

Complete MARKETING CHANNELS

A Relationship Management Approach

Lou E. Pelton
University of North Texas

David Strutton
University of Southwestern Louisiana

James R. Lumpkin
Bradley University



**College
Custom
Series**

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DEDICATION

With love and respect to my Mom and Dad, Beverly and Sam Pelton,
and their three daughters.

Lou E. Pelton

With love to my wife Dita and my daughter Ariadne, my parents
Jack and Becky Strutton, my mother-in-law Lore Kavyas, and in
memory of my father-in-law Spyros Kavyas.

David Strutton

With love to my wife Linda, and daughters Kristi and Kelli.

James Lumpkin

PREFACE

Nestled in Atlanta, Georgia's Stone Mountain park which is just a stone's throw from Emory University's Center for Relationship Marketing, the father of contemporary marketing channels, Louis W. Stern, delivered a telling address to an assembly of marketing scholars. In his address, he shaped a contemporary view of marketing channels. His view championed the shift toward long-term, win-win *channel relationships*. Why begin our book by mentioning Professor Stern's discourse at the Second Research Conference on relationship marketing? The simple reason is that our book is all about channel relationships. *Marketing Channels: A Relationship Management Approach* addresses the real-world connection between marketing channels and relationship marketing. Small wonder that our book is inspired by two pioneers in marketing channels and relationship marketing theory, Professors Louis W. Stern and Jagdish N. Sheth. In the spirit of their scholarly contributions, our book highlights the growing importance of channel relationships in creating sustainable market value and sustainable competitive advantage.

A New Course for Exploring the Nature and Scope of Exchange Relationships in Marketing Channel Settings

The door to sustainable market value hinges on channel relationships. Market giants like General Electric, IBM, Microsoft, Mitsubishi, Motorola, and Siemens forge collaborative channel relationships to improve their global market competitiveness. In fact, management guru Peter Drucker cites marketing channels as the last frontier on the road to building sustainable market value. Simply put, as markets change, so too must marketing channels. Yet, marketing channels pedagogy has remained virtually unchanged for decades. *Marketing Channels: A Relationship Management Approach* charts a new course for exploring the nature and scope of channel relationships.

A Model-Driven Approach, the CRM Provides Direction for the Entire Course

This new course takes a marked detour from the traditional Four Ps "map" of marketing channels. *Marketing Channels: A Relationship Management Approach* pioneers a model-driven approach to marketing channels pedagogy. The Channels Relationship Model (CRM) is introduced in the first chapter, and it provides direction for the entire course.

The first part of the course, called the Marketing Channels Framework, introduces students to a contemporary, relationship perspective of marketing channels. It describes how an organization's mission should drive channel systems in the competitive marketplace. The interface between marketing channels and the marketing mix elements is also explored in this part. Our book then proceeds to address each of the other fundamental components of the CRM:

- *External Channels Environment.* This component of the CRM investigates external challenges and opportunities that impact channel systems. The part demonstrates that channel relationships are important mechanisms to more effectively manage uncertainty in the macroenvironment.
- *Internal Channels Environment.* The next part investigates the behavioral issues that beset the channel relationship process, including coordination, conflict and cooperation. The importance of information systems and logistics in creating and sustaining coordinated channel relationships is highlighted there, as well.
- *Economics of Exchange.* The third component of the CRM critically assesses the economic basis for the exchange process. It extends the notion of economic exchange to address vertical integration decisions faced by marketing organizations. In this part, a special emphasis is placed on franchising as a vertical integration option.
- *Relationships and the Interaction Process.* The final part of the course explores the relational exchange approach in marketing channels practice. The concepts of relational exchange are related to the development of strategic partnering, and the implications of strategic partnering for future marketing channels practice are addressed.

An Integration of Global Perspectives Gleaned from Surveys of Students, Researchers, and Educators

The CRM is an innovation rather than an invention. It represents an integration of various marketing channels perspectives and pedagogies from around the world. In fact, we believe *Marketing Channels: A Relationship Management Approach* is the first marketing text written on four continents: North America, Asia, Europe and Australia! To ascertain what the market sought in a new channels text, we conducted both quantitative and qualitative surveys of educators, researchers and students from all corners of the globe. Our surveys identified eight fundamental recommendations, couched in the form of marketplace needs, that guided the development and production of this book. Among ourselves, we came to label these the Eight Imperatives:

First Imperative: Write a Channels Book That's Easy for Students to Read

Time and again, we were reminded that our book should be written for students, not researchers. Following this advice turned out to be one of our most formidable challenges in writing this book. So, each chapter was reviewed by students as well as educators. Sometimes, to our disappointment, we were forced to find alternatives to some of our favorite words, jargon and examples. [Who would have known that students associate the

prefix *retro* with a music genre rather than with logistics?] Clearly, it was a humbling process, but we know *your* students will appreciate our extra effort.

