Chapter 13
Channel Collaboration in E-commerce: A Study on Channel Relationship from the Perspective of Vendors Selling on Online Platforms, the E-retailers

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Abstract Businesses today are getting agile with the infusion of new age information and communication technologies. In order to achieve business excellence, firms must possess strategic flexibility. They should focus not just on launching innovative products and services but also focus on how to deliver it or how to make it available to the market. In order to ride the uncertainty of the business environment and the risk associated with the same, firms must have strategic flexibility in marketing, finance, operations, information technology, and supply chain. Marketing flexibility can be realized by having channel collaboration in the value chain so that the value chain become more adaptive, responsive and sustainable. Marketers, therefore, today are exploring all possibilities of inter or intra-firm collaborations and coming up with business solutions with the sole objective of creating customer value. One such collaboration which has transcended all business boundaries and is transforming the landscape of the business in the twenty-first century is e-commerce. Fuelled by the meteoric growth in the advancement of communication and information technology, e-commerce has come about as an important marketing channel, which firms can no longer ignore. Indian e-commerce is pegged to reach the staggering US $35 bn by 2020. These online exchanges through the Internet are bringing together buyers and sellers in an interesting manner, which has not been witnessed earlier. Amazon Flipkart, Snapdeal, and many others in their marketplace model have collaborated with a huge set of vendors across the country for supplying goods and services to the end consumer. Amazon and Flipkart had more than 1,00,000 registered vendors in January 2017!! In this context, this chapter attempts to investigate the nature of collaboration between the vendors and the e-retailers and identify important elements of their trade relationship which contributes to general satisfaction in this electronic channel relationship.

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13.1 Introduction

13.1.1 Overview of Indian E-commerce Industry

Information technology today is the backbone of any firm's strategic infrastructure. Managers are exploring all possible ways in which information technology can be used to link firms with their suppliers and channel partners. Electronic commerce or e-commerce is one such arrangement, where vendors or suppliers register with the e-retailer and get their products sold to end customers. E-commerce in India is witnessing an unparalleled growth rate, particularly in the past five years. Consider this; Amazon had pumped in Rs. 2,900 crores into Amazon Vendor Services, its single-biggest infusion into its Indian marketplace in 2017 when rival Flipkart garnered nearly $4 bn (about Rs. 26,180 crore) in funding. The third capital infusion of Amazon into its Indian arm—the Amazon Vendor Services took its total investment to Rs. 17,840 crore ($2.6 bn) more than double of Flipkart's Rs. 8,349 crore investment in its marketplace. Such size of investments confirms the serious interest the Seattle-based online retail giant has for the Indian market. In May 2018, there was yet another development in the Indian e-commerce space when Walmart acquired Flipkart for a staggering amount of $16 bn making it the world's largest e-commerce deal!

India is catching up and becoming one of the largest bases of Internet users in the world. It is expected to touch 500 mn by June 2018. According to Internet and Mobile Association of India (IMAI), Indian e-commerce industry is adding six mn new customers every month, and by the end of 2020, Indian e-commerce industry will generate $100 bn online retail revenue. As of now, Indian e-commerce is the fastest growing in the Asia-Pacific region with a CAGR of over 57% majorly driven by mobile penetration and the high-speed Internet, now available at affordable prices.

13.1.2 The Marketplace Model

E-commerce is bringing about a revolution and a fundamental change in channel relationships. While these online exchanges were infiltrating distribution channels at an alarming rate, the vendors did start feeling threatened of being cut out from the distribution channel. The e-retailers initially started with the inventory-based model, wherein they would stock the inventory and then deliver. But, with the legal as well as physical infrastructure constraints they were compelled to transform to the marketplace model. In the marketplace model, the e-retailers got registered with numerous vendors selling a variety of goods, for instance, electronic goods, fashion and apparels, household products, etc. All of these vendors provide a certain amount of stock to the e-retailer, but since the business model is a marketplace, the e-retailer does not store any of these products with itself rather that stock is with the registered vendor only near the destination pin code. However, that stock will be sold online via the e-retailer because they have agreed on doing so. Once a customer selects a particular product that is being sold by the vendor the e-retailer records that request and that request is initiated to the vendor. The vendor then sends the exact product to the e-retailer. Once the product reaches the e-retailer, it is then handed over to the logistics department of the e-retailer, most of the retailers have their own logistics firms while others have outsourced it to a professional logistics firm. The logistic department then packs the product and makes it transit ready and then the product moves out and reaches the customer. The customer may choose to pay once he/she receives the product, i.e., cash on delivery or the payment can be made online. Once the payment has been received, the e-retailer keeps its part of the commission and gives the rest to the vendor. The commission is obviously as per the agreed terms of the contract that's between the retailer and the vendor. The e-retailers are wooing their vendors by sharing their facilities (warehouses) for a fee, handling packaging, and delivery through its third-party logistics partners which enables them to deliver the shipment, the very next day.

