We demonstrate the critical need to recognize the presence of two different types of satisfaction for effective channel governance—economic satisfaction, that is, a channel member’s evaluation of the economic outcomes that flow from the relationship with its partner, and social satisfaction, a channel member’s evaluation of the personal contacts and interactions with its exchange partner. Measurement instruments permitting channel researchers to make the distinction between economic and social satisfaction are developed and tested. We provide evidence on the relevance of this distinction by showing that the two types of satisfaction occupy unique positions in a nomological network, as determined by differential relations with partner’s use of power and responses to channel relationship problems. The implications of these differences in effects are discussed and indicate that channel managers should be aware of the kind of satisfaction they are fostering in their channel counterparts.
channel member’s activities may produce economic satisfaction with its counterpart, while undermining the counterpart’s social satisfaction, or vice versa. Further, economic satisfaction and social satisfaction may have distinct consequential and interactive effects. Thus, by distinguishing the economic and social component of satisfaction, versus treating channel member satisfaction as a unidimensional construct, the role of satisfaction in managing effective long-term relationships may be understood better.

In this article, we develop and test measurement instruments permitting channel researchers to make this distinction. As the meta-analytical results from Geyskens, Steenkamp, and Kumar (1999) imply, the lack of such an instrument may have hampered theory development and led to disappointing results when applying satisfaction research results in practice. In an effort to provide evidence on the relevance of distinguishing between economic and social satisfaction, we relate the new satisfaction instruments to several important antecedents and consequences that theory suggests should be differentially related to economic and social satisfaction. The specific consequences explored are constructs that have received limited attention in the marketing channels literature, vis. responses to channel relationship problems, in order to expand the conceptual body of theory in this area. The specific antecedents explored are chosen to overlap with the partner’s power use constructs included in the Geyskens et al. (1999) meta-analysis to validate their meta-analytical results. We believe this validation is in order because, although Geyskens et al. (1999) aimed to study the distinction between economic satisfaction and social satisfaction, they were unable to capture social satisfaction well, due to limitations inherent to meta-analyses. In their meta-analysis, satisfaction measures containing at least 75% economic items were labeled ‘economic satisfaction’ whereas those measures containing at most 25% economic items (the remaining 75% items being either social or global in nature) were labeled ‘noneconomic satisfaction’. Consequently, Geyskens et al.’s (1999) noneconomic satisfaction is only a proxy for social satisfaction and a validation of their meta-analytical results using a ‘pure’ social satisfaction measure is called for.

The organization of this article is as follows. After defining the constructs of economic and social satisfaction, we propose how they occupy distinct positions in a nomological net as reflected in different hypothesized relations with partner’s use of power and responses to channel relationship problems. Subsequently, an instrument for the measurement of economic satisfaction and social satisfaction is developed, and the scales are validated in three samples of resellers from three different industries. Then, the nomological validity of the scales is assessed by testing the hypothesized relationships. We conclude with implications and directions for future research.

BACKGROUND AND RESEARCH HYPOTHESES

Definitions

To obtain comprehensive insight into the role of satisfaction in the development and maintenance of long-term channel relationships, the analysis of channel member satisfaction should distinguish between economic and social satisfaction.
Economic satisfaction is defined as a channel member’s evaluation of the economic outcomes that flow from the relationship with its partner such as sales volume, margins, and discounts. According to Geyskens, Steenkamp, and Kumar (1999, p. 224), “an economically satisfied channel member considers the relationship to be a success with respect to goal attainment. It is satisfied with the general effectiveness and productivity of the relationship with its partner, as well as with the resulting financial outcomes.” Researchers that have taken an economic view of satisfaction have defined it as a channel member’s response to the perceived discrepancy between prior expectations and profits (Brown, Lusch, and Smith, 1991), the degree to which a firm’s expectations concerning financial and behavioral goal attainment are met in the relationship (Brown and Frazier, 1978), and the degree of approval or disapproval of the role performance of the dyadic partner (Lewis and Lambert, 1991; Skinner and Guiltinan, 1985).

Social satisfaction is defined as a channel member’s evaluation of the psychosocial aspects of its relationship, in that interactions with the exchange partner are fulfilling, gratifying, and facile. A channel member satisfied with the social outcomes of the relationship “appreciates the contacts with its partner, and, on a personal level, likes working with it, because it believes the partner is concerned, respectful, and willing to exchange ideas” (Geyskens, Steenkamp, and Kumar, 1999, p. 224). Researchers that have considered satisfaction in more social terms have defined it as an evaluation of interaction experiences (Crosby, Evans, and Cowles, 1990; Scheer and Stern, 1992), the extent to which social interactions are gratifying (Dwyer and Gassenheimer, 1992; Gassenheimer and Ramsey, 1994), and a reflection of the psychosocial well-being of the firm (Gassenheimer et al., 1994).

Insight can be obtained from assessing both economic and social satisfaction, because they are conceptually distinct, created through different practices, and has a different impact on channel relationships. Failure to distinguish between these two types of satisfaction will lead to contradictory research results and will reduce the firm’s ability to effectively manage channel relationships. We now develop a nomological model involving partner’s power use, economic and social satisfaction, and responses to relationship problems that we will use to demonstrate the relevance of distinguishing between economic and social satisfaction.

