A Study of Channel Member Satisfaction and Ensuing Commitment in International and Domestic Pharmaceutical Distribution Channels

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Abstract

Purpose : Giving due cognizance to the importance of satisfaction in the relationship between manufacturers and channel members, this study aims to explore its role in ensuring long term commitment of channel members in the pharmaceutical industry. Moreover, it aims to compare the level of satisfaction in the relationships of distributors with their respective foreign or domestic manufacturers.

Design/methodology/approach : A sample of 50 distributors from the pharmaceutical sector was surveyed to put to test the theoretical model proposed between satisfaction and commitment. Multiple regression was used for the analysis. One-way ANOVA was used to compare the levels of satisfaction in the domestic and foreign distribution channels.

Findings : The results indicate that the financial dimension of satisfaction, which signifies the attractiveness of the relationship pertaining to matters like margins or return on investment, is the primary factor that drives commitment. In addition, it was found that channel member satisfaction with foreign pharmaceutical manufacturers was significantly higher than it was with domestic manufacturers.

Practical Implications : This study recommends that domestic pharmaceutical companies try to take channel relationships to higher levels of collaboration, and attempt to build other dimensions of satisfaction along with the primary financial dimension. Engaging channel members on multiple platforms will build higher commitment as financial motives can easily be usurped by competitors. Indian pharma needs to focus on value added activities like marketing and distribution in order to be globally competitive.

Originality/value : The researcher was not able to find any other study exploring channel member relationships in the Indian pharma sector. Hence, this study can be said to be the first of its kind in the Indian pharmaceutical sector.

Keywords : **pharmaceutical distribution channels, channel member satisfaction, channel member commitment, pharmaceutical manufacturers, pharmaceutical stockists**

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Distribution in the Indian pharmaceutical industry has been a vital, yet largely opaque portion of the logistics function. The protracted pharmaceutical supply chain has multiple participants playing their roles with diverse motives (Langer & Kelkar, 2008). To add to this milieu, the (Indian) pharmaceutical industry is a "sun-rise industry," with numerous domestic and foreign companies in the fray (Chadha, 2006). According to a Mckinsey report (2012), the Indian pharmaceutical sector is projected to grow at a CAGR of 14%-15% to become a US $ 20 billion - 24 billion market by 2015. Moreover, following the enactment of the product patent regime and enforcement of TRIPS provisions, the scenario for MNC pharmaceutical companies is gradually becoming more attractive (Kamiike & Sato, 2011). Competitive pressures are also on the rise. On one hand, domestic companies have increased their marketing efforts through enlargement of the field sales force, and on the other hand, MNCs have renewed their focus on India. The smaller players too have added to the rivalries by offering mammoth discounts/incentives to distributors and medical practitioners (ICRA Report, 2012).

The Indian companies, which were fervently focused on opportunities in the foreign markets, and multinationals, which had sustained a conservative strategy in the Indian pharma market, have returned with renewed vigor, and are focused on expanding their distribution networks (Nalinkanthi,2013). Despite the fact that economies of scale are the primary dynamic in the Indian industry, channel servicing as well as product pipeline have gained increased

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significance (ICRA Report, 2012). This development corroborates with a growing appreciation among academicians and industrial practitioners alike that cooperative buyer - seller relationships epitomize a singular source of competitive advantage (Ulaga & Eggert, 2006). A high relationship value in a manufacturer-distributor liaison not only improves the distributor's performance, but also benefits the manufacturers, in terms of sales, market share, and profits (Nguyen, T.D., & Nguyen, T. T. M., 2010).

Conceptual Framework

The distribution channel is a part of the marketing strategy immersed in the exploration of exchange relationships. It is very natural that the theory of relationships be applicable to the channel dynamics (Mayo, Richardson, & Simpson, 1998).

