

Causal Factors Affecting the Distribution Channel to Achieve Business Operations

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Abstract

The objectives of this research are as follows: 1) to study the causal factors that affect the distribution channels for business success, 2) to study the influence of causal factors on the distribution channels for Success in business, and 3) to create a model of causal factors affecting distribution channels for Success in business. The research study on causal factors affecting the distribution channel to achieve business operations is the mixed method through conducting of quantitative and qualitative research for data collection. The quantitative research is an analysis of the structural equation modeling (SEM), and in-depth interview as part of the qualitative research for developing a conceptual framework in order to validate model and opinions of subjects concerned.

Keywords: Supply Strategy, Operations Strategy, Marketing Mix, Distribution Channel, Business Operations

1. Introduction

Today, logistics management is relevant to most businesses and is the most fundamental cost affecting the total cost of products and services. It is also part of the supply chain management process. This includes effective and efficient planning, execution, flow control, material storage, goods, service and information from the source of the raw materials to the point of consumption or use point. To meet customer needs, smart logistics management, both in supply and operation, may positively affect the overall efficiency of the organization and the lower costs. It is therefore extremely important to focus on today's key modern retail stores focus on service and convenience to customers. It is inevitable that convenience store/express/mini mart is due to have the largest number of branches that increase at the highest rate, and compete for market share from traditional retailers the most. With reasons that can be added quickly and can cover all areas of the country, it requires less investment than other modern retail stores.

The next phase of the challenge of modern retail businesses is to meet stricter official criteria such as the trend of enacting fair trade practices between wholesalers, retailers and manufacturers or distributors. Moreover, the business model began to shift from the original focus on mass marketing to specific marketing, (customization), including the introduction of new technologies used in business operations such as in-depth analysis system transport. A variety of convenient logistics may increase competitive advantage and sustain continuous profit over the long term. Therefore, the supply strategy

must be applied to directly affect the product distribution channel, the operational strategy to directly affect the distribution channel, the marketing mix, the direct effect on the distribution channel, the distribution channel directly affect business performance, supply strategy indirectly on business performance, marketing mix indirectly on business performance. In addition, marketing theory must be combined with logistics theory in order to: 1) turnover depends on product distribution in which products are distributed quickly and good distribution channels allowing products go to the shelves quickly. Customers may have used and satisfied products, 2) more product quantity is produced in which products are distributed to the customer who buy more products inevitably resulting in more sales making, 3) more dividends inevitably that can use the profit as liquidity reviewing better company performance, and 4) marketing mix (7P) that is a strategy used in marketing planning before distribution. Therefore, any organization looking for business success should consider implementing the causal factors that affect the distribution channel strategy for retail success. The objectives of this research are as follows: 1) to study the causal factors that affect the distribution channels for business success, 2) to study the influence of causal factors on the distribution channels for Success in business, and 3) to create a model of causal factors affecting distribution channels for Success in business.

2. Literature Review

2.1 Theory and Definition

Supply Strategy

Blackstone and Cox (2004) described the supply chain as the processes from the initial raw materials to the ultimate consumption of the finished product, via different agents (suppliers, manufacturing plants, warehouses, customers, etc.). Supply Chain Management coordinates and integrates all activities of planning, sourcing, manufacturing and delivery. Over the past few decades, supply chain integration efforts have been fostered by tools and concepts which, while the names have changed, are all designed to reduce variance and waste within the organization as well as the inter-organizational network (Birou, Germain & Christensen, 2011). Stevens (1989) proposed a model to integrate the material flow. The model proposes that companies should integrate internally their logistics activities with the activities of other functional units, such as Purchasing, Production and Distribution. Once this internal integration is achieved, it is extended to other supply chain members, such as customers and suppliers. The external integration among organizations aims to achieve competitive enterprises, because competition in the future will be between global supply chains, and no longer between single companies as has been the case (Christopher & Towill, 2001; Cox, 1999). Nevertheless, it needs changing traditional organizational structures and attitude among organizations (Alpander & Carroll, 1995).