Effects of Partner’s Power Use on Economic and Social Satisfaction

Partner’s use of power has been identified as one of the most important determinants of channel member satisfaction (Geyskens, Steenkamp, and Kumar, 1999). Use of power (also referred to as influence strategies) can be conceptualized as an exercise of a coercive versus noncoercive power base (cf. Gaski and Nevin, 1985) in a contingent or noncontingent way (Scheer and Stern, 1992). Thus, there are four types of power use constructs as explained by Scheer and Stern (1992): contingent use of noncoercive power, noncontingent use of noncoercive power, contingent use of coercive power, and noncontingent use of coercive power. The use of a noncoercive power base involves rewards and assistances, the bestowal of consequences that are evaluated as desirable; the use of a coercive power base involves punishment, the bestowal of aversive consequences.
In a contingent influence attempt, the partner signals explicitly that it mediates positive or negative consequences that it will bestow contingently after the focal channel member’s behavioral responses. When the partner attempts contingent use of noncoercive power, it indicates that an available reward will be provided only if the focal channel member complies with its requests. When the partner attempts contingent use of coercive power, it links punishment with the focal channel member’s noncompliance.

In a noncontingent power use attempt, the partner again mediates consequences for the focal channel member but it bestows those consequences unilaterally in the hope that its counterpart will subsequently adopt the behavior sought by the partner. When the partner attempts noncontingent use of noncoercive power, it solicits the focal channel member’s compliance through the unconditional provision of rewards. The partner attempts noncontingent use of coercive power when it unilaterally provides punishment without prior warning in the hope of modifying the focal channel member’s behavior.

In general, the use of noncoercive power by the partner firm—whether contingent or noncontingent—increases the channel member’s economic satisfaction. The more rewards that flow to a channel member from the relationship with its partner, the higher its economic outcomes (Busch, 1980; Wilkinson, 1979), and thus also its economic satisfaction. On the other hand, the contingent or noncontingent use of coercive power by the partner should decrease the channel member’s economic satisfaction. Channel “firms often perceive some cost in complying with their partner’s threats” (Anderson and Narus, 1990, p. 46), and punishments generally decrease the channel member’s outcomes (Scheer and Stern, 1992). Hence, the use of punishment should decrease the focal channel member’s economic satisfaction. Thus, we hypothesize:

**H1:**

a. The use of noncoercive power by the partner (whether contingent or noncontingent) increases the focal channel member’s economic satisfaction.

b. The use of coercive power by the partner (whether contingent or noncontingent) decreases the focal channel member’s economic satisfaction.

Social satisfaction should not only be affected by the power base that is exercised but also by the way in which the power use attempt is presented—contingently or noncontingently. Consistent with the common presumption that individuals function most happily when they are guiding their own behavior (see Kohn, 1993), we hypothesize that the contingent exercise of noncoercive power has a negative effect on social satisfaction. When a contingent reward is provided, this “causes the unpleasant experience of being controlled by others” (Eisenberger and Cameron, 1996, p. 1153). As a consequence, the focal channel member’s sense of autonomy and intrinsic motivation are likely to be undermined by the external explanation for the behavior (Eisenberger and Cameron, 1996; Scheer and Stern, 1992), as will its social satisfaction (Frazier and Summers, 1986; Lusch, 1977). Noncontingent use of noncoercive power, or the provision of rewards without the stated contingency, has a positive effect on the channel member’s sense of social satisfaction (Eisenberger and Cameron, 1996). It promotes the focal channel member’s
belief that it is acting autonomously and increases its intrinsic motivation (Ryan, Mims, and Koestner, 1983). The use of coercive power by the partner, whether contingent or noncontingent, should have a negative effect on social satisfaction because channel members do not appreciate interactions with parties that punish them. Therefore:

H2: a. *The contingent use of noncoercive power by the partner decreases the focal channel member’s social satisfaction.*

b. *The noncontingent use of noncoercive power by the partner increases the focal channel member’s social satisfaction.*

c. *The use of coercive power by the partner (whether contingent or noncontingent) decreases the focal channel member’s social satisfaction.*

**Effects of Economic and Social Satisfaction on Responses to Relationship Problems**

Previous research has given considerable attention to the effects of channel member satisfaction on positive outcomes like trust and commitment (see e.g., Geyskens, Steenkamp, and Kumar, 1999). The role of satisfaction in responses to channel relationship problems has received much less attention (a notable exception is the work by Ping 1993, 1997) although this has been an important theme in the history of research on organizational behavior (e.g., Farrell, 1983; Withey and Cooper, 1989). Probably, the recent and valuable emphasis on relationship marketing has resulted in a downplaying of the darker side of channel relationships. However, problems and even dissolutions in long-term relationships are actually quite common (Ping, 1993). We argue that how the channel member will respond to relationship problems will be influenced by its economic and social satisfaction with the partner.

Even the best of channel relationships may suffer from occasional problems. Channel members can respond in four major ways to these relationship problems: (1) *exit*—ending the relationship; (2) *voice*—actively and constructively expressing and discussing one’s problems with the intent of trying to improve conditions; (3) *loyalty*—remaining silent, confident that the problematic relationship conditions will get better by “giving things some time”; and (4) *neglect*—passively allowing the relationship to deteriorate by “letting things fall apart” (Hirschman, 1970; Ping, 1993; Rusbult, Zembrodt, and Gunn, 1982). These response strategies differ from one another along the dimensions of constructiveness versus destructiveness and activity versus passivity (see Figure 1). Voice and loyalty are constructive responses that are generally intended to maintain or revive the current relationship. Exit and neglect tend to be destructive in regard to the future of the current relationship. On the second dimension, exit and voice are active mechanisms through which channel members attempt to deal with problematic incidents and do something about the relationship, whereas loyalty and neglect are more passive and diffuse (Rusbult et al., 1988).
Increases in the level of economic satisfaction make economic exchanges with the partner more valuable perceptually (Frazier, 1983; Thibaut and Kelley, 1959). As its economic satisfaction increases, a channel member should respond positively to relationship problems (by working with the partner firm—voice, or by not rocking the boat—loyalty) and thereby help ensure its future revenues and resulting economic satisfaction (Ping, 1997). In these circumstances, channel members should be disinclined to exhibit responses that are destructive to the relationship, such as reduced contact with the partner firm (neglect) or exiting (Lewis and Lambert, 1991), because there is much to lose if these destructive responses would lead to relationship termination (Rusbult et al., 1988). Hence, the following hypotheses are posited for the effects of economic satisfaction on constructive and destructive response strategies:

**H3:** In the face of occasional relationship problems, increases in economic satisfaction

a. encourage constructive response strategies (voice and loyalty).

b. discourage destructive response strategies (exit and neglect).

