Journal of the Academy of Marketing Science
https://doi.org/10.1007/s11747-023-00930-w

ORIGINAL EMPIRICAL RESEARCH

What is the impact of a conflict delisting on firm value? An investigation of the role of conflict and firm characteristics

Marleen Hermans[1] · **Néomie Raassens**[2] · **Kathleen Cleeren**[3]

Received: 4 March 2021 / Accepted: 16 February 2023

Abstract
Negotiations between manufacturers and retailers often go sour. In an attempt to stand their ground, firms increasingly exercise coercive power and decide to delist products until the conflict is resolved. Using an event study, this paper provides knowledge on the performance implications of these so-called conflict delistings. While the results show that, on average, conflict delistings severely damage firm value, the direction and magnitude of the stock market reaction is contingent upon conflict and firm characteristics. Conflict delistings are more harmful to firm value if the focal party is a manufacturer (versus a retailer) or the initiator of the delisting. They also harm firm value more when more brands were delisted and when the size of the focal firm is much larger than the opponent's size. A conflict delisting is more beneficial if the focal party has a strong brand and if the opponent's brand strength is weak.

Keywords Conflict delisting · Manufacturer-retailer relationship · Channel conflict · Coercive power · Event study

Conflicts are inevitable in any channel relationship (Gaski, 1984). Also in manufacturer-retailer relationships power conflicts often happen because of diverging objectives. Especially in times in which manufacturers and retailers face increased price pressure (due to, e.g., rising raw material and energy prices, inflation), the price disparity between manufacturers and retailers rises which forces manufacturers or retailers to reopen price negotiations (Van Rompaey, 2022). In these circumstances, manufacturers try to negotiate higher wholesale prices from the retailer (Geylani et al., 2007), while retailers are under increasing pressure to keep prices lower (Van Rompaey, 2022). These diverging objectives regularly result in power struggles.

A prevalent instrument for resolving these conflicts is the exercise of coercive power (Frazier & Summers, 1984), where the manufacturer or retailer removes products from the shelves until the conflict is resolved. This is referred to as a conflict delisting (Van der Maelen et al., 2017). Examples include US retailer Costco pulling Coca-Cola products from the shelves in response to a demanded price increase by the latter (Duff, 2020), and e-commerce giant Amazon withholding releases of Walt Disney movies because of a price dispute (Reuters, 2014). We were able to identify 285 Western manufacturers or retailers that were involved in a conflict delisting in a time span of 20 years, which amounts to almost 15 per year. Retail experts predict this type of conflict to occur even more often in the future (Financial Times, 2022). Despite the increasing occurrence of conflict delistings, academic research on this topic is scarce.

We study the impact of a conflict delisting on firm (shareholder) value, which integrates multiple dimensions of performance (Gielens et al., 2008), using an event study approach. This approach measures the expected long-term performance consequences of conflict delistings at the time of the announcement assuming that a firm's stock price reflects the market's expectations of the discounted

Satish Jayachandran served as Area Editor for this article.

✉ Kathleen Cleeren
kathleen.cleeren@kuleuven.be

Marleen Hermans
marleen.hermans@ru.nl

Néomie Raassens
n.raassens@tue.nl

[1] Institute for Management Research, Radboud University, Heyendaalseweg 141, Nijmegen 6525 AJ, The Netherlands

[2] Department of Industrial Engineering and Innovation Sciences, Eindhoven University of Technology, P.O. Box 513, Eindhoven 5600 MB, The Netherlands

[3] Faculty of Economics and Business, KU Leuven, Hendrik Conscienceplein 8, Antwerp 2000, Belgium

Published online: 15 March 2023

value of all future cash flows expected to accrue to the firm (Geyskens et al., 2002). Anecdotal evidence on conflict delistings shows variation in firm value consequences of the use of coercive power. When retailer Delhaize delisted hundreds of Unilever products, investors penalized Delhaize, resulting in a drop in stock prices of 3.3% (De Standaard, 2009). In contrast, the stock price of Colruyt increased by 3% when this retailer decided to delist several PepsiCo brands (Cardinaels, 2017). This conflicting anecdotal evidence demonstrates that the performance implications of conflict delistings need further investigation as do potential moderating factors that may explain why some conflict delistings lead to positive returns while others decrease firm value.

Conceptually, a conflict delisting is a product unavailability due to the exercise of coercive power. By integrating the literature on product unavailability and coercive power, we suggest three mechanisms come at play when considering the firm value consequences of a conflict delisting: (i) consumer reactions, (ii) changes in the focal manufacturer-retailer relationship, and (iii) changes in the relationship with other trading partners. Van der Maelen et al. (2017) investigate consumer reactions to a conflict delisting and show that the event harms the market share of both the involved manufacturer and retailer. Because products are unavailable, conflict delistings elicit prevailingly negative consumer reactions. To illustrate, after Tesco decided to delist top sweets producer Haribo in September 2020, Haribo's absence from the shelves at Tesco has not gone down well with some shoppers on social media. One customer tweeted: "Can you believe my local Tesco has no Haribo in stock? Ruined my entire day." (Quinn & Farrell, 2020).

However, the impact of a conflict delisting on firm value may go well beyond consumer reactions to product unavailability. Research consistently shows that coercive power is a critical issue in buyer-seller relationships and affects interfirm practices positively (when the negotiation power increases) or negatively (when the relationship deteriorates) (Geyskens et al., 1999; Johnston et al., 2018). A notable example of an improved relationship is the 2004 conflict between German retailer Lidl and Ferrero, after which Ferrero was re-listed with four additional brands that were not available at Lidl before (Lebensmittelzeitung, 2004). In contrast, the relationship between retailer Kaufland and Unilever deteriorated after a price conflict, which escalated and also affected the relationship between the two parties in other countries (Schilling, 2018).

In addition, because a firm and its dyadic relationships are embedded in a broader network, this broader perspective needs to be considered (Ireland & Webb, 2007). Indeed, a conflict delisting may either improve or weaken the focal firm's position in the network depending on whether the exercise of coercive power creates an image of a tough or problematic negotiation partner. To illustrate, the 2020 conflict delisting between French retailer Intermarché and Coca-Cola on the supply of unhealthy products resulted in conflicts with other retailers such as Colruyt (Belgium) and Edeka (Germany) (Van Rompaey, 2020).

Previous literature therefore suggests three theoretical mechanisms that influence the impact of a conflict delisting on firm value. Van der Maelen et al. (2017) focus only on consumer reactions in the form of changes in market share. To estimate the total impact of a conflict delisting, one should also consider the impact on the relationship with the conflicting party and the other trading partners. While consumer reactions to a conflict delisting are mostly negative, the impact on the relationships with trading partners may be negative or positive. As a result, it is unclear whether the exercise of coercive power will be beneficial or detrimental to firm value.

The primary purposes of this paper are (i) to investigate the impact of a conflict delisting on the firm value of manufacturers and retailers, and (ii) to develop and empirically test a contingency framework to explain when and how conflict delistings affect the firm value of manufacturers and retailers. We composed a sample of 134 publicly listed manufacturers and retailers that were involved in a conflict delisting and study the change in firm value around the conflict delisting announcement date. The results show that, on average, conflict delistings are detrimental for firms, and result in a 0.33% decrease in firm value (over the event window of two days) which corresponds to a loss in firm value of €58.97 million for a median-sized firm. This amounts to an average loss of €884.55 million per year for an average of 15 afflicted firms. However, there is considerable variation in the performance implications of conflict delistings across firms. Indeed, in approximately 45% of the cases, conflict delistings result in a positive outcome.

We further investigate which conflict and firm characteristics moderate the impact of a conflict delisting on firm value. Conflict characteristics are indicative of the seriousness of the conflict delisting, while firm characteristics represent the involved firm's capacity to withstand potential negative consequences of a conflict delisting (cf. Gielens et al., 2008). We find that the more serious a conflict delisting is (i.e., when the conflict entails more delisted brands and when the delisting is initiated by the focal party), the more negative its performance implications are. Additionally, we show that a firm's capacity to protect itself against potential negative consequences of the conflict delisting (i.e., when the focal party is a retailer, when the brand of the focal firm is strong, when the adversary party's brand strength is weak) positively moderates the impact of the conflict delisting on firm value. By identifying the factors that distinguish

harmful conflict delistings from advantageous ones, we further advance theory in the field by identifying relevant boundary conditions (cf. Whetten, 1989).

The firm value implications of conflict delistings

A conflict delisting is a situation in which products from a particular manufacturer are delisted from a particular retailer because of a conflict between both parties (Van der Maelen et al., 2017). Conflict delistings are a form of product unavailability that trigger consumer reactions. However, conflict delistings are very different from a normal out-of-stock situation (see, e.g., Campo et al., 2000; Emmelhainz et al., 1991) or a delisting that is carried out because of other reasons such as an assortment reduction (see, e.g., Boatwright & Nunes, 2001; Borle et al., 2005), a brand delisting (see, e.g., Sloot & Verhoef, 2008), or a product recall (see e.g., Cleeren et al., 2013). A conflict delisting not only consists of a temporary product unavailability, it also makes public the power battle between trading partners, and hence provides important information for consumers and other non-involved trading partners. Investors will act upon this knowledge and deliberately estimate the financial performance consequences based on how they expect these stakeholders will react to the conflict delisting.

