Ouverture de 'Marketing Channels and Global Markets'*

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Abstract

An over-supply condition and the global markets favour a 'widespread selectivity' of consumption, and they require, on the one hand, new rules for competition between manufacturers, and on the other, they also stimulate new marketing channels strategies, as an economic and relational entity as a whole. From this point of view, it is important first analyse some key issues relating to marketing channels, and then focusing attention on certain aspects, such as innovation, the impact of technology on the consumer buying process and on his own buying habits, and finally the extension of the retailers offer to non-core services, particularly financial services.

Keywords: Marketing Channels; Global Markets; Over-Supply; Channel Innovation; Consumer Behaviour; Retail Financial Services

1. Overture

The current global economic crisis has dramatically modified mass consumption, reducing purchases of basic products such as cars, food, clothing, books and toys. With a closer look, however, a number of important consumption areas is bucking the trend, like products with technology negotiated in dollars (cleaning chemicals, cell phones, plasma and LCD TVs, PCs, flash memories, digital cameras and videocameras, etc.). Briefly, sales are increasing of goods with global markets and whose exchange rate has decreased, and with characteristics subject to strong imitation policies and ever-lower selling prices.

However, even these goods (greatly exploited by large global retailers) are reaching the sales threshold, which can only be overcome as a result of a new decrease of the euro/dollar exchange, or by structural changes to global marketing channels.

Indeed, an over-supply condition and the global markets favour a 'widespread selectivity' of consumption, and they require, on the one hand, new rules for competition between manufacturers, and on the other, they also stimulate new marketing channels strategies. Several years ago, when primary demand for goods was growing and distribution channels were static structures, products with strong brands could sustain wide brand extension. In this case investments in advertising guaranteed their success. The advertising share of voice was strictly linked to the market share and leading brands with big budgets were unassailable. Not any more.

Globalisation determines growing manufacturing over-capacity, which enhances the strongest global brands (with a high sales rotation index on a number of markets, and a high quality/price competitive ratio, as we see for large TV manufacturers like Samsung, LG, Sony, Panasonic, etc.), and excludes from the market the "weak global brands" (with a weak brand, low product rotation index, and quality/price ratios that are far from the average levels of the global market). Therefore, brand equity becomes a primary intangible asset only when it is designed to speed up sales in a market-driven organisation. Such kind of organization can also compete in decreasing demand markets and with dynamic marketing channels (as in the case of large companies like Coca-Cola, PepsiCo, GE, Microsoft, Toyota, Ford, Hyundai, Ikea, etc.).

In Europe (with firms often still frozen in a 'castle economy' logic of protectionism and monopolies), larger companies tend to avoid the global market, over-supply conditions and the consumption crisis, and they prefer to invest in protected monopolistic industries (energy, telecommunications, non-innovative pharmaceuticals, etc.). Small and medium enterprises (SMEs) have different dynamics in Europe. Italian SMEs are crushed between global market and local protectionisms. Thus, they must sustain their vital competitive performance (market share, profitability, market attractiveness) by drawing only on each company's strengths, without the support of intangible assets from the institutional and public system, and even 'hamstrung' by archaic infrastructures, mainly at the logistic level. In most cases they also suffer from the lack of modern marketing channels. On the other hand, SMEs from other countries (e.g. France and Germany) can count on more effective institutional systems and on large, internationalised retailers that contribute to the national and international market development.

2. Sales Threshold, Consumer Fidelity and Market-Driven Management

The deep-rooted changes in purchasing habits (of both households and individuals) produce new spending behaviour, which highlights:
- the drastic increase in consumer disloyalty, with peaks of 60-70% of brand switching;
- the booming of non-loyal purchasing (and the consequent search for cheaper retail formats and products);
- the postponement of non-essential purchases;
- the product switching;
- and finally, a reduction in quantities purchased.

Indeed, when in mass markets consumers' income decreases, customers become more selective on purchases and outlets, brand switching and non-loyal purchasing increase (encouraged above all by private labels and hard promotions), many clients abandon richer products, and purchased quantities are reduced.

Thus, crisis in consumption forces companies to adopt hard competitive policies, based on market-driven management, which favours competitive pricing and fidelity in consuming (which is more flexible and less expensive than purchasing loyalty).

Over-supply and global markets thus impose new competition rules which emphasise manufacturers and retailers offers with strong market-driven policies, where the brand is a 'system of responsibility' in manufacturer-retailer-consumer relations within global marketing channels. Time-based competition logic is underlined by real-time digital communications flows, with continuous feedbacks on results and quick performances updating (market-space management).

3. Unstable Consumption Behaviour, Over-Supply and Global Marketing Channels: 'Small is Beautiful', but Large is Better

With globalisation, over-supply has become a structural factor of development, forcing companies to come to terms with: irregular growth rates of consumption, unstable demand, and above all, changing consumption potential.

Global markets and over-supply stimulate companies to adopt market-oriented management policies (market-driven management) characterised by the creation of unstable customer aggregations (demand bubbles), continuous benchmarking with competitors, vanishing competition boundaries, high product replacement rates, and performances conditioned by rotation as well as by margins.

As a consequence, in over-supplied markets, the number of manufacturers, wholesalers and retailers with strong market-driven policies is growing, where marketing constantly creates new 'bubbles' of purchasers, that require to be sustained with very volatile product offers and products with a strong identity.

On the other hand, the key role of marketing, that emerged in markets where demand and supply are balanced (a stage that was exhausted at the end of the eighties, when the international stability of both final demand and marketing channels has ceased), was replaced by the dominance of communication and intangible product factors, to manage highly unstable situations, where competition is dominant and intermediate markets, global trade and marketing channels play a crucial role.

