

# International Channels of Distribution: A Classification System for Analyzing Research Studies

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**ABSTRACT:** This paper presents a systematic method for classifying research on international channels of distribution. It is used to examine 79 articles published during an 18-year period (1988–2005). Based on content analysis, each article is classified by its primary research framework. Two frameworks are identified: (1) structural – based on the economic and organizational aspects of international channels of distribution; and (2) behavioral – based on the exchange relationship between channel members from different national environments. This simple organizing system offers a comprehensive way to analyze scholarship that has emerged in the field. For managers, it can bring the theoretical and practical developments together in an understandable fashion as they seek to interpret and apply research findings. For scholars, it may bring focus to an increasingly complex area of international business and guide future research efforts.

## INTRODUCTION

Distribution channels are among the most highly differentiated aspects of international marketing. Marketing channel decisions involve supply chain strategy at the policy level and channel management at the operations level. The complexity of these decisions is increased by widely different social, cultural, economic, and political patterns. While analysis of domestic channels and the concepts

embodied in channel management theory may be applicable in an international setting, generalizations about international channels of distribution can be deceptive due to the extent of country-to-country differences (Stern and El-Ansary 1992). The literature on domestic channel practices does not provide sufficient answers for the conduct of activities across borders (Seifert and Ford 1989).

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Given the strategic significance and complexity of distribution channels in international business, it is worthwhile to scrutinize prior scholarship in this important area. In an effort to consolidate our understanding and to move the research agenda forward, this paper considers:

- What issues have received attention (which ones should)?
- What approaches and methods are used?
- Is there a wholistic way to understand and categorize research efforts?
- What lessons and insights can be shared with practitioners?

Based on a review of the literature, a gap has been identified: there is no single classification system for understanding research efforts. Proposed is a comprehensive system for sorting research on international channels of distribution. This hierarchical taxonomy is employed to analyze 79 academic articles published during an 18-year period (1988–2005). Prior studies have generated a wealth of knowledge. In this paper, accumulated research is synthesized and it is hoped that this classification system will provide a basis for future research efforts and assist marketing managers as they seek to interpret and apply scholarly findings.

#### **Analysis of Existing Research**

A survey of recent literature (1988–2005) was undertaken to

identify studies on international channels of distribution. An initial search was made using several electronic databases (e.g., Business Source Premier and ProQuest). Journals related to international marketing, international business, marketing, and marketing research were also reviewed in an attempt to make the search as complete as possible. The final selection of articles was based on content analysis. An article was selected if it focused on some aspect relevant to the development and/or maintenance of interorganizational channels of international distribution. A total of 79 articles were selected for inclusion in the present study. Although no claim is made that this was an exhaustive search, it provides evidence to support the view suggested by some scholars that there are a limited number of studies on international channels of distribution (Cabaniss 1991; Griffith and Ryans 1995; Rosson and Ford 1980; Samiee 1993; Seifert and Ford 1989). Though an increase in the formation of channel partnerships in the 1990s has been indicated (Buzzell and Ortmeyer 1995), the level of scholarship on the subject has not kept pace. Compare this attention with that given in the international business literature to joint ventures and alliances – something in which far fewer firms engage, but hundreds of articles are published.

Each article was first classified by primary research framework. Two research frameworks are used in this study. These two general approaches are derived from a dichotomy arising

in the literature; chiefly the economic, physical, technical 'hard' side versus the social, psychological, 'soft' side. Drawing from Stern and colleagues (1969, 1980, and 1992) these are conceptualized as:

- (1) structural framework – based on the economic and organizational aspects of international channels of distribution; or
- (2) behavioral framework – based on the exchange relationship between channel members from different national environments.

An integrative understanding put forth in this paper builds on the view espoused by Stern and El-Ansary (1992: 38) – “the marketing channel is a complex technical and behavioral system.” It also is complementary to Stern and Reve’s (1980: 52) “analysis of distribution channels which encompasses both economic and sociopolitical determinants of channel member behavior.” The dichotomy proposed in this paper is essentially a return to Stern’s (1969) book *Distribution Channels: Behavioral Dimensions* that affirms these frameworks.

Articles classified into the two research frameworks are further divided by approach taken. Those with a structural framework are further classified by: (1) developmental/evolutionary approach, (2) transaction cost approach, or (3) comparative approach. Those with a behavioral framework are further classified by: (1) relational approach; (2) cross-cultural approach; or (3) prescriptive

approach. These approaches reflect the specific goals of the individual studies. The approaches were culled from the literature prior to classification of the articles. While taken as discrete categories, there can be a degree of overlap in approaches. That is an article may include elements that examine relational activity (relationship between manufacturer and intermediary) as well as cross-cultural. Several articles purposefully cross boundaries. It is evident that a few of the early as well as the most recent research efforts fall into more than one domain.

Two independent coders – one unrelated to this paper (not the author) – both familiar with the literature were used to place articles according to structural framework and particular approach. Intercoder reliability was high – with few discrepancies in interpretation resolved carefully. Several articles were excluded in cases where agreement could not be reached. Distinctive or notable research methods employed are discussed for the structural approach as well as the behavioral approach. The 79 articles reviewed and classified are presented in Table 1.

