



**THE FACTORS OF CHANNEL CONFLICT BETWEEN
ADIDAS MALAYSIA, THE GARDENS AND ADIDAS FRANCHISE, MID VALLEY**

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TABLE OF CONTENTS

	Pages
DECLARATION OF ORIGINAL WORK	iii
LETTER OF TRANSMITTAL	iv
ACKNOWLEDGEMENT	v
LIST OF FIGURE	viii
LIST OF TABLE	viii
ABSTRAX	ix
CHAPTER 1: INTODUCTION	
1.1 Background of Study	1
1.2 Company Background	2
1.3 Problem Statement	9
1.4 Research Question	10
1.5 Research Objective	10
1.6 Scope of Study	10
1.7 Limitation of Study	11
CHAPTER 2: LITERATURE REVIEW	
2.1 Introduction	12
2.2 Channel Conflict	12
2.3 Types of Channel Conflict	13
2.4 Causes of Channel Conflict	14
2.5 Managing Channel Conflict	15

ABSTRACT

Conflict is a common phenomenon when exercising power. Therefore, channel conflict are defined as the situation in which the channel members competing against each other for a common sale and common brand. A world known sporting apparel, Adidas has been operating in Malaysia since 1994. Little do realize that channel conflict exists between its different channel member – different retail (principal store – Adidas The Gardens, Kuala Lumpur and franchise store – Adidas Mid Valley, Kuala Lumpur). The principal store is owned and operated by Adidas Malaysia and the franchise stores operated from Adidas Germany. This research attempts to achieve two objectives, which are: (1) to identify the factors of channel conflict between Adidas Malaysia, The Gardens and Adidas franchise, Mid Valley; and (2) to identify the approaches that Adidas Malaysia, The Gardens can take to manage the channel conflict effectively. In this research study, researcher found two issues. The first issue is difficulty to attract the customer and the second issue is customer have choices because there are two Adidas outlets located near with each other. Qualitative method has been used in this research study and researcher conducted personal interview to get the in-depth information on the factors of channel conflict between these two Adidas outlets and also the approaches that Adidas Malaysia, The Gardens can take to reduce the channel conflict effectively. The respondents consist of four persons which are two persons (assistant manager and supervisor) from Adidas Malaysia, The Gardens and two persons (store manager and supervisor) from Adidas franchise, Mid Valley. Data collected were analyzed from the interview transcript. The findings from the interview session show that there are five factors of channel conflict between these two Adidas outlets which are difference in goals, price, promotion, service and stock level. The finding also show that there are five approaches that Adidas Mid Valley can take to manage the channel conflict effectively which are price strategy, product strategy, promotion strategy, channel communication and collaboration. As the conclusion, there are two gap found in this research study which are price conflict and price strategy. The recommendations for this research study are introduction of Adidas membership card, implementation of 'click and collect', training on customer service and do monthly meeting.

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF STUDY

Channel conflict can be defined as the situation when there is a competition between channel members such as manufacturer, retailers, dealers and sales representatives against each other by selling the same products directly to the end customer. Generally, they compete against each other for the common sale with the same brand. Conflict also occur when one prevents another partner from achieving its objective. As a result, there were a huge loss for all the members in the channel.

Adidas Malaysia, The Gardens and Adidas franchise, Mid Valley are located closely to each other. So, there will be a conflict because both of the outlets carry the same product that targeted the same customers. The purpose of this research is to identify the factors of channel conflict between Adidas Malaysia, The Gardens and Adidas franchise, Mid Valley.

Besides, this research can help to explore the strategies that Adidas Malaysia, The Gardens and Adidas franchise, Mid Valley can implement to reduce the channel conflict between them. If the conflict continuously happens, there will be a negative effect for both Adidas outlets such as sales drop, lack of customers and so on. So, to avoid this conflict, strategies are needed.

The method used in this research is through interview from the outlet managers and supervisors from both Adidas outlets. At the end of this research, there will be some strategies that both Adidas can take to manage the channel conflict effectively.