An area of contention is reverse logistics or when a customer returns a particular product. The e-retailer charges commission on the return of sale resulting in a loss to the vendor. At times, the product which is returned is often counterfeit for which the vendor has already paid the commission. Due to the absence of quality checks on the product at the end of the e-retailer, such lapses end up escalating the cost for the vendor. So technically the vendors are more vulnerable, but they dust this off by saying that they get much greater demand through e-retailer's digital platform instead of just regional sales in offline mode. Vendors do not have much say in the profit sharing decision; price setting is based on mutual consent most of the time, but with so many vendors registered on the e-retailer, it is a case of perfect competition. The marketplace model is turning out to be a scalable model providing a win–win situation for brick and mortar and online retailers. The vendors have been logging rapid growth in their sales since their collaboration with e-retailer. In such a scenario, it will be interesting to go behind the scenes and study the perception of vendors for this set up and their general level of satisfaction with this collaboration. Are the vendors able to secure their position in this new distribution channel? This chapter will unveil the important drivers of the channel relationship and the possible areas of improvement in the e-retailer and vendors relationship.

13.2 Literature Review

13.2.1 Enablers for E-commerce

E-commerce has profoundly affected trade relationships and has created a paradigm shift in channel power as information technology continues to change the competitive landscape of the business. Palacios (2003) discussed that in a developing country there are many factors that can inhibit and drive the development of e-commerce and all of them should be analyzed with diligence as some of the factors manifest in the long run. Some of the basic factors affecting e-commerce are the creation of the legal framework that regulates the e-commerce industry, followed by improvement in the country's telecom infrastructure and the emergence of e-banking and e-governance that makes it more efficient. Once multinationals observe this kind of infrastructure is getting built and the serious intent of the government in developing a feasible environment, they feel secure and invest in e-commerce, and the industry unfurls. These trends were seen in Mexico, and similar trends were seen in India as well, back in the 2000s. In Mexico, the banking and finance industry was the most advanced sectors to adopt e-commerce to discharge their businesses, and the least advanced was the manufacturing sector. But the picture in the Indian context is quite different. The sector that adopted e-commerce in India very aggressively was the retail sector, and it is still growing at a rapid pace. Now almost all the sectors of the Indian economy are embracing e-commerce. Five propositions which were traced in literature include (i) Global forces are more powerful for the diffusion of e-commerce when compared to domestic forces, (ii) MSMEs or Micro, Small and Medium enterprises are least likely to use e-commerce, (iii) B2C e-commerce spreads rapidly than B2B e-commerce, (iv) the policies of the government are indispensable for the development of e-commerce as it promotes the level of technology provides the required infrastructure for mobile telephony and other communication services and also aids various telecommunication service providers, and (v) Lastly, a legal framework should exist so that the progress and shortcomings are continuously monitored thereby reducing the incidents of malpractices and securing all the stakeholders of the industry from any type of harm.

El Gawady (2005) found that the major factors which push the development of e-commerce in a country whether developed or developing are taxation, security of assets, profitability, content, privacy, and the level of contribution in developing international benchmarks. E-commerce is used by businesses and customers because it drastically reduces costs in terms of hours spent and work done to make the products and services reach the end consumer and finally complete the transactions. The e-commerce firms work diligently toward its goals while all the other firms that are not a part of the e-commerce industry will work hard to face competition and thus the productivity of the whole economy will increase.

Javalgi and Ramsey (2001) in their study stated that e-commerce and Internet have linked nations, organizations, and people operating at a local, regional, and national level. Thanks to the enormous rate of technological advancements, global e-commerce has reached every country of the globe. E-commerce is the exchange of goods, services, and information through seamless connectivity and speed. E-commerce is beneficial as it improves the allocation of resources, augments the relationship between various stakeholders, increases competitiveness, cuts costs, and increases the overall efficiency of the economy. For e-commerce to flourish in a country there are four sets of variables that should be there—(1) Computer and telecommunication infrastructure, (2) Commercial infrastructure, (3) Social/Cultural infrastructure, and (4) Government/legal infrastructure.