➯ **Relationship Marketing :** Morgan and Hunt (1994, p. 22) defined relationship marketing as "all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges." Market orientation dictates that organizations endeavor to deliver goods in the way that satisfies the customers (Saravi & Monshi, 2012). A market-oriented supplier works to satisfy the distributor's needs, in reciprocation, the distributor is most likely to recognize the relationship as a cooperative one (Siguaw, Simpson, & Thomas, 1998). As partners in long-term affiliations must be satisfied with one another (Skarmeas, Katsikeas, & Schlegelmilch, 2002), companies that increasingly focus on forging international trading relationships need to understand cultural differences and differences that exist by virtue of the relationships being transnational (Homburg, Krohmer, Cannon, & Kiedaisch, 2002).

➯ **Channel Relationships in the International Context :** International collaborations often face unfamiliar political, cultural, and economic environs, making them vulnerable to economic and political risks (Skarmeas et al., 2002). In such situations, a company needs to decide the most appropriate distribution channel structures that will deliver commensurate returns (Kim, 1998). Inculcating healthy relationships becomes particularly important as international distribution channels are generally dominated by distributors (Ghosh, Joseph, Gardner, & Thach, 2004). Judicious scrutiny of the channel partner's risk-taking capacity and level of commitment is also a must as channel decisions once taken are not just difficult to change, but may even lead to poor long-term consequences (Kim, 1998). These decisions are difficult to reverse due to both company and host government applied constraints, national parent firm control, resource paucity, distribution network transfer expenses, and so forth (Homburg et al., 2002). Moreover, manufacturer dependence on the international channels of distribution may increase over time, as the manufacturer makes "nonfungible investments," which are specific to the industry, and at times, to the distributor (Skarmeas et al., 2002).

Flexibility in channel relationship allows for mutual adjustments in response to changing market conditions. Added to this, recurrent exchanges with foreign distributors enable manufacturers to gain market access to highly regulated markets, help them to overcome financial resources restrictions, utilize foreign distributors' expertise, skills, and knowledge as conducive to the local conditions (Gençtürk & Aulakh, 2007). Homburg et al. (2002) observed that there is no concept such as a natural barrier to customer satisfaction in international collaborations. The higher the operational performance of international channels relative to domestic channels, the higher the satisfaction with international channels (Kim, 1998).

➯ **Channel Structure in the Indian Pharma Industry :** The typical channel structure in the Indian pharma industry comprises of C & F agents, wholesalers, semi-wholesalers, and stockists. In metros and tier-1 cities, companies may have up to 30-40 intensely competitive stockists, each supplying the same retailers. Due to the existence of multiple echelons, both horizontally and vertically, there exists a lack of visibility of secondary sales beyond the top level of the channel (Ernst & Young Report, 2012).

➯ **Satisfaction Levels in Distribution Channels :** Satisfaction comprises "the domain of all characteristics of the relationship between a channel member (the focal organization) and another institution in the channel (the target organization) which the focal organization finds rewarding, profitable, instrumental, and satisfying or frustrating, problematic, inhibiting or unsatisfying" (Rueckert & Churchill, 1984, p.227).

According to Siguaw et al. (1998), suppliers have the power to establish market-orientation norms; they may be able to influence the way the distributors treat their customers through the way they treat their distributors. Satisfaction with the partner's performance not only affects the likelihood of a long-term affiliation, but also its quality (Mayo et al., 1998).

➯ **Dimensions of Satisfaction :** According to Reukert and Churchill, channel members' satisfaction appears to have at least four dimensions:

> A product dimension which reflects the demand for, awareness of, and quality of the manufacturer's products; a financial dimension that captures the attractiveness of the arrangement with respect to such matters as intermediary margins or return on investment; an advertising assistance distance dimension which assesses how well the manufacturers support the intermediary in such aids as co-operative advertising programs and point-of-purchase displays; and a social interaction dimension that elects how satisfactorily interactions between an intermediary and manufacturer be handled primarily through the sales representatives. Other promotional assistances include a dimension which was added to include supports like promotions and point-of-purchase display. (1984, p. 227)

