

# A new approach to Marketing Channel Relationship

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The diffusion and growth of retailer brands (private labels/store brands) and the development of retail marketing strategies independent from suppliers marketing strategies stimulated a remarkable attention in the retailing literature over the last decades. In a recent review of the literature related to the subject, we learn that 73 articles have been published from 1990 to 2010 (Hyman, Kopf, and Lee, 2010) as revealed by a keyword-based investigation using the Business Source Premier Database. One of the most important topic the academic studies analyzed is the impact of retail brands development in channel relationships (retailers vs suppliers) and, in particular, the intra-brand competition highlighting the notion that private branding does not only represent horizontal competition between retailers, but also a strategic choice that triggers vertical competition between manufacturer and store brands. This perspective suggests an increase in the number and importance of stakeholders in the distribution channel. It also demonstrates that by thinking in terms of a competitive approach by channel, typical of the more advanced economies, this may generate surplus improvements for both parties in that channel (retailers and manufacturers) (Ailawadi and Harlam, 2004; Pauwels and Srinivasan, 2004; Sayman and Raju, 2004; Soberman and Parker, 2006).

A recent paper published in the Journal of Retailing identified different steps of the evolution of marketing channel stages (Watson, Worm, Palmatier and Ganesan, 2015). The first is the “pre-1980 stage” during which channel relations are focused on cost minimization and the vertical marketing system is an extension of firm strategies. During the 70’s and 80’s the attention was on the relationship and behavioral dimensions of marketing channels (Stern, 1969; Kaufmann e Rangan, 1990; John, 1984). In the last 30 years behavioral approaches about channel relations, stimulated academic researchers and marketing practitioners, introducing the topic on Trade Marketing focusing the attention on the opportunities

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and threats of collaboration and cooptation between retailers and suppliers (Varaldo e Dalli, 1989; Varaldo e Fornari, 1998; Frazier, 1999). The most important studies in this strand refer to power-dependence and conflict, for which channel power depends on reciprocal dependence, influence and substitutability of customers and suppliers (Draganska, Klapper, and Villas-Boas, 2010). In essence, the struggle for power in channel relations does not necessarily create conflict and – on the contrary – low conflict levels could increase performance of both channel's actors (Geyskens, Steenkamp, and Kumar, 1999; Gundlach and Cadotte, 1994) because high level of conflicts can determinate a stop in vertical relationships compromising channel's growth.

In this framework about channel partnership culture, during the 90s management scholars developed category management projects, trade marketing investments and sales planning strategies tailor made for customers and channels. This theoretical and managerial path merged with Network Theory. According to this perspective, the unit of analysis moves away from the relationships between two or more subjects towards normative and social structures in which exchanges are embedded and incremental value is created to multi-lateral exchanges (Baron and Hannan, 1994). The concepts of trust and commitment of the social exchange theory, in the network theory are replaced by contact density between channel members, contact authority and network centrality.

In this way, in recent years, studies on power and conflict in marketing channels have given way to topics about relationships and the strength of networks, fostering behavioral approaches (Wang, Gu, and Dong, 2013).

However, there are structural changes that are questioning these approaches. The *first change* concerns the development of e-commerce and the growth commercial disintermediation that can simplify and shorten the length of marketing channels. The *second change* concerns the situations of vertical branding both descendant (from production to shopper) and ascendant in which retailers also become producers with their own brands. Vertical branding increases both horizontal and vertical competition in marketing channels and affects the patterns and boundaries of intra-channel collaboration. This does not mean, however, that there are no new opportunities for collaboration between producers and retailers, assuming that, as wrote Palmatier *et al.* (2007), no single relational mediator develops an all-encompassing relationship. The *third change* concerns the development of a growing consumer prosumerism, through which consumers and shoppers tend to integrate some phases of distribution and production in order to obtain cost savings and the potential for customizing products and services. This also happens thanks to the presence of enabling technologies in order to connect businesses models and their actual and potential customers and not only allow a two-way and one-to-

one bi-directional dialogue, but also create real and effective conditions for the configuration of goods and services that will be offered on the market (Morace, 2015). *Lastly*, in recent years consumers have increasingly adopted a peer-to-peer sharing approach not only in the evaluation of products and services, but also in the possibility of providing peer services (think of marketplaces like eBay or ETSY, etc.)

In this way it could develop new collaboration forms that we could define as Digital Shopper Marketing strategies, in which the nature of the relationship between supplier and retailer is not, as in the trade marketing perspective, based on the exchange between money (paid by the producer) and visibility (sold by the retailer) but on the exchange between brand visibility/relationship (brand) and retail banner visibility/relationship (Table 1).

Table 1 – From Trade Marketing Vision to Digital Shopper Marketing Vision

	<b>Trade Marketing Vision</b>	<b>Digital Shopper Marketing Vision</b>
Retailer contribution	Shopper visibility/ traffic resources	Store loyal customers
Supplier contribution	Monetary resources	Brand loyal customers
Tools	Point of Sales Flyers Display, Extra-display	Point of Sales Social Media Digital and Physical touch points
Main Benefit for Retailer	Financial and monetary resources	Visibility and attraction for brand lovers (penetration versus non shoppers)
Main Benefit for Supplier	Visibility/penetration to retailer shoppers	Visibility/penetration to retailer shoppers

In this way, situations of vertical competition between national brand and store brand can be overcome to develop a real collaboration in the integrated management of trust relationships with consumers (brands) and shoppers (store banners) also, potentially, integrating the strategies and CRM platforms of retailers and suppliers.

In Italy, some companies have already started to follow this path with some experimental Digital Shopper Marketing projects (for example Beiersdorf, Nestlè and others) with excellent results. This is a process of changing channel relations both in terms of content and tools and

objectives that can lead to a new season of collaboration between retailers and brands.

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