13.2.2 Marketing Channels

Luk (1998) discussed that channel structure forms the basis for market entry in the target overseas market. In their study of the Chinese market, they observed that the most common problem that all the MNCs face while they try to tap the Chinese market is the selection of a proper type of distribution channel that is to be used. The most widely present factor in context of size and geography is the diversities that exist between markets. A firm must use permutation and combination to a very large extent to come up with the most efficient distributive network. Once a distribution network is devised that is effective, it will be able to solve the issues that emerge out of a nation's environmental idiosyncrasies. Coelho and Easingwood (2008) discussed that marketing channels seldom change or if put in other words they react very slowly to the changes. Various factors come in play explaining this particular behavior of the distribution channels. The place mix is an integral aspect of a firm's positioning strategy and gives it a competitive edge. For a firm to retain its competitive edge, it should examine the mix of channels continuously so that changing customer needs can be accommodated. Distribution can be regarded as the most lethal weapon of a firm's arsenal. Numerous external factors have resulted in making it all the more significant. These factors are continuous pressures on competitive advantage; the distributor's ever-increasing power, low distribution costs, stress on growth, and new technical advancements. Past literature has emphasized that "channel design should be used as an integral part of a firm's attempts to gain a differential advantage in the market." Companies have made radical changes in their marketing channels and reorganized them by way of investments in new electronic channels, which are a part of their multichannel strategy. The magnitude of channel transformation is based on consumer's needs that are increasingly volatile, level of sophistication of the targeted customer, minimalist nature of the product, rapid changes in the external environment, force of competitors' strategies that might make the firm vulnerable, economies of scale, and the company size. Szopa and Pekala (2012) discussed that the distribution channel performs various functions such as the physical movement of products, transfer of ownership, transfer of information, risk bearing, negotiation, and realization of orders. These functions flow in both the directions that is manufacturer to the customer and from customer to the manufacturer. For instance, the product, its ownership and risk flows to the customer and payments, information of market flows towards the manufacturer (Mulky 2013). One inimitable source of strategic competitive advantage for a company is an exclusive distribution channel. However, to get a pitch, perfect distribution design is something only a few Indian firms have got the hang of. The same is achieved after years of experience and trying out various combinations to check as to which combinations will suit the best.

13.2.3 E-commerce as a Marketing Channel

Amor (2000) had highlighted that the Internet has indeed become the fourth channel of commerce after direct or face-to-face, mail, and telephone. An Ernst and Young (2016) study analyzed that in the past 40 years or so there has been a humongous change in the patterns of distribution worldwide. In the 70s, the retailers used to obtain their supplies directly from suppliers or wholesalers, then came the 80s the era of stores which were involved in centralized deliveries. Global sourcing and import were on the rise in the early 90s and then came the glorious era of e-commerce and e-fulfillment. E-retailer has to make an intelligent decision and weigh all their options whether to hire a courier company or hire a specialist third-party logistics or develop a completely in-house logistics department. Certain key points that are of immense importance to the e-retailer and should be executed are (1) Delivery that is pitch perfect and involves low cost, (2) Service which is cost-effective, and (3) An advanced enterprise resource planning software or ERP. For an e-retailer who trades goods across border, all these processes are planned by specialized and expert logistics players who are well versed with international rules and regulations. All the functions of procuring the supplies, storing them, generating an invoice and delivering the goods to the end user are determined by four factors—speed, the accuracy of orders, analytics and surge. The amount of transparency in the supply chain is an inimitable resource through which the e-retailer wins the trust of the customer. This study indicated that shoppers give more weight to the delivery time and facilities like free shipping, etc., over anything else when it comes to shopping online.

In the current setting of multiple channels, the choice between traditional distribution channel and e-commerce should be taken in terms of transaction costs. Wigand and Benjamin (1995) analyzed the electronic channel from a transaction cost perspective. They discussed that ultimately transaction cost theory helps to understand how markets and hierarchies are chosen. Generally, the price of a product sold has three elements of costs: production, coordination and profit margin. Thus, in the event of market hierarchies getting bypassed the transaction cost would get reduced (Wigand and Benjamin 1995). A research report brought out that web-based processes can save up to 10–30% of operating costs and reduce cycle times up to 90% and can reduce supply and demand mismatches and improve the efficiency of the overall value chain (Kearney 2000). Wigand and Benjamin (1995) in their study illustrated that retail prices could be brought down by almost 62% if wholesalers and retailers in the traditional distribution channel can be eliminated.