➯ **Social Interaction Dimension of Satisfaction :** Geyskens and Steenkamp have defined social satisfaction as "a channel member's evaluation of the psychosocial aspects of its relationship, in those interactions with the exchange partner are fulfilling, gratifying, and facile" (2000, p.13). An unambiguous and dependable flow of information from manufacturers to distributors assists them in provisioning manufacturers' future expectations, in addition to engendering preparedness for technological advances in the industry (Nguyen, T.D., & Nguyen, T.T.M., 2010). de Ruyter, Moorman, and Lemmink (2001) highlighted that communication that is frequent and informal forges constructive conflict resolution and creates a robust atmosphere of progressive affiliation and confidence among stakeholders, and the recurrent interactions can also be a daunting source of competitive advantage (Skarmeas et al., 2002). To lessen the confusion about appropriate quality and service standards, communication must travel down the tiers of the channel (Nguyen, T.D., & Nguyen, T.T.M., 2010).

➯ **Product Dimension of Satisfaction :** Providing the reseller with high-quality products is an important instrument for augmenting his satisfaction. Other product-related factors are high-quality marketing and selling support (Geyskens & Steenkamp, 2000). Ghosh et al. (2004) referred to these benefits as differentiation benefits, which include improved product/service assistance together with improved quality, and an extended product mix. As demand for a product is the most critical influencer across geographical boundaries, product quality and flexibility in exchange relationships emerge as important antecedents of customer satisfaction (Ernst & Young Report, 2012).

➯ **Financial/Economic Satisfaction :** Geyskens and Steenkamp (2000) are of the view that economic satisfaction is a channel member's assessment of the economic consequences that emanate from the relationship with its partner. Distributors have certain financial expectations - they expect the manufacturer to curtail product and service costs to safeguard their investment. In short, they want to increase financial benefits by reducing operative costs and increasing revenues (Ghosh et al., 2004). Channel members expect transparency in terms and operational conditions, including consistency in trade schemes across channels (Ernst & Young Report, 2012).

➯ **Cooperative Advertising and Other Support :** Bergen and John (1997, p. 357) define cooperative advertising as "an arrangement whereby a manufacturer pays for some or all of the costs of the local advertising undertaken by the retailer for the manufacturer's products." Cooperative advertising may often be favored by the manufacturer, as he may not have significant expertise in the local markets. Product pricing too plays a major role in the co-operative advertising decision (He, Krishnamoorthy, Prasad, & Sethi, 2010).

Empirical studies by Hing (1993), Hing (1995), Hunt and Nevin (1974), and Tuunanen (1999) revealed that initial support is the total support provided by bank managers, business consultants, and external advisors in the beginning of the enterprise. Ongoing support can be assumed to be the range of continuous support given to the channel. These arguments suggest that ongoing support is likely to affect overall satisfaction positively (as cited in Viera & Slongo, 2007).

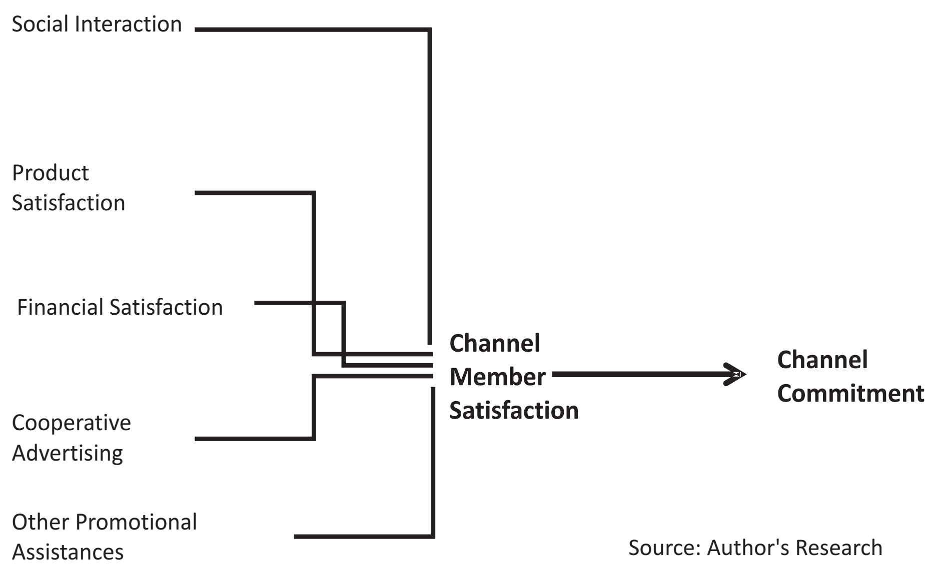
➯ **Commitment :** Zineldin and Jonnson (2000, p. 5) defined commitment as "an exchange partner believing that an ongoing collaborative relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes that the relationship is worth working on to ensure that it endures indefinitely." Trust, commitment and satisfaction are outcomes of fruitful marketing activities and reciprocal behavioral exchanges (Zineldin & Jonsson, 2000). Even though commitment is tough and expensive to develop, it pays handsome dividends to the firms involved ; committed foreign distributors offer healthier prospects of overseas market penetration, expansion, and success (Sharma, Young, & Wilkinson, 2006; Skarmeas et al., 2002). Moreover, it has been seen that partners who are satisfied devote more resources in the relational exchange (Ghosh et al., 2004).