On the basis of the literature on coercive power, we posit that, apart from consumer reactions to the temporary product unavailability (Van der Maelen et al., 2017), the exercise of coercive power may change the focal manufacturer-retailer relationship (Geyskens et al., 1999; Johnston et al., 2018) and relationships beyond those firms directly affected. Indeed, these other trading partners will act upon their knowledge on the use of coercive power within the network (Ireland & Webb, 2007). Hence, we argue that the impact of conflict delistings on firm value not only involves (i) consumer reactions, but also (ii) changes in the focal manufacturer-retailer relationship, and (iii) changes in the relationship with other trading partners. The net impact of a conflict delisting on firm value can both be negative and positive, as we argue below.

Consumer reactions

In assessing the expected cash flow of the focal firm involved in a conflict delisting, investors will account for the expected consumer responses to the stockouts, which will be prevailingly negative. Conflict delistings cause severe market share losses for both the manufacturer and retailer, due to consumers switching to alternative brands within the store and consumers switching between stores, respectively (Van der Maelen et al., 2017).

Changes in the focal manufacturer-retailer relationship

Investors will also account for changes in the interfirm practices both during and after the conflict delisting. On the negative side, conflict delistings are likely to have a detrimental impact on relationship health (Zhang et al., 2016), and are expected to reshape the way conflicting manufacturers and retailers interact (cf. Hibbard et al., 2001). Studies have reported on the negative short-term impact of conflict or the use of coercive power on various aspects of manufacturer-retailer relationships, such as satisfaction (Geyskens et al., 1999), the partnership (Johnston et al., 2018), and cooperation (Skinner et al., 1992). In addition, the conflict may have long-run implications for the manufacturer-retailer relationship. Incidence of conflict leads the involved parties to be less confident in the long-term orientation of the other party and makes them less willing to invest in building or maintaining a relationship (Zhang et al., 2016). This is likely to negatively affect the outcomes of future negotiations after the conflict is resolved (Sloot & Verhoef, 2008), leading to negative investor value assessments.

On the positive side, investors may perceive a conflict not necessarily as dysfunctional as a conflict can also serve as a medium through which problems can be aired and solutions derived (Bobot, 2011; Bradford et al., 2004). The use of coercive power in particular may be a useful tactic to gain control over the adversary party. Previous research indicates that coercive power use has a positive effect on attributed power and provides firms the opportunity to change the partner's behavior (Johnston et al., 2018). If the conflict is resolved to the approval of the focal firm, a conflict delisting may increase the focal firm's profitability. For example, if a relisting occurs under better conditions (e.g., higher profit margins or enhancement of other buying conditions), the negative effects (e.g., sales losses) may be offset by an increase in future cash flows. In this case, a conflict delisting may be regarded as a "short-term pain, long-term gain" by the investors (Sloot & Verhoef, 2008).

Changes in the relationship with other trading partners

Because of a transfer of knowledge, coercive power use may make other channel partners aware of the conflict within the focal manufacturer-retailer dyad, and the effects of conflict delistings may consequently extend to other trading partners (Greve et al., 2010; Ireland & Webb, 2007). On the one hand, a conflict delisting may damage the conflicting

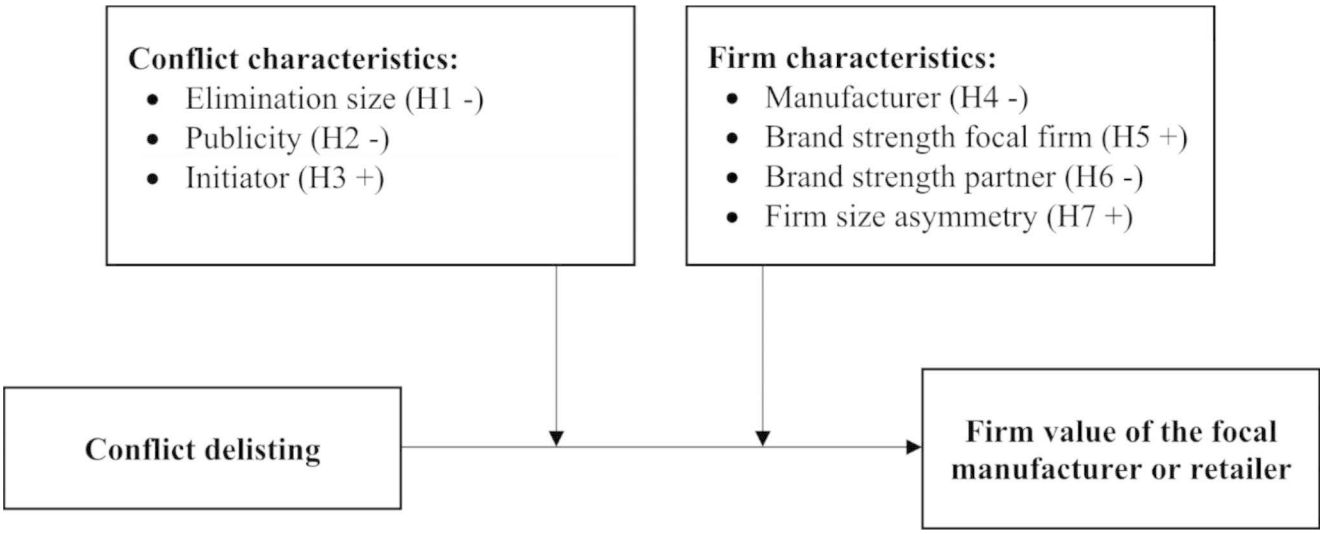

Fig. 1 Conceptual framework

parties' reputation and call to mind an image of a problematic negotiation partner, squeezing profit margins from other trading partners. As a result, these other partners may become cautious and fear that they might receive the same treatment someday (Choi & Wu, 2009), possibly negatively affecting outcomes of current and future negotiations. These potential spill-over effects to other relationships signal to investors that the conflict is escalating beyond the focal parties and will seriously affect the financial consequences of the delisting. In addition, as a conflict delisting reduces the focal firm's ability to access the conflicting partner's resources, the dependency on these other channel partners increases (Choi & Wu, 2009).

On the other hand, conflict delistings may improve the negotiation position and bargaining power of the involved manufacturer and retailer in the retailing landscape. A conflict delisting may be a reflection of a zero-tolerance negotiation policy by both parties, signaling an image of tough negotiation partners. This signal can serve as a warning to other trading partners in the market. In the long run, a conflict delisting might result in an enhanced bargaining position, which in turn results in a more profitable business model (Draganska et al., 2010), and positive investor value assessments.

Net effect

Investors will use publicly available information on conflict delistings to adjust their expectations on future financial performance (cf. Woodroof et al., 2019). Based upon the preceding discussion, it is unclear how these assessments may net out. For some firms, the risk of losing customers in the short run and the potential relationship damage will hamper financial performance, leading to negative investor assessments. For other firms, conflict delistings will lead to a better negotiation position with respect to the conflicting party and/or other trading partners in the longer run, which will boost financial performance and investor assessments. Thus, it is unclear which firms will be compensated for the short-term pain caused by the conflict delisting by a long-term gain in their negotiation position. To investigate the impact of conflict delistings on firm value, we take a contingency perspective.

Explaining performance differences between conflict delisting situations

We argue that the performance implications of conflict delistings are contingent upon (i) conflict characteristics (i.e., the elimination size, the amount of publicity, and who initiated the conflict delisting) and (ii) firm characteristics (i.e., nature of the firm, brand strength of the focal firm and its partner, and firm size asymmetry). While conflict characteristics reflect the seriousness of the conflict delisting, firm characteristics measure the focal firm's capacity to withstand its potential negative consequences (cf. Gielens et al., 2008).

If the seriousness of the conflict delisting is low and the focal firm's capacity to withstand its negative consequences is high, the positive performance implications may prevail over the negative ones. In contrast, if the conflict delisting is very severe while the focal firm lacks the capacity to withstand negative consequences, the negative implications are likely to outweigh the positive ones. Figure 1 summarizes our conceptual framework.

Conflict characteristics

Among conflict characteristics, we focus on elimination size (i.e., the number of delisted brands) and publicity to capture differences in, respectively, scope and intensity – two characteristics that have been identified as impactful conflict characteristics in previous research (Welch & Wilkinson, 2005). In addition, we concentrate on the role of the focal firm in the conflict, that is, whether the focal firm initiated the delisting or was on the receiving side, to capture potential signaling effects towards investors.

Elimination size Elimination size refers to the number of brands that were removed from the shelves, an important indicator for the seriousness of the conflict delisting. First, conflict delistings with a higher elimination size will lead to more severe sales consequences. For each unavailable brand, consumers have to decide whether to switch to a different brand, category, store, or to postpone or cancel the purchase altogether (e.g., Campo, Gijsbrechts, and Nisol 2000). When numerous brands are delisted, the forgone product sales can accumulate into substantial sales losses, which will elicit negative investor reactions.

Second, while a minor delisting may indicate a small disagreement or nudge towards compliance, a large elimination size indicates a full-on war. Severe conflict intensity is a clear manifestation of unhealthy dark-side relationships (Abosag et al., 2016). The higher the number of brands delisted, the more hostile the conflicting parties, and the more likely they interact adversely (Abosag et al., 2016; Hibbard et al., 2001). In the long run, this behavior could lead to a deteriorating spiral of hostility, which may negatively impact relationship quality (Hibbard et al., 2001). Thus, a larger elimination size suggests that something is fundamentally wrong in the focal manufacturer-retailer relationship, information investors are likely react negatively to.