Second Imperative: Convince Readers that Marketing Channels Is an Exciting Topic

The second imperative was to build some excitement into marketing channels. As an academic subject matter, marketing channels sometimes lacks some of the surface appeal of advertising or consumer behavior. How do you make marketing channels more exciting? We abandoned conventional minutiae and replaced them with thought-provoking imagery. Each chapter begins with a metaphor that creates both a mental and physical image that captures the theme of the chapter. The Irwin “Team” added an inviting layout and design, featuring many unique photographs and exhibits. Finally, we supplemented each chapter with “Channel Surfings,” which are short, timely vignettes that illustrate important themes in the chapter.

Third Imperative: Cover the Major Marketing Channels Theories

Our third imperative was to marry existing marketing channels theory to cutting-edge channels practice. *Marketing Channels: A Relationship Management Approach* introduces students to the political economy model (Chapter 5), transaction cost economics (Chapter 13) and relational exchange theory (Chapter 16). In fact, we have stand-alone chapters on transaction cost and relational exchange theory. While it would have been easier to avoid these difficult topics, our research indicated that professors would welcome extended coverage of channels theory. We used many practical examples and simplified terms to make these principles relevant and understandable to students.

Fourth Imperative: Give “Stand-Alone” Attention to Legal and Ethical Issues in Marketing Channels

When we started writing *Marketing Channels: A Relationship Management Approach*, educators stressed the importance of business law and ethics. These topics, they said, were too important to be “hidden” in a general overview of the channels environment. In response, we afforded special attention to each of these topics. Our discussion of both legal developments (Chapter 6) and ethical issues (Chapter 7) in marketing channel relationships is supplemented with many examples and real-world vignettes.

Fifth Imperative: Include Practitioners’ Perspectives to Enhance Learning Outcomes

Despite references to the term “channels managers” in other books, we shared our fellow educators’ view that there are few “channels managers” but many career opportunities in marketing channels management. So we provided personal profiles of marketing channels practitioners from the marketplace. Channel Profiles feature young, successful practitioners performing in a variety of channel roles, including franchising, logistics, retail distribution and wholesaling. To expand the practitioner perspective, we assembled a *Channels Relationship Council* of seasoned marketing channels practitioners to offer their insights on the strategic implications and likely future of marketing channels.

***Sixth Imperative: Connect Marketing Channels to Marketplace Trends—
Franchising and Strategic Alliances***

Current marketing channels students demanded that we make the material relevant. We do. Our book offers dozens of real-world examples of each channel principle. Moreover, this is the first channels text to feature two marketplace phenomena that epitomize the critical role of channel relationships in strategic decision making. We think that the unprecedented growth of franchising in the U.S. and abroad warrants attention throughout the text. That is why we provide a full chapter (Chapter 15) on franchising as an emerging global vertical marketing system. The book also features an entire chapter on strategic alliances (Chapter 17).

Seventh Imperative: Emphasize Critical Thinking in Lieu of Memorization

How do we get students to understand concepts rather than memorize definitions? In addition to a full set of review questions, we have included “Channel Challenges”—critical thinking questions that challenge students to integrate key concepts within each chapter. These challenges can also be used to provoke class discussions. Our book also provides discussion questions—“Points to Ponder”—to initiate class discussion of each “Channel Surfing.”

In addition, we provided timely readings for each part of the text. Each reading addresses a relevant issue in marketing channels. We recruited top marketing scholars to write proprietary articles for *Marketing Channels: A Relationship Management Approach*. **These readings are available in no other source.** They are written exclusively for our book. We are very grateful for the following scholars’ contributions:

G. Ian Burke
LaTrobe University

Jhinuk Chowdhury
University of North Texas

Wilkie English
Mary Hardin University

O.C. Ferrell
University of Memphis

Faye W. Gilbert
University of Mississippi

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Charles Sturt University

John T. Mentzer
University of Tennessee

John F. “Jeff” Tanner
Baylor University

Alma Mintu Wimsatt
East Texas State University

Joyce Young
Indiana State University

***Eighth Imperative: Provide Easy-to-Use Supplements: an Instructor’s Manual,
a Full-Color PowerPoint Slide Presentation and Videos***

In addition to the readings, we have compiled a comprehensive **Instructor’s Manual** that includes chapter outlines, test questions, answers to review questions, discussion of critical thinking questions, sample marketing channels projects and transparency masters. A **computerized test bank** is also available. Course preparation has been made especially easy: a full-color, customized Microsoft **PowerPoint** slide presentation is offered that provides a chapter-by-chapter, ready-to-use teaching tool. Professionally produced **videos** also offer insightful case scenarios that reinforce key marketing channels principles.

We sincerely thank the students and educators—too numerous to individually mention—who offered these Eight Imperatives. Their insights and suggestions provided a general direction for our efforts. We also thank Gilbert A. Churchill, Jr., the first reviewer of our efforts, for his encouragement and advice on how to develop this project. As a result of their efforts, this is truly a market-driven channels text.