A Conceptual Model of Relationship Between the Dimensions of Channel Member Satisfaction and Commitment

Geyskens and Steenkamp (2000) commented that there are two routes to accomplishing channel continuation and growth, firstly, by initiating high levels of economic satisfaction, a direct route, or secondly, by stimulating high levels of social satisfaction, an indirect route. Stakeholders express the value attached with the relationship through the intensities of their commitment (Rodriguez & Wilson, 2002). Product attributes are also at the crux of the purchase decision. The criticality of product physiognomies has a definite import on the intent to continue in the relationship (de Ruyter et al., 2001 ; Zineldin & Jonsson, 2000).

In this study, a model of channel member commitment contingent on channel member satisfaction is proposed. The model explores the relationship between the dimensions of satisfaction and commitment (Figure 1).

Figure 1. Proposed Model of Relationship Between Satisfaction and Commitment



Source: Author's Research

Research Design

Based on the review of literature, the following objectives were identified, and subsequent hypotheses have been proposed.

Objectives and Hypotheses

➯ **Objective 1:** To study the influence of various distributor satisfaction dimensions on distributor's commitment towards the manufacturer.

➯ **$H_0$1: There is no significant influence of distributor satisfaction dimensions on distributor's commitment towards the manufacturer.**

- **H_0 1: β1 = β2= β3= β4= β4= β5=0**
- **$H_1$1: At least one coefficient is not 0**
- **$H_1$1: At least one β≠0**

- **Objective 2:** To study whether there is a higher level of satisfaction in the channels supplied by the international pharma companies or in the channels supplied by the domestic pharma companies.

- **$H_0$2: There is no significant difference in the channel member satisfaction between channels supported by foreign and domestic companies.**
- **H_0 2: $\mu_1 = \mu_2$**

- **$H_1$2: There is a significant difference between channel member satisfaction with the foreign manufacturers and the channel member satisfaction with the Indian manufacturers.**
- **H_1 2: $\mu_1 \neq \mu_2$**

- **Data Collection :** Four in-depth interviews were held with channel members who hold positions of authority within the AIOCD (All India Organization of Chemists and Druggists). Interviews were also conducted with a regional manager and a medical representative of two leading pharmaceutical companies. Data were also collected by administering a structured questionnaire according to the Likert scale to 50 channel members. This study was conducted from April - July 2013.

- **Sampling Technique :** The sampling frame for the data was the list of pharmaceutical distributors in Chandigarh. A sample of 50 distributors/stockists was selected by convenience sampling. The final sample consisted of 50 channel partners, of which 29 signified a relationship between Indian manufacturers and Indian channel members, and 21 signified a relationship between foreign manufacturers and Indian channel members. According to Farrokhi and Mahmoudi-Hamidabad (2012), to introduce reliability and validity in a convenience sample, a set of conditions and criteria must be introduced. The criterion decided is specific to the topic under study. In this study, to form an even platform for evaluation, distributors stocking Metformin, a generic drug used in the treatment of Type II diabetes, were selected. Metformin is a first-line drug of choice and emerges as the most commonly or second most commonly prescribed drug for Diabetes Type II (Hasamnis & Patil, 2009 ; Rajeshwari, Adhikari, & Pai, 2007), and it is also one of the top-selling drugs in US and India. This drug is sold as a branded generic by both foreign and domestic companies and can be used as an even platform to evaluate channel member satisfaction.