### **STRUCTURAL FRAMEWORK**

Research classified as having a structural framework focuses on specific aspects of channel design related to economic structure – the transactional form existing in the channel – and/or the organizational structure – the type and number of institutions in the channel (Leonidou 1989: 17). The

TABLE 1: A CLASSIFICATION SYSTEM FOR ANALYZING RESEARCH STUDIES

STRUCTURAL FRAMEWORK**Developmental Approach**

Bello, Urban, and Verhage 1991  
 Bello, Verhage, and Bronislaw 1989  
 Chen and Huang 2004  
 Chu 1989  
 Gadde 1993  
 Griffith, Chandra, and Fealey 2005  
 Griffith and Ryans 1995  
 Howard and Maskulka 1988  
 Mazzoleni 1998  
 Ramaseshan and Patton 1994  
 Seifert and Ford 1989  
 Terpstra and Yu 1990

**Transaction Cost Approach**

Aulakh and Kotabe 1997  
 Bello and Lohitia 1995  
 Bergen, Heide, and Dutta 1998  
 Erramilli and Rao 1993  
 Harvey and Novicevic 2002  
 Kim 2001  
 Kim and Daniels 1991  
 Kim, Nugent, and Yhee 1997  
 Klein 1991  
 Klein, Frazier, and Roth 1990  
 Klein and Roth 1990, 1993  
 McNaughton 2002  
 Myers and Harvey 2001  
 Osborne 1996  
 Rialp, Axinn, and Thach 2002  
 Shin, Hahn, and Park 1996

**Comparative Approach**

Assmus and Wiese 1995  
 Cavusgil and Zou 1994  
 Ekeledo and Sivakumar 1988  
 Kim and Oh 2002  
 McNaughton and Bell 2000  
 Myers 1999  
 Rosenbloom and Larsen 1991  
 Shoham, Rose, and Kropp 1997, 1999

BEHAVIORAL FRAMEWORK**Relational Approach**

Balabanis 1998, 2005  
 Bello and Gilliland 1997  
 Bello, Chelariu, and Zhang 2003  
 Cavusgil, Deligonul, and Zhang 2004  
 Frazier, Gill, and Kale 1989  
 Karunaratna and Johnson 1996  
 Katsikeas and Piercy 1991  
 Kim 2003  
 Leonidou 1989  
 Liu and Wang 1999  
 Moore 1991, 1992  
 Paswan and Young 1999  
 Rose and Shoham 2004  
 Welch and Wilkinson 2005

**Cross-Cultural Approach**

Bandyopadhyay, Robicheau, and Hill 1994  
 Borin, Van Vranken, and Farris 1991  
 Geyskens, Steenkamp, Scheer, and Kumar 1996  
 Johnson, Sakano, Cote, and Onzo 1993  
 Johnson, Sakano, and Onzo 1990  
 Kale and McIntyre 1991  
 Llanes and Melgar 1993  
 Marshall 2003  
 Mehta, Larsen, Rosenbloom, Mazur, and Polska 2001  
 Mehta, Larsen, Rosenbloom, and Ganitsky 2006  
 Rosenbloom and Larsen 2003  
 Yavas 1998  
 Yoon, Morash, Cooper, and Clinton 1996

**Prescriptive Approach**

Cavusgil and Kirpalani 1993  
 Fram 1992  
 Grunert, Jeppesen, Jespersen, Sonne, Hansen, Tronsen, and Young 2005  
 Keitt 1990  
 Mehta, Larsen, and Rosenbloom 1996  
 Michael 1998  
 Rosenbloom 1990  
 Shipley, Cook, and Barnett 1989  
 Thomas and Wilkinson 2005  
 Weigand 1989, 1991  
 Zhang, Cavusgil, and Roath 2003

common emphasis is on the issue of distribution choice (alternative channel structure) and efficiency aspects (cost) of the distribution channel. In addition to the effects of behavioral processes on international channels, economic/competitive, sociocultural, technological, and legal/political factors influence

distribution (Rosenbloom 1999: 526). While channel design and selection provide a common framework for structuralist authors, they differ on what should be considered in evaluating and choosing alternative channel intermediaries as well as on the issue of vertical integration. In the second level of this hierarchy three

approaches are identified to describe these differences: developmental/evolutionary approach, transaction cost approach, and comparative approach.

### **Developmental/Evolutionary Approach**

Like other socioeconomic phenomenon, international channels of distribution change over time. Some scholars focus on the stages of a firm's internationalization and its channel management. This implies that the structure and type of international channels of distribution follow a pattern as a firm moves from using intermediaries to functional absorption to direct exporting (Terpstra and Yu 1990). Others consider this to be an incremental process rather than discrete stages that develop over time (Howard and Maskulka 1988). Griffith and Ryans (1995) note that global marketing channels can evolve naturally, pointing out that transaction cost concerns has been dramatic – often overshadowing other concerns. They posit that the preoccupation with transaction costs has been detrimental for both practice and scholarship. For the practitioner charged with responsibility for managing marketing channels, he or she should be cognizant of the natural progression.

Bello and Verhage (1989), Chen and Huang (2004), and Howard and Maskulka (1988) take a developmental approach to describe the way firms enter international markets and how this develops over time. Bello and Verhage (1989) combine export

stage and transaction cost analysis to examine the structural changes that occur as firms move through various phases. Firms that manufacture industrial products, however, do not necessarily undergo all steps of the internationalization process (Bello, Urban, and Verhage 1991). Chu (1989) describes this as a process of learning-by-doing, which can lead to vertical integration of distribution activities. A developmental approach is also evident in the work of Seifert and Ford (1989). They survey industrial firms to determine the choice of foreign-based (direct) or domestic-based (indirect) distribution channels and level of satisfaction with the distribution channel chosen. Again, the administrator overseeing international distribution channels should be aware that there may be no single correct trajectory; experience and learning play an important role. The notion of equifinality suggests that there may be an array of decisions/choices that lead to the same result.