Increases in social satisfaction also encourage constructive responses and discourage destructive responses when problematic incidents occur. When channel members are highly socially satisfied, “they have at least one reason to think that recovery is possible” (Withey and Cooper, 1989, p. 523). Channel members who are happy in their current relationship are more likely to stay and be supportive or work to improve things than would channel members who do not have this basis for hope. When no such basis for hope exists, we expect that channel members will not work to improve things, choosing instead to withdraw into exit and/or neglect (Rusbult et al., 1988; Withey and Cooper, 1989). We hypothesize:
H4: In the face of occasional relationship problems, increases in social satisfaction

a. encourage constructive response strategies (voice and loyalty).

b. discourage destructive response strategies (exit and neglect).

It should not be ignored that channel relations are primarily economic relations, in that channel members depend on the economic outcomes of the relation for survival and growth (Dwyer, Schurr, and Oh, 1987; Lewis and Lambert, 1991). Two routes involving relationship satisfaction are offered regarding how channel survival and growth can be accomplished—(1) directly, by building high levels of economic satisfaction, or (2) indirectly, by creating high levels of social satisfaction.

Economic satisfaction directly impacts channel survival and growth as it deals with economic outcomes. Hence, when economic satisfaction is high, channel members will be inclined to engage in constructive responses and disinclined to engage in destructive responses in reacting to a given problematic situation, relatively regardless of their level of social satisfaction.

Channel survival and growth can also be accomplished indirectly, by creating high levels of social satisfaction. If economic satisfaction is low, this is one alternative to salvage the channel relationship in the face of relationship problems. Channel theory holds that if a channel’s intermediate relational (or process) outcomes improve, so too will its economic outcomes (Ambler, Styles, and Wang, 1999; Ross, Anderson, and Weitz, 1997). More specifically, social satisfaction positively influences the channel member’s commitment (Geyskens, Steenkamp, and Kumar, 1999). Conceptual and empirical evidence favors the conclusion that commitment enhances the functioning of a distribution channel and makes channel members economically “better off” (Anderson and Narus, 1990; Kumar, Hibbard, and Stern, 1994; Stern and El–Ansary, 1992). Hence, greater social satisfaction is expected to increase observable economic outcomes, apart from the psychological value that arises from positive interactions. Thus, when economic satisfaction is low, social satisfaction will play an increasingly important role, as the social and process aspects of business relations are of key importance for the future economic outcomes of these relations (Dwyer, Schurr, and Oh, 1987; Kumar, Scheer, and Steenkamp, 1995; Morgan and Hunt, 1994). Put differently, if economic satisfaction is low, channel members that are higher in social satisfaction should evidence a stronger tendency to respond to specific problems with voice or loyalty, and display a weaker tendency to react with exit or neglect than channel members that are lower in social satisfaction.

Thus, we hypothesize an interaction effect between economic satisfaction and social satisfaction positing that as economic satisfaction increases, the influence of social satisfaction on shaping responses to relationship problems is reduced.

H5: Economic satisfaction moderates the effects of social satisfaction on constructive and destructive response strategies. As economic satisfaction increases, the importance of social satisfaction decreases.
MEASURING ECONOMIC AND SOCIAL SATISFACTION

In this section, we describe the development of scales for the measurement of economic satisfaction (ES) and social satisfaction (SS). Our instruments are developed according to the general approach offered by Churchill (1979) and Steenkamp and Van Trijp (1991).

Item Generation

To establish content validity, the development of a comprehensive and representative set of economic and social satisfaction items is described.

Overview

In the first stage of item generation, a set of 50 items was created by eliminating redundancy from items derived from four sources: (1) satisfaction scales used by marketing channel researchers; (2) satisfaction scales from studies in other marketing contexts, including studies on consumer and salesforce satisfaction; (3) satisfaction scales used in the management literature; and (4) satisfaction scales from social psychology and sociology. To ensure that key items were not missing, item generation was aided by a number of interviews with selected channel members. In the second stage, this set of items was pretested using the Anderson and Gerbing (1991) procedure to predict which items would be likely to work out as planned and which ones would not in a subsequent empirical construct validity assessment.

First Stage

Depending on the specific context of the study, researchers differ on which elements they see as comprising economic satisfaction. Nevertheless, financial aspects appear consistently in research on economic satisfaction in marketing and organizational settings. We retrieved eight financial items from published marketing satisfaction scales, and eight more from satisfaction scales used in the management literature. These items measure satisfaction with financial indicators typically employed in business research, such as profitability, sales volume, and cost position (e.g., Dwyer and Gassenheimer, 1992; Price, 1991). However, Anderson (1990) has argued convincingly that the evaluation of economic outcomes requires measuring the extent that a firm has achieved its short- and long-term objectives, and financial criteria are only one of these objectives. Inspired by existing economically flavored channel member satisfaction scales, we supplemented the sixteen financial items with three indicators of the partner’s sales and marketing support (e.g., Dwyer and Gassenheimer, 1992; Schul, Little, and Pride, 1985), and two measures of logistical performance (e.g., Price, 1991; Skinner and Guiltinan, 1985). Based on the
management literature, we further added four items to measure the extent that a channel member has achieved its general objectives of effectiveness, efficiency, and productivity.