Operations Strategy

Operations strategy is the collective concrete actions chosen, mandated, or stimulated by corporate strategy. It is, of course, implemented within the operations function. This operations strategy binds the various operations decisions and actions into a cohesive consistent response to competitive forces by linking firm policies, programs, systems, and actions into a systematic response to the competitive priorities chosen and communicated by the corporate or business strategy. In simpler terms,

the operations strategy specifies how the firm will employ its operations capabilities to support the business strategy. Operations strategy has a long-term concern for how to best determine and develop the firm's major operations resources so that there is a high degree of compatibility between these resources and the business strategy. Very broad questions are addressed regarding how major resources should be configured in order to achieve the firm's corporate objectives. Some of the issues of relevance include long-term decisions regarding capacity, location, processes, technology, and timing (R. Anthony Inman, 2020).

Marketing Mix

The term 'marketing mix' is a foundation model for businesses, historically centered around product, price, place, and promotion (also known as the "4 Ps"). The marketing mix has been defined as the "set of marketing tools that the firm uses to pursue its marketing objectives in the target market". Thus the marketing mix refers to four broad levels of marketing decision: product, price, place, and promotion. Marketing practice has been occurring for millennia, but marketing theory emerged in the early twentieth century. The contemporary marketing mix, or the 4 Ps, which has become the dominant framework for marketing management decisions, was first published in 1960. In services marketing, an extended marketing mix is used, typically comprising 7 Ps, made up of the original 4 Ps extended by process, people, and physical evidence. Occasionally service marketers will refer to 8 Ps, comprising these 7 Ps plus performance. In the 1990s, the model of 4 Cs was introduced as a more customer-driven replacement of the 4 Ps. There are two theories based on 4 Cs: Lauterborn's 4 Cs (consumer, cost, convenience, and communication), and Shimizu's 4 Cs (commodity, cost, channel, and communication). Given the valuation of customers towards potential product attributes (in any category, e.g. product, promotion, etc.), and the attributes of the products sold by other companies, the problem of selecting the attributes of a product to maximize the number of customers preferring it is a computationally intractable problem (Wikipedia, 2020).

Distribution Channel

A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the final buyer or the end consumer. Distribution channels can include wholesalers, retailers, distributors, and even the Internet. A distribution channel is a path by which all goods and services must travel to arrive at the intended consumer. Conversely, it also describes the pathway payments make from the end consumer to the original vendor. Distribution channels can be short or long, and depend on the number of intermediaries required to deliver a product or service. Goods and services sometimes make their way to consumers through multiple channels—a combination of short and long. Increasing the number of ways a consumer is able to find a good can increase sales. But it can also create a complex system that sometimes makes distribution management difficult. Longer distribution channels can also mean less profit each intermediary charges a manufacturer for its service (Will Kenton, 2020).

Business Operations

Corporate Finance Institute (2020) defined business operations that refer to activities that businesses engage in on a daily basis to increase the value of the enterprise and earn a profit. The activities can be optimized to generate sufficient revenues to cover expenses and earn a profit for the

owners of the business. Employees help accomplish the business' goals by performing certain functions such as marketing, accounting, manufacturing, etc. Business operations evolve as the business grows, and the management should plan to accommodate the changes to prevent glitches occurring in the system. For example, as a small business grows, it must be ready to handle arising challenges such as legal, marketing, and capacity issues. If the business does not evolve with the changes in business operations, glitches such as errors and omissions will emerge.