13.2.4 Working Relationship in E-commerce

Electronic trade was initially touted to bring about disruption and a structural change in the market such as disintermediation (Adellar 2000). However, Sarkar et al. (1995) disagreed stating that different outcomes such as re-intermediation or cyber-mediation are also possible in the case of e-commerce. The cost of creating value in a supply chain depends on how well the activities and function in a value chain are coordinated as well as integrated (Delphi Group 2000). Thus in times to come channel members who are unable to coordinate and integrate functions and activities at a reduced cost will lose out to this new market arrangement—the e-commerce. Pitt et al. (1999) argued that many channel partners would die out as new channels and new intermediaries will replace them due to the onslaught of the Internet and the World Wide Web. This will be the most massive environmental force since the Industrial Revolution.

Schmitz (2000) discussed that the impact of e-commerce on marketing channel will depend upon the characteristics of products involved and that it will be easy to distribute those products which will have high degrees of standardization, easy to describe and have less complexity. Jantan et al. (2003) conducted a study and proposed a framework to evaluate the impact of e-commerce on the roles of distributors in the semiconductor industry for four different types of products. This framework was based on the parameters of the novelty of markets and novelty of the technology; they were: architectural, differentiated, complex, and technological products. They surveyed industrial distributors (multinationals) in the semiconductor sector in Penang, Malaysia. Their study empirically concluded that the probability of functions of traditional distributors being replaced is highest for differentiated products, then by architectural products, technological and complex products in that order. Disintermediation is less likely to occur for undifferentiated products (architectural, technological, and complex products). The reason is that complex distributor roles, and complicated products are difficult to explain on the Internet. Besides the transaction cost attached is also too high for producers in terms of nearness, flexible pricing, digital signatures advance customer support or financial clearing of transactions of a large sum. Also for customers, sourcing data from multiple websites for a nonstandard complicated product shall be cumbersome and not cost-effective.

Robicheaux and Elansary (1977) presented an inclusive model of channel partner behavior which could help channel members to better understand the behavior of firms on other channel levels and help design strategies to achieve personal and organizational goals. The comprehensive model incorporated the following set of variables coming from position role, power leadership control, conflict or cooperation, performance satisfaction or dissatisfaction, communication and finally bargaining variables. The model's principal point was channel performance, which in turn is determined by channel structure and individual channel member behavior. The model did not focus on structural variables (like channel level and a number of channel members) but majorly on behavioral variables. They said channel performance is an end result of efficiency of channel control and satisfaction or dissatisfaction of intermediaries with channel relationships. Channel control is a function of dependence, power base, and resources, tolerance for control, desire to influence, power and effectiveness of channel leadership. Cooperation and conflict are inherent in the channel due to functional interdependence.

Shipley and Egan (1992) did a study on power, conflict, and cooperation in brewer–tenant distribution channels. They mailed a questionnaire to brewers and tenants, questioned personally through a separate questionnaire containing closed MCQs to uncover perceptions with respect to interdependence, power, conflict, and cooperation. The results were analyzed in terms of frequency percentage and mean. They concluded that the channel relationship between brewer and tenant were not effective due to the excessive use of coercive power and insufficient use of reward power. A partnership approach in channel relationship was not implemented and thus the brewer–tenant distribution channel could not generate much of channel coordination due to the significant absence of trust, equity, and abundant communication with its tenants. The brewers dominated tenants with short contractual agreements with the implicit threat of the same would not be renewed in case of noncompliance. The brewers, instead of offering help to tenants for performance, focused more on nonrenewal of contracts.

Tsay and Agrawal (2004) in their research effort on channel conflict and coordination in the e-commerce age wanted to model a stylized supply chain with independent decision-making at both manufacturer and reseller level for understanding dynamics of channel conflict and investigate mechanism for improving individual and system performance. They analyzed the demand function for direct channel, reseller channel, and both channels keeping in mind profit outcomes. Their study pointed out that the addition of a direct channel is not necessarily detrimental to the reseller as there can be a net system-wide gain as a result of wholesale price reduction. However, their study had limitations in terms of drivers of customer channel preference and evolution of distribution strategy over the product life cycle.

Achrol and Etzel (2003) discussed that distribution channel is important and marketing channel managers today are confronted with the demanding and complex task of achieving channel synergies, resolving channel conflicts, and identifying the optimal channel mix to implement the channel design.