In a similar vein, items used in the measurement of social satisfaction were first culled from satisfaction scales used by marketing channel researchers. These contributed a total of eight items, and captured an evaluation of the supplier’s friendliness, helpfulness, and willingness to exchange ideas in its interactions with the focal channel member (e.g., Ruekert and Churchill, 1984; Schul, Little, and Pride, 1985). The element ‘willingness to exchange ideas’ also appeared consistently in satisfaction scales used in the salesforce literature (e.g., Churchill, Ford, and Walker, 1974). In addition, salesforce satisfaction scales comprised items capturing the supplier’s tactfulness. The salesforce literature added a total of five unique items to our item set. Other items for the measurement of social satisfaction were culled from studies on marital satisfaction, where considerable research has refined and validated the original Dyadic Adjustment Scale developed by Spanier (1976), and the Marital Satisfaction Scale developed by Roach, Frazier, and Bowden (1981). These contributed a total of twelve unique items, capturing the partner’s behavior during interactions, such as the partner’s agreeableness, supportiveness, and irritatingness (reversed) in interacting. The result of the first item generation stage left 50 candidate satisfaction items, 25 for each dimension of satisfaction.

Second Stage

To maximize the probability that our scales faithfully sampled the domain of the satisfaction constructs as defined, thirteen marketing doctoral students were used as expert judges in an item-sort task to assess the face validity of the items (Anderson and Gerbing, 1991). The judges were given the conceptual definitions of economic satisfaction and social satisfaction and then asked to assign each of the 50 items (which were randomly ordered) to the construct that, in their judgment, the item best indicated. After an assignment decision had been made for each item, the judges were asked to go back and look over, in turn, each concept and the items that they had assigned to it, and to make any changes in assignment that they thought were needed. Only items classified correctly by at least eleven of the thirteen judges were retained, thereby leaving 24 economic satisfaction and 22 social satisfaction items for the study.

Scale Development

The objective of this phase in the measurement development process was to develop economic and social satisfaction scales

1. with items that represent their hypothesized component, as reflected in high loadings on this component;
2. with items that do not confound the two components, as reflected in low cross-loadings;
3. with items covering the two components in as many different shades as possible; and
4. of sufficient brevity to be of practical use to marketing channels researchers when approaching time-harassed channel members.

A questionnaire containing the economic and social satisfaction items was administered to a sample of barkeepers reporting on their relationship with their supplying brewery. Barkeepers were drawn from Flanders (Belgium). All measures were collected through personal interviews. Where personal interviews could not be conducted, questionnaires were dropped off and later completed by the barkeeper. Economic and social satisfaction were scored on seven-point scales, ranging from strongly disagree (=1) to strongly agree (=7). A total of 179 barkeepers provided usable responses.

Item-total correlations were computed for the 24 economic satisfaction and 22 social satisfaction items, and items that did not correlate significantly better with the hypothesized than the nonhypothesized component were eliminated (Ruekert and Churchill, 1984). This left us with twenty economic satisfaction and eighteen social satisfaction items. A principal components analysis with PROMAX rotation led us to eliminate twelve more economic satisfaction and nine more social satisfaction items that did not load highly on the hypothesized factor or that cross-loaded to a significant extent on the other factor. This left eight economic satisfaction and nine social satisfaction items. Because we wanted to have as compact a scale as possible, with an equal number of economic satisfaction and social satisfaction items, three more economic items and four more social items (those that were most similar to another item already included in the scale) were eliminated, leaving five economic satisfaction and five social satisfaction items in our final scale.3

Next, a principal component analysis with PROMAX rotation was applied to the reduced set of ten items. The eigenvalues for the first five components were 6.93, 1.55, .39, .26, and .21. The ratios of the first and second, and the second and third eigenvalues are much higher than the ratio of any of two other adjacent eigenvalues, indicating a distinct scree at two factors. Also Horn’s parallel analysis, which is the most accurate method for selecting the appropriate number of factors (Zwick and Velicer, 1986), suggests two underlying factors. Applying the parallel analysis method following the procedure developed by Lautenschlager, Lance, and Flaherty (1989) produced these parallel analysis criterion values for the first five components: 1.41, 1.27, 1.17, 1.09, and 1.01. Two components had eigenvalues larger than the corresponding criterion eigenvalues. These results further support the hypothesized two-factor structure. The two-factor solution accounted for 84% of the variance in the measures. Each of the ten items had a loading exceeding .8 on its hypothesized factor, and there was evidence of simple structure in that none of the cross-loadings were greater than .2. The final ten-item scale that best meets our objectives is shown in Table 1.

Cross-Validation

The preceding analysis on the sample of barkeepers shows that the ten-item two-component scale has acceptable psychometric properties. However, the results reported
for the ES and SS scales may be upwardly biased because they are based on the sample on which the measures were developed (Steenkamp and Van Trijp, 1991). Therefore, the measures were cross-validated on two separate samples of resellers covering two different industries, using confirmatory factor analysis.

The ten items were administered to a sample of 193 butchers and a sample of 150 bakers, reporting on their major suppliers. Questionnaires were dropped off and later completed by the butchers and bakers. The typical butcher shop and baker shop were owner-operated businesses with relatively high levels of independence, as opposed to the barkeepers. Barkeepers were highly dependent on their suppliers because their brewery owns the premises of practically all barkeepers in Flanders. Channel relationships in the brewing industry are thus of a contractual nature similar to franchise relationships. On the other hand, channel relations involving butchers and bakers are looser. Although there are often long-term relations between butchers/bakers and their suppliers, these are not of a franchise nature. The variability resulting from covering three different industries with different vertical control patterns allows a thorough investigation of the extent to which the scales are stable across samples.

