the behavioral alternatives are dictotomous. Clearly, the performance of many behaviors in a channel relationship is involuntary (as long as the exchange relationship exists) with levels of involvement varying from minimum, average, to above average. Examples of such behaviors include local advertising expenditures, inventory levels, parts and supply purchases, and participation in on-going training programs. As a start, Table 6 provides an extended attitude-behavior consistency or inconsistency model that takes into account such considerations (also see Sheth and Frazier 1982).

[Place Table 6 About Here]

Two major differences involving influence processes are evident in this model in comparison with the earlier attitude-behavior model. First, similar to the inducement and rationalization processes in Table 1, the confrontation process now is of either a moderate or radical nature. While a relatively direct and pressurized influence approach is required where channel members exhibit average involvement with a negative attitude, an even more direct and pressurized approach is required when dealing with minimum involvement and a negative attitude. Second, attitude enhancement and behavioral enhancement processes are introduced in Table 6. Their implementation involves a less persuasive influence approach in comparison with implementation of the moderate rationalization and inducement processes. Thus, additional distinctions in the degree of directness and difficulty in implementing a process in achieving desired objectives are made within the extended model that practitioners must carefully consider in attempts to achieve increased channel member involvement in such behaviors over time. The extended attitude-behavior model is used only as an example of the direction future modeling efforts can take in this area to facilitate our understanding of ways to promote effective interfirm coordination within marketing channels.

FOOTNOTES

¹See Zaltman and Duncan (1977) for reasons why a conflict between attitudes and behavior might exist.

²In forming an organizational attitude toward a behavior and deciding whether or not to perform the behavior, a group of individuals within the organization is often involved (cf., Phillips 1981), at least in reasonably large organizations. Therefore, an interfirm influence attempt can involve either one individual or several individuals from each firm depending upon how many have responsibility for interactions with other business organizations in the channel and related decision making.

³The term "field sales representatives" is used to refer to those employees of the firm whose jobs center at facilitating product, service, and information flows by personally contacting associated channel members within the distribution channel.

⁴When field sales representatives feel positive outcomes will clearly result from the performance of the behavior and the channel members will come to perceive such outcomes, the need for facilitating the rationalization processes will be lessened. Where negative attitudes exist, it is less likely that channel members will perceive positive outcomes to occur based on their performance of the behavior.

⁵Involvement theory suggests that if a channel member has low involvement in the decision, behavior change should be the objective of the influence attempt. Where high involvement exists, the theory suggests that an attempt at attitude change should be most appropriate.

⁶It is up to management to decide whether or not both short and long term benefits are considered in formulating this framework. While more complex, a consideration of both is certainly most realistic.

⁷A detailed explanation of the rationale used and assumptions made to arrive at each estimate of each variable in Table 4 is beyond the scope of this article. Measurement issues are discussed shortly.

⁸A possibility exists that certain channel members may move to a more desirable cell in the model, but not the one intended. In such cases, adjustments would need to be made in the expected distribution of channel members in the model and the benefits accrued by the firm as a result.

⁹If S_{ij} is very high for one of the nonengaged behavior cells, the value of CI_{ij} could become negative. This presents no subsequent computational problems, however, as is evident in equation (2c) below.

¹⁰Costs of initially informing channel members of the desired behavior include field sales representative time and expense in reaching each channel member and discussing the program with them (communication costs) as well as the cost of any supplemental materials used by the representatives in their presentations. Costs incurred in informing and educating field sales representatives about the program must also be included.

¹¹If such an adjustment is deemed necessary, a "hurdle rate" for each influence process could be established and substituted for the $NBC_{ij} > 0$ constraint associated with equation (3).