Chen and Huang (2004) examine Taiwanese small and medium-sized enterprises as they cultivate global marketing activities: setting up, establishing, developing, and building are all descriptors used in their analysis. These firms overcome barriers as they progress through stages of internationalization or else defy the typical sequence and begin as global enterprises ('born global'). In a rebuttal to the driving force of international strategy – transaction cost efficiencies – Griffith, Chandra, and Fealey (2005) explore 'natural' channels of distribution; those that

have evolved. They report on 22 in-depth interviews of global marketing managers in the emerging market of India and isolate various factors (internal and external) that affect the course of channel development.

Gadde (1993) sees distribution networks as evolutionary—developing through time as a result of the actions of network participants and their efforts to exert control. The concepts of coordination and mobilization are used “in an analysis of evolution in distribution networks” (Gadde 1993: 43). In a historical study, Mazzonleni (1998: 420) found that “a network of manufacturer-overseas distributor relationships evolved over time as pervasive asymmetric information problems were resolved.” He also found evidence that social norms could be used to combat agency concerns. This suggests that channel relationships require work but that maturation and resolution cannot be forced. Interaction among actors is important, even time plays a role in healing relationships, assuaging contentions, and ironing out thorny issues.

#### **Transaction Cost Approach**

The transaction cost approach—based on the work of Coase (1937) and Williamson (1979, 1981)—provides a coherent framework for investigating determinants of vertical integration. This approach—a combination of organizational theory, economics, and modern contract law—is an explanation for why managers select different channel structures to coordinate the

exchange (Dwyer and Oh 1988). The transaction cost approach suggests that cost minimization can justify these structural decisions. Manufacturing firms internalize transactions (integrate forward) to reduce costs (Klein and Roth 1993). A firm’s optimal channel structure should reflect both the volume of sales involved and the vulnerability of the firm to opportunistic behaviors by external intermediaries (Klein 1991; Klein, Frazier, and Roth 1990; Klein and Roth 1990, 1993).

Rialp, Axinn, and Thach (2002) examine the channel integration decision of over 2,000 Spanish firms engaged in exporting. They find strong evidence of internalizing operations. Their research also delves into various “institutional arrangements for accomplishing international distribution” (Rialp, Axinn, and Thach 2002: 134). Studying small knowledge-intensive firms, McNaughton (2002) finds that multiple distribution channels are often chosen to serve foreign markets and that integrated modes are often preferred for international channels as they facilitate protection of intellectual assets and provide high levels of customer service and support. McNaughton (2002: 190) develops and tests a “transaction cost analysis model of channel choice.”

Transaction costs are contingent on the firm’s unique circumstances. Empirical work by Bergen, Heide, and Dutta (1998), Kim and Daniels (1991), Klein, Frazier, and Roth (1990), and Harvey and Novicec (2002) suggest that a product’s

transaction-specific assets are a key factor in explaining the selection of a given integrated channel. Klein and Roth (1990) provide an exploratory paradigm based on transaction cost analysis to examine the effect that experience and psychic-distance have on determining the selection of an export channel structure. Klein and Roth (1993) also relate lower transaction costs to satisfaction with channels. Klein and Roth (1990) support the view that when markets operate efficiently, opportunistic expectations will be bargained away. For the marketing manager, every situation has its own particular conditions; analysis and calculation may be relied upon, though not at the expense of or in the absence of other considerations.

### Comparative Approach

The comparative approach to the study of international marketing channels involves identifying, classifying, measuring, and interpreting the commonalities and differences in structures and patterns of distribution between nations (Boddewyn 1981). In terms of overall perspective, structuralists maintain that a standardized global marketing strategy does not apply to distribution strategy in foreign markets. In Rosenbloom and Larsen's (1991) view, a common global strategy does not provide marketing managers with enough knowledge and insight about multi-domestic channels of distribution. A customized, adaptive, and situational view is needed to provide for differences across

national environments. Cavusgil and Zou (1994: 5) evaluate channels of distribution and export strategy in general along the "standardization-adaptation continuum" and find that they are a function of: internal forces – consisting of characteristics of the firm and product; and external forces – consisting of characteristics of the industry and market. Myers (1999) draws attention to the fact that parallel channels of distribution or gray markets are a growing phenomenon. While the calculus may not be as clear for evaluating transactions, such attention is no less important in comparing and controlling modes of exchange.

Kim and Oh (2002) survey international distributors in the US and Japan and find the influence of institutional factors vary according to channel context. McNaughton and Bell (2000) explore channel switching by small knowledge-intensive firms. They weave transaction cost considerations with an evolutionary approach: "the domestics channel is frequently extended into a foreign market to gain economies ... managers need to be aware of the momentum created by domestic channels" (McNaughton and Bell 2000: 24).

Although the present interest in global supply chain management highlights the importance of the function, many elements of the marketing mix are not suited to a single, global marketing strategy. The research work of structuralists – especially those using a comparative analysis approach – suggests that

distribution strategies must be developed for the specific situation in each national market. Since structuralists – and especially those that take a comparative approach – tend to focus on foreign market entry, there is always the possibility of an overemphasis on channel differences among nations.