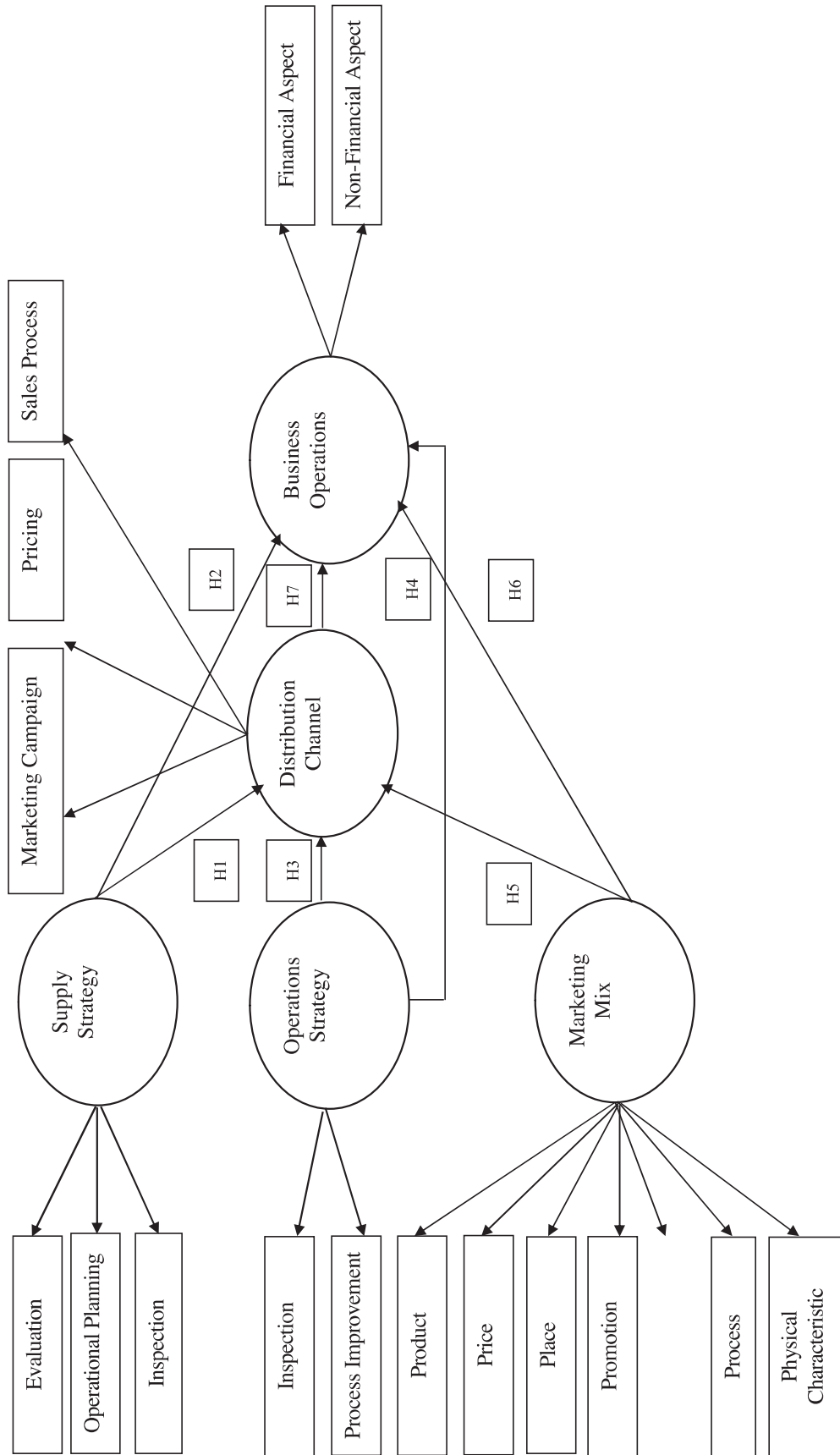
2.2 Literature Survey

Bojan Vapa and Jelena Vapa-Tankosić (2019) mentioned that companies implementing a strategy based on entering foreign markets have to make a decision on choosing an adequate international distribution channels. Well implemented international distribution system in export-oriented companies can help them improve their competitiveness and better position their products in foreign markets. It is for this reason that the subject of this research paper is to analyze the factors of international distribution from the aspect of international business strategy of SMEs. The research conducted covered various factors related to international distribution strategies such as the ability to deliver international goods quickly and continuously, the established adequate international distribution network, the ability to respond quickly to international partners orders and the effective management of international distributors or agents. The survey was conducted in 50 companies that export various types of products on the territory of the Republic of Serbia. The results of the regression analysis indicate that an adequate distribution network has an impact on sales volume and foreign market share, so that we can conclude that the proper selection of an appropriate distribution network can contribute to enhancing the export potential of the company.

Gary L. Frazier (1999) reviewed that during the past three decades, tremendous strides have been made in our understanding of how firms should organize and manage their channels of distribution. Still, we have barely touched the surface of all the managerial issues that need to be addressed. A variety of research needs still exist regarding constructs and issues examined in prior channels research. Furthermore, many issues of managerial importance relating to the organization and management of channels of distribution have received no attention in empirical research. The purpose of this article is to provide a perspective on how channels research should proceed in the future to promote the most progress. It is hoped that the article will help to shape the future direction of marketing thought with regard to channels of distribution and its fundamental domain.