Third, conflict delistings with larger elimination sizes are more likely to leave deeper reputational craters as they are prone to higher reputational risk and a higher impeachment for bad behavior from other partners (Greve et al., 2010). If reputational risk is high, norms about reciprocity, equity/fairness, truthfulness, solidarity, and the like in the focal firm's network are at stake (Gulati et al., 2012), constraining future opportunities and increasing the costs of future business which will result in negative shareholder assessments. Because of these arguments, we hypothesize:

H1 Elimination size negatively moderates the impact of a conflict delisting on firm value.

Publicity Publicity on conflict delistings emphasizes the unavailability of the involved products and makes consumers and other trading partners aware of the conflict situation between the manufacturer and the retailer (Van der Maelen et al., 2017). This increased awareness will affect the reaction of these stakeholders to the conflict delisting, information that investors incorporate in their firm valuation.

First, we expect that increased awareness of the conflict may influence a consumer's attitude and choice (Hsu & Lawrence, 2016). As a conflict typically has a negative valence (Geyskens et al., 1999) and consumers are directly affected by the conflict delisting as they are forced to choose sides in the dispute (Van der Maelen et al., 2017), publicity on conflict delistings can be considered as mainly negative. Research has shown that negative news is weighted more heavily in product evaluations than positive news, because it is perceived as more diagnostic and surprising (Herr et al., 1991). These effects are stronger for uncontrolled communications, such as publicity, as consumers tend to place trust in messages reported in independent media, due to its high source credibility (Eisend & Küster, 2011). Thus, if publicity surrounding the conflict delisting is high, consumer attitudes deteriorate towards the parties involved, and sales will decline (Basuroy et al., 2003; Chevalier & Mayzlin, 2006), leading to negative investor responses.

Second, publicity can also make other trading partners aware of the conflict situation, which may lead to reputational damage. Publicity accelerates the transfer of knowledge, which causes the negative reputation to quickly disseminate through the network (Ireland & Webb, 2007). Other trading partners often feel threatened by the growth and efficiency gains of large manufacturers and powerful retailers (Dukes et al., 2006). By being involved in a conflict delisting, manufacturers and retailers reinforce this image of "driving a hard bargain." This image may weaken the relationship between the focal firm and its trading partners, putting current and future negotiations at stake. As investors incorporate reputation into firm valuation (Schmidt et al., 2020), firms with highly publicized conflict delistings may be evaluated more sceptically by investors.

While publicity has an informational role for consumers and other trading partners, the open disclosure of the conflict delisting represents an aggravation of the conflict between the firms involved by reinforcing the negative feelings towards each other and intensifying the controversy (Shenkar & Yan, 2002). As a result, publicity may escalate the conflict (van Heerde et al., 2015), and investors may

anticipate lower cash flows. Based on the former arguments, we hypothesize:

H2 Publicity negatively moderates the impact of a conflict delisting on firm value.

Initiator A conflict delisting can be initiated by both parties. The manufacturer can decide to cease all deliveries to the retailer, while the retailer can refuse to stock the manufacturer's brands on the shelves or cease to place orders from the manufacturer.

The initiating party may use conflict delistings as a direct signal to investors. Indeed, as the initiating party knows its own true quality while investors do not, the initiator may use a conflict delisting to signal firm quality. In particular, conflict delisting initiation reflects a style of conflict management that lends itself to the classic win-lose view of conflict (cf. Bobot, 2011). Because of a high level of interdependence between retailer and manufacturer (Hibbard et al., 2001; Johnston et al., 2018), one party needs to comply with its partner's requests. As such, coercion may be a useful tactic to gain control over the adversary party. We expect that the initiating party will have a stronger position than its partner for two reasons. First, the initiator uses a conflict delisting as a hostile signal towards its partner to show that it will use whatever seems appropriate to win (Bobot, 2011). After all, the initiating firm is overtly taking strategic actions to pressure the other firm into complying in an attempt to increase its attributed power (Johnston et al., 2018). Thus, a firm initiates a conflict delisting only if it expects to come out of the negotiations better off financially. Second, while initiating a conflict delisting is a high-cost influence approach, it is also perceived as a means to openly and directly address differences between the manufacturer and retailer (Bobot, 2011; Bradford et al., 2004). In fact, the initiator anticipates finding a balance between the short-term, negative consequences of the repressive strategy of delisting products (i.e., short-term pain such as potential sales losses) and the long-term positive outcomes through conflict-learning (i.e., long-term gain such as a gain in future attributed power) (cf. Johnston et al., 2018).

Initiating a conflict delisting also serves as a warning signal to other trading partners. Indeed, initiating a conflict delisting may provide a signal that the focal firm is "a market player to reckon with," and therefore improves its bargaining position in the retailing landscape. These positive reputation effects are positively evaluated by investors. Thus:

H3 If the focal firm initiates the conflict delisting, the impact of a conflict delisting on firm value is more positive than if the focal firm does not initiate the conflict delisting.

Firm characteristics

We study the potential moderating role of the nature of the firm, brand strength, and firm size on the impact of a conflict delisting on firm value. These firm characteristics serve as credible signals for investors on the capacity to withstand potential negative consequences of a conflict delisting. As the position in the market is not an inherent characteristic of a firm but depends on the negotiation partner (Draganska et al., 2010), brand strength and firm size are also be considered for the partner.

Nature of the firm Because manufacturers and retailers take different positions within the retail landscape, we argue that investors will differentiate between these two types of firms when evaluating the performance implications of conflict delistings (cf. Johnston et al., 2018). In particular, we expect a conflict delisting to have a more negative impact on firm value for manufacturers than for retailers for three reasons. First, consumers are more likely to switch brands than stores in an out-of-stock situation because the latter leads to higher switching costs (Campo et al., 2000, 2003). In addition, retailers are in a better position to manage consumer reactions. Because retailers have a direct relationship with consumers, they have more opportunities to foster dialogue. For example, retailers can communicate directly with consumers by informing them about the conflict delisting situation and, possibly, also redirect them to alternative products (Van der Maelen et al., 2017). In contrast, manufacturers typically have entrusted retailers with their products and consumer interactions, which makes it more difficult to create and maintain relationships with consumers. Hence, consumer reactions are expected to be more negative for manufacturers than for retailers, and, as a result, investors are expected to devalue manufacturers more than retailers when they are involved in a conflict delisting.

Second, we argue that in most sectors the retailer vis-à-vis the manufacturer has more control over how future satisfaction and cooperation between the two parties will evolve. For example, grocery retailers typically account for between 10 and 30% of manufacturers' total sales, while for retailers the manufacturer sales only represent a tiny fraction of their total sales (Dobson, 2005, p. 537). Consequently, the bargaining power in these sectors typically lies in the hands of retailers. They possess a high level of decisional autonomy over the products they carry in their assortment,

making manufacturers highly dependent upon retailers for how much shelf space is available, the positioning of the products within the store, and the acceptance of product innovations.[1] Hence, investors anticipate more severe long-term implications of conflict delistings for manufacturers than for retailers.

Third, we expect the reputational damage to other trading partners to be more serious for manufacturers than for retailers. Because today's retail industry is highly concentrated in most sectors, a handful of retailers account for the majority of sales. Hence, the number of alternative partners is typically smaller for manufacturers than for retailers, implying that the manufacturer is more dependent on the retailer than vice versa (Palmatier et al., 2020). In contrast, manufacturers are less concentrated, providing retailers more substitutes for the delisted brands and hence a stronger position regarding other trading partners. We hypothesize:

H4 If the focal firm is a manufacturer, the impact of a conflict delisting on firm value is more negative than if the focal firm is a retailer.

Brand strength of the focal firm Research distinguishes between strong and weak brands, where stronger brands have a better marketing communications effectiveness (Hoeffler & Keller, 2003) thus protecting them from negative information (Ahluwalia et al., 2000). Strong brands are not limited to manufacturers. Retailers are also known to actively manage their image in such a way that their name corresponds with a strong brand (Ailawadi & Keller, 2004). We expect that investors value the focal firm's brand strength when assessing the performance consequences of conflict delistings in three ways. First, we argue that consumer reactions to conflict delistings will be less severe for conflict delistings that involve strong brands compared to their weaker counterparts because of their affiliation with a loyal customer base (cf. Erdem & Swait, 1998). In case of product unavailability, consumers are more likely to remain loyal to strong than to weak brands (Sloot & Verhoef, 2008). More specifically, if a strong manufacturer brand is delisted, consumers are likely to remain loyal to the manufacturer and switch stores. In a similar vein, if a strong retailer brand is involved in the conflict delisting, consumers are more likely to remain loyal to the store and switch to a different brand. More generally, we argue that strong brands provide a safeguard against potential losses in sales that may result from consumers' switching behavior, leading to positive investor reactions.

Second, brand strength has an influence on the bargaining position in the market and directly influences the manufacturer-retailer power balance. In particular, manufacturers of strong brands can influence the power balance in their favor because retailers strongly depend on these popular brands to generate store traffic (Shankar et al., 2012). Similarly, retailers with a strong brand can tilt the power balance in their favor as the strong retailer plays a crucial role in the distribution of the manufacturer's brands (Dukes et al., 2009). Because brand strength leads to a higher bargaining power, investors will expect that conflict delistings that involve strong brands, as opposed to weak brands, will result in better buying conditions in the long run.