Global, over-supplied markets have radically modified the traditional character of industrial supply chains, made up of: 'long' manufacturing and distribution structures, with a rigid division of roles; workers employed inside manufacturing sites; massive output of standardised goods; and marketing channels dominated by manufacturers.

Actually, market-driven competition emphasises global economies of scale, connected to the 'intensity of sharing' of key resources in a network system, characterised by sophisticated competitive-cooperative relationships. This is why

companies that still pursue policies based on the 'small is beautiful' approach encounter growing difficulties in global economies.

Global competitive relations require network firms with great management and organisation capabilities, that are able to dominate communications, R&D, marketing, control and finance.

SMEs (and industrial districts to an even greater extent) often reduce their role to simple manufacturing and local trade structures, missing a global vision of their competitive environment. In other words, they result as 'closed organisations' that are manpower-intensive, individualist and passive imitation driven (production-driven-management).

However, in open markets, global competition imposes new rules (delocalised manufacturing, competitive imitation, management of unstable consumption and disloyal demand, global market perspective) which have dramatically modified the model of economic development based on isolated small or medium enterprises without global networking relations.

4. Marketing Channels and Market-Driven Supply Chains

In recent years, marketing channels are emerging as an issue of critical importance, as the dynamics of internationalization are extending the boundaries of competition at a global level. Business management is becoming more complex as a consequence of a more globally interconnected competition, frequent and sudden changes in characters and expectations of the final demand, and striving for greater efficiency in value chains, that are increasingly globally extended.

Complexity is related not only to factor that can be directly managed, i.e. the activities that firms perform internally, but also to those entrusted to external subjects which generate a system of relationships, upstream and downstream, that are indispensable to compete successfully.

Nowadays, talking about the concept of enterprise means looking at the system of relationships that the firm belongs to, and through which market effectiveness is expressed. Competition can no longer be considered as a matter between individual firms, but between supply chains and marketing channels, within which the processes of value generation take shape without separation, according to a logic of continuity. Both the achievement of efficiency goals and the ability to effectively respond to the variety and variability of demand are based on the dynamics of the flows to which the firm participates.

This system of relations leads to a striving for competitiveness through the efficiency of internal and inter-company processes, by combining the decisions of internalisation/externalisation with those of localisation. As a consequence, the value chain is physically divided well beyond national borders. For this reason, a company's ability to operate in the market becomes the ability of its entire network to compete, with the result that coordination, the speed of processes and the optimisation of interaction mechanisms become critical for the success of the entire system.

Extensive literature has been developed regarding these issues, and in particular the search for efficiency and coordination in the networks firms belong to, focusing

on the supply chain: the upstream and downstream relations in which firms are involved have been analysed, considering the whole system as an extended concept of supply chain. However, while it is true that differences in the language adopted can represent different points of view (upstream relations are usually indicated as supply chain, while downstream relations are seen as distribution channels), a perspective focused on the channel (rather than on the supply chain) makes it possible to grasp also the links with the final demand, ensuring a view that can emphasize the continuity in vertical relationships within the whole channel, included those with the final demand.

This is particularly important if we consider some points.

The first regards the fact that decisions regarding product offer, business processes and organisation must take into consideration the company's market positioning and, to a greater extent, the competitive condition of the market, particularly as a result of the state of over-supply of many markets. A 'technical' view of the supply chain must be supplemented by a 'market' view that could help firms in finding adequate solutions to better manage their relations with the final and intermediate demand.

A second point to be considered regards current markets, that are highly dynamics as regard to characteristics, needs and expectations of demand. This, in turn, is expressed in a turbulent way, generating unstable aggregations (demand bubbles) on which companies must constantly calibrate their offering and the marketing tools that are necessary to sustain it. Facing these conditions, the importance of the time variable in company's decisions is increasing (time-based competition).

A further aspect is given by the intensification of international competition and the possibility for companies - thanks to lower transport costs and advances in communication and information exchange systems - to transfer abroad some activities of their value chain, exploiting comparative advantages. This, however, requires that decisions related to the supply chain are taken from a market viewpoint, in some cases creating a direct link between the subjects in the supply network with those of the distributions channels. For example, for emerging markets like China, relations with intermediaries at the distribution level may require the provision of products or components sourced locally, rebuilding the supply chains. Thus, the central role of the company in upstream and downstream relationships and the polycentricism of its internationalisation processes tend to fall. New networks emerge whose objectives are not only savings and the optimization of processes (technical perspective), but also the maximisation of market results, starting from an analysis of what the market is demanding and at the same time what competitors are offering (market driven perspective).

A final, and perhaps more important point, in favour of a channel perspective is the fact that this perspective also considers the relationship with the end customer, i.e. the consumer. The difference lies in the fact that as long as one analyses (and manages) supply chain relations, this refers to relations between companies with similar logics. In the case of consumers, however, the factors that influence decisions, the degree of rationality, decision-making processes, and the values attributed to products and to provisioning conditions can change radically. In interpretative models, even more than strategic or operational models, we must

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look for continuity even where there is discontinuity in the characteristics and behaviour of the subjects involved.

A channel perspective makes it possible to take into account the greater complexity of networks that are not only between companies, as it considers companies' choices from a technical as well as a market viewpoint, and because it tries to grasp the link and continuity even with the last link in the chain, i.e. the end consumer. The traditional distinction between business-to-business (B2B) and business-to-consumer (B2C) relations may thus offer a partial view of a reality which, we must remember, moves in relation to an end market that is made of individuals/consumers.

We must therefore reflect on marketing channels as an economic and relational entity as a whole. To do this, we must first analyse some key issues relating to marketing channels, and then focusing attention on certain aspects of particular importance, such as innovation, the impact of technology on the consumer buying process and on his own buying habits, and finally the extension of the retailers offer to non-core services, particularly financial services.