

The Impact of Internet on Conventional Marketing Channels a Case Study of Food Products in Iran

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Abstract—The purpose of this study is to consider ways by which managers in a distribution company can recognize channel conflict and identify measures that can reduce the bad effects of channel conflict. To investigate these aspects, qualitative and descriptive approaches were selected involving face-to-face, in-depth interviews. Two companies based in Iran were used as case studies: ‘Chika Company’ and ‘Etka Chain Stores’. The study indicates that the managers of these companies are well aware of channel conflict issues. Numerous conflicts related to internet distribution were identified. In each company well-functioning strategies were used for the prevention and mitigation of the bad effects of channel conflict. These strategies varied according to the circumstances of each company.

Index Terms—Channel conflicts, conventional marketing channels, e-commerce, internet.

I. INTRODUCTION

The evolution of the Internet from an enabler of information dissemination to a tool to do business has created new threats and opportunities for companies all over the world. Channel conflict is not a new concern to companies, but its importance has increased due to the emergence of electronic business [1].

II. CHANNEL CONFLICT MINIMIZATION

Channel conflict can be defined as a situation where one member perceives another member to be involved in operations to thwart, gain resources and to impede other competitors. Marketers generally perceive that any conflict will hurt firm performance. But this need not be always so and conflict can be useful in some situations. In certain circumstances conflict may help improve the firm's relations with others. When each firm believes that its success is dependent on the support of other firms, such a conflict is expected to be functional. Firms are encouraged by the resulting improvement to quit their old assumptions and habits [2]. When a company decides to make direct online sales to customers, it experiences lower levels of channel conflict. Such conflict among manufacturing firms can be minimized in several ways, if:

- The price of products offered online is not lower than the resale price offered by the partner
- The place of order fulfilment on the company's website is diverted to that of the partners
- The partners are promoted on the company's website
- The partners are encouraged to advertise on the company's website
- The offering of products on the company's website limited
- The products offered on the website, are given unique brand name
- The products offered on the website are delivered within the demand life cycle
- The company's overall distribution strategy is communicated and coordinated more effectively
- Super over-reaching goals are used [3].

III. METHODOLOGY

The two research questions of this paper ask:

- 1) How do distributor managers realize channel conflict?, specifically:
 - How does culture affect channel conflict?
 - How does time affect channel conflict?
- 2) What actions must be taken to reduce negative effects of channel conflict?

To investigate these questions, this research uses two case studies from Iran. Data was collected via in-depth and face-to-face interviews. The collected data were analyzed to determine within-case and cross-case analysis.

IV. RESULTS

A. Case Study 1: Chika Company

Table I shows that of the five forms of conflict identified, three have not been found.

1) Culture

All five interviewees at Chika Company believed that culture has a direct influence on creating conflict between the conventional ways of selling and online selling. So long as the customers cannot trust online shopping and are unaware of the benefits of shopping online, the amount of online shopping sales would remain low compared to conventional ways of shopping. To reduce this conflict, the interviewees have suggested:

- Use of Weblog similar to conventional stores settings where the goods and their specifications can be easily viewed (interviewee 1)
- Seek to create trust in cyberspace (interviewee 2)

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- To employ publicity to highlight benefits (interviewees 3, 4 and 5)
- To provide easy access to Internet in Iran (interviewee 5)
- To inform people of easy methods of online shopping (interviewee 4)

TABLE I: ANALYSIS OF CHIKA – FORMS OF CHANNEL CONFLICT.

| Concept | Conceptual Definition | Findings |
|-------------------------|---|--|
| Latent conflict | Exists when the conditions are right for contention but the organization is unaware of it. | Not found |
| Functional conflict | Conflict that drives the channel members to improve their performance. | Not found |
| Perceived conflict | Perceived conflict occurs when a channel member senses that oppositions of some sort exists | Internet related channel conflict in this state. |
| Affective/felt conflict | Perceived conflict with negative emotions. | Not found |
| Manifest conflict | Channel members try to prevent other from achieving aims. | Not found |

2) Time

All five interviewees were also investigated with respect to their belief whether actions must be taken to reduce the effect of channel conflict. Of the five, interviewees 3 and 4 believe that no action need be taken. The solutions suggested by the interviewees were:

- Separation of departments that deal with orders and delivery in conventional and online sells (interviewee 1)
- Establishing warehouses near post office (interviewees 1, 2 4 and 5)
- Announcing the time required for the order to be delivered prior delivery (interviewee 4)
- Proper management (interviewee 3)

B. Case Study2: Etka Company

The forms of channel conflicts identified by the five interviewees in Etka correspond to those found for Chika.