Cross-validation of ES and SS was conducted by evaluating the ten items in a

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Psychometric Properties of ES and SS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Standardized Factor Loadings</td>
</tr>
<tr>
<td></td>
<td>Validation Sample 1 (butchers)</td>
</tr>
<tr>
<td>Economic satisfaction</td>
<td>1. My relationship with this supplier has provided me with a dominant and profitable market position in my sales area.</td>
</tr>
<tr>
<td></td>
<td>2. My relationship with this supplier is very attractive with respect to discounts.</td>
</tr>
<tr>
<td></td>
<td>3. I am very pleased with my decision to distribute the supplier’s products since their high quality increases customer traffic.</td>
</tr>
<tr>
<td></td>
<td>4. The marketing policy of this supplier helps me to get my work done effectively.</td>
</tr>
<tr>
<td></td>
<td>5. This supplier provides me with marketing and selling support of high quality.</td>
</tr>
<tr>
<td>Social satisfaction</td>
<td>1. The working relationship of my firm with this supplier is characterized by feelings of hostility. (*)</td>
</tr>
<tr>
<td></td>
<td>2. This supplier expresses criticism tactfully.</td>
</tr>
<tr>
<td></td>
<td>3. Interactions between my firm and this supplier are characterized by mutual respect.</td>
</tr>
<tr>
<td></td>
<td>4. This supplier leaves me in the dark about things I ought know. (*)</td>
</tr>
<tr>
<td></td>
<td>5. This supplier refuses to explain the reasons for its policies. (*)</td>
</tr>
</tbody>
</table>

Note: Items marked with an asterisk are reverse scored.
two-factor LISREL model. An acceptable fit for this model is a frequently used criterion for assessing cross-validity (Steenkamp and Van Trijp, 1991). The following model fits were obtained: $\chi^2(34) = 74.73 \quad (p < .001)$, comparative fit index (CFI) = .95, and standardized root mean square residual (RMSR) = .06 for the sample of butchers; and $\chi^2(34) = 159.33 \quad (p < .001)$, CFI = .88, and RMSR = .05 for the sample of bakers. For both validation samples, all factor loadings were highly significant (minimum $t$-value was $8.4$), and the average standardized loading was a high .77. These findings support the convergent validity of the ES and SS scales. Table 1 reports the standardized factor loadings from the confirmatory factor analyses for the two validation samples.

The correlation coefficient between ES and SS was .56 in the sample of butchers and .46 in the sample of bakers. Both correlations are significantly below unity ($p$’s < .001), indicating that the two components of channel member satisfaction are related but not redundant. Moreover, we examined the distinctness of each component by determining whether any of the items on a dimension correlated higher with the other dimension than it did with its own. For neither of the two samples did any item correlate more highly with the nonhypothesized than the hypothesized component. In addition, if ES and SS were specified to load on the same factor, the increase in $\chi^2$ was highly significant (butchers: $\Delta \chi^2(1) = 181.39, p < .001$; bakers: $\Delta \chi^2(1) = 363.64, p < .001$). All three findings support the discriminant validity of ES and SS.

NOMOLOGICAL VALIDITY

To test the hypotheses and investigate the nomological validity of the economic and social satisfaction scales, information was obtained on the partner’s contingent and noncontingent use of noncoercive and coercive power, as well as the respondent’s use of the response strategies exit, neglect, voice, and loyalty. Data were collected in the butchers’ sample. See the Appendix for the items and reliabilities. The 16 power use items and 12 response strategy items were evaluated in an eight-factor LISREL model. The following model fit was obtained: $\chi^2(322) = 538.52 \quad (p < .001)$, CFI = .89, and RMSR = .06. All factor loadings were highly significant (minimum $t$-value was $5.7$) and substantial (minimum loading was $45$). Correlations for all variables in our nomological model are presented in Table 2.

Hypotheses Testing

Multiple regression analysis was employed to test the hypotheses. Table 3 reports the results for the effects of partner’s power use on economic and social satisfaction. Table 4 reports the results for the effects of economic and social satisfaction on responses to relationship problems.

Effects of Partner’s Power Use on Economic and Social Satisfaction

As hypothesized in $H_{1a}$, channel members with partners using noncoercive power exhibit higher economic satisfaction regardless of whether the noncoercive power is
exercised contingently (\(\beta = .284, p < .001\)) or noncontingently (\(\beta = .244, p < .001\)). The effect of the partner’s contingent use of coercive power on economic satisfaction is not significant (\(p > .10\)), whereas noncontingent use of coercive power by the partner (\(\beta = -.158, p < .10\)) decreases the focal channel member’s economic satisfaction. Therefore, we find partial support for H1b.