Third, other trading partners will also expect that a firm with a strong brand will have the upper hand in the battle for power and thus be more likely to come out as the winner in the conflict. This perception will reinforce the focal firm's reputation as a tough negotiation partner, strengthening its negotiation position towards other trading partners. This results in a more profitable business model (Draganska et al., 2010), and a positive investor assessment. Therefore, we hypothesize:

H5 Brand strength of the focal firm positively moderates the impact of a conflict delisting on firm value.

Brand strength of the partner We expect that the focal firm will be more likely to experience sales losses if the brand strength of the conflicting partner is high. Indeed, a partner with a strong brand will have committed consumers who are more likely to remain loyal during the conflict delisting (Sloot & Verhoef, 2008; Sloot et al., 2005), which might result in higher sales losses for the focal firm. In addition, a partner with a strong brand may signal to investors and other channel members an unfavorable bargaining position for the focal firm, and hence lower the likelihood of negotiating favorable buying conditions (Draganska et al., 2010). Investors will therefore react unfavorably to a conflict delisting when the partner's involved brand is strong:

H6 Brand strength of the partner negatively moderates the impact of a conflict delisting on firm value.

Firm size asymmetry Firm size is a primary indicator of a firm's tangible resources, including a firm's financial (Raassens et al., 2014) and human resources (Datta et al., 2005), and its management expertise (Cui & Lui, 2005). We posit

[1] We acknowledge that the high concentration rate for retailers may not apply to all retailing sectors. Most of our cases (93%) belong to grocery retailing. The remaining cases belong to the category of books, music, and video (5%), toys and hobby (1%), and furniture and home furnishings (1%). Because the latter two cases come from sectors with lower concentration rates for retailers, we re-estimated our model by excluding these cases. The main results, including the significant negative effect of the manufacturer dummy variable, are robust in this reduced set of observations.

that the impact of conflict delistings on firm value will depend on the difference in relative firm size between the focal firm and its partner.

We expect that if the focal firm is larger than its partner, a conflict delisting may increase its firm value. First, larger firms (versus smaller firms) have better opportunities to mitigate negative consumer reactions. Specifically, they have more financial resources than smaller firms (Johnson & Tellis, 2008), and are therefore better equipped to proactively engage in strategic responses (Gielens et al., 2008), such as increasing advertising support or price promotions. As a result, investors will anticipate fewer negative consumer reactions.

Second, when the focal manufacturer-retailer relationship is considered, we argue that larger firms have more bargaining power than smaller firms, and hence have more leverage to renegotiate terms (Bacharach & Lawler, 1981). Due to their larger financial buffer (Chen et al., 2009; Hsu & Lawrence, 2016), larger manufacturers and retailers are less vulnerable to small disruptions in their revenue streams than their smaller partners. They are more capable of sustaining periods of negative performance (Johnson & Tellis, 2008) and are more likely to survive than their smaller counterparts (Stuart, 2000) who are more dependent on the success of all of its products (Thirumalai & Sinha, 2011).

The difference in size also influences whether the partner will deploy the resources to deal with the conflict delisting (cf. Cook & Emerson 1978). Therefore, firm size asymmetry will influence the focal firm's ability to "win" the negotiation conflict. Relatively smaller partners are less likely to use their resources to fight the negative consequences of a conflict delisting in fear of large retaliations, whereas a relatively larger partner is less impaired by fear of retaliation (Kumar et al., 1998; Steenkamp et al., 2005). Investors may thus anticipate that the larger manufacturer or retailer will "win" the negotiations, leading to a better bargaining position and hence greater future cash flows (Draganska et al., 2010), whereas shareholders will be more skeptical regarding the outcome of the conflict delisting for relatively smaller firms.

Third, other trading partners will anticipate that larger firms are in a better position than smaller firms to win the conflict and view these larger firms as tough negotiation partners. As a consequence, these other trading partners will tend to hold their tongue, which, in turn, strengthens the negotiation position of the focal, large firm. Because this results in a more profitable business model (Draganska et al., 2010), investor assessment will be more positive. Based on these arguments, we hypothesize:

H7 Firm size asymmetry (in favor of the focal firm) positively moderates the impact of a conflict delisting on firm value.

Methodology

To examine the effect of conflict delistings on firm value, we use the event study methodology. Event studies are particularly suitable to investigate the impact of a firm event on firm value. Because of the underlying efficient market hypothesis, stock prices are assumed to directly incorporate all available information (Fama, 1970). As a result, changes in the stock prices surrounding the event form an unbiased reflection of the investors' expectations of the changes in future cash flows of the firm (Chaney et al., 1991), and can be used to assess the long-term consequences of the particular event (Geyskens et al., 2002). Because investors are generally well-informed, forward-looking, and use all available information to assess the likely level of and risks to future cash flows once the conflict delisting is revealed to the public (Raassens et al., 2012), the expected long-term performance consequences of conflict delistings can be measured at the time of the announcement of the conflict delisting, before future cash flows actually materialize (Sorescu et al., 2017).

The event study methodology relies on daily (i.e., trading days) abnormal stock returns, that is, the difference between observed and expected returns. The observed return R_{it} is defined as the percentage change in stock price of case i (i.e., a particular manufacturer or retailer that is involved in a particular conflict delisting) between day t-1 and day t, and reflects the investors' updated beliefs about future earnings due to information that became available between day t-1 and day t. The expected return $E(R_{it})$ is the return that would be expected if the event had not taken place. Following Geyskens et al. (2002) and Hsu and Lawrence (2016), we use the market model to estimate $E(R_{it})$.[2] According to the market model, the expected return $E(R_{it})$ can be expressed as a linear function of the returns on a benchmark portfolio of marketable assets R_{mt}:

$$\mathrm{E}\left(\mathrm{R}_{\mathrm{it}}\right) = \widehat{\alpha}_{\mathrm{i}} + \widehat{\beta}_{\mathrm{i}}\mathrm{R}_{\mathrm{mt}}, \tag{1}$$

where $\widehat{\alpha}_{\mathrm{i}}$ and $\widehat{\beta}_{\mathrm{i}}$ are the case-specific OLS estimates obtained from regressing R_{it} on R_{mt} over an estimation period [*t*-250, *t*-30], that is, 250 to 30 trading days prior to the event (cf.

[2] We use the (single-factor) market model instead of the three (or four) factor Fama-French (1993) model as the Fama-Factors (i.e., SMB, HML, UMD) are only available for U.S. firms (see, e.g., Gielens et al., 2008 for a similar practice).

Geyskens et al., 2002; Raassens et al., 2014). The difference between the actual return R_{it} and the expected return $E(R_{it})$ is the abnormal return AR_{it} for case i at day t, which provides an unbiased estimate of the future earnings generated by the event (Raassens et al., 2012), that is, the conflict delisting.

To account for possible information leakage for t_1 days before the event day and the possibility that not all information is completely disseminated for t_2 days after the event day (McWilliams & Siegel, 1997), the abnormal returns are aggregated over an event period $[-t_1, t_2]$ into a cumulative abnormal return (CAR). Because the event study is conducted over N events, this CAR can be averaged into a cumulative average abnormal return (CAAR). To identify the extent of information leakage (t_1) and dissemination (t_2), the most significant CAAR from several calculated CAARs over different event windows is selected (see Homburg et al., 2014; Lamey et al., 2021 for a similar practice). To test the significance of the CAARs, we use Patell's (1976) statistic, in which the daily abnormal returns are standardized by the standard errors from Eq. (1) (Jain, 1982).

Cross-case variation in stock price reactions

We test our hypotheses by regressing the independent variables on the standardized per-case CARs:

$$\begin{aligned}\text{Stand.CAR}_i\,[-t_1,t_2] = \alpha + \beta_1\text{EliminationSize}_i \\ +\beta_2\text{Publicity}_i+\beta_3\text{Initiator}_i \\ +\beta_4\text{Manufacturer}_i \\ +\beta_5\text{BrandStrengthFocalFirm}_i \\ +\beta_6\text{BrandStrengthPartner}_i \\ +\beta_7\text{FirmSizeAsymmetry}_i \\ +\beta X_i+\varepsilon_i.\end{aligned} \tag{2}$$

X_i is a vector that contains the control variables: a category dummy variable (*grocery*), variables that control for financial information (i.e., *financial leverage* and *liquidity*), and a dummy variable that captures whether the focal firm is listed on the *local* stock exchange (i.e., in the country in which the delisting occurred rather than a non-local parent company).

Whether or not particular firms are involved in a conflict delisting may not be random. Rather, manufacturers and retailers may let conflicts deteriorate into delistings only if they expect a positive return. As a result, several factors that affect the abnormal returns may also influence whether or not a firm will be involved in a conflict delisting in the first place. To control for this potential selection bias, we estimate the outcome model (Eq. 2) simultaneously with a selection model (Eq. 3), using a maximum likelihood (ML) estimation procedure (cf. Robinson et al., 2015), which is more efficient than a two-stage Heckman procedure and produces smaller standard errors (Ter Braak et al., 2013).