- **Developing and Evaluating the Scale :** Channel member satisfaction with foreign and Indian manufacturers was operationalized by adapting a 21-item Likert standardized scale developed by Reukert and Churchill (1984). The original scale recognized channel member satisfaction as a multi-dimensional construct, and identified five dimensions, namely satisfaction with products (6 items), financial considerations (5 items), social interaction (5 items), cooperative advertising programs (2 items), and other promotional assistance (3 items). Channel member commitment was operationalized by adapting a 4-item Likert scale developed by Anderson and Weitz (1992).

- **Common Method Variance :** Scholars (Chang, Witteloostuijn, & Eden, 2010; Podsakoff, P.M., MacKenzie, Lee, & Podsakoff, N.P., 2003) are of the view that common factor variance can be an issue in scales measuring multiple constructs. Chang et al. (2010) stated that false correlations can be created if the respondents provide similar answers to questions that are unrelated, leading to type I and type II errors.

Three approaches were deployed to address this concern, first, some of the items on the questionnaire were reverse coded ; second, respondents were assured of anonymity and lastly, Harman's one-factor (or single-factor) test was used to affirm whether variance in the data could be principally attributed to one factor (Chang et. al, 2010). On factor analyzing the data, it was observed that the first dimension accounted only for 20% of the variance, as this figure did not exceed 50%, the issue of common factor variance stood resolved (Podsakoff et al., 2003).

- **Internal Consistency and Validity :** Internal consistency was checked using Cronbach's alpha. Based on the heuristics given by George and Mallery (2003), with the exception of the product dimension, the internal consistency of the items of the constructs was in the "good" to "acceptable" range. The items which did not relate well with the construct were deleted from the final analysis. Cronbach's values are given in the Table 1. Face and content validity was established by two experts, one from academia and one from the industry. According to Bhattacherjee (2012, p.60), "convergent validity and discriminant validity may be assessed jointly for a set of related constructs." Adopting the procedure followed by Reukert and Churchill (1984), the correlation of each item under a dimension, with the total score for each dimension was calculated (Table 2). These item-to-total correlations were scrutinized to determine firstly, whether each item correlated largely with one dimension; secondly, in case an item correlated with more than one dimension, whether the correlation of each item with the total score for the dimension to which it was theorized to be appropriate was higher than its correlation with the total score for any other dimension. It was observed that no item had a statistically significant higher correlation with any dimension other than the dimension to which it was supposed to belong (based on theory).

Campbell and Fiske (1959) maintained (as cited in Reukert & Churchill, 1984, p. 231), that "discriminant validity requires that the correlations between measures designed to capture the same construct be greater than correlations

Table 1. Statements, Dimensions, and Reliability of Scale used to Measure Satisfaction and Commitment