Zdenko Segetlija, Josip Mesarić, and Davor Dujak (2011) reviewed development of distribution channels based on the concentration processes and integration of functions is emphasized. In this context, the position of retail in distribution system is defined in terms of its business units and new elements in their design related to the application of certain business models. The authors try to give hints for finding ways to create new forms of distribution channels and retail business units in the respective national economies. The foundations for such considerations are the theoretical assumptions about the development of new forms of retail business units, as well as contemporary problems in the functioning of retail systems in individual countries. The basis for this development lies in new technological possibilities, i.e. opportunities offered by modern information technologies and new understanding of the connection between physical commodity processes.

2.3 Conceptual Framework



2.4 Research Hypothesis

Hypothesis 1: Supply strategy positively impacts on distribution channel.

Hypothesis 2: Supply strategy positively impacts on business operations.

Hypothesis 3: Operations strategy positively impacts on distribution channel.

Hypothesis 4: Operations strategy positively impacts on business operations.

Hypothesis 5: Marketing mix positively impacts on distribution channel.

Hypothesis 6: Marketing mix positively impacts on business operations.

Hypothesis 7: Distribution channel positively impacts on business operations

3. Research Methodology

The research study on causal factors affecting the distribution channel to achieve business operations is the mixed method through conducting of quantitative and qualitative research for data collection. The quantitative research is an analysis of the structural equation modeling (SEM), and in-depth interview as part of the qualitative research for developing a conceptual framework in order to validate model and opinions of subjects concerned.

3.1 Qualitative Research

In this research, the qualitative research is applied for building the research conceptual framework based on the distribution channel that achieves business operations with in-depth interview.

1. Population

Retail stores in Thailand.

2. Population Selection

A field study was conducted by the purposive sampling through selection from different retail stores.

3. Data Collection

The researcher conducted interview document developed from the study of documents with relevant researches in order to prepare for a questionnaire. The researcher enclosed the letter to request for assistance on the interview for data collection with the managers or representatives from different retail stores through research method in accordance with research procedure.

3.2 Quantitative Research

1. Population and Sample Group

Population in research included retail stores in Thailand.

2. Size of Sample Group

Sample groups used in this research study were politicians from different retail stores. A procedure of the sample size determination is shown as follows.

2.1 According to determination of sample group size used in this research study, the researcher considered on the size of sample groups in accordance with suggestion of Schumacker & Lomax, 1996; Hair et al. (2010) that the ratio between sample groups per number of parameters or variables to be used should be 15-20 times of observed variables. In this research study, latent variables comprised of 5 variables, and observed variables comprised of 16 variables. Therefore, the appropriate and sufficient sample size should be in between $15 \times 16 = 240$, and $20 \times 16 = 320$. Nevertheless, the research presented here chose 400 samples according Yamane's formula in order to assure for the most appropriate samples representing the best population.

2.2 In this research study, the researcher applied a multi-stage sampling method, probability sampling and simple random sampling. Drawing was made to get sample groups of politicians from different retail stores.

2.3 Researcher applied convenience sampling using a questionnaire in data collection from retail stores. The questionnaire was distributed at each visit of the retail stores dispersed around and nearby Bangkok metropolitan area.

2.4 In addition, the calculation for collection was classified for distribution in accordance with company demography. The researcher collected data from more than 400 retail stores, in order to reduce error of insufficient number of samples.

3) Data Collection

Instrument applied is the questionnaire that is classified into 4 parts as follows.

Part 1 is demography data of respondents.

Part 2 is the questionnaire asking for a significant level of each variable in supply strategy, with a Likert scale.

Part 3 is the questionnaire asking for a significant level of each variable in operations strategy, with a Likert scale.

Part 4 is the questionnaire asking for a significant level of each variable in marketing mix, with a Likert scale.

Part 5 is the questionnaire asking for an influence of supply strategy, operations strategy, and marketing mix towards distribution channel, with a Likert scale.

Part 6 is the questionnaire asking for an influence of distribution channel towards business operations, with a Likert scale, as well as the open-ended questionnaire related to additional opinion and suggestion.

4) Validation of Instrument Quality

The construction and measurement of instrument efficiency were classified as follows.

1. Measurement of instrument efficiency before data collection by deleting any queries that were not passed for Validity and Reliability.

