

Managing New Channels of Distribution and Communication

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Channel Observations

- Empirical observation: (End)customers demand
 - Wider availability
 - Greater convenience
 - Greater variety in service output demands (information, assortment, credit, delivery, returns, etc)
- *Shift towards multi-channel environment*
- *→ Which research issues grow out of this development?*

Channel Mgmt Issues

- “Traditional” channel mgmt vs “recent” channel mgmt
- 2 camps?
- Separate or overlapping?

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“Traditional” Channel Mgmt

- Firm (vendor) perspective
- Channel structure and channel management
- Data basis: dyads, B-to-B, across firms, surveys
- Frazier, Anderson, Coughlan, Stern, Heide, Jap, ...
- Concerns/issues:
 - Strategies revolve around addressing intermediary’s needs
 - Achieve support and cooperation of intermediaries
 - Reduce intrabrand competition and conflict within channels
 - Limit variety of routes to market

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“Traditional” Channel Mgmt

“... the key question appears to be not whether a multiple channel approach should be utilized but rather how many and what types of channels should be established by the firm”

[Gary Frazier]

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“Recent” Channel Mgmt

- End customer perspective
- Cross-buying, retention, LTV
- Data basis: single firm, B-to-C, purchase behavior records
- Shankar, Mela, Thomas, Verhoef, Kumar, Venkatesan, Neslin, ...
- Concerns/Issues
 - Strategies revolve around driving individual consumer behavior
 - \uparrow CB \rightarrow \uparrow LTV
 - Extend the variety of routes to market
 - Causality?
 - Role of channel: information vs. transaction
 - Firm side execution not an issue (e.g. complexity of cross-channel data mgmt)

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Channel Mgmt Issues

- Intersection between 2 camps?
- It takes two to tango
- Linking demands and behaviors of end customers to channel structure (variety of routes)
- Given consumers multi-channel demands, firms need to be able to execute the structure (not trivial!)

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Dilemmas Offer Opportunities for Research

Use a narrow variety of routes?

- Channel support in delivering customer satisfaction

But

- Lesser market coverage and unfulfilled demand
- Dependence on channel members' goodwill
- Pre-emptive action by competitors

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Use a broad variety of routes?

- Larger market coverage

But

- Increase in intra-brand competition leading to free-riding and channel conflict
- Complex to manage

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Dilemmas Offer Opportunities for Research

- General question: Which contingency factors determine the variety of routes used?
 - Firm, competition, customer environment, ...
- Specific question: How does a firm's customer orientation and the search-behavior of its customer base affect the variety of routes to market it uses?
- DV: # of different routes to market

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Determinants of the Variety of Routes to Market

- Customer orientation
 - Customer focus beliefs
 - Understanding customer satisfaction
 - Differentiation
 - Cost leadership
- Customer search behavior
 - Customer expertise
 - Customer price sensitivity

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Determinants of the Variety of Routes to Market

- Customer orientation
 - Customer focus beliefs (-)
 - Understanding customer satisfaction (+)
 - Differentiation (+)
 - Cost leadership (+)
- Customer search behavior
 - Customer expertise (-)
 - Customer price sensitivity

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Takeaways

- Channel environment provides significant research opportunities
 - Non-traditional drivers of channel structure
 - Variety vs. intensity
 - Role of channel (Information, transaction, message content)
 - Execution ability vs. customer demands
 - Performance implications of channel structure
- Don't let camp membership constrain your vision
- Use your data wisely