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Table 1
 An Attitude-Behavior Consistency/Discrepancy Model:
 Alternative Influence Processes and Objectives

Attitude

		Positive	Neutral	Negative
		<u>cell 1</u>	<u>cell 2</u>	<u>cell 3</u>
<u>Behavior</u>	Engaged	<u>Reinforcement Process</u> 1. Behavioral Reinforcement 2. Psychological Reinforcement	<u>Moderate Rationalization Process</u> Attitude Change	<u>Radical Rationalization Process</u> Attitude Change
	Nonengaged	<u>cell 4</u> <u>Moderate Inducement Process</u> Behavioral Change	<u>cell 5</u> <u>Radical Inducement Process</u> Behavioral Change	<u>cell 6</u> <u>Confrontation Process</u> 1. Behavioral Confrontation 2. Psychological Confrontation

Table 2
Descriptions of Influence Categories and Communication Strategies
Considered in This Study

Indirect Influence Strategies: Information on general issues is merely exchanged with the channel member.

1. Information exchange: the field sales representative uses discussions on general business issues where information and/or opinions are presented to the channel member (Raven and Kruglanski 1970).
2. Information control: the field sales representative uses discussions on general business issues where objective information is either withheld or manipulated in some way before its presentation to the channel member (Tedeschi, et. al. 1973).

Direct, Unmediated Strategies: A specific behavior is requested; consequences of compliance or noncompliance are stressed but are not dependent on the mediation of the field sales representative or his firm. The traditional "persuasion" approach is the driving force behind each of these strategies.

1. Recommendations: the field sales representative predicts favorable circumstances to occur from the environment if the channel member follows his recommendations (e.g., your profits will increase if you increase your product inventories) (Angelmar and Stern 1978).
2. Warnings: the field sales representative predicts harmful consequences from the environment if the channel member (1) refrains from doing an action he recommends or (2) keeps on performing an undesirable behavior (Tedeschi, et. al. 1973; Angelmar and Stern 1978).
3. Positive, normative: a statement in which the field sales representative indicates that the channel member's past, present, or future behavior was or will be in conformity with channel norms (Angelmar and Stern 1978).
4. Negative, normative: a statement in which the field sales representative indicates that the channel member's past, present, or future behavior was or will be in violation of channel norms (Angelmar and Stern 1978).

Behavioral Modification: The field sales representative directly performs a certain action or behavior while explicitly asking for no corresponding action on the part of the channel member (Tedeschi, et al. 1973; Nord and Peter 1980).

1. Delivery systems: direct actions performed to facilitate product or information exchange and movement in the channel.
2. Positive reinforcement: direct actions in the form of special rewards to reinforce present behavior or to initiate or enhance a "favor giving" environment in the relationship.

Table 2 (continued)

3. Negative reinforcement: direct actions in the form of punishments in an attempt to discourage performance of a behavior.

Direct, unweighted strategy or Requests: The field sales representative merely communicates his desires or wishes concerning a specific channel member action or behavior; no consequences of compliance or noncompliance are mentioned or implied.

Direct, mediated strategies: A specific behavior is requested; consequences of compliance or noncompliance are stressed and are based on the mediation of the field sales representative or his firm.

1. Personal pleas: the field sales representative stresses their friendship or previous favors in attempts to attain channel member compliance on a specific issue, implying that a worsened personal relationship will exist if the requested behavior is not performed (Marwell and Schmitt 1967).
2. Legalistic references: the field sales representative refers to any legal standards existing in the relationship and implies he will take punitive actions should the channel member fail to comply with his desires (Parsons 1963; Marwell and Schmitt 1967).
3. Promises: the field sales representative promises future mediated inducements (e.g., more cooperation on product allocation) for channel member compliance (Parsons 1963; Tedeschi, et al. 1973; Angelmar and Stern 1978).
4. Threats: the field sales representative threatens the channel member with punishments (e.g., less cooperation on product allocation) for noncompliant behavior (Parsons 1963; Tedeschi, et al. 1973; Angelmar and Stern 1978).