Social satisfaction is negatively affected by the partner’s contingent use of noncoercive power (\(\beta = -.131, p < .05\)), and positively by the partner’s noncontingent use of

---

**Table 2**  
Correlation Matrix of Economic Satisfaction, Social Satisfaction, Antecedents, and Consequences

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Economic satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Social satisfaction</td>
<td>.351</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Partner’s contingent use of noncoercive power</td>
<td>.273</td>
<td>-.238</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Partner’s noncontingent use of noncoercive power</td>
<td>.271</td>
<td>.324</td>
<td>-.008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Partner’s contingent use of coercive power</td>
<td>-.051</td>
<td>-.449</td>
<td>.355</td>
<td>-.410</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Partner’s noncontingent use of coercive power</td>
<td>-.128</td>
<td>-.438</td>
<td>.224</td>
<td>-.373</td>
<td>.788</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Voice</td>
<td>.197</td>
<td>.449</td>
<td>-.187</td>
<td>.233</td>
<td>-.463</td>
<td>-.457</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Loyalty</td>
<td>.314</td>
<td>-.232</td>
<td>.187</td>
<td>.018</td>
<td>.087</td>
<td>.031</td>
<td>-.134</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Exit</td>
<td>-.465</td>
<td>-.634</td>
<td>.077</td>
<td>-.202</td>
<td>.363</td>
<td>.420</td>
<td>-.412</td>
<td>-.008</td>
<td></td>
</tr>
<tr>
<td>10. Neglect</td>
<td>-.388</td>
<td>-.762</td>
<td>.143</td>
<td>-.307</td>
<td>.447</td>
<td>.402</td>
<td>-.426</td>
<td>.086</td>
<td>.772</td>
</tr>
</tbody>
</table>

---

**Table 3**  
Effects of Partner’s Power Use on Economic and Social Satisfaction

<table>
<thead>
<tr>
<th></th>
<th>Economic satisfaction</th>
<th>Social satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner’s contingent use</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of noncoercive power</td>
<td>.284*</td>
<td>-.131**</td>
</tr>
<tr>
<td>Partner’s noncontingent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>use of noncoercive power</td>
<td>.244*</td>
<td>.176**</td>
</tr>
<tr>
<td>Partner’s contingent use</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of coercive power</td>
<td>.073</td>
<td>-.160***</td>
</tr>
<tr>
<td>Partner’s noncontingent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>use of coercive power</td>
<td>-.158***</td>
<td>-.217**</td>
</tr>
<tr>
<td>(R^2)</td>
<td>.160*</td>
<td>.255*</td>
</tr>
</tbody>
</table>

*\(p < .001\),  
**\(p < .05\),  
***\(p < .10\).

Note: Reported are standardized regression coefficients.
noncoercive power ($\beta = .176, p < .05$), thereby confirming $H_{2a-b}$. Moreover, as hypothesized in $H_{2c}$, the use of coercive power by the partner, whether contingent ($\beta = -.160, p < .10$) or noncontingent ($\beta = -.217, p < .05$), decreases the focal channel member’s social satisfaction.

**Effects of Economic and Social Satisfaction on Responses to Relationship Problems**

Table 4 reveals a pattern that largely supports our hypotheses. Economic satisfaction increases loyalty ($\beta = .441, p < .001$), as expected, but has no significant effect on voice ($p > .10$). Social satisfaction increases voice ($\beta = .433, p < .001$), but, contrary to expectations, decreases loyalty ($\beta = -.412, p < .001$). Therefore, we find partial support for $H_{3a}$ and $H_{4a}$. As hypothesized in $H_{3b}$ and $H_{4b}$, increases in economic satisfaction discourage destructive response strategies (exit: $\beta = -.230, p < .001$; neglect: $\beta = -.087, p < .05$) and so do increases in social satisfaction (exit: $\beta = -.423, p < .001$; neglect: $\beta = -.592, p < .001$).

$H_3$ states that the effect of social satisfaction on responses to relationship problems decreases at higher levels of economic satisfaction. This implies that the sign of the coefficient of the interaction effect is the inverse of the sign of the main effect of social satisfaction. The results (Table 4) indicate that as economic satisfaction increases, the effect of social satisfaction on exit ($\beta = .364, p < .001$) and neglect ($\beta = .390, p < .001$) decreases. However, neither the interaction of economic satisfaction with social satisfaction on voice nor loyalty is significant ($p > .10$). Thus, $H_3$ is supported for the destructive response strategies but not for the constructive response strategies.

**GENERAL DISCUSSION**

Virtually all marketing channel studies to date have treated channel member satisfaction as a unidimensional construct. A meta-analysis, however, has recently revealed the critical need to

<table>
<thead>
<tr>
<th>Table 4</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Effects of Economic and Social Satisfaction on Responses to Relationship Problems</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Voice</strong></td>
</tr>
<tr>
<td>Economic satisfaction</td>
</tr>
<tr>
<td>Social satisfaction</td>
</tr>
<tr>
<td>Economic satisfaction</td>
</tr>
<tr>
<td>*Social satisfaction</td>
</tr>
</tbody>
</table>

* $p < .001$.
** $p < .05$.

Note: Reported are standardized regression coefficients.
recognize the presence of two different types of satisfaction for effective channel governance—economic satisfaction and social satisfaction (Geyskens, Steenkamp, and Kumar, 1999). In this article, we have developed and tested a new measure of satisfaction capable of providing information on the economic as well as the social component of satisfaction. Reliability and convergent validity of measures for each type of satisfaction were high. Generalizability across independent samples and discriminant validity between the measures of economic satisfaction and social satisfaction were established as well. These are encouraging results because the samples differed in industry, power structure, and other characteristics.

The distinctiveness of the economic and social satisfaction constructs is further supported by the fact that the two types of satisfaction are differentially related to a number of antecedents and consequences, as suggested by theory. The results for H1 through H5 directly illustrate the relevance of distinguishing the economic and social component of satisfaction versus treating channel member satisfaction as a unidimensional construct. We found that the partner’s use of noncoercive power increases a channel member’s economic satisfaction, regardless of whether the noncoercive power base is used contingently or noncontingently. Apparently, from an economic point of view, channel members mainly care that their outcomes increase, regardless of how this increase is brought about. Social satisfaction, on the other hand, is enhanced by the partner’s noncontingent exercise of noncoercive power, but is eroded by the partner’s contingent exercise of noncoercive power. Therefore, social satisfaction depends on the processes that underlie the partner’s noncoercive power use attempt. These findings challenge operant theories of leadership, which hold that the administration of positive reinforcers contingent upon subordinates’ behavior is essential to the shaping and maintenance of behaviors important to organizational success. According to our study, the partner’s contingent use of noncoercive power undermines the focal channel member’s social satisfaction, thereby decreasing voice and increasing exit, and as such may be detrimental to organizational and relationship success in the longer run.