The selection equation analyzes firms that made a conflict delisting announcement (from the outcome equation) and competing firms that were not featured in a conflict delisting announcement in the same year:

$$\begin{aligned}\text{ConflictDelisting}_{jT} = \gamma_0+\gamma_1\text{Manufacturer}_j \\ +\gamma_2\text{BrandStrengthFocalFirm}_{jT} \\ +\gamma_3\text{MarketingIntensity}_{jT} \\ +\gamma_4\text{EconGrowth}_{jT} \\ +\gamma_5\text{PriceIndex}_{jT} \\ +\gamma X_{jT}+\mu_{jT}\end{aligned} \tag{3}$$

The dependent variable $ConflictDelisting_{jT}$ represents a dummy variable that indicates whether firm *j* is involved in a conflict delisting in year T. We include three different groups of independent variables in the selection equation. First, we include macro-economic factors which are assumed to impact the selection model but not the outcome model, and hence are considered as exclusion criteria. More specifically, we include $EconGrowth_{jT}$ and $PriceIndex_{jT}$ that refer, respectively, to economic growth and the consumer price index in the year preceding the conflict in the country in which firm j operates. We expect that firms are more likely to engage in a conflict delisting in periods of low economic growth, as their bottom line is under a lot of pressure in economic downturns (Lamey et al., 2012). Similarly, inflation (i.e., high consumer prices) might increase the probability of a conflict delisting.

These macro-economic factors only influence a firm's decision to engage in a conflict delisting, and do not affect the abnormal returns following a conflict delisting. The underlying reason for this is that the calculation of the abnormal returns includes the return on a country-specific total stock market (captured by R_{mt} in Eq. 1), which takes into account the macro-economic factors by using overall stock market returns (Lim et al., 2018). To verify the exclusion criteria, we estimated a model in which the exclusion criteria were included as additional control variables in the outcome equation. As expected, we find that their effect on abnormal returns is not significant ($p > .10$).

Second, we include the firm characteristics from the outcome model as they are also likely to influence whether or not a firm will be engaged in a conflict delisting.[3] We expect that manufacturers and retailers may make different decisions when it comes to negotiations, while firms with strong

[3] Conflict characteristics or characteristics specific to the conflicting partner in the outcome model cannot be conceptualized/measured in absence of a conflict delisting (i.e., elimination size, publicity, initiator, brand strength partner, firm size asymmetry, and local). Therefore, these are not included in the selection model.

brands have a higher resilience against negative events (Johnson & Tellis, 2008). We also add marketing spending (*Marketing Intensity)* to control for a larger concern about reputation damage.[4] Finally, vector X contains the financial control variables from the outcome model (i.e., financial leverage and liquidity) and a set of 13 dummy variables to capture potential differences between NAICS industries. μ_{jT} is the error term for the selection model. We allow for a correlation ρ between ε_i and μ_{jT}. We include different observations per firm in the selection model, and potentially also in the outcome model when a company was engaged in multiple (non-overlapping) conflict delistings. This may give rise to correlated errors. Therefore, we estimate the system of equations using a robust clustered-error term estimation.

Data

We composed a sample of conflict delisting announcements in Western countries by searching the databases LexisNexis, Factiva, GoPress, and Pressbanking over a period of 20 years (2000–2020). This resulted in 285 cases of manufacturers or retailers involved in a conflict delisting. Given that the event study methodology requires a firm to be publicly listed, we removed 143 unlisted cases. To isolate the influence of the conflict delisting on shareholder value, we checked for confounding events that took place on the announcement date (for a similar practice see Hsu and Lawrence 2016). In 8 cases, other firm information was released. We removed these cases from our sample. This resulted in a sample of 134 cases that reflect a particular manufacturer or retailer that is involved in a specific conflict delisting situation. The sample consists of 82 observations for manufacturers and 52 for retailers. The majority of the cases occurred in the Netherlands (28%), followed by Germany (24%), and the United Kingdom (19%). The other conflict delistings took place in a variety of Western countries, including other European countries, Australia, Canada, and the United States.

Operationalization and descriptive statistics for the outcome model

Shareholder value Following Gielens et al. (2008) and Homburg et al. (2014), we collected stock price information and market indices from Datastream. Where possible, we always opt for the listing on the focal firm's local stock market, as the conflict delisting will have the largest impact on that stock market. To illustrate, for the delisting of Coca-Cola in Germany, we used the stock price information and market indices from Coca-Cola Germany. If the firm was not listed on the local stock exchange, we took the information from the parent company. For example, for the delisting of Danone in the Netherlands, we rely on French data, as Danone is not listed on the Dutch stock market.[5]

Conflict characteristics We operationalize *elimination size* as the number of brands that were delisted, as reported by press sources. In line with Lovett, Peres, and Shachar (2013), we measure *publicity* as the number of times during the event window the focal firm was mentioned in articles about the conflict delisting in national newspapers, relative to the total number of considered national newspapers in the corresponding country.[6] Articles were searched through Factiva, LexisNexis, GoPress, and Pressbanking. *Initiator* is a dummy variable which equals one when the focal firm initiated the conflict delisting and is zero otherwise. This information is based on press sources.

Firm characteristics To capture the nature of the firm, we include a dummy variable to indicate whether the focal firm is a *manufacturer* (=1) or retailer (=0). We capture *brand strength of the focal firm and its partner* by two dummy variables indicating whether the brands of, respectively, the focal firm and its partner are reported in the Millward Brown BrandZ Top 100 global brands in the year before the delisting. The BrandZ Top 100 is based on a composite measure which captures both financial and consumer brand value and contains both manufacturer and retailer brands. In case several manufacturer brands were delisted, the dummy variable is set to one for the focal manufacturer if at least one of the delisted brands is included in the list. The Millward Brown's BrandZ is a widely recognized customer mind-set measure of brand strength (Stahl et al., 2012), with a good diagnostic ability to predict a brand's potential (Ailawadi et al., 2003).[7]

In line with Steenkamp et al. (2005), we measure *firm size asymmetry* by the difference in total assets between the focal firm and its partner, divided by the partner's total assets in the year preceding the conflict. The data on total assets were gathered from Compustat. For the partners for which no data were available, we searched for information

[4] To rule out that marketing intensity would also influence the abnormal returns, we included it as a control variable in the outcome model. This variable is not significant.

[5] We included a dummy variable in our main model to control for potential differences between local stock exchanges and parent stock exchanges. This variable is not significant.

[6] We limited our media search to newspapers with a circulation of at least 1% of the population (see Cleeren et al., 2013 for a similar practice).

[7] The brand strength data is available from 2006 onwards, and these data are mostly stable across the different years. Therefore, brand strength of parties involved in conflict delistings happening prior to 2006 was measured by the data from 2006.

in annual reports in other financial databases (i.e., Bundesanzeiger, Bureau van Dijk, Kamer van Koophandel, Orbis), on the company websites, or via a general Internet search (e.g., company.info).[8] To ensure comparability across different countries, all currencies were converted into Euros using the exchange rate on the day of the annual report.

Finally, from the same financial databases, we calculated the *financial leverage* (i.e., the ratio of long-term debt and total assets)[9] and *liquidity* (i.e., the ratio of current assets and current liabilities) in the year preceding the conflict delisting (cf. Raassens et al., 2012). We also add a dummy variable *local* to control for a potential difference between cases that are listed on the local stock market (= 1) versus cases for which we use the stock market of the parent company (= 0). Finally, we add *grocery*, a dummy variable that controls for differences between grocery products (= 1) and other products (= 0).

Table 1 presents a summary description of the operationalizations of the independent variables, and Table 2 provides the descriptive statistics and correlations. The maximum correlation is below 0.80. While the CAAR will be calculated on the full sample of 134 cases, the moderating analysis is conducted on a reduced sample of 119 cases because of missing information on the partner's firm size (14 cases) or the firm's financial leverage (1 case).

Sample and operationalization for selection model

We identify competing firms of the cases in our initial sample. We take into account all publicly listed firms in the primary six-digit NAICS code of the sampled cases in the year the conflict delisting took place (for a similar practice see Lim et al., 2018). This resulted in 1,620 cases (including the 119 cases in the outcome model) across 31 six-digit NAICS codes. Consistent with the outcome model, the variables in the selection model were measured in the year preceding the conflict delisting. *Marketing intensity* is represented by the ratio of the difference between selling, general, and administrative (SG&A) expense and R&D expense to total assets (Markovitch et al., 2020).[10] *Economic growth* refers to the gross domestic product (GDP), in dollars per capita. *Price index* (consumer price index), also referred to as inflation, is defined as the change in the prices of a basket of goods and services that are typically purchased by specific groups of households and is measured in terms of an index with 2015 as a base year. Finally, we add a set of 13 dummy variables to control for differences between NAICS codes (at the three-digit level).

Results

Table 3 presents information on the CAARs for different event windows for the 134 conflict delisting cases. On the announcement day (t = 0), firms involved in a conflict delisting experienced an average abnormal return of − 0.27% (Patell z = -1.925, $p < .05$). Of all windows surrounding the event day, window [0,1] shows the most significant CAAR: CAAR[0,1] = − 0.33% (Patell z = -1.972, $p < .05$). The overall investor response is significantly negative, indicating that conflict delistings, on average, lead to a decrease in firm value. On average, firms lose a return of 0.33% in two days, which corresponds to a loss in firm value of €58.97 million (adjusted for overall market movements) for a median-sized firm.[11]

Although conflict delistings are, on average, evaluated negatively by investors, there is substantial variation in the stock-market consequences across cases. While 55% of the conflict delistings show a negative abnormal return over the event window (average CAAR = -1.89% for cases with a negative return), investors positively evaluated 45% (average CAAR = 1.58% for cases with a positive return). To understand this cross-sectional variation, we estimated Eq. (2) with the individual cases' standardized CAR[0,1] as dependent variable. The maximum variance inflation factor is 3.09, indicating that multicollinearity is not an issue (Hair et al., 2010). Table 4 presents the results.