Frazier (1999) identified areas of channel management, which still require a good deal of research. Some of them were intra-channel conflict and its impact on long-term channel relationships, use and management of multiple channels, industry life cycle, resource allocation to different channels, how functions are shared/split between channel members, combination of push and pull strategy, when and how Internet should be used as a sales distribution channel, how coordination is achieved and how goals and plans are set and appraisal is done for a channel system. According to him tracing a crisis through stages of conflict interaction, with special consideration for communication content and flows is essential to understand the development and impact of conflict. As channel members work together, domain and jurisdiction problems are often created. In the absence of conflict or cooperation, any channel relationship will not be able to develop effective operations.

Geyskens and Steenkamp (2000) suggested that satisfaction should not be viewed as overall satisfaction, but one must distinguish economic and social satisfaction. Also, satisfaction can be viewed as a qualitative outcome, whereas performance will be the quantitative outcome of a channel relationship. The results indicated that the dealer's satisfaction is positively related to his performance. The study advocated that the source should try to use perception altered tactics, especially the provision of valuable information to build amicable relations and improve the target's performance.

Golicic et al. (2002) in their study on the impact of e-commerce on supply chain relationships, emphasized that companies who are involved in e-commerce must have a greater focus on relationship management to deal with uncertainty and the dynamic market environment. It will enable channel members to better and efficiently deal with increased visibility and availability of information provided by e-commerce.

Yan (2008) researched on the pricing strategy for companies with mixed online and traditional retailing distribution market. His work was primarily focused on what pricing strategy should a firm adopt if following a multichannel strategy to optimize the profit. He provided a framework to help business marketers with multiple channels to find an optimal pricing strategy and market structure to maximize profits. He used the game theory model of economics by considering Bertrand (both traditional and online channels have equal power), Stackelberg (model of duopoly, one is a market leader and the other is a market follower and they compete with each other) and integrated (decision-making is centralized) market structure. The total profit for the multichannel company is the largest under channel integration of all market structures as it synchronizes pricing strategies of both the channels and manages consumer demand.

Tuominen (2004) in the study on "Efficient Consumer Response" or ECR discussed that the same had changed the competitive landscape in the field of grocery trade. ECR focuses on creating value for the end consumers through a supply chain system that is efficient and provides value to the involved channel members. The results indicate that a strong constructive relationship between channel members and the firm increases overall value. Businesses must carefully design the strategic channel structure and manage collaborative channel relationships. Channel collaboration is managing relationships based on a long-term relational exchange as compared to the traditional transaction-based exchange process.

Harvey and Speier (2000) suggested that channel partnering and supply chain collaboration is a consequence of trust between parties and their relationship commitment. Channel strategy should focus on creating a sustainable competitive advantage that can lead to superior financial performance. According to Mizik and Jacobson (2003), two processes combine and interact, one that involves the creation of customer value by innovating, producing, and delivering products to the market and the other focuses on taking value to the marketplace. Kiran et al. (2012) advocated that relationships in marketing channels tend to be long-term oriented when channel partners rely on each other to jointly achieve mutual goals by serving customers. Despite the overall channel's focus on serving buyers, conflicts arise between channel members because of each member's individual goals and self-interest. When conflicts arise, the perceptions of channel partners which are based on normative, rational, or emotional reasoning influences relational norms like trust and commitment that characterize the relationship between members.

Iyer and Villas-Boas (2003) found that the intensity of relationships between manufacturers and retailers in a distribution channel depends on the balance of power or the negotiating power of both parties. The authors have developed a comprehensive framework to evaluate negotiating power between channel members. The scholars also uncovered a fact that when a retailer exercises more power in a channel, it automatically promotes channel coordination. Thus, sometimes the presence of a dominant retailer might be beneficial for all the channel members.

Desperate measures undertaken by the e-commerce giant Snapdeal in India, in the past 12 months did not prove very fruitful. Industry experts have been continuously arguing that there never existed any business model at Snapdeal. As a strategic and calculated move to be the most profitable e-retailer of India, it had decided to revamp its business model. However, there was not much scope in that realm as out of the two models that have been working effectively in India, i.e., marketplace and inventory-based model, Snapdeal had tried both the models. However, it was just a perfect illustration of desperate times, desperate measures. Foxconn, Softbank, and Alibaba group firm's chief executives stated that they had pledged not to take the salary for an unspecified period. This was attributed to a large number of losses that got piled up for a long period. Not only this, Snapdeal's top management was not very stable. With a very high turnover rate and increasing competitive pressure from Amazon, the e-commerce giant had streamlined their goals which involved reorganizing the company into a lean, focused structure. They were combining teams, eliminating non-core projects and had a razor-sharp focus on profitable growth by reducing layers. The firm planned to achieve this by laying off 1000 of its employees from all the stages in the hierarchy. This strategic lay off regime was not limited to the firm only but, its logistics partner, "Vulcan Express" was also a part of this move.