### **Structuralist Framework Research Methods**

In reviewing the methods used in research having a structural framework, some general observations can be made. One study (Terpstra and Yu 1990) is based on anecdotal case studies. Most of the 38 structuralist studies in Table 1 are large-sample empirical investigations use data obtained in survey questionnaires to test hypotheses. Howard and Maskulka (1988) survey export management companies to determine their desire to participate in an export trading company. Studies by: Bello, Urban, and Verhage (1991); Bello and Verhage (1989); Klein, Frazier, and Roth (1990); and Klein and Roth (1993) – were designed to test hypotheses related to channel structure selection and satisfaction. The methods in these studies were similar. A representative sample of manufacturers and channel intermediaries was selected; a questionnaire – with responses presented on a Likert-type scale – was used to measure perceptions and preferences.

From a methodological standpoint, the study by Kim and Daniels (1991) employs a somewhat

different research design. Their study examines marketing channel decisions. The sample included both foreign manufacturing subsidiaries and domestic firms in the US market. By selecting foreign and domestic firms operating in the same market, the sample includes both quasi control and experimental groups. The size of the sample was also large enough to test national and multinational global standardization strategies. In general, this research design provides better information on channel selection than that which can be obtained from research on a single group.

Shin, Hahn, and Park (1996) test hypotheses based on predictions from game theory. They evaluate market dynamics using: competition intensity, product substitutability, market predictability, and number of competitors. In a thorough study of the factors predicting channel integration, Aulakh and Kotabe (1997) utilize an eclectic approach. Work by Ekeledo and Sivakumar (1998) and Erramilli and Rao (1993) are notable as the focus is service firms – largely an ignored area. The research of Kim, Nugent, and Yhee (1997) and Osborne (1996) contributes to the literature on small- to medium-sized firms. Interest in smaller, younger, more entrepreneurial international firms seems to be generating increased attention (e.g. Chen and Huang 2004, McNaughton 2002, McNaughton and Bell 2000, Rialp, Axinn, and Thach 2002). A glance through the list of authors in Table 1 reveals that quite a few scholars have a growing body of work in this field. Their devotion to

the topic points to an ongoing research design that systematically addresses a number of issues often from multiple perspectives (institutional vs. interpersonal; in-depth interviews vs. large sample survey).

### BEHAVIORAL FRAMEWORK

Research classified as having a behavioral framework focuses on the interaction between channel members and how that exchange is affected by interpersonal dynamics and environmental factors and intra-channel operating practices. In this research the emphasis is on the relationship between different channel levels that are interdependent in nature and embedded in the act of exchange. The primary focus is on the channel member relationship – the dynamics of interpersonal behavior as filtered by cultural differences. As Seifert and Ford (1989: 15) state, “the positive or negative interactions in such a relationship can result from personality, experience, and ethnic or cultural phenomena.” This is in contrast to research classified as having a structural framework that has as its primary focus the concepts such as cost analysis, channel design, or channel integration.

Studies classified as having a behavioral framework generally rely on the measurement of perceptual phenomena and the development of practitioner-based constructs. They address the complex nature of the underlying behavioral dimensions influencing the domestic manufacturer and foreign intermediary relationship. The focus is on the management of

ongoing dyadic channel relationships rather than on the structure of the channel (Klein, Frazier, and Roth 1990). The emphasis is typically on the interpersonal experiences of the channel member that are likely to shape the channel relationship. These relationships are based on familiarity and trust that result from repeated business and social interactions as well as on personal conflicts that result from personality or cultural differences (Ford 1980). Gaski (1984) notes that power and conflict play a prominent role in channels of distribution. Frazier (1999: 226–227) indicates that “intrachannel conflict and its impact on long-term channel relationships is often confused. ... Power remains a misunderstood construct in channels-of-distribution research. Confusion still exists among the power, communication, and control constructs in both a conceptual and operational sense.” Table 2 provides a strong guide or useful basis for the marketing manager to handle channel partners.

Once channels have been established there is no guarantee that they will operate successfully. Realistic, cost-effective implementation, and first-rate execution depend on a firm’s management techniques and mechanisms (Stern and El-Ansary 1992: 267). Most behavioral research, regardless of approach, examines interpersonal attributes (often on a functional/dysfunctional continuum) that are characteristic of specific channel relationships to determine, for example, how a higher degree of interorganizational coordination

can be achieved within a particular channel relationship. "Shifts in the balance of channel power" and "changing strategic priorities" have resulted in channels becoming "dynamic webs" (Anderson, Day, and Rangan 1997: 59). Table 2 lists the attributes used to measure, describe, or predict specific behavior. The list is derived from factors identified in the 41 behavioral framework articles analyzed in this study.

The behavioral attributes recorded in Table 2 emphasize that channel relationships are extremely complex. Although behavioralists share a common overarching framework, they take different approaches as they try to isolate the role played by personality, experience, culture, and ethnicity. From the behavioral branch in the taxonomy the second level in the hierarchy divides research under this framework into three types: relational approach, cross-cultural approach, and prescriptive approach.

