CHAPTER 1

INTRODUCTION

Relationships between organizations are no less important than relationships between individuals. A business organization, apart from being a manufacturer or trader is also a purchaser and supplier. The relationships an organization builds up with its suppliers, channel partners and customers are crucial for its success and sustainability.

While marketing was defined by some scholars of the mid-20th century as “study of exchanges” (Kotler et al, 1977) such a narrow definition better suited for discrete transactions of a short-term nature cannot address the multitude of roles marketers of the present era are required to play and complexity of tasks they perform. An expanded view of marketing is provided by The American Marketing Association (AMA) as under:

“The activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large” (Keefe, 2008).

From the above definition of marketing it is clear that it involves “building profitable, value-laden exchange relationships1 with customers” (Kotler et al, 2010, p.5).

Apart from the focus on customers and clients, firms embracing marketing in its holistic form should also focus on the other stakeholders such as partners and society. The term partners includes channel partners also viz. wholesales, dealers and other downstream members of the distribution channel.

1.1. Relationship Marketing

Relationship marketing, aimed at building up long-lasting mutually beneficial relationships with the customers and business partners is a major strategic shift by marketers in the last two decades from the transactional marketing that dominated the best part of 20th century. Transactional marketing, unlike relationship marketing, focuses on standalone transactions of a short term nature, which may not necessarily be beneficial to all the exchange partners.

1 Italics added by me
1.1.1. Definition of Relationship Marketing

The term 'Relationship Marketing', alluded to by Thomas (1976) was first explicitly used by Berry (1983). Morgan & Hunt (1994), proponents of commitment-trust theory, which emphasizes the spirit of cooperation and collaboration, define relationship marketing as: “All marketing activities directed toward establishing, developing and maintaining successful relational exchanges.”

From the above it is clear that maintaining successful relationships of an enduring nature with all the key stakeholders, including channel members, is the key to the success of any business.

1.2. Marketing Channels

The term distributors refers to channel intermediaries comprising of wholesalers, dealers and retailers who are also known as channel partners. They are the constituents of a marketing channel-“A set of interdependent organizations that help make a product or service available for use or consumption by the consumer or business user” (Kotler et al 2010, p.291). A value delivery network (VDN)\(^2\) encompassing suppliers, company, distributors, and customers engenders the spirit of cooperation and collaboration. Members of a VDN partner with each other to maximize the value for the network as a whole. This necessitates forging of mutually beneficial long-term relationships by all the members.

Channel partners\(^3\), key constituents of VDNs add value to all the members. All things remaining the same, a company with an efficient and effective channel of distribution has a distinct competitive edge over others. The pre-requisites for forging enduring relationships between the company and its channel members are: concern for each other and shared values & goals.

Irrespective of whether the goods or services produced by the company are for personal consumption of customers, popularly known as Business to Consumer markets (B2C) or go into the production of other goods and services, known as Business to Business markets (B2B), the dealings with channel partners fall under the domain of B2B marketing in as much

\(^2\) Value delivery network is a part of supply chain of a company and includes all its direct participants involved in production, distribution, marketing, customer service, etc. for a given geographical area.

\(^3\) The expressions channel partners and dealers have been used interchangeably throughout this document.
as the channel partners do not consume the goods and services themselves but resell them to downstream channel members or ultimate customers. In other words the strategies and tactics adopted by companies for B2B customers have to also include channel partners, who for all practical purposes are the B2B clients of the company. Whatever concepts, theories and practices are applicable for B2B customers therefore have to be adopted by manufacturers, even for channel partners.

### 1.2.1. Distribution Channels for Steel

Steel by nature is a bulky material which requires special equipment and facilities for handling, storage and transportation (Dasari, 2012). Steel products are sold direct to major original equipment manufacturers (OEMs) by the manufacturers. Small and medium enterprises (SMEs) however do not have the wherewithal to deal directly with the manufacturers who enforce certain norms and standards with respect to minimum order quantity, extension of credit etc. Dealers appointed by the manufacturers cater to the needs of SME customers. They also offer all related products under one roof sparing the customers the trouble of scouting around for the materials. Even for OEMs, dealers are a stand-by option, albeit in emergencies, should there be any unexpected delay in receipt of materials direct from the manufacturers. Some large dealers also import special grades of steel, not manufactured locally, from overseas suppliers which manufacturers (particularly SMEs) may not be able to do on their own.

### 1.3. The Present Study

Channel activities are a major source of value-added benefits to end users. Distribution channels provide an opportunity to firms to develop competitive advantage by reducing the costs of performing these activities and using distribution function as a differentiator (Weitz & Jap, 1995). Distribution channel being a strategic asset, channel partners need to be nurtured and retained by manufacturers which calls for a relational orientation. As explained earlier channel partners are to be treated at par with the customers. Marketers therefore have to understand what the channel members seek in a relationship, for establishing and maintaining mutually beneficial relationships with them.

Further, it is indeed intriguing to observe that in spite of manufacturers investing their time and resources on relation building activities, effectiveness of their efforts are found to vary across customers (Palmatier et al., 2008). Demystifying this paradox calls for a thorough
investigation of the antecedents and mediating factors that influence the outcomes of relationship strategies of manufacturers. The present is expected to help find some of the answers to unfold this phenomenon, in the context of channel relationships.

1.4. Need for the Present Study

While a number of studies have been carried out in U.S and the West (Vazquez et al., 2005; Jap & Ganesan, 2000; Nevin, 1995) to determine the factors affecting the relationship marketing outcomes in manufacturer-dealer dyads in a B2B context, my exploration of the available literature has not yielded any studies undertaken in Indian sub-continent on the subject.

Further even outside India, while a number of studies were conducted on the B2B relationships (Vazquez et al., 2005; Jap & Ganesan, 2000; Nevin, 1995), no studies conducted on the channel relationship strategies of manufacturers of steel products were available in the literature reviewed. While the extant research has been able to establish some of the linkages - either direct or through mediating/moderating variables between the relationship building efforts of manufacturers and the corresponding outcomes (Morhan & Hunt, 1994), none of the studies exclusively focused on how the relationship marketing strategies of manufacturers impact downstream channel partners in achieving the desired outcomes.

The focus of previous scholars while identifying the antecedent variables of B2B relationships (Morgan & Hunt, 1994; Jap & Ganesan, 2000) was more on the functional aspects of the manufacturer-customer relationships. In the East and particularly in the Indian sub-continent, apart from the functional aspects of manufacturer-dealer relationships, emotional aspects such as the support extended by manufacturers when the dealers are in dire straits also play a significant role in cementing the relationships. Identify the missing links and developing a more comprehensive framework for studying the channel relationship strategies of manufacturers in the Indian context is one of the focus areas of this study.

The present study adopts the perspective of dealers and analyzes the channel relationship strategies of Indian manufacturers. Theme of the present study culminates into the following research questions:
a. Are the theories and practices relevant for US and the West equally relevant for India? If the answer is NO, how should they be adapted for Indian conditions?

b. Are there any variables specific to the culture and ethos of Indian business firms which have been overlooked by scholars in the West?

c. Out of the many antecedents of channel relationships are there some which are more crucial than others in the Indian context?

d. Do the existing theories and further exploration of channel relationships undertaken in this study necessitate Indian manufacturers to recast/refine their strategies?

e. Are there further areas that need to be researched to build up a knowledge base of channel relationship strategies of steel manufacturers in particular and manufacturers of industrial goods and materials in general?

The remainder of the thesis is devoted to exploring these questions and finding answers to some of them.