1) Culture

With the exception of interviewee 2, all interviewees believed that the absence of an internet culture can have a negative impact on online shopping and makes customers resort to conventional channels of distribution. Interviewee 2 also held that if basic issues such as e-commerce are not properly dealt with, the firm will always face challenges. The actions identified that must be taken to reduce effect of channel conflict involved:

- Use of different publicity and promotional activities (interviewees 1 and 3)
- Offering discounts for online shoppers (interviewee 1)
- Offering supplemental information (interviewee 4)
- Creating an environment of trust for customers (interviewee 3)
- Offering free of charge tutorials to the customers (interviewee 5)
- Creating online experiences that are similar to conventional purchasing (interviewee 1)

2) Time

With the exception of interviewees 2 and 5, all believed

that the time taken for the orders to be delivered to the customer has a direct impact on the intentions of the customers to prefer online shopping. This is because to them the time of delivery is a priority. Interviewee 2 however, believed that time is not a critical issue since whoever provides services also assigns the time and manner of delivery. Interviewee 5 held that since Etka's products are primary products; time of delivery is not an issue. The solutions suggested are as follows:

- Shorten the time of delivery (interviewee 1)
- Establish quick delivery service (interviewee 3)
- Declare the time of delivery to customer (via phone or on web) while placing order (interviewees 2 and 4)
- Increase variety of online products (interviewee 4)

V. CONCLUSION

The two companies in the case studies make use of two channels of distribution. To implement the research, we selected eight candidates and probed them. The conclusion is summarized in the Table II. As can be seen, all interviewees responded in a similar manner and indicate that culture and time can all create conflicts.

TABLE II: THE COMPARISON OF VARIOUS CONFLICTS BETWEEN TWO COMPANIES.

| Company | | | | | | | | | | |
|----------|---|---|-----|-----|---|------|---|---|---|-----|
| Chika | | | | | | Etka | | | | |
| No. | | | | | | | | | | |
| Theories | 1 | 2 | 3 | 4 | 5 | 1 | 2 | 3 | 4 | 5 |
| Culture | + | + | + | + | + | + | - | + | + | + |
| Time | + | + | +/- | +/- | + | + | - | + | + | +/- |

Note: +=Supports theory; -=Does not support theory; +/- partially supports theory

As indicated in Table II all interviewees except one, are convinced that culture is one of the important factors which can create conflicts in both channels of distribution for both companies. To solve the challenges, the following solutions were suggested:

- Creating a web shopping environment similar to conventional
- Installing reliable websites
- Use of publicity
- Government should provide more facilities so that the access to the Internet will be more widespread
- Informing the public of easier ways of shopping
- Offering discounts to online shoppers
- Enhance the foundations of e-commerce in Iran

Another factor that can cause conflict and decrease online sales is "time". As shown in the above table, all the interviewees believed time can result in conflicts. Their solutions involved:

- Creating separate departments to deal with orders from conventional and online sales
- Establishing warehouses near post office
- Proper management
- Reducing delivery time
- Establishing quick delivery service

- Informing customers of the time of delivery either by phone or at the time the online order is placed
- Introducing product diversity
- On the basis of the research undertaken:

A. Culture

To obviate educational challenges for online shoppers, the website can be designed in such a way that it is similar to conventional environments. In addition, proper publicity can enhance knowledge among customers. In these circumstances government has a very crucial role that should not be over-looked.

B. Time

Time of delivery is a significant issue. If we fail to confront the issue, it will pose problems for online shoppers. To resolve the problem it is recommended that online delivery be done through postal services and well located warehouses be established.

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