After analyzing the secondary data exhaustively, the key research questions have emerged as follows:

(a) In this current arrangement of e-commerce, is there any scope of the relationship between the vendors and e-retailers or is it simply transaction based?
(b) What is the current perception prevailing among vendors for e-commerce as a channel and support provided by e-retailers?

With this, we arrive at the specific objectives for this study as

(i) To study and understand the distribution model of the prominent e-retailers of the Indian e-commerce industry.
(ii) To analyze the general satisfaction of vendors with the e-retailers based on the understanding of the business model.

13.3 Research Methodology

13.3.1 Research Design

This research uses both exploratory and descriptive research. The base of this research comes from an exhaustive study of various research papers on this particular topic. The initial part of the research was exploratory, where expert opinion was sought from the vendors already registered with the e-retailers, and their general areas of satisfaction and grievances in this electronic trade were investigated. The primary data was collected through a structured questionnaire, which was developed after an exhaustive and judicious secondary data study and pilot testing. The questionnaire was also put on Google forms so that few respondents could fill their feedback through the link generated via mail at their convenience and certain others through the offline survey.

The study followed a sequential process, progressing through four major stages, where each stage of the study adopted specific methods as listed below:

1. Identification of all the possible variables that affect the relationship between vendors and e-retailers which was converted into items (Based on past literature of channel relationship and expert opinion).
2. Reduction of these items affecting the relationship between vendors and e-retailers into a meaningful number of factors (through Exploratory Factor Analysis).
3. Convergence and validation of the identified factor into a conceptual model based on the theory.
4. Study the interrelation between the factors of the relationship between e-retailers and E-vendors through regression.

13.3.2 Sampling

The sample elements were the vendors registered with the e-retailers and based all over India. The investigation started by collecting a few references of vendors. After being interviewed, these respondents were asked to identify others who would belong to the target population of interest. Subsequent respondents were selected based on the referrals. Thus, snowball sampling was adopted to ensure the representation of the data for the whole population.

A sample size of 60 vendors was chosen which were registered with the e-retailer (Flipkart, Snapdeal, Amazon, etc.). The questionnaire used a 5-point Likert Scale.

13.3.3 Scale Items

Based on the literature review on the channel relationship, certain factors like satisfaction, information sharing or communication, access to new market, website and technology infrastructure of e-commerce were identified to affect the relationship in this new channel of E-retailers and vendors. After the analysis of the previous findings and expert opinion from vendors, the authors realized that there were certainly more factors which could be applicable in terms of pricing, regulatory framework, biased behavior, and support functions that could also be incorporated in this study. The same was framed into items, and Exploratory Factor Analysis (EFA) was conducted to group the items into relevant factors to define this electronic channel relationship.

13.4 Results

The questionnaire consisted of 25 questions as scale items, whose reliability was tested. The Cronbach Alpha value for the scale with 25 items was calculated and was found to be 0.869 which was very much in the acceptable range, suggesting that there is high inter-item consistency. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer Cronbach's alpha coefficient is to 1.0, the greater is the internal consistency of the items in the scale.

13.4.1 Factor Analysis

For EFA, Principal axis factoring with promax rotation was used to analyze how 25 items were clustered in the electronic channel relationship. Kaiser–Meyer–Olkin (KMO) value of ($0.814 > 0.7$) in Table 13.1 indicates a sufficient number of items for each factor. Further, we consider Bartlett's Test of Sphericity to evaluate hypothesis H_o: correlation between the variables are interrelated against the alternative hypothesis H_a. Bartlett's Test of Sphericity was found to be significant ($p < 0.05$) indicating that the correlation matrix between test items is significantly different from an identity matrix, in which correlations between variables are all zero.