#### **Relational Approach**

Research classified as taking a relational approach focuses on the satisfaction with the relationship rather than on cultural factors in the relationship or aspects of structural change implemented by manufacturers (Moore 1991). In general, interactions between manufacturer and intermediary are understood to be a multidimensional phenomenon along a heterogeneous transaction continuum. Those who study the long-term development of these relationships are classified as

taking a relational approach within a behavioral framework (Anderson and Narus 1990; Balabanis 2005; Dwyer, Schurr, and Oh 1987; Ganesan 1993, 1994; Rose and Shoham 2004). Research that examines this as a discrete or transaction-specific phenomenon takes a transaction cost approach within the structuralist framework (Heide and John 1988, 1990, 1992).

The primary purpose of research that takes a relational approach is to look at the interaction constructs (e.g., dependence, reciprocal action, goal congruence, etc.) in distribution channel relationships. Such research considers that both channel members are actively involved in the international trading equation. The emphasis is on the behavioral complexities of their working relationship and how these affect their operating performance (Leonidou 1989). Based on the current interest in relationship marketing, it is evident that the management of relationships is becoming a major paradigm in marketing channels research and practice (Heide 1994; Long 2003; Morgan and Hunt 1994).

In contrast to interorganizational relationships, Rose and Shoham (2004: 942) find that between manufacturers and their international channels of distribution (an interorganizational relationship), task or functional conflict does not build the relationship but reduces "the quality of strategy employed, reducing performance." Kim (2003) studies interdependence of channel members and distributors. His work also contributes to the

**TABLE 2: ATTRIBUTES IDENTIFIED IN BEHAVIORAL FRAMEWORK STUDIES**

<b>Conflict</b>	Balabanis 1998 Frazier, Gill, and Kale 1989 Johnson, Sakano, and Onzo 1990 Katsikeas and Piercy 1991 Leonidou 1989 Liu and Wang 1999 Moore 1991 Rose and Shoeham 2004 Weich and Wilkinson 2005	Influence	Bandyopadhyay, Robicheau, and Hill 1994 Frazier, Gill, and Kale 1989 Johnson, Sakano, and Onzo 1990 Kale and McIntyre 1991 Michael 1998 Shipley, Cook, and Barnett 1989 Weigand 1991
<b>Control</b>	Bello and Gilliland 1997 Johnson, Sakano, and Onzo 1990 Karunaratna and Johnson 1997 Llanes and Melgar 1993 Weigand 1989, 1991	Monitoring	Karunaratna and Johnson 1997 Rosenbloom and Larsen 2003
<b>Cooperation</b>	Balabanis 1998 Leonidou 1989 Mehta, Larsen, and Rosenbloom 1996 Mehta, Larsen, Rosenbloom, Mazur, and Polsa 2001 Mehta, Larsen, Rosenbloom, and Ganitsky 2006 Moore 1991 Paswan and Young 1999 Shipley, Cook, and Barnett 1989 Weigand 1991 Yoon, Morash, Cooper, and Clinton 1996	Motivation	Moore 1992 Rosenbloom 1990 Weigand 1991 Yoon, Morash, Cooper, and Clinton 1996
<b>Dependence</b>	Cavusgil and Kirpalani 1993 Frazier, Gill, and Kale 1989 Kim 2003 Yavas 1998	Power	Kale and McIntyre 1991 Leonidou 1989 Liu and Wang 1999 Llanes and Melgar 1993 Johnson, Sakano, Cole, and Onzo 1993 Weich and Wilkinson 2005 Yavas 1998
<b>Discrimination</b>	Borin, Van Vranken, and Farris 1991	Reciprocity	Frazier, Gill, and Kale 1989 Marshall 2003
<b>Flexibility</b>	Balabanis 2005 Bello and Gilliland 1997 Llanes and Melgar 1993	Satisfaction	Bello, Chelariu, and Zhang 2003 Frazier, Gill, and Kale 1989 Karunaratna and Johnson 1997 Leonidou 1989 Moore 1991, 1992 Yavas 1998
		Trust	Cavusgil, Deligonul, and Zhang 2004 Geysskens, Steenkamp, Scheer, and Kumar 1996 Zhang, Cavusgil, and Roath 2003

literature by examining industrial products (rather than consumer goods) and does so via a multi-country study of the US and Japan.

Moore (1991) examines relationship states between manufacturers (Great Britain) and overseas intermediaries

(West Germany). This study is quite different from those that examine the dimensions of time – the length, duration, or specific moment (initiation, implementation, renewal, review, termination, etc.) – in channel member relations. Using Ford and Rossen's (1982) method, Moore (1991) suggests the following relationship states: new, growing, troubled, static, and inert or declining. Critical understanding and knowledge of subtleties in relationships is growing. Considering the state of a channel relationship is worthwhile, particularly in reference to what it could be. There is evidence to suggest devoting time to such reflection is warranted (Madhok and Tallman 1998).

These states seem to be descriptive of relational conditions and market position rather than developmental in a lineal or stages sense. This underscores that there exist categories or descriptions for types of behavioral relationships between manufacturers and foreign distributors that may even reflect their economic success. As Moore (1991) points out, the length of time that a manufacturer and foreign distributor have worked together is primarily a measure of the level of satisfaction with the relationship. In another study, Moore (1992) expanded his work to include distributor motivation and the perceptions by both channel members of sales trends and satisfaction.