Conflict characteristics

As hypothesized (H1), we find that investor responses to a conflict delisting become more negative when the elimination size increases ($\beta = -0.013$, $p < .05$). Thus, the effect of

[8] For eleven firms, we impute missing partner size with the most recent available data. Our main findings are robust upon the exclusion of these cases, with the exception of brand strength of the partner which becomes marginally insignificant (p = .113). Fourteen other cases were excluded because of missing information on partner size across all years.

[9] For three partners, the annual statement did not distinguish between long-term and short-term debt. In these cases, total debt was used.

[10] Some firms did not report SG&A (4% of 1,620 observations; i.e., one observation in the outcome model, 71 observations in the selection sample). We assigned a zero value for these observations. Moreover, in line with common practice, firms with missing R&D expenses were assigned a zero value and retained in the sample (Markovitch et al., 2020). We performed multiple robustness checks to validate our results. First, we excluded the observations with missing values for SG&A. Second, we reran our analysis by measuring marketing intensity as the ratio of SG&A to total assets (cf. Raassens et al., 2014) for both our full sample and the reduced sample. Finally, we used mean imputation to replace the missing values of SG&A. Our results are robust to these alternative specifications.

[11] The economic significance is based on the market value (number of common shares outstanding times the share price (in Euro) at the end of that day) on the day before the event window [t-1] (cf. Geyskens et al., 2002).

Table 1 Operationalization of explanatory variables and data sources

Variable	Operationalization	Data source
Outcome model		
Elimination size	The number of brands that were delisted, as mentioned by press sources.	LexisNexis, Factiva, GoPress, Pressbanking
Publicity	Number of times the focal firm was mentioned, during the event window, in articles about the conflict delisting in national newspapers (with circulation of at least 1% of the population), relative to the total number of considered national newspapers in the corresponding country.	LexisNexis, Factiva, GoPress, Pressbanking
Initiator	Dummy variable which takes the value one when the focal firm initiated the conflict delisting, and is zero otherwise.	LexisNexis, Factiva, GoPress, Pressbanking
Manufacturer	Dummy variable which takes the value one when the focal firm is a manufacturer, and is zero if the focal firm is a retailer.	
Brand strength focal firm	Dummy variable indicating whether (one of the delisted brands of) the focal firm is reported in the Millward Brown BrandZ Top 100 global brands in the year before the delisting.	Millward Brown BrandZ Top 100
Brand strength partner	Dummy variable indicating whether (one of the delisted brands of) the partner is reported in the Millward Brown BrandZ Top 100 global brands in the year before the delisting.	Millward Brown BrandZ Top 100
Firm size asymmetry	Difference in total assets (in million euros) between the focal firm and its partner, divided by the partner's total assets, in the year before the delisting.	Compustat, Orbis, Bundesanzeiger, Kamer van Koophandel, Bureau van Dijk, company websites, company.info
Grocery	Dummy variable that captures whether (one of) the delisted product(s) is a grocery item.	Press databases
Financial leverage	Ratio of long-term debt (in million euros) and total assets (in million euros), in the year preceding the conflict delisting.	Compustat, Orbis, Bundesanzeiger, Kamer van Koophandel, Bureau van Dijk, company websites, company.info
Liquidity	Ratio of the firm's current assets and current liabilities, in the year preceding the conflict delisting.	Compustat
Local	Dummy variable that captures whether the focal firm is listed on the local stock exchange (i.e., in the country the delisting occurred rather than a non-local parent company).	Datastream and press databases
Exclusion criteria selection model		
Marketing intensity	Ratio of the difference between selling, general, and administrative (SG&A) expense and R&D expense to total assets, in the year preceding the conflict delisting.	Compustat
Economic growth	Gross domestic product (GDP), in dollars per capita, in the year preceding the conflict delisting.	The Organization for Economic Co-operation and Development (OECD)
Consumer price index	Consumer price index (CPI), also referred to as inflation, defined as the change in the prices of a basket of goods and services that are typically purchased by specific groups of households, and is measured in terms of an index with 2015 as a base year. Consistent with other measures, we take the CPI of the year preceding the conflict delisting.	The Organization for Economic Co-operation and Development (OECD)

Table 2 Descriptive statistics and correlation matrix

Variable name	M	SD	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1. Stand. $CAR_i[0,1]$	−0.17	1.76	1.00											
2. Elimination size	6.53	25.34	−0.22	1.00										
3. Publicity	2.11	4.25	−0.18	0.18	1.00									
4. Initiator	0.45	0.50	−0.04	0.01	0.15	1.00								
5. Manufacturer	0.58	0.50	−0.03	−0.02	−0.04	−0.78	1.00							
6. Brand strength focal firm	0.24	0.43	0.16	−0.07	0.01	−0.04	0.05	1.00						
7. Brand strength partner	0.17	0.38	−0.12	−0.04	−0.06	0.00	−0.07	0.06	1.00					
8. Firm size asymmetry	32.73	138.77	−0.01	−0.04	−0.07	−0.03	−0.16	−0.09	−0.11	1.00				
9. Grocery	0.93	0.25	0.01	0.03	−0.18	0.04	−0.02	−0.16	−0.15	0.00	1.00			
10. Financial leverage	0.21	0.11	−0.06	0.00	−0.04	−0.10	0.16	0.03	0.08	0.08	0.09	1.00		
11. Liquidity	1.06	0.43	−0.01	−0.14	−0.10	−0.07	0.06	−0.18	0.03	−0.03	−0.20	−0.07	1.00	
12. Local	0.70	0.46	0.03	0.09	0.04	0.37	−0.41	−0.18	0.10	0.06	0.19	−0.07	0.09	1.00

Note: The descriptives for the dependent variable, Stand. $CAR_i[0,1]$, are based on 134 observations, while the descriptives for the independent variables are based on 119 observations which were used in estimating Eq. 2. This number is lower because of missing data for firm size asymmetry (missing partner data) or financial leverage

Table 3 CAARs for different event windows

Event window	CAAR	Patell *z*-statistic	***p***-value	>% positive
[-1,2]	−0.0007	0.021	0.49	56.0
[-1,1]	−0.0032	-1.638	0.05	50.0
[-1,0]	−0.0026	-1.590	0.06	47.0
[0,2]	−0.0008	−0.313	0.38	47.8
[0,1]	**−0.0033**	**-1.972**	**< 0.05**	**44.8**
[0,0]	−0.0027	-1.925	< 0.05	42.5

Table 4 Empirical results for outcome and selection model

	Hypothesized sign	Coefficient	Standard error
Outcome model			
Intercept		0.352	0.751
Conflict characteristics			
Elimination size	-	−0.013**	0.006
Publicity	-	−0.069	0.048
Initiator	+	−0.699**	0.310
Firm characteristics			
Manufacturer	-	−0.704*	0.375
Brand strength focal firm	+	0.910**	0.462
Brand strength partner	-	−0.880*	0.519
Firm size asymmetry	+	−0.001**	0.000
Control variables			
Grocery		−0.294	0.598
Financial leverage		−0.478	1.236
Liquidity		−0.308	0.248
Local		0.388	0.322
Selection model[b]			
Intercept		2.735*	1.551
Firm characteristics			
Manufacturer		-10.621***	1.648
Brand strength focal firm		1.155***	0.370
Marketing intensity		−0.526**	0.241
Exclusion criteria			
Economic growth		0.000	0.000
Price index		0.032***	0.011
Control variables			
Financial leverage		−0.039	0.032
Liquidity		−0.454***	0.156
Other statistics			
Number of observations		119[a] (1,620)	
ρ		0.197	
Wald Chi-square		31.15***	

*$p < .10$; **$p < .05$, ***$p < .01$

[a] For fifteen conflict cases we do not have information on the partner's firm size (14 cases) or the focal firm's long-term debt (1 case, i.e., to calculate leverage), therefore we cannot take these cases into account for this moderation analysis. The number of observations for the selection model is 1,620.

[b] The selection model also contains a set of 13 dummy variables that capture the impact of specific NAICS industries which we do not report here because of space constraints.

the conflict delisting is more negative when more brands are delisted. Publicity surrounding a conflict delisting does not seem to affect investor responses toward a conflict delisting ($\beta = -0.069$, $p > .10$). Hence, we do not find support for hypothesis 2. Additionally, results show that investor responses toward a conflict delisting are more negative when the focal firm initiated the delisting ($\beta = -0.699$, $p < .05$), which contradicts our expectation (H3). Investors do not regard the initiation of a conflict delisting as a signal of the firm's potential to win the battle. Instead, the negative investor reaction to initiating a conflict delisting may be an anticipation of negative consumer reactions because of blame attribution (Folkes, 1984, 1988).