Table 13.1 KMO and Bartlett test

KMO and Bartlett's test		
Kaiser–Meyer–Olkin measure of sampling adequacy		0.814
Bartlett's test of sphericity	Approx. chi-square	3112.346
	Df	300
	Sig.	0.000

7 items out of 25 items were eliminated due to low communalities ($\leq$0.495) and high cross-loadings ($\geq$0.5). Finally, 18 items were considered for factor analysis and further evaluation (Refer Table 13.2).

Eigenvalues greater than 1 were considered for factor extraction. It was found that a total of nine factors with (Eigenvalue > 1) accounts for 61.13% variance in all variables considered for channel relationship between e-retailers and vendors (Refer Table 13.3). It was found that the first factor accounts for the highest percentage

Table 13.2 Communalities (principal axis factoring)

Items	Extraction
E-retailers take a good effort to maintain trade relationship	0.522
The e-retailer assists you for delivery and return issues	0.542
E-retailer gives equal attention to all vendors	0.693
E-retailer understand your grievances and try to devise trade friendly strategies	0.838
E-retailers try to dominate business decisions	0.501
E-retailers donot encourage and include in predatory pricing	0.643
The pricing and profit decisions on products are taken mutually	0.688
E-retailers comes with an interesting buyback and cashback offer which help in increasing demand	0.643
E-retailers are not biased in promoting big vendors	0.549
A big e-retailer increases your visibility and customer base	0.584
The e-retailer is also helping you target global markets	0.788
The e-retailer ensures to share information timely and always tries to work closely	0.844
E-retailers provide good website infrastructure which helps in sales	0.707
E-retailers always keep you connected with the business	0.766
E-retailers adhere to the legal framework most of the times	0.549
You are happy with the existing regulatory framework for online vendors	0.557
You would like to continue your association with e-retailer in the future also	0.669
Your focus on online and offline are equal	0.650

Table 13.3 Total variance explained

The relationship between E-retailers and E-vendors	Eigenvalues	% Variance	% Cumulative	Rotation sums of squared loading
Pricing	5.886	15.545	15.545	3.016
Information sharing	3.494	9.978	25.523	2.659
Satisfaction	2.961	8.846	34.369	1.998
Regulatory framework	2.562	7.249	41.618	2.6371
New markets access	2.157	6.627	48.245	2.090
Promotion	2.069	4.274	52.519	1.603
Support functions	1.985	3.940	56.459	1.639
Website infrastructure	1.813	3.254	59.713	1.612
Biasness	1.604	1.416	61.129	1.274

of 15.55% of the variance. Table 13.2 displays the items or factor which shows the relationship between the E-retailer and the vendors in the E-commerce industry. Since the rotations allow for correlation, hence oblique rotations were used to arrive at Rotation sum squared values.

A Principal Axis Factoring with Promax rotation was conducted with the aim to minimize the number of variables. Through Rotated Extraction, the 25 dependent variables (statement 1–25) were reduced to 9 clear factors that were identified (Table 13.4).

13.4.2 Regression Results

After the identification of factors which contribute to the overall satisfaction in this e-retailer and vendor relationship, dependent and independent variables have been identified as:

Dependent variable or DV: Satisfaction

Independent Variable or IDV: Pricing, Information sharing, existing regulatory framework, new market access, promotion, support functions, website infrastructure, and biases.

Based on the basic understanding of theory the regression equation was developed as:

Satisfaction = $\beta 0 + \beta 1$ (Pricing) + $\beta 2$ (Information sharing) + $\beta 3$ (Regulatory framework) + $\beta 4$ (Newmarket) + $\beta 5$ (Promotion) + $\beta 6$ (Support functions) + $\beta 7$ (Website Infrastructure) + $\beta 8$ (Biasness) + e.

The regression results are shown in Table 13.5.

Thus our results indicate that promotion activities of e-retailers have the highest impact in building satisfaction in the relationship of vendors and e-retailers. The

Table 13.4 Factor labels, rotated component factor loading and reliability

Factors	Items	Factor loading	Reliability coefficient (Cronbach α)
1. Pricing	1.1. E-retailer does not encourage and involves in predatory pricing 1.2. The pricing and profit decisions on products are taken mutually	0.584 0.898	0.852
2. Information sharing	2.1. E-retailers always keep you connected with the business 2.2. The e-retailer ensures to share information timely and always tries to work closely	0.986 0.972	0.799
3. Satisfaction	3.1. E-retailer understand your grievances and try to devise trade friendly strategies 3.2. E-retailers try to dominate business decisions	0.857 0.714	0.777
4. Regulatory framework	4.1. E-retailers adhere to the legal framework most of the times 4.2. You are happy with the regulatory framework existing for online vendors 4.3 You would like to continue your association with e-retailer in the future also	0.849 0.651 0.812	0.757
5. New markets access	5.1. The e-retailer is also helping you target global markets	0.510	–
6. Promotion	6.1. E-retailers comes with an interesting buyback and cashback offer which help in increasing demand 6.2. A big e-retailer increases your visibility and customer base	0.779 0.884	0.675