Welch and Wilkinson (2005) used a network theoretic approach to investigate a single critical case involving Australian and Japanese

firms. This network analysis sheds further light on power and conflict. Moving beyond competing perspectives, Cavusgil, Deligonul, and Zhang (2004) attempt to tease out contingencies in international channel relationships. They employ structural equation modeling to explore interaction effects and moderating effects. Their empirical work starts with a recognition that prior studies were often at odds with one another because of their efforts to reveal either/or factors, when the reality is more nuanced than that. For example, Cavusgil, Deligonul, and Zhang (2004: 7) find that trust and formal contracts are not necessarily competing alternatives; under certain conditions of opportunism one may be preferred, but often both may be employed – “trust makes the relationship function and contracts institute and legitimize it.”

Frazier, Gill, and Kale (1989) and Leonidou (1989) build on the work of El-Ansary and Stern (1972), which deals with power in channel relationships. Leonidou (1989) uses the term atmosphere in referring to the interdependence that governs the working relationship between Cypriot exporters and British importers. The success or failure of an exporter based in a developing country is largely associated with how behavioral aspects of the relationship with the foreign importer are managed. Katsikeas and Piercy (1991) follow Leonidou's research on the character of conflict in the relationship between the developing country indigenous manufacturer (Greece)

and the developed country importer (Great Britain). Their study reports a prevalence of substantial perceptual differences between the two parties in the exporter–importer dyads although there was no systematic character to these.

An empirical study by Frazier, Gill, and Kale (1989) centers on dependence and reciprocal actions in a distribution channel. Their study on the use of influence strategies in channel relationships focuses on industrial manufacturers and dealers in a developing country (India). They report that a dealer's need to maintain a channel relationship in a seller's market is primarily driven by manufacturer contributions to sales and profit levels. They argue that this reciprocal action may be contingent on the cultural context.

### Cross-Cultural Approach

Research that takes a cross-cultural approach has as its primary focus the cultural context of foreign channel member behavior. Such investigation looks for evidence of differences in channel member relationships by country. Empirical studies classified as taking this approach also provide information on how various distribution principles and practices operate in different national environments.

Kale and McIntyre (1991) test 19 propositions based on Hofstede's (1984) four dimensions of culture (individualism, power distance, uncertainty avoidance, and masculinity). Their research suggests that national culture has a systematic

impact on behavioral relationships within distribution channels and that this phenomenon can be determined, known, and tested empirically. The results are based on 60 in-depth interviews in five different nations. Yoon et al. (1996: 3) "compare channel integration approaches, including strategic alliances, used by approximately 2,000 firms in the Pacific Basin countries of Australia, Japan and Korea as well as the US." Mehta et al. (2001) examine leadership styles in the US, Finland, and Poland, finding that "using leadership styles to foster cooperation among channel members across different national cultures on a standardized basis is not an appropriate channel strategy." Channel alliances between US exporters and their foreign distributor partners are hampered by cultural differences; cultural distance leads to lower levels of trust, commitment, and cooperation (Mehta et al. 2006: 156).

Johnson, Sakano, and Onzo (1990) draw on the ideas of Frazier, Gill, and Kale (1989) as well as others to develop a conceptualization of control, influence, and conflict. They empirically examine US-Japanese behavioral relationships in the marketing channel. Johnson et al. (1993) look at the exercise of power in US-Japanese interfirm distribution channel relationships. Rosenbloom and Larsen (2003) extend cultural distance to the context of international business-to-business e-commerce marketing channels. "Findings show that there is a relationship between culture and channel communication"

(Rosenbloom and Larsen 2003: 309).

Llanes and Melgar (1993) look at behavioral issues in exporter-importer channel relationships. They focus on the cross-cultural context between domestic (Filipino) exporters and foreign importers. Borin, Van Vranken, and Farris (1991) examine the issue of discrimination at the retail level in the Japanese distribution system of US manufactured consumer goods. Their findings do not support the claim that channel discrimination exists, at least not for those products examined in their study. As they note, however, equal treatment of comparable domestic and foreign products by the channel does not ensure a comparable market share.

#### **Prescriptive Approach**

Research described as taking a prescriptive approach within the behavioral framework focuses primarily on the operating practices (often 'best practices'), procedures, and principles that characterize successful exporters. Many of these 12 articles in Table 1 deal with day-to-day channel operations in a pragmatic way. This research forms a practitioner-driven approach to guide managers in directing their channel relationships.

Shipley, Cook, and Barnett (1989) suggest that there are a limited number of empirical studies on how manufacturers create, develop, and maintain effective and profitable relationships with their foreign distributors. The literature reviewed in this study confirms

their observation. The work of Keitt (1990), Rosenbloom (1990), Thomas and Wilkinson (2005), and Weigand (1991) is primarily informational, descriptive, and "how to" in style. Keitt (1990) writes from the standpoint of providing assistance to US firms. His study addresses the issue of channel relationships and the most common mistakes when selecting a foreign distributor. Fram (1992) – citing Keitt and exploring some of these pitfalls – develops an exploratory study on the selection of international distributors.

Weigand (1989, 1991) focused on parallel import channels and re-importing (gray marketing), a tangential – though growing – aspect of international marketing channels. Weigand (1991: 56) notes that the use of unauthorized marketing channels is, at least in part, due to the opportunistic (deceitful) intermediaries who demonstrate "perfidious behavior" and discriminatory pricing by monopolistic manufacturers. Weigand (1991) cites several well-known legal cases involving parallel importers such as K-mart Corporation. Parallel channels can be utilized to supplement authorized distribution channels (Michael 1998). Based on four case studies, Grunert et al. (2005: 428) find that market orientation in the value chain is and should be related to market factors, nature of relationship, regulations, and mental models of decision makers.