Dimension	Statement	Cronbach's Alpha	Mean	*S.D*
Social Interaction		**0.618**	**3.5**	**0.63**
SI 1	My company's sales representatives have my best interests in mind when they make a suggestion.		3.5	1.1
SI 2	My company's sales representative does not know his products very well.		3.1	1.1
SI 3	Company's sales people are helpful.		3.9	0.66
SI 4	My manufacturer's sales representative is not well organized.		3.2	1.05
SI 5	My manufacturer's sales representatives are always willing to help me if I have a problem.		3.8	0.98
Product Satisfaction		**0.512**	**3.39**	**0.54**
PS 1	**The manufacturer's products are asked for by our customers.**		**3.8**	**0.94**
PS 2	The manufacturer's products are good growth opportunity for my firm.		3.9	0.76
PS 3	The manufacturer's products are not well known by my customers.		3.4	0.93
PS 4	My customers are willing to pay more for manufacturers' products.		2.4	0.93
PS 5	I would have a difficult time replacing the manufacturer's products with similar products.		3.3	1.05
Financial Satisfaction		**0.678**	**3.31**	**.70**
FS 1	Manufacturer's everyday margins are lower than the industry margins.		3.5	0.99
FS 2	The manufacturers provide very competitive margins on their products.		3.1	0.96
FS 3	**There is poor return for the amount of space I have given to the manufacturer's products.**		**3.3**	**1.04**
FS 4	Some of the manufacturers' products are not worth carrying because their margins are too small.		3.2	0.94
Advertising Assistance		**0.825**	**2.18**	**.76**
AA 1	Manufacturers should have a better cooperative advertising program.		2.2	0.94
AA 2	**Manufacturers should provide better cooperative advertising allowances.**		**2.9**	**1.04**
Other Promotional Assistance		**0.815**	**2.70**	**.96**
PA 1	The manufacturer conducts excellent consumer promotions.		2.7	1.07
PA 2	**The manufacturer provides adequate promotional support for their products.**		**2.7**	**1.03**
Commitment		**0.653**	**3.95**	**0.62**
C 1	I treat the relationship as a long-term association.		4.1	0.83
C 2	I am committed to the business relationship.		4.08	0.56
C 3	I am willing to make long-term investments for the partner firm.		3.7	1.1

Source: Primary Data

Table 2. Correlation Analysis to Establish Convergent and Discriminant Validity

Statement	Dimensions					
	Social Interaction	Product Satisfaction	Financial Satisfaction	Advertising Assistance	Promotional Assistances	Commitment
SI 1	.740**	0	-0.114	-.617**	0.181	0.075
SI 2	.524**	.395**	-0.018	-.350*	-0.124	-0.11
SI 3	.634**	-0.229	-0.022	-.606**	0.272	0.076
SI 4	.521**	0.017	-.378**	-0.2	0.007	0.069
SI 5	.793**	-0.185	-0.203	-.605**	0.201	0.226
PS 1	0.049	.795**	-0.013	0.117	-.307*	0.071
PS 2	0.272	.725**	0.015	-.289*	-0.073	0.044
PS 3	-0.125	.461**	0.135	0.173	-0.217	0.085
PS 4	-0.166	.492**	0.244	0.223	-0.184	0.274
PS 5	0.112	.492**	0.088	-0.1	0.12	0.104
FS 1	-.334*	0.103	.777**	0.111	-0.225	.508**
FS 2	-0.183	-0.057	.458**	0.027	0.162	0.083
FS 3	-0.044	0.175	.781**	-0.101	-0.214	.464**
FS 4	-0.093	0.236	.762**	0.004	-0.03	.461**
AA 1	-.684**	0.123	0.028	.883**	-.323*	0.003
AA 2	-.695**	0.013	0.006	.963**	-0.197	-0.14
PA 1	0.093	-0.184	-0.03	-0.246	.943**	-0.067
PA 2	0.18	-0.229	-0.188	-0.243	.936**	-0.082
C 1	0.267	.281*	0.174	-0.199	-0.233	.672**
C 2	-0.084	0.18	0.231	0.187	0.002	.473**
C 3	0.092	0.139	.424**	-0.188	-0.027	.677**

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Source: Primary Data

involving those measures and other constructs." Hence, the measures can be said to possess both convergent validity and discriminant validity.

Analysis and Results

The data analysis for testing the hypotheses was carried out in two stages. In the first stage, the hypothesis relating Commitment as the dependent variable and Dimensions of Satisfaction as independent variables was tested using regression analysis. In the second-stage, One-way ANOVA was carried out to assess the difference in the levels of satisfaction with domestic and international companies.

➯ **Regression Analysis :** This section analyzes the proposition that high levels of Channel Member Satisfaction will lead to high levels of Commitment. The multi-item scales used to operationalize the dependent and independent variables are listed in the Table 1. To apply multiple linear regression, the specifications are as follows:

Distributor Commitment = β0 + β1 (Social Interaction) + β2 (Product Satisfaction) + β3 (Financial Satisfaction)+ β4 (Cooperative Advertising) + β5 (Other Promotional Assistances) + ε1.

