Business Marketing Face to Face

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The Theory and Practice of B2B Marketing

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7 Supply Chains, Channel Structures and Networks

Overview

This chapter deals with two main elements. The first concerns the management of the logistical and physical flow of goods from producers to end user customers. This is referred to as 'supply chain management'.

The second element concerns the management of the marketing channels. These are structural configurations organisations use to add value and which enable end users to access finished goods (and services) in the most convenient way. Attention is given to conventional marketing channel structures, vertical marketing systems and network approaches to interorganisational channel structures.

Aims and objectives

The aims of this chapter are to explore ways in which organisations cooperate with one another in order to make their products and services available to end-user customers. This concerns the management of supply chains and marketing channels.

The objectives of this chapter are to enable readers to:

1. Understand ideas about organisational interdependence and independence.
2. Explain the issues associated with supply chain management.
3. Examine the design and structure of different marketing channels.
4. Consider contemporary forms of organisational networks.
5. Explore ideas concerning the use of electronic channels in B2B trading contexts.

A Slice of Life – The Chain of Events

This story has less perhaps to do with the client's work than the impact of the supply chain. It's no coincidence that the example is a company involved with supply chain management itself, but the issues surrounding the supply chain are more important than the individual business mentioned.

My client was a software company that provided solutions for global supply chain sourcing and management. For predominantly large retail chains, the ability to source and supply products from around the world is critical in maintaining profits – buy it cheaper, ship it cheaper, sell it cheaper. The successful management of the supply chain delivers competitive advantage and better margins. As large retailers expand their global empires, or simply look further afield to find newer, cheaper sources of supply for a local market, supply chain management enables the cost-effective delivery of products to markets. A penny saved here becomes millions saved there. The company provided the software for the retailers to find the suppliers, manage the transactions, deliver the products and make the savings.

Back in 1999, as the Internet was just starting to find its commercial purpose in the world, this company was one of many technology companies developing its software and its business hoping to capitalise on the seemingly insatiable appetites of the financial markets to invest in all things tech. There were 457 companies listed for IPO (independent placement offering) on the NASDAQ stock exchange in 1999. They were mainly technology companies – 'dot-coms'. Of the 457 placements, 117 companies doubled their share price on the first day of trading. Everyone wanted a part of the action. By 2001, however, IPO listings were down to just 76. The dot-com bubble had burst.

On 10 March 2000 the NASDAQ listings for leading technology companies spiked – it hit its peak, then fell dramatically. A pending court case surrounding Microsoft's alleged monopoly in the software industry is thought to have contributed to the crash. Overheated spending to ensure systems would continue to function in the new millennium – Y2K compliance – may also have contributed to the fall. Whatever the reasons, the market had risen a massive 24% in 1999 but on 10 March 2000 it dropped 10% in 6 days. Ouch.

By 2001 most of the dot-coms had gone. They had burnt their initial venture funding secured at the height of the market but didn't subsequently deliver any profit. In a deflated 'bear' market they failed to secure further funding. The technology companies that remained struggled to find investment, or indeed customers, with any appetite to support their businesses. My client was one such company.

My marketing agency business at the time was fully exposed to the technology markets. A snapshot of my business in 1999 would show record