Rosenbloom (1990) examines how to motivate a foreign distributor, develop good communications, be fair and reasonable by their standards,

and be mutually committed to a continuing relationship. He notes that many environmental and cultural customs and practices affect the international marketing channel relationship. Here again, broad empirical investigation is needed since anecdotal information is not a sufficient basis from which to build a model that moves beyond intuitive, practitioner-defined prescriptive statements.

Thomas and Wilkinson (2005: 125) note that US marketing managers accustomed to ceding control in domestic distribution need to know that in high-growth emerging markets, distribution channels are malleable – they should “shape and mold the way distribution takes place.”

### **Behavioralist Framework**

#### **Research Methods**

Though Gaski (1984: 9) illuminated “many problems with the empirical work done in the area, both methodological and conceptual”, it appears that synthesis is yet elusive. Research employing a behavioral framework is primarily exploratory and foundational in nature. This is especially evident in the works of Borin, Van Vranken, and Farris (1991), Fram (1992), Kale and McIntyre (1991), and Shipley, Cook, and Barnett (1989). Though more recent and with more sophisticated techniques (cluster analysis), research by Balabanis (2005) is nonetheless exploratory.

Studies of manufacturer and intermediary relationships attempt to identify and explore specific aspects of

this interaction or exchange. Cavusgil, Deligonul, and Zhang (2004), Frazier, Gill, and Kale (1989), Johnson et al. (1993), Katsikeas and Piercy (1991), Llanes and Melgar (1993), and Zhang, Cavusgil, and Roath (2003) offer empirical insights into behavioral relationships. Although behavioralists do not explicitly label their research exploratory, this is often suggested in the conclusions. Frazier and Antia (1995: 321) point out that there are “limitations of transaction cost analysis and agency theory” and indicate that “qualitative research is urgently needed to sort out theoretical difficulties in the channels area.” Cavusgil and Kirpalani’s (1993) “findings reveal that factors responsible for international commercial success are different for small and large firms.”

The importance of this body of work lies in the fact that each study contributes to building a conceptual understanding of channel member behavior, interactions, and relationships. As Kale and McIntyre (1991: 33) state, “with regard to behavioral relationships within distribution channels, a general consensus exists among researchers that a generalizable theory of the exchange process within channels can be achieved only by conducting studies of different countries, cultures, and industries.” In a study of 290 manufacturers who use foreign distributors Bello, Chelariu, and Zhang (2003) examine antecedent channel conditions that influence relational exchanges. They present a very complete causal model of an

international channel relationship. The procedure for conducting the research was quite rigorous; 20 in-depth interviews led to a mailed questionnaire pre-test ( $n=100$ ) and finally a mailed survey (290 usable responses, 72% return rate). Bello and colleagues pursuit of understanding international distribution channels implies the phenomenon is complex. In their 2003 work, they suggest future research design must incorporate organizational culture in addition to national culture. They also call for more sophisticated enquiries into dyadic and longitudinal issues.

The methods used by a number of scholars (Bello, Chelariu, and Zhang 2003; Borin, Van Vranken, and Farris 1991; Johnson et al. 1993; Johnson, Sakano, and Onzo 1990; Leonidou 1989) test specific hypotheses related to exporter–importer behavioral relationships. Some of these were designed to examine cross-cultural aspects of the dyadic or exchange relationship. Others did not have a primary interest in cultural issues, e.g., Katsikeas and Piercy (1991) using unmatched Greek exporters and British importers and Leonidou (1989) using unmatched Cypriot exporters and British importers. Llanes and Melgar (1993) studied exporters from the Philippines and importers from four regional groups (Asia, Europe, Australia, and the US) and then expanded to cross-cultural issues based on the studies of Katsikeas and Piercy (1991) and Leonidou (1989). Frazier, Gill, and Kale (1989) and Paswan and Young (1999) studied manufacturers and

distributors in India to test their conceptual framework. Moore (1991, 1992) studied unmatched British manufacturers and West German agent distributors but no specific hypotheses were tested. Shipley, Cook, and Barnett (1989) conducted interviews of British companies with overseas distributors in an effort to develop a conceptual framework.

Some authors (Borin, Van Vranken, and Farris 1991; Johnson et al. 1993; Johnson, Sakano, and Onzo 1990; Kim 2003; Welch and Wilkinson 2005) studied Japanese distributors and tested hypotheses. Borin, Van Vranken, and Farris (1991) used a unique approach to collect data and evaluate (code) responses. Photographs were taken in 131 retail stores of six merchandise variables to test the discrimination in merchandising support that a specific consumer good (shampoo) receives when foreign brands are compared to domestic brands. They coded the photographs as responses by 131 retailers to the six merchandise variables. This provided data for statistical analysis, *t*-tests, and frequency distributions.

Fram (1992) used a different methodological approach. In an exploratory study of how fourteen industrial manufacturers select international distributors, Fram used a two-phase Delphi method. Responses on 44 actions were grouped into four major areas for statistical presentation in frequency charts. Fram suggests that the data generated from such a Delphi method provide a good foundation for the development of

hypotheses that can then be tested on a larger population. Using a scenario-based survey Marshall (2003) examined interactive decision-making of US and Peruvian export managers. With nearly 200 usable responses, this technique of getting responses to fictitious but realistic sequences of events, he was able to systematically map out the decision process under a specified context while permitting variance in items of interest.