Firm characteristics

In line with hypothesis 4, the impact of conflict delistings on firm value is more negative for manufacturers compared to retailers ($\beta = -0.704$, $p < .10$), possibly because manufacturers have less direct access to the consumer and less potential to switch to other trading partners. As expected, we find that the impact of conflict delistings on firm value is less negative if the focal firm has a strong brand ($\beta = 0.910$, $p < .05$), confirming hypothesis 5. Not only does the focal firm's own brand strength matter, the strength of the conflicting partner's brand also significantly affects investor responses to conflict delistings though negatively ($\beta = -0.880$, $p < .10$), which is in line with hypothesis 6. Surprisingly, if the difference in firm size between the focal firm and its partner is in favor of the focal firm, investor responses to conflict delistings are more negative (H7, $\beta = -0.001$, $p < .05$). Thus, in contrast to our expectations in hypothesis 7, we find that investors penalize firms for engaging in a conflict delisting with a substantially smaller partner. A potential reason for this result may be that investors estimate the costs of entering in a conflict delisting will be larger than the gains if the conflict involves a partner that is much smaller. All control variables are insignificant.

Selection model

The error correlation between the outcome and selection model (ρ) was insignificant ($p > .10$), indicating that the null hypothesis of independence between selection and outcome cannot be rejected. We can therefore conclude that selection bias is not an issue. The overall classification rate of the multivariate probit model is 93%, showing that the selection model performed very well in predicting whether a particular firm is likely to be involved in a conflict delisting in a particular year. While not the focus of the paper, the results of the selection model provide interesting insights into the probability a firm will be involved in a conflict delisting. As expected, we find that manufacturers are less likely to be involved in a conflict delisting ($\gamma_1 = -10.621$, $p < .01$), while firms with strong brands are more likely to be caught up in a conflict delisting ($\gamma_2 = 1.155$, $p < .01$). Marketing intensity drives down the likelihood of being involved in a conflict delisting ($\gamma_3 = -0.526$, $p < .05$). Economic growth did not significantly affect a firm's probability of being involved in a conflict delisting ($\gamma_4 = 0.000$, $p > .10$), while inflation (as measured by consumer price indices) drives up this probability, as expected ($\gamma_5 = 0.032$, $p < .01$). While financial leverage has no impact ($\gamma_6 = -0.039$, $p > .10$), we find that firms with a better position in terms of liquidity are less likely to engage in a conflict delisting ($\gamma_7 = -0.454$, $p < .01$). Differences between industries are important as evidenced by different significant NAICS dummy variables.

Discussion

While the relationship between retailers and manufacturers has intensified around the world, research on performance implications of conflict delistings is scarce, leaving both academics and practitioners in the dark about its potential consequences. We use an event study to uncover the impact of conflict delistings on firm value of a large sample of publicly listed manufacturer and retailers that were involved in a conflict delisting and study the moderating impact of different conflict and firm characteristics.

Theoretical implications

Academic research in the area of conflict delistings remains rare, despite the increasing number of conflict delistings. A notable exception is Van der Maelen et al. (2017), who examined market-share consequences in one particular conflict delisting. These authors conclude that further research is necessary to determine whether their results generalize to other conflict delisting settings. We address this call and study the impact of conflict delistings on firm value in a sample of 134 publicly listed manufacturers and retailers that were afflicted by a conflict delisting.

Van der Maelen et al. (2017) find that in their particular conflict delisting case both the manufacturer and retailer lost market share. Yet, the total impact of conflict delistings on firm value goes well beyond this direct sales effect due to product unavailability. Based on the literature on coercive power, we argue that conflict delistings may also change future collaborations between the conflicting parties and other trading partners for the better or the worse. We are among the first to quantify the impact of coercive power use on firm value, a relationship that could be theorized as

positive or negative based on extant literature (Johnston et al., 2018).

Academic research hints at cross-case variability between different conflict delisting situations (Sloot & Verhoef, 2008; Van der Maelen et al., 2017). Our results show that 55% of the conflict delistings in our sample resulted in negative shareholder assessments, while investors positively evaluated 45% of the conflict delistings. Thus, while extant research reports mainly negative effects of channel conflict (Eshghi & Ray, 2021), our results show that conflict delistings can, under specific circumstances, lead to a win situation.

We show that the driving factors behind the variation in the stock market response are (i) conflict characteristics that measure the severity of the conflict, and (ii) firm characteristics that measure the firm's capacity to withstand the potential negative consequences. A more severe conflict delisting, in which multiple brands are delisted, brings about more negative investor responses. Elimination size is also investigated frequently in the literature on product unavailability as it influences the number of available alternatives. When elimination size is high, the number of available alternatives for the out-of-stock brands in the afflicted store decreases which leads to more negative consumer reactions in the form of brand and/or store switching (Campo et al., 2000; Sloot & Verhoef, 2008). Apart from negative consumer reactions to the product unavailability of many products, elimination size in a conflict delisting can also be interpreted as a sign of a serious malfunctioning in the manufacturer-retailer relationship which may have severe long-term consequences for the focal relationship but may also spill over to the relationships with other partners in the network. This explains the very negative reaction of investors to a conflict delisting with a larger elimination size.

Apart from the number of delisted brands, the initiating role in the conflict also seems to aggravate the severity of the conflict. Indeed, we find that firms that initiated the conflict delisting are impacted more negatively by the conflict delisting than the other party. While investors could have viewed the initiation of the delisting as a signal of the focal firm's true quality (Connelly et al., 2011), they do not seem to be optimistic about the outcomes of the conflict delisting. We find instead that the initiator of the conflict delisting is hurt more in terms of shareholder value which may be due to more negative consumer reactions because of consumers' attributions of blame (Folkes, 1984, 1988). Interestingly, this result contrasts with the positive effect of acknowledgement of blame that was established in the product recall literature (Cleeren et al., 2013). While in the context of a product-harm crisis taking the blame for product malfunctioning may be considered taking responsibility for one's mistakes, in a conflict delisting the reaction to the initiation of the conflict delisting is mainly negative.

Publicity does not moderate the impact of a conflict delisting on firm value. While investors seem to react, on average, negatively to the mere announcement of the conflict delisting, the information contained in further news does not turn out to provide extra information. This result contrasts with research on publicity in the context of product recalls because of product harm (e.g., Hsu & Lawrence, 2016). However, in the context of a conflict delisting, the product quality of the delisted products is not the focus but rather the behavior of the firms involved in the conflict delisting. Van Heerde et al. (2015) have shown that publicity on price wars does not impact firm value if the publicity reports on the behavior of one single retail chain, implying that investors react less to publicity that covers firm behavior. More research is needed to investigate this intriguing conjecture.

Apart from the severity of the conflict, we also find evidence that the firm's capacity to withstand the potential negative consequences of the conflict is an important factor in explaining the cross-sectional variation in stock-market responses. We find that a retailer is less negatively influenced by a conflict delisting than a manufacturer, a result which may be due to a more direct contact with consumers and less implications in terms of bargaining position. Indeed, making abstraction of brand strength, in most retailing sectors manufacturers are typically much more dependent on the retailer than vice versa because of a more limited number of alternative trading partners.

This finding contrasts Van der Maelen et al. (2017) finding that, in the particular conflict delisting case studied in their paper, the retailer is the more vulnerable party. There could be two reasons for this. First, while we investigate *firm value consequences* from a conflict delisting, the study of Van der Maelen et al. (2017) focuses on market share consequences only. We take a bird-eye perspective and capture the full impact of conflict delistings on firm value. By integrating the literature on product unavailability and coercive power, we argue that the net impact of a conflict delisting can be explained by three mechanisms: consumer reactions, changes in the focal manufacturer-retailer relationship, and changes in the relationship with other trading partners. As a result, the firm value implications can differ widely from pure consumer reactions as measured in Van der Maelen et al. (2017). Second, the multitude of conflict delisting cases leads to a more generalizable set of insights than Van der Maelen et al. (2017), who study only one particular conflict delisting situation and whose results may thus be idiosyncratic to the particular case studied.

Our results show the pivotal role of brand strength. Apart from the well-documented benefits that accrue to a brand in prosperous times (such as an increased effectiveness of

marketing programs, the possibility of premium pricing, and a higher success rate for brand extensions; see, e.g., Aaker, 1991), we identify the creation of a buffer against a negative event such as a conflict delisting as another important reason to invest in brand strength. A similar result was also found in the context of product recalls (see, e.g., Cleeren et al., 2008). Our results show that it is not only the focal firm's brand strength that matters, but also the brand strength of the conflicting partner. Indeed, firm value is particularly hurt when the conflict delisting concerns a partner with a strong brand.

Prior literature on coercive power examines brand strength (or a related concept such as power and countervailing power) as *antecedents* of using a coercive influence strategy (often operationalized as threats or legal pleas). The general consensus is that the higher the magnitude of a source's power, the less likely a coercive influence strategy is used (Johnston et al., 2018). Interestingly, we observe that conflict delistings often occur between two powerful parties (with strong brands), which contradicts this claim. While this literature has focused on which factors influence the decision to use coercive power, we provide insights into the consequences of this strategy in terms of firm value and the moderating role of brand strength. We find that brand strength guards against potential negative consequences of a conflict delisting such as negative consumer reactions to the unavailability of the delisted products. This result is in line with Sloot et al. (2005) and Van der Maelen et al. (2017) who show that sales losses are smaller for stronger brands in the context of, respectively, a brand and conflict delisting. We show that brand strength not only offers resilience for the manufacturer, but also for the retailer, which further underlines the importance of building strong retailer brands (see also Ailawadi & Keller, 2004).