Table 3
 APPROPRIATENESS OF THE STRATEGIES IN FACILITATING INTERFIRM INFLUENCE PROCESSES

	Reinforcement Process		Moderate Rationalization Process		Radical Rationalization Process		Moderate Inducement Process		Radical Inducement Process		Confrontation Process	
	Psychological	Behavioral	Attitude Change	Attitude Change	Attitude Change	Attitude Change	Behavioral Change	Behavioral Change	Behavioral Change	Behavioral Change	Psychological	Behavioral
Information exchange	yes	no	maybe	yes	maybe	maybe	no	no	no	no	no	no
Information control	maybe	no	maybe	maybe	maybe	maybe	no	no	no	no	maybe	no
Recommendation	maybe	no	yes	yes	yes	yes	no	no	no	no	maybe	no
Warning	no	no	no	no	maybe	maybe	no	no	no	no	yes	no
Positive, normative	maybe	no	yes	yes	yes	yes	yes	yes	yes	yes	maybe	maybe
Negative, normative	no	no	no	no	maybe	maybe	maybe	maybe	yes	yes	yes	maybe
Delivery system	no	yes	no	no	no	no	yes	yes	yes	yes	no	no
Positive reinforcement	no	yes	no	no	no	no	yes	yes	yes	yes	no	no
Negative reinforcement	no	no	no	no	no	no	no	no	no	no	no	yes
Request	no	no	no	no	no	no	yes	yes	maybe	maybe	no	maybe
Personal plea	no	no	no	no	no	no	maybe	maybe	maybe	maybe	no	yes
Promise	no	no	no	no	no	no	no	no	no	no	no	yes
Threat	no	no	no	no	no	no	no	no	maybe	maybe	no	yes
Legalistic reference	no	yes	no	no	no	no	no	no	maybe	maybe	no	yes

Table 4

Example: Distribution of Dealerships, Benefits, Costs, Decay, Success, and Risk Probabilities

Attitude

Positive	Neutral	Negative
<p>cell 1: 140 dealerships</p> <p>1. Average benefit - \$1300</p> <p>2. No additional influence attempt</p> <p>a) Decay probability - 5%</p> <p>b) Average decay cost - \$800</p> <p>3. Influence objective: keep in this cell</p> <p>a) average incremental cost - \$20</p> <p>b) average incremental benefit - \$100</p> <p>c) success probability - 95%</p> <p>d) risk probability - 0%</p> <p>e) average risk cost - \$0</p>	<p>cell 2: 60 dealerships</p> <p>1. Average benefit - \$1050</p> <p>2. No additional influence attempt</p> <p>a) Decay probability - 6%</p> <p>b) Average decay cost - \$775</p> <p>3. Influence objective: move to cell 1</p> <p>a) average incremental cost - \$30</p> <p>b) average incremental benefit - \$250</p> <p>c) success probability - 50%</p> <p>d) risk probability - 5%</p> <p>e) average risk cost - \$250</p>	<p>cell 3: 50 dealerships</p> <p>1. Average benefit - \$850</p> <p>2. No additional influence attempt</p> <p>a) Decay probability - 20%</p> <p>b) average decay cost - \$850</p> <p>3. Influence objective: move to cell 1</p> <p>a) average incremental cost - \$50</p> <p>b) average incremental benefit - \$300</p> <p>c) success probability - 20%</p> <p>d) risk probability - 15%</p> <p>e) average risk cost - \$400</p> <p>4. Influence objective: move to cell 2</p> <p>a) average incremental cost - \$40</p> <p>b) average incremental benefit - \$200</p> <p>c) success probability - 35%</p> <p>d) risk probability - 5%</p> <p>e) average risk cost - \$350</p>
<p>cell 4: 30 dealerships</p> <p>1. Average opportunity cost - \$1300</p> <p>2. No additional influence attempt</p> <p>a) decay probability - 2%</p> <p>b) average decay cost - \$100</p> <p>3. Influence objective: move to cell 1</p> <p>a) average incremental cost - \$100</p> <p>b) average incremental benefit - \$1,300</p> <p>c) success probability - 30%</p> <p>d) risk probability - 5%</p> <p>e) average risk cost - \$250</p>	<p>cell 5: 50 dealerships</p> <p>1. Average opportunity cost - \$1050</p> <p>2. No additional influence attempt</p> <p>a) decay probability - 2%</p> <p>b) average decay cost - \$75</p> <p>3. Influence objective: move to cell 2</p> <p>a) average incremental cost - \$130</p> <p>b) average incremental benefit - \$1050</p> <p>c) success probability - 20%</p> <p>d) risk probability - 20%</p> <p>e) average risk cost - \$250</p>	<p>cell 6: 70 dealerships</p> <p>1. Average opportunity cost - \$850</p> <p>2. No additional influence attempt</p> <p>a) decay probability - 0%</p> <p>b) average decay cost - \$0</p> <p>3. Influence objective: move to cell 3</p> <p>a) average incremental cost - \$100</p> <p>b) average incremental benefit - \$850</p> <p>c) success probability - 10%</p> <p>d) risk probability - 30%</p> <p>e) average risk cost - \$450</p>