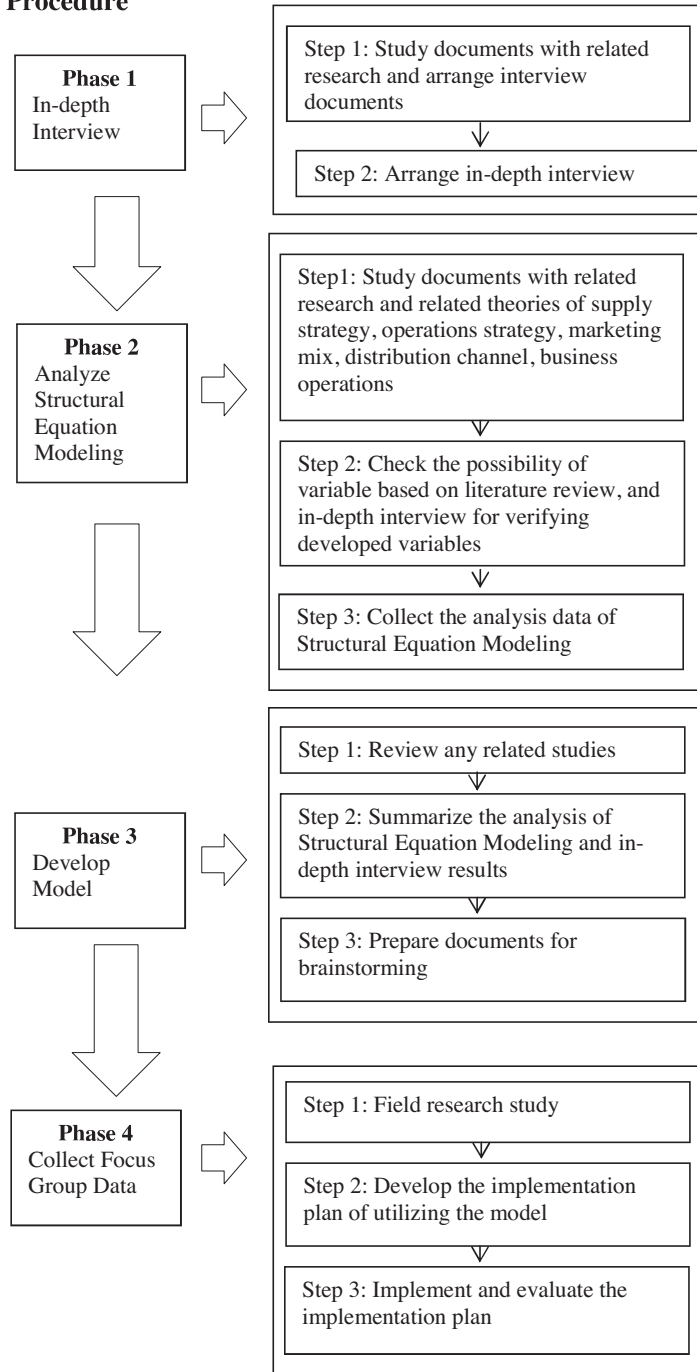
2. Validation of primary agreement before applying the LISREL program.

5) Statistical Analysis

1. Analyzing mean, standard deviation, skewness and kurtosis, correlation coefficient, and statistics in finding instrument quality value with SPSS for Window.

2. SEM is a statistics technique applied for testing and estimating causal relationships, and a confirmatory factor analysis.

3.3 Research Procedure



4. Discussion and Conclusion

Distribution plays a key role within the marketing mix, and the key to success is its successful integration within the mix, ensuring that customers get their products at the right place and at the right time. If the product cannot reach its chosen destination at the appropriate time, then it can erode competitive advantage and customer retention. The retail industry is responsible for the distribution of finished products to the consumer as well as the public. The retail sector comprises of general retailers (managed by individuals/families), departmental stores, specialty stores and discount stores. In practice, many organizations use a mix of different channels; in particular, they may complement a direct salesforce, calling on the larger accounts, with agents, covering the smaller customers and prospects. This coupled with the fact that firms are now trying to implement specific distribution strategy or practices based upon their unique set of competitive priorities and business conditions to achieve the desired level of performance, has led to an investigation into the various distribution strategies and practices available with the view to establish the strategy or practice which has the most influence on retail performance in Thailand.

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