Preliminary analysis using scatterplots and Pearson's correlation revealed that the assumptions of linearity and homoscedasticity were fulfilled, and the associations were found to be significant at $p > 0.05$. In the subsequent step, to identify which dimension of distributor satisfaction exerted significant influence on distributor commitment, regression analysis was carried out. A scrutiny of the results in the Table 3 shows that a significant relationship was observed between Commitment and the Financial dimension of satisfaction, $R^2 = 0.370$, $p < 0.05$. This indicates that financial satisfaction strongly influences distributor commitment, and explains 37% of the variability in commitment. None of the other dimensions showed a significant relationship with commitment. A significant value of the F statistic indicates a model fit, that is, the regression model is a significant predictor of commitment. A small value of standard error, relative to the beta indicates that other samples from the same population are likely to have similar betas. The multicollinearity diagnostics are shown in the Table 3. It can be seen that the tolerance value is towards the higher side, and VIF does not exceed the recommending limit of ten. A beta value of 0.551, that is, a non-zero value, implies that financial satisfaction makes a significant ($p < 0.05$) contribution to the prediction of commitment. Therefore, the null hypothesis $H_0 1$ stands rejected.

Table 3. Predictors of Commitment - Regression Analysis Results

Dependent Variable	Independent Variable	Unstandardized Regression Coefficients (ß)	*T* -value	Significance Probability	TV	VIF
Commitment	Constant	.333	.287			
	Social Interaction	.327	1.886	.073	.385	2.599
	Product Satisfaction	.088	.618	.504	.904	1.103
	Financial Satisfaction	.551*	4.745	.000	.836	1.197
	Advertising Assistance	.103	.797	.430	.390	2.563
	Other Assistance	-.002	-.029	.977	.878	1.139
	R^2	0.37				
	adjusted R^2	0.300				
	F	5.291		.001		
	Sample Size	50				

* Beta co-efficient is the unstandardized regression co-efficient which allows comparison of the relatives on the dependent variable of each independent variable.

Source: Primary Data

- **One-Way ANOVA :** In the second stage, the hypothesis related to the satisfaction of channel members with Indian and foreign manufacturers was tested using One-way ANOVA. This was done after ascertaining that the data fulfills the assumptions of homogeneity of variances and normality. The test results indicate that channel member satisfaction with foreign manufacturers differs significantly (F (1,48) = 8.792, $p < .01$) from satisfaction with Indian manufacturers. Hence, the null hypothesis H02 stands rejected. Hence, the channel member satisfaction with foreign manufacturers was higher than that with domestic manufacturers.

Conclusion

To examine the relationship between manufacturers and distributors in the pharma industry, correlation analysis, regression analysis, and analysis of variance were used. The results indicate that associations where the financial satisfaction is high are likely to demonstrate high levels of commitment. The second conclusion derived is that there was higher satisfaction with foreign manufacturers as compared to domestic manufacturers. The reasons for these outcomes must be analyzed.

Indian pharma manufacturers are deeply entrenched in the generic drug industry with strong process reengineering capabilities; consequently, they are able to compete on equal footing with MNCs on levels of production; nevertheless, they lag behind on value added activities like marketing and distribution, which are crucial for global competitiveness (Pradhan, 2006). The outcomes of the study were not unexpected as the Indian distribution sector is in nascent stages of development, where short-term financial gains are valued above long-term relationship value. In situations of high competition, each manufacturer tries to compete with the other, especially in terms of credit and margin given to the distributors; however, in the pharma industry, the prices of and the margins on medicines are majorly decided by the National Pharmaceutical Pricing Authority (NPPA). From 2006 onwards, there has been a trend of reducing drugs under price control. Currently, in the Indian market, prices are the lowest in the world, at almost 10% of U.S. prices. Though this benefits the common man, the lack of market driven mechanism hinders industry growth and development. The only scope left for manufacturers is to compensate stockists with additional trade offers, who in turn focus on discounts, and tend to hoard offers. In brief, they tend to focus only on short-term financial gains. The channel collaboration is more on margin, credit, and stock levels, rather than on value creating partnerships.