Engaged

Behavior

Nonengaged

Table 5

Numerical Results: Expected Benefit or Cost
of Implementing Each Process

Attitude

	<u>Positive</u>	<u>Neutral</u>	<u>Negative</u>
Engaged	<u>cell 1: Reinforcement Process</u> Expected benefit with no additional influence attempt (BW_1): \$176,400 Expected benefit of reinforcing current attitude and/or behavior (BI_{11}): \$192,500 <u>Expected net benefit or cost of influence attempt (NBC_{11}):</u> \$16,100 Output/input ratio: 5.75	<u>cell 2: Moderate Rationalization Process</u> Expected benefit with no additional influence attempt (BW_2): \$60,210 Expected benefit of attempting to move to cell 1 (BI_{21}): \$68,325 <u>Expected net benefit or cost of influence attempt (NBC_{21}):</u> \$8,115 Output/input ratio: 4.50	<u>cell 3: Radical Rationalization Process</u> Expected benefit with no additional influence attempt (BW_3): \$34,000 Expected benefit of attempting to move cell 1 (BI_{31}): \$40,600 <u>Expected benefit of attempting to move to cell 2 (BI_{32}):</u> \$43,387 <u>Expected net benefit or cost of attempting to move to cell 1 (NBC_{31}):</u> \$6,600 <u>Expected net benefit or cost of attempting to move to cell 2 (NBC_{32}):</u> \$9,387 Output/input ratio: 4.69
	<u>cell 4: Moderate Inducement Process</u> Expected cost with no additional influence attempt (CW_4): \$39,060 Expected cost after attempting to move to cell 1 (CI_{41}): \$18,863 <u>Expected net benefit or cost of influence attempt (NBC_{41}):</u> \$20,197 Output/input ratio: 6.73	<u>cell 5: Radical Inducement Process</u> Expected cost with no additional influence attempt (CW_5): \$52,575 Expected cost after attempting to move to cell 2 (CI_{51}): \$40,000 <u>Expected net benefit or cost of influence attempt (NBC_{51}):</u> \$12,575 Output/input ratio: 1.93	<u>cell 6: Confrontation Process</u> Expected cost with no additional influence attempt (CW_6): \$59,500 Expected cost after attempting to move to cell 3 (CI_{61}): \$63,105 <u>Expected net benefit or cost of influence attempt (NBC_{61}):</u> - \$3,605 Output/input ratio: -0.52
Behavior			
Nonengaged			

Table 6

An Extended Model: Attitude-Behavior
Consistency or Discrepancy

Attitude .

		Positive	Neutral	Negative
Behavior Involvement	Above Average	<u>Reinforcement Process</u> 1. Behavioral Reinforcement 2. Psychological Reinforcement	<u>Attitude Enhancement Process</u> Attitude Change	<u>Radical Rationalization Process</u> Attitude Change
	Average	<u>Behavior Enhancement Process</u> Behavioral Change	<u>Moderate Rationalization Process</u> Attitude Change	<u>Moderate Confrontation Process</u> 1. Behavioral Confrontation 2. Psychological Confrontation
	Minimum	<u>Moderate Inducement Process</u> Behavioral Change	<u>Radical Inducement Process</u> Behavioral Change	<u>Radical Confrontation Process</u> 1. Behavioral Confrontation 2. Psychological Confrontation