As expected, coercive power use by the partner typically reduces both economic and social satisfaction. Overall, our findings for the effects of partner’s power use on economic and social satisfaction validate the meta-analytical results reported by Geyskens, Steenkamp, and Kumar (1999). There is one notable exception: partner’s contingent use of coercive power has no effect on the focal channel member’s economic satisfaction. Although we can only speculate as to the reason for this nonsignificant finding, it may suggest the presence of moderating effects. One potentially useful construct that might be added as a moderator in future research is performance. Arguably, the administration of aversive consequences upon noncompliance could be experienced as more negative by high performers than by low performers. If a reseller is a high performer, it may feel that it deserves more credit and, thus, that it is less deserving of contingent punishment (even if it did something wrong).

Economic and social satisfaction also were found to be differentially related to a number of important relationship consequences. Loyalty is built by economic satisfaction but actually is reduced by social satisfaction. It may make “economic” sense to take a passive stance in a relationship that yields high economic rewards that one does not want to jeopardize. However, passivity in the face of problems may not be acceptable when the relation is socially satisfying, calling for a more active, constructive response (voice). It is interesting to note that contrary to expectations, Ping (1993) found a nonsignificant effect of (overall) satisfaction on loyalty. This result might be explained by the notion that...
the opposing effects of the two types of satisfaction cancelled each other out. In our study, the absolute effects of economic and social satisfaction were of the same magnitude.

Voice was found to be affected by social satisfaction but not by economic satisfaction. Even though the best of channel relationships is characterized by occasional relationship problems, it is important to resolve these problems before they become chronic and have a destabilizing effect. This is best done by facilitating circumstances under which channel members are likely to actively discuss their problems (Ping, 1997). Our results indicate that this is better accomplished by working on the focal party’s social satisfaction than on its economic satisfaction. Suppliers wanting to stimulate voice (as well as to reduce the likelihood of destructive responses), may therefore want to consider directing resources toward the enhancement of social satisfaction as a matter of policy. Obviously, many factors can be involved to increase a channel member’s social satisfaction, but our research suggests that the way the supplier uses its power is a major factor. A shift in power use strategy from contingent to noncontingent noncoercive power use might have a much larger positive effect on the reseller’s social satisfaction than may be anticipated. Coercive power use should be avoided as much as possible.

Our study demonstrates that the likelihood of destructive response strategies (exit and neglect) is reduced by economic satisfaction as well as by social satisfaction. It also indicates that social satisfaction becomes more important in discouraging destructive response strategies in the face of lower economic satisfaction. When economic satisfaction is high, social satisfaction has only a weak effect on discouraging destructive responses; it is mainly the economic outcomes that count. However, when economic satisfaction is low, social satisfaction becomes increasingly important for the survival of channel relationships, and our findings indicate that increasing social outcomes for the partner becomes a very effective strategy for reducing exit and neglect.

Without knowing the interplay between economic satisfaction and social satisfaction, suppliers cannot effectively influence the likely response strategies of their resellers. Under what circumstances, then, might it make more sense for suppliers to devote more resources to improve their resellers’ economic satisfaction versus their social satisfaction, or vice versa? The present research suggests some guidelines. Obviously, suppliers should first and foremost concentrate on discouraging their resellers’ destructive response strategies. To this extent, they should closely monitor their resellers’ economic satisfaction, and enhance it if necessary and possible. Social satisfaction does not contribute to discouraging exit and neglect as long as economic satisfaction is sufficiently high. Some of the more important instruments for enhancing a reseller’s economic satisfaction are to provide it with high quality products (that the resellers’ customers like and come back for), attractive discounts, as well as high quality marketing and selling support. Once destructive responses are discouraged, increasing resellers’ social satisfaction can encourage the constructive response of voice. To enhance social satisfaction, suppliers should refrain from coercive power use, and shift from contingent to noncontingent noncoercive power use, as elaborated above.

However, circumstances may exist where resellers’ economic satisfaction is low and cannot be easily enhanced in the short run. Such situations can arise, for example, in new channel relationships or under severe competitive conditions (that, e.g., force suppliers to cut back on their margins). Our findings suggest that under such circumstances, suppliers may want to concentrate directly on their resellers’ social satisfaction. Social satisfaction
reduces destructive responses to current channel problems while stimulating voice. Moreover, enhanced social satisfaction increases relationship commitment (Geyskens, Steenkamp, and Kumar, 1999). These positive consequences of social satisfaction enhance the functioning of channel relationships, and thus help to overcome current economic dissatisfaction by increasing the potential for future relationship performance. As such, it may represent a viable strategy to suppliers to prevent their resellers from engaging in destructive responses if their economic satisfaction is low.

Collectively, our results for H1 through H5 imply that the use of global satisfaction measures, which combine economic satisfaction and social satisfaction items to different degrees, have masked different, and sometimes even opposite, effects of economic satisfaction versus social satisfaction. The interactive effects observed also cannot be captured in a global scale. The failure to distinguish between economic and social satisfaction may have impeded both theory development and application of satisfaction research results to date. As economic satisfaction and social satisfaction are distinctly different in nature, they should be studied separately—though preferably in combination—to better understand the role of satisfaction in managing effective long-term channel relationships.

