

International Channels of Distribution: Who Decides and How?

William T. Ryan
William H. Lauffer

Introduction

Since 1981, the expansion in international markets is unprecedented in a history of world market evolution. Never have so many firms been involved in marketing to so many users worldwide. Yet, the channel function tends to lag behind the other traditional areas, i.e. advertising, promotion, packaging pricing, and product differentiation. These areas have a good deal more "excitement" in their applications compared to the seemingly mundane task of moving goods and services through the channel. Furthermore, existing channel variation between countries poses a sizeable threat to the effectiveness of an integrated international distribution strategy.

Research

Based on a review of the international marketing literature, Albaum and Peterson (1984) found that the channel variable was widely studied. Eavusgil and Nevin (1981 and 1991) concluded that the channel-distribution-logistics area was gaining respect among international marketing researchers, but still lagged behind other sub-disciplines in theory and method. They also pointed to the need to build upon existing research studies.

Theoretical perspectives on channels of distribution have focused on power and dependence (Gaski 1988; Kale 1986; Leonido 1989; Frazier, Gill and Kale 1989; and Katsikeas and Piercy 1991), transaction cost theory (Anderson and Coughlin 1987; Klein 1989; Klein, Frazier and Roth 1990), interaction-network (Hakansson 1982; Thorelli 1986; Johanson and Mattsson 1985; and Hauglan and Reve 1988) and political economy (Arndt 1981, 1983; Achrol, Reve and Stern 1983; and Ytreberg and Reve 1983). The six major concentrations of study in international channels of distribution are channel structure (Anderson and Coughlin 1987; Klein and Roth 1990), channel relationships (Frazier and Kale 1989; Rosson and Ford 1982; Min 1995), gray marketing (Duhan and Sheffert 1988; Weigard 1989), trading companies (Kim 1986; Perry

1990), comparative analysis (Abratt and Pitt 1989; Kaynak 1985), and economic development (Wood and Vitell 1986; Hosley and Wee 1988; Mallen 1989).

Focus: Who Decides and How?

Despite a wealth of findings on international channels of distribution, research remains vague as to who and how international marketing decisions are made. Are international channel decisions part of an integrated marketing strategy? Who is responsible for follow-up or monitoring channel functions?

In a recent article, Day and Nedungadi (1994) opened the door for evaluating the decision-making process. The authors outline a conflict in decision-making literature in which managers are proposed to either follow the logical precepts of the rational man assumptions advanced through economic models, or be somewhat constrained by "schemata" or cognitive frameworks that limit and guide the individual decision-making process. Day and Nedungadi find evidence that marketing decisions are guided by preexisting schemata held by managers that define reality in relatively limited terms and superimpose existing predisposition over future action. Managers rely on these cognitive assumptions in developing marketing plans that tend to be directed to competitive centered behavior, customer oriented behavior, market driven behavior, or company-centered behavior.

Work-in-Process

Currently we are exploring how international channel decisions are made and who makes the decisions. Our concept includes an instrument that with minor adaptation can be employed to do comparative studies of similar firms in various industries. We chose a sample of the largest firms involved in global food distribution, Hormel, Tyson, General Mills, i.e. This study will not attempt to consider variations in individual organizational strategies: Global International, Multidomestic or Transnational.

The focus is on the level of the authority positions and/or committee composition of who determines international channel choices. One might deduct that the higher in the organization decisions originate, then the more strategic is the channel choice. A related outcome could provide insight into who monitors the channel choice and how.