### CONCLUSION

The classification system proposed in this paper is a comprehensive way for scholars and practitioners to analyze and appreciate research studies on international channels of distribution. It can be used to identify both the major focus (primary framework) and the specific emphasis (approach) in research studies. Studies that fall under the structural framework umbrella are described as taking a developmental/evolutionary approach, transaction cost approach, or comparative approach. Research utilizing a behavioral framework may take a relational approach, cross-cultural approach, or prescriptive approach. This typology can certainly be used to design future research on international marketing channels. Classification schemes can be an extremely useful component for advancing knowledge exploration and helpful for hypothesis formulation. Frazier (1999: 226) indicates that "we have barely touched the surface of all the managerial issues that need to be addressed. ... many issues of

managerial importance relating to the organization and management of channels of distribution have received no attention in empirical research."

As noted in this paper, there are a number of questions and issues related to research on international marketing channels. Some of these were raised in the literature; others became apparent with the classification of studies being reviewed. Some scholars consider international channels as a sub-set of theoretical work on marketing channels. Others view international distribution channels as a separate field. Although they share some foundational concepts and have terminology in common, there are many differences as well. Similarities seem to be more evident in structural aspects whereas evidence of divergence is greater in behavioral aspects.

The classification system advocated in this paper helps in recognizing commonalities and differences in international and domestic channels of distribution. A comparison of research efforts that use different frameworks and approaches also reveals a number of interesting developments in channel research. Empirical studies that take a transaction cost approach, for example, often use more sophisticated techniques and methods. This is particularly evident in studies that examine vertical integration in various national markets. Studies that place an emphasis on behavioral constructs in the domestic manufacturer and foreign distributor relationship often use theories and methods from a number

of disciplines. This is particularly evident in studies dealing with cross-cultural differences. The question remains whether these frameworks and approaches will grow further apart or if they can be combined into a single eclectic framework with an integrated approach (Hill, Hwang, and Kim 1990).

For a firm engaged in international sales, the selection and management of marketing channels is a key strategic area in the marketing mix. Based on the review and classification of current research, there are a number of studies that add to our comprehension of the structural and behavioral aspects of the manufacturer and distributor relationship. These studies – a combination of theoretical, empirical, and practitioner-focused efforts – make a major contribution by providing a conceptual framework from which to meaningfully grasp international channels of distribution.

A diligent examination of the literature reveals that research efforts have been expanding. As scholars have noted, relative to other topics, there are a limited number of studies devoted to international channels of distribution. There exists a need for more systematic and rigorous empirical studies that test emerging constructs. Scholars conducting marketing channel research in the international domain already recognize the need to construct and test more comprehensive models. The study of distribution channels is progressing from one that has been largely non-analytic, descriptive, and anchored in conventional wisdom to

one that is more analytic, rigorous, and employs techniques and approaches from a variety of disciplines. In the years ahead we can expect major contributions as more scholars focus on issues specific to international channels of distribution. Two emerging positions in the literature are information flow and cooperation (cf. Buzzell and Ortmeier 1995; Mehta et al. 2001; Rosenbloom and Larsen 2003).

The level of sharing of proprietary knowledge in relationships is increasing; the value of such shared information is also increasing. That is, not only is the amount of information exchange growing, but so to is its importance. While e-commerce can certainly be considered a new medium (Cateora and Graham 1999; Cort 1999; Rosenbloom and Larsen 2003), it is the heightened transparency (reduced information asymmetry) among economic actors that is revolutionary. That manufacturer, distributor, and customer can communicate more freely is altering economic behavior and the way in which value is assessed. Presently, in the field of global supply chain management customers can “see” many more suppliers and suppliers can “see” many more customers; this greater breadth has also been accompanied by increased depth. Customers can “see” more deeply into suppliers’ value chains and suppliers know more about customers. Such revelations in amount and type of information have fundamentally changed transactions. Some economic principles have not changed; more information is not to

be equated with better information. Efficiency concerns with information collection and analysis are perhaps more significant in an era in which a plethora of information must be sorted for value at either end of exchange.

Collaboration, cooperation, and alliances seem to be pushing out certain forms of adversarial competition. Recognition that most economic activity takes place in a context – both temporally and among other actors in a network (customers and competitors) – leads to explicit consideration of multi-point games. That options can be held and lost also enters into a firm's calculus. The use of multi-period scenarios is increasingly turned to ensure a viable future. Strategy and strategic positioning is no less important. Ruthlessness has not been eliminated, as much as it has been displaced with insight into alignment of incentives. Buzzell and Ortmeier (1995) note the extension of relationships, with actors becoming more involved in each other's activities (e.g., joint product development, planning, and promotion). Li and Dant (1997: 209) note that despite greater and asymmetric power, suppliers in an exclusive dealing (ED) channel relationship "adopt a benevolent perspective toward their ED resellers and use their power to enhance the coordination and organization of channel activities, rather than in an opportunistic fashion." Li (1996) sees channel relationships as dynamic and best approached – either as an academic or practitioner – from a

network perspective. Anderson, Day, and Rangan (1997) warn against viewing distribution channels as a peripheral activity; relegating distribution channels to such a position forgoes the opportunity to realize competitive advantage.

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