Directions for Future Research

First, the results reported here need to be replicated and extended. The scales should be administered to samples from different industries. Second, future research should recognize the ways in which our theory and hypotheses are a reflection of the Western, individualistic culture in which they were developed and tested. For example, our assumption that channel members function most happily when they are guiding their own behavior may not be applicable to more collectivistic settings (cf. Iyengar and Lepper, 1999). Third, longitudinal studies are needed to study whether the role of economic and social satisfaction in channel relationships changes over time, and whether there are temporal aspects of responding to channel problems. It is possible that there are natural progressions in response mode, such that loyalty is more probable as an initial response than it is following another reaction, like voice. Finally, qualitative outcomes, such as satisfaction, will eventually lead to quantitative outcomes, such as performance (Ambler, Styles, and Wang, 1999). From a normative point of view, managers are more interested in assessing whether channel members are performing rather than focusing on whether channel members are satisfied. Therefore, we urge channel researchers to assess the performance implications of economic and social satisfaction.

Acknowledgment: The authors gratefully acknowledge the many constructive suggestions of the editor and the anonymous JR reviewers. Their assistance resulted in a vastly improved manuscript.

NOTES

1. Power use or exercise should be distinguished from power sources or bases. A firm can possess power without using it. In other words, the origin of power is not the same as its use (Gaski and Nevin, 1985).
2. An alternative way to conceptualize use of power is the one favored by Frazier and his colleagues where they distinguish between coercive and noncoercive influence strategies (e.g., Frazier and Rody, 1991). In Frazier’s work, the terms coercive and noncoercive do not refer to the base of power used, but rather to the effect of the strategy. Thus, promises and threats are both considered coercive influence strategies by Frazier even though one is a contingent use of noncoercive power whereas the other is a contingent use of coercive power and would in the Scheer and Stern (1992) approach fall in different categories.

3. We could have improved further on the psychometric properties of our measurement instrument artificially by selecting items that were more similar to each other (Churchill and Peter, 1984). However, as we wanted the whole domain of the construct adequately captured in the items, we used a scale refinement process that placed emphasis on retaining the richness or breadth of the focal constructs.

4. One-sided \( p \)-values were used given the directional nature of our hypotheses (Ferguson, 1981).

5. Main effects of social and economic satisfaction were mean-centered to reduce multicollinearity (Jaccard, Turrisi, and Wan, 1990).

### Measurement Appendix

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Cronbach’s ( \alpha )</th>
</tr>
</thead>
</table>
| Partner’s contingent use of noncoercive power (based on Scheer and Stern, 1992) | 1. When our firm complies with this supplier’s suggestions, we get more favorable treatment from this supplier.  
2. We receive benefits or services from this supplier when we follow their recommendations, but not when we disregard their recommendations.  
3. If we do what this supplier wants, they reward us.  
4. This supplier shares expertise and information only when we comply with their suggestions and plans. | .89 |
| Partner’s noncontingent use of noncoercive power (based on Scheer and Stern, 1992) | 1. This supplier freely offers its expertise to make our firm a stronger company and a better partner.  
2. This supplier provides information and/or assistances without requiring specific behavior in return from our firm.  
3. This supplier unconditionally shares important information with our firm.  
4. From our association with this supplier, we receive various rewards and benefits with no strings attached. | .78 |
| Partner’s contingent use of coercive power (based on Scheer and Stern, 1992) | 1. This supplier undermines or punishes our firm when we do not follow their guidelines and recommendations.  
2. If we don’t do what this supplier wants, this supplier provides poorer service and becomes difficult to work with.  
3. If our firm rejects this supplier’s suggestions, we will receive harsher treatment from this supplier.  
4. If we don’t do what this supplier wants us to do, they withhold resources and/or services that are important to our firm. | .68 |
### Measurement Appendix (continued)

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Cronbach’s α r’s</th>
</tr>
</thead>
</table>
| Partner’s noncontingent use of coercive power (based on Scheer and Stern, 1992) | 1. Without prior notice, this supplier withholds advice, information, or services that they previously provided to us.  
2. This supplier takes actions that have negative effects on us, but we can do nothing to prevent them.  
3. We never know when this supplier will hit us with some unexpected sanction such as delayed delivery, a canceled order, an added charge, etc.  
4. Even when we follow their guidelines, this supplier still takes some unilateral actions that damage our firm’s effectiveness or profitability. | .75 |
| Response strategies (based on Ping, 1993) | Even the best of channel relationships may suffer from occasional problems. Whenever our firm is confronted with a relationship problem, . . . | |
| Voice | 1. we try to discuss the problem with this supplier.  
2. we try to solve the problem by suggesting changes to this supplier.  
3. we talk constructively to this supplier about how we feel about the situation. | .73 |
| Loyalty | 1. we patiently wait until the problem fixes itself.  
2. we usually disregard it because problems always seem to work out themselves.  
3. we just remind ourselves that all butchers experience this kind of problem with their suppliers. | .66 |
| Exit | 1. we consider ending our relationship with this supplier.  
2. we think that we will probably stop doing business with this supplier in the next two years.  
3. we start making plans about working with another supplier in the near future. | .74 |
| Neglect | 1. we don’t plan anything to improve relations with this supplier and expect things will become worse.  
2. we decide to quit caring about this supplier and to let conditions get worse and worse.  
3. we passively let the relationship with this supplier slowly deteriorate. | .82 |

*Note: All items were measured on seven-point scales, with ‘strongly disagree’ and ‘strongly agree’ as the anchors.*

## REFERENCES