In the existing system, NPPA permits up to 100% MAPE (maximum allowable post-manufacturing expenses) in all cases of indigenous products, and 50% on imported ones. However, with the new guidelines expected to be in place soon, companies would have to submit data on post-manufacturing expenses, on the basis of which NPPA would approve MAPE, not exceeding 100% (Dey, 2012). This would further complicate the picture for pharma companies, which as it is, are lacking in post-production competencies of marketing and distribution.

The Indian pharmaceutical industry has achieved a high level of growth performance and a scale that is comparable to the global peers; however, a large portion of it is in the unorganized segment, of which most are medium or small-sized units. Added to this, limited progression in regulatory reforms and existence of strong opposition from lobbies of traders complicate the picture further. Even though there has been a rapid surge in the number of stockists and drugstores in the last two decades, there has not been a proportional increase in the volume of prescriptions distributed. This clearly demonstrates the inefficiency of the current system (Langer & Kelker, 2008).

There are some other factors which emerged during informal discussions with the druggists ; though these factors cannot be captured by statistical analysis, these are pertinent to research and the body of knowledge. The Indian pharma industry is fragmented not only at the level of large manufacturing companies, but more so at the channels. There is no exclusivity on either end. Demand is driven purely by physicians' prescriptions, which are communicated both upstream and downstream from the retailer to the manufacturer. Promotional efforts are directed only towards the prescribers with little or no attention given to channel members. The distributors and stockists are aware that they cannot have any influence on generating demand; hence, they function on pushing volumes of commonly prescribed products. They are however wary of unbranded, less expensive generics, even though these offer higher margins. Another important issue is the price control of essential drugs, the druggists state that the efforts to control prices would be successful if a concomitant monitoring of unreasonable combinations of drugs is also undertaken, as this would prevent drug manufacturers from circumventing the price control. Unless this is done, the ultimate consumers will continue to be disadvantaged.

Managerial Implications

The results of this study do convey the perception that financial terms are foremost in the minds of the channel members; however, this in no way implies that other dimensions including social interaction are of no consequence. Some of the distributors, during the course of the interviews, did voice their concern regarding the prospecting policies of the pharma companies. Marketers are advised to engage in activities and initiatives that endorse feelings of affiliation and trust among the distributors. As the distributors are qualified pharmacologists, these can also be an invaluable forum for gaining insight of the market pulse. Another recommendation is that companies should organize symposiums and conferences for distributors, and involve them in new-product launches, just as they do with medical practitioners. These too would create an atmosphere of positive affiliation and affective commitment. Pharmaceutical companies must also undertake integrated IT solutions in SCM to streamline flow between manufacturing facilities; this would augment transparency, keep inventories at optimum levels, and improve distribution.

Scope for Future Research

Future research should be directed at including other variables and other aspects of supplier - customer interactions which drive channel member satisfaction and commitment, such as, flexibility, adaptation, goal synergy, relationship dissolution costs, and switching costs. The same study could be undertaken with the inclusion of distributor characteristics such as risk taking ability, size of distributorship, tenure of relationship, and so forth. Although the proposed model has the potential of being applied to complex producer-supplier relationships in other industries, it must be borne in mind that the results are relevant only to a very specialized and distinctive sector. Moreover, within the pharma industry itself, there are diverse therapeutic segments, which have varied product and customer dynamics, therefore, separate research may be required for these. This study is entirely from the perspective of the distributor, neglecting the nuances of the manufacturer. Dyadic relationships are best studied from a dual perspective (de Ruyter et al., 2001). Moreover, the perspective of a sales force, which functions as a link between the aforesaid channels could further complement the research. Besides, this study has been undertaken in the urban milieu, whereas rural distributions have entirely different dynamics that should be explored. The Indian pharma sector is distinct and dissimilar from other industries. Development of an original scale is critical to the effective analysis of this highly diverse and complex industry.

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