(continued)

Table 13.4 (continued)

Factors	Items	Factor loading	Reliability coefficient (Cronbach α)
7. Support functions	7.1. E-retailers take a good effort to maintain trade relationship 7.2. The e-retailer assists you for delivery and return issues 7.3 E-retailer gives equal attention to all vendor	0.545 0.642 0.618	0.704
8. Website infrastructure	8.1. E-retailers provide good website infrastructure which helps in sales 8.2 Your focus towards online and offline are equal	0.662 0.914	0.674
9. Biasness	9.1. E-retailers are not biased in promoting big vendors	0.549	–

Table 13.5 Regression results

Coefficients[a]

Model		Unstandardized coefficients		Standardized coefficients	t	Sig.	Collinearity statistics	
		B	Std. error	Beta			Tolerance	VIF
1	(Constant)	0.736	0.232		3.172	0.002		
	PRICING	−0.326	0.077	−0.352	−4.230	0.000	0.495	2.020
	INFORMATION	0.280	0.067	0.298	4.204	0.000	0.683	1.465
	REGULATION	0.217	0.116	0.158	1.871	0.063	0.480	2.085
	NEWMARKET	0.403	0.105	0.303	3.820	0.000	0.544	1.838
	PROMOTION	0.451	0.089	0.432	5.063	0.000	0.471	2.124
	SUPPORT	−0.449	0.139	−0.306	−3.217	0.002	0.379	2.641
	WEB INFR	−0.141	0.074	−0.121	−1.891	0.061	0.831	1.203
	BIASNESS	0.195	0.088	0.168	2.212	0.029	0.593	1.686

[a] *Dependent Variable* Satisfaction

biggest draw or motivation to stay in this electronic channel is promotion and visibility which vendors get through their tie-up with e-retailers as that leads to increased business and economic satisfaction.

13.5 Conclusion

E-commerce is witnessing an unprecedented growth in India. In this regard, this study has thrown light on how electronic channel relationship, i.e., between the e-retailer and the vendor can be further enhanced and what strategies can be used to develop win–win situations for all the stakeholders: e-retailers, vendors as well as customers. This chapter has addressed a research gap as not much work has been done particularly in India in the area of relationship management in e-commerce. This study contributes to the theory of e-commerce channel relationship that what should be the area of focus for enhancing the satisfaction in this channel. The study can be taken up in the future in a more comprehensive manner by increasing the sample size and adding some more antecedents of satisfaction to make the study more enriching.

The balance of power as of now appears to be tilted toward the e-retailer as they gain acceptability in the urban and suburban areas day by day. However, the e-retailer should also be conscious that both of them need each other and should be mindful of their policies so that the partnership continues to add value to all the stakeholders in the supply chain. Vendors also need to understand that they will have to deliver solutions and not just products to survive in this electronic channel. The e-retailer, on the other hand, should invest in capabilities to provide vendors with market intelligence which otherwise is difficult for the vendors to acquire. The good part is that the e-retailer is already working in this direction by investing in data analytics and artificial intelligence. This is one of the methods of value creation in this new business model which e-retailer can incorporate and plan meaningful strategies based on customer's transaction data.

As far as the relationship between the e-retailer and vendors is concerned, we have concluded that in the current set up of e-commerce in India, promotional activities of e-retailers and access to new markets are the main determining factors that can strengthen the relationship between the vendors and the e-retailers. The same is expected and logical as the primary motivation for vendors to add electronic channel is to get a better demand from the market and new customer segments which is in sync with the past literature (Geyskens and Steenkamp 2000) that economic satisfaction is the leading reason for a channel member to be in a trade relationship. Vendors feel that they will sell on a lower margin if their customer base is increasing. Most of the vendors feel content in their relationship, and vendors generally have to let go of their goals to accommodate e-retailer's goal. Vendor and e-retailer relationship should be considered as a collaboration with mutual dependence and care should be taken to treat this collaboration as a symbiotic one in this dynamic era of technology.

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