A host of reviewers made sure that our text preparation adhered precisely to the letter and spirit of the Eight Imperatives. We extend our sincere gratitude to them. Without the following reviewers, this project could not have been successfully completed: Moshen Bagnied, *University of the District of Columbia*; Dan Bello, *Georgia State University*; David Bloomberg, *Western Illinois University*; James R. Brown, *Virginia Polytechnic Institute and State University*; Chris Cox, *Nicholls State University*; Robert F. Dwyer, *University of Cincinnati*; Samuel Gillespie, *Texas A&M University*; James C. Johnson, *St. Cloud State University*; Alma Minu-Wimsatt, *East Texas State University*; Rammonhan Pisharodi, *Oakland University*; David J. Urban, *Virginia Commonwealth University*; Joyce A. Young, *Indiana State University*; Brent Wren, *University of Alabama-Huntsville*; Ronald Zallocco, *University of Toledo*.

Channel relationships do not just happen, they evolve over time. Accordingly, there are a number of individuals who provided training and support that culminated in *Marketing Channels: A Relationship Management Approach*. We appreciate their contributions, and we recognize them here: Marwan Aridi, *Aridi Computer Graphics*; Stephanie Armbruster, *University of Southwestern Louisiana*; David Ballantyne, *Monash University*; Barbara Brickley, *University of Southwestern Louisiana*; Rajiv Dant, *Boston University*; William R. Darden, *Louisiana State University*; O.C. Ferrell, *University of Memphis*; Barnett A. Greenberg, *Florida International University*; Ronald W. Hasty, *University of North Texas*; Neil C. Herndon, *City University of Hong Kong*; Subhash Mehta, *National University of Singapore*; Mary F. Mobley, *Augusta College*; Atul Parvatiyar, *Emory University*; Jennifer

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We would like to especially thank Mary Domingue who tirelessly deciphered and organized our writings through the many versions of the text.

Margaret Carty once wrote, "The nice thing about teamwork is that you always have others on your side." This project extended beyond the authors' contribution. In fact, this book is a joint effort with our editor, Stephen Patterson. Steve was an enthusiastic supporter of the book's pedagogy, from its conception to its production. Steve championed and challenged our pedagogical perspectives, thus ensuring a true match between this book's mission, its content and the needs of the market it serves.

Stephen Patterson was the nucleus of a dedicated and conscientious team of Richard D. Irwin professionals. Having heard anecdotes of developmental channel conflicts from other authors, we expected to practice some of the conflict resolution strategies (addressed in Chapter 10) in our dealings with the publisher. This was not the case. The following members of the Irwin team epitomized the sort of cooperation, coordination and specialized contributions that lead to long-term, successful exchange relationships: Rob Zwettler, publisher; Colleen Suljic, marketing manager; Eleanore Snow and Lynn Mooney, developmental editors; Andrea Hlavacek, editorial coordinator; Jean Lou Hess, project supervisor; Liz McDonald, copyeditor; Michael J. Hruby, picture researcher; and Crispin Prebys, designer.

Like channel relationships, *Marketing Channels: A Relationship Management Approach* is an ongoing process. So we look forward to hearing your suggestions for improvements and your experiences using our book in the classroom.

We agree with Professor Drucker—marketing channels *will* be the route to sustainable market value. We sincerely hope that *Marketing Channels: A Relationship Management Approach* is a worthy vehicle for providing market value to your students.

Lou E. Pelton
David Strutton
James R. Lumpkin

ABOUT THE AUTHORS

Lou E. Pelton is an award-winning teacher and researcher in the College of Business Administration at The University of North Texas. Dr. Pelton's principal research interests include marketing channels, relationship marketing and international distribution. Dr. Pelton currently serves as coordinator of two American Marketing Association special interest groups and track chairperson for the Academy of Marketing Science's World Marketing Congress. He has served as officer in a number of national and regional marketing associations as well. Dr. Pelton has headlined many professional education and training seminars in the U.S. and abroad. He currently manages a global electronic bulletin board addressing relationship marketing theory and practice.

Dr. David Strutton is the Acadiana Bottling and J. Wesley Steen Regents Professor in Business Administration at the University of Southwestern Louisiana. Dr. Strutton's principal research interests include business-to-business marketing, personal selling and sales management. Dr. Strutton is treasurer of the Southwestern Marketing Association and an active member of the Academy of Marketing Science and the American Marketing Association.

Dr. James R. Lumpkin is the Dean of the Foster College of Business Administration, Bradley University. Dr. Lumpkin is a past president of the Academy of Marketing Science and was named "Distinguished Fellow" of the Academy in 1992. He is a past marketing editor of the *Journal of Business Research*. Dr. Lumpkin's primary research interests include retail patronage theory, health care marketing and research methodology. His recent research has focused on the elderly consumer. He has received a number of research grants to study the marketplace behavior and long-term health care decisions for the elderly consumer. Before entering academe, Dr. Lumpkin worked as a chemist and in marketing research for Phillips Petroleum Company. In addition to his corporate experience, he has directed two consumer research panels.

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