Apart from the important role of brand strength, we also find that the difference in firm size between the two conflicting parties matters. In contrast to our expectations, firm size asymmetry has a negative impact on the change in shareholder value because of the conflict delisting. While larger firms have easier access to tangible resources (Audia & Greve, 2006) and a larger financial buffer (Johnson & Tellis, 2008), investors evaluate more negatively the conflict outcomes for firms that are relatively larger than their counterpart. This is an important finding as this indicates that investors do not appreciate powerplays towards smaller partners. As a result, the relationship between the two conflicting parties is likely to be harmed more for firms in which the power asymmetry is high compared to its partner. Consequently, the costs of entering a conflict delisting with a smaller firm do not outweigh the gains.

Managerial implications

Our results have important implications for manufacturers and retailers. Our finding that 45% of the conflict delisting announcements resulted in positive performance implications counters the belief that both manufacturers and retailers will lose in a conflict delisting (cf. Van der Maelen et al., 2017) and corroborates the importance of integrating the literature on product unavailability (with a main focus on consumer reactions) and coercive power (concentrating on the focal manufacturer-retailer relationship and its broader network). We further elaborate on two managerial implications, that is (i) evaluating in which circumstances firms are positively evaluated in the context of a conflict delisting, and (ii) exploring the conditions in which firms are more likely to be the winner of the conflict delisting.

What does it take to be evaluated positively? To answer this question, firms can use our estimated coefficients to predict how they will be evaluated in any conflict delisting situation.[12] Below, we outline the situations in which manufacturers and retailers are positively evaluated and include real-life cases as illustrations.

Based on our estimation results, manufacturers have a large negative baseline coefficient, which means that they will *only* be able to render a positive evaluation in a conflict delisting situation in which (i) they have a strong brand, and (ii) the opponent's brand is weak, and (iii) they are not the initiator. We can illustrate this with two examples from our dataset: while Heineken, a manufacturer with a strong brand, was involved in a more severe conflict (i.e., higher elimination size, more publicity) than Carlsberg, a manufacturer that has a weaker brand, investors penalized Carlsberg for being involved in the conflict delisting situation, while Heineken was positively evaluated. Note that the opponents in both cases had a weak brand, and neither of the two manufacturers initiated the conflict delisting. In fact, a manufacturer should not initiate a conflict delisting under any circumstances, as this will likely result in a negative abnormal return.

For retailers, the picture is more nuanced. For them, it is possible to obtain a positive investor evaluation in three scenarios. First, in line with our implications for manufacturers, retailers will be positively evaluated if (i) they have a strong brand, and (ii) the opponent's brand is weak, and (iii) they are not the initiator. Interestingly, in this scenario, the elimination size can be considerably high, and the retailer will still obtain a positive market valuation. The second scenario in which retailers will be positively evaluated is

[12] To generate the different scenarios, we only take into account the significant coefficients and set the non-significant coefficients to zero.

a conflict delisting situation in which (i) they have a strong brand, and (ii) the opponent's brand is strong, and (iii) they are not the initiator, and (iv) the elimination size is limited to maximum two brands. Finally, retailers will obtain a positive CAR if (i) they have a strong brand, and (ii) the opponent's brand is weak, and (iii) they are the initiator even if the elimination size is considerably high (maximum 17 delisted brands). This means that the retailer can initiate conflict delistings, and still benefit from the delisting, as long as they have a strong brand and are facing a weaker partner. To illustrate, the conflict delisting that retailer Walmart, a strong retailer brand, initiated was evaluated positively by investors, whereas weaker brand Sligro was evaluated negatively when it initiated a conflict delisting. In both cases, the opponent has a weak brand while only one brand was delisted.

A closer look at our paired observations: Who comes out on top? To arrive at a better understanding of which of the conflicting parties typically wins or loses in a conflict delisting, we investigate the paired observations in our data more closely (i.e., conflict delistings for which both the manufacturer and the retailer are included in our sample). We observe 40 pairs of conflicting manufacturers and retailers. We find that for a minority of cases (15%), conflict delistings lead to a positive firm value outcome for both involved firms, while in 28% of the cases both the manufacturer and retailer are hurt. The other cases resulted in a win-lose scenario in favor of the manufacturer (28%) or the retailer (30%). These findings illustrate the multitude of possible outcomes and support extant game-theoretical research on manufacturer-retailer bargaining power, which indicates that profitability in a distribution channel is not a zero-sum game (Draganska et al., 2010).

Examining which factors lead a firm to 'win' the conflict delisting provides deeper insights. We estimate a regression model in which we investigate the difference in cumulative abnormal returns between the manufacturer and retailer as our dependent variable. If this difference is positive, the market valuation is higher for the manufacturer than for the retailer, which implies that the manufacturer can be classified as the winner of the conflict. Where possible, we changed our independent variables to relative measures. Specifically, relative publicity is measured by the difference between the publicity of the manufacturer and the retailer. Relative brand strength equals zero when the brand strength of both involved firms is equal, + 1 if the manufacturer has a stronger brand than the retailer, and − 1 if the manufacturer's brand is weaker than the retailer's brand.

Interestingly, factors that lead to a 'win' in the conflict delisting are not always in line with the conclusions from our main analysis which may have two explanations. First, a manufacturer technically 'wins' the conflict if it is evaluated less negatively or more positively than the retailer. As a conflict delisting is not a zero-sum game, both parties might be evaluated positively or negatively. Second, the sample size of this additional analysis is only 40 as we can only include the cases for which both the manufacturer and retailer are listed on the stock market. This is a much smaller sample than the sample of 119 observations that we used to estimate our main model.

For our 40 pairs in the dataset, we find that *relative publicity* and *relative brand strength* determine whether the manufacturer wins from or loses to the retailer. In line with our main model, we find that the stronger the manufacturer brand is compared to that of the retailer, the higher the difference in CARs in favor of the manufacturer. In contrast to the insignificant result of publicity in our main model, we find that relative publicity has a negative impact. This indicates that the manufacturer is less likely to 'win' the conflict if the manufacturer receives more publicity than the retailer. This is in line with our prediction that publicity would negatively moderate the impact of the conflict delisting on firm value. Interestingly, we did not find a significant effect of publicity in our main model. Hence, while the absolute amount of publicity did not turn out to be detrimental in the evaluation of a conflict delisting, we find that the relative amount of publicity does matter (although tested in a smaller sample). In contrast to our main model, firm size asymmetry has no impact, nor does being the initiator.

Limitations and suggestions for future research

While we offer new insights into the market valuation of conflict delistings, our study has several limitations that offer avenues for future research. First, our study focuses on the overall impact of conflict delistings, which allows us to determine the net effect of a conflict delisting on shareholder value for different firms and conflict delisting situations. However, different forces may be driving this net effect (i.e., consumer reactions, changes in the focal manufacturer-retailer relationship, and changes in the relationship with other trading partners). Future research may attempt to disentangle these forces. For instance, future research could look into the damages a conflict delisting may cause to the manufacturer-retailer relationship by investigating how a conflict delisting will manifest itself in the future relationship (e.g., less support for new product introductions, allocation of less shelf space).

Second, one could investigate which managerial actions manufacturers and retailers have at their disposal to counter the negative effects of a conflict delisting. Trade press indicates that both manufacturers and retailers use their arsenal

of marketing actions in an attempt to keep consumers from switching brands or stores. Examples include Unilever engaging in a widely spread advertisement campaign (Lebensmittelzeitung, 2009) and Coca-Cola offering price promotions on Fanta during a conflict delisting (Meijsen, 2005). In addition to pricing and advertising, retailers control the in-store shelf allocation during a conflict delisting. Retailers can use this opportunity to allocate more shelf space to either their private label brand(s) or other national brands. This may be one of the underlying reasons why a conflict delisting may be less severe for a retailer than for a manufacturer, an effect we indirectly capture with our retailer dummy variable. Unfortunately, we have no information on the specific marketing actions. Future research could look into the effectiveness of marketing actions in conflict delisting situations. Apart from marketing actions, one could also investigate the impact of conflict characteristics that are not known when the conflict delisting is announced such as the duration of the delisting.

Third, future research could investigate to what extent (i) the share of revenues derived through the other party and (ii) the number of alternatives influence the consequences of a conflict delisting. For instance, manufacturers who have access to multiple (online) channels are less dependent on retailers, which might mitigate the negative consequences of a conflict delisting (Ovezmyradov & Kurata, 2019). Because of the unavailability of these data, we do not incorporate these factors in this study. Note, however, that we partly capture dependency by means of brand strength of the focal firm and its partner, and power asymmetry.

Finally, although this study concentrates on the performance implications of conflict delistings, not all battles for power result in a conflict delisting. It would therefore be interesting to compare the differential effects of battles for power that did not lead to a conflict delisting to battles for power that have escalated into a conflict delisting. While our finding regarding elimination size hints at less severe consequences for battles for power that did not result in conflict delistings, future research could provide more insights into the underlying causes. Is the conflict or product unavailability driving our effect?

In conclusion, by analyzing the impact of conflict delistings on firm value and identifying the factors that influence this market valuation, we provide a much needed first picture of the overall performance impact of a conflict delisting under different circumstances.

Declarations

Conflict of Interest The authors declare that they have no conflict of interest.

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