

From box-movers to lacemakers: When logistics becomes the backbone of BtoB distributors' marketing strategy

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Abstract

Research analysing the resources of BtoB distributors from their own point of view is scarce. Yet in a global world, more and more complex supply chains require actors with coordination and adaptation skills to the local demand. This article sets BtoB distributors in a systemic conception of marketing and attempts to describe their contribution to efficient supply chains. Building on the notion of *transvection*, and on the analysis of the electrical equipment sector, the work shows how BtoB distributors rely on their logistics expertise to develop their marketing strategy and sell solutions to their heterogenous professional clients. The authors highlight that the logistics expertise of BtoB distributors underpins their marketing strategy in terms of: (1) organizational efficiency; (2) ability to adapt to heterogenous demand; and (3) ability to co-create value with clients. This research also identifies four types of contributions of BtoB distributors to efficient supply chains (integration, personalization, facilitation, and influence).

Keywords

BtoB distributors, supply chain coordination, transvection

Track

BtoB Marketing

Introduction

On a regular basis the term of *disintermediation* seems at stake as in academia as in business models, especially in the platform business model (Ladd, 2022). Rosenbloom (2002) already testified the numbers of articles predicting the disappearance of BtoB distribution in a context of growing e-commerce. More recently the launch of Amazon Business distributing commodities to professional buyers, has led Rexel CEO in 2015 to say that “the world of electrical equipment has more evolved within the two last years than during the last three decades”¹. Yet large electrical equipment distributors continue to grow and the leading firm Sonepar is expected to get a revenue of €26 billion by 2021². In that extend one can investigate the adaptation skills of BtoB distributors to a continuous changing environment.

Thus, the objective of our research consists in understanding how BtoB distributors have evolved from “box-movers” (Olsson *et al.*, 2013) to “lacemakers”. Indeed, BtoB distributors are now able to develop intertwined solutions of marketing and logistics to adapt to the constraints of their professional clients. Marketing literature has long considered logistics as being the main source of legitimacy of professional distributors (Bucklin, 1965). Yet very few research has been dedicated to the intertwining of marketing and logistics regarding the resources of BtoB distributors. In that purpose one must replace the BtoB distributors in an integrated supply chain perspective and even more in a systemic view of marketing, as the one developed by Alderson (1965).

This article is organized in four parts. The first part introduces our conceptual framework. The second part is dedicated to our case study. Our findings are presented in the third part. In the fourth and last part we discuss the intertwining of technical, logistics and marketing competences required by BtoB distributors when creating new solutions offering.

1. Conceptual framework

Following Grisprud (2004), it must be said that from the 1960s the channel literature has largely considered intermediaries as trivial actors. Grisprud (2004) explains this trivialization with a paradigmatic change in the conception of marketing. From the 1960s on, the discipline of marketing moves from a focus on the client’s global satisfaction to the management that companies must practice for delivering goods and services to consumers while maximizing the profits of the plants. In this perspective the channel literature has mainly analysed the role

¹ Conference given at EM Lyon Business School on February 2, 2015, for the Research Chair of BtoB Intermediation.

² *La Tribune* (France), November 18, 2021.

of intermediaries from the manufacturers' point of view in focusing on the channel control and the conflicts issues (El-Ansary and Stern, 1972; Frazier, 1999). In the channel literature the legitimacy of each channel actor can be summarized mostly in this actor's ability to reduce channel costs. Therefore, the channel literature refers to the microeconomic literature to analyse the role and the missions of BtoB distributors towards manufacturers and retailers.

From the seminal contribution of McInnes (1964), the main role of BtoB distributors consists in filling the "gap" between sellers and buyers either in terms of geography, information, or financing. The specialisation of BtoB distributors in logistics operations becomes one of the main arguments used in the channel literature to legitimate the distributors' position between manufacturers and end-users (Bucklin, 1965; Williamson, 1975; Bailey and Bakos, 1997). Yet Narus and Anderson (1990) go further when replacing industrial distributors in a relationship marketing perspective (Christopher *et al.*, 1991): they insist on the ability of distributors to develop relationships with a wide diversity of actors to satisfy their clients.

1.1. The distributor in an integrated supply chain perspective

One can consider Narus and Anderson (1990) as pioneers of an enlarged conception of the role of BtoB distributors. Indeed, with the widespread of *supply chain management* (SCM) from the 1990s in many companies, the ability to manage complex flows between multiple organisations has become central for researchers. Cooper *et al.* (1997) claim that SCM largely encompasses the scope of business logistics since it includes many companies from the development of products to the introduction of innovations within the market. Consequently, for Cooper *et al.* (1997), integrated supply chains require a high level of coordination of the different actors, expanding much beyond procurement.

In that integrated supply chain logic, the position of BtoB distributors is upgraded: the acceleration of technological innovation in terms of logistics, industrial production, or information flows enables BtoB distributors to create new solutions fine-tuned with the clients' demand. Sheresheva and Kolesnik (2011) see in this new capacity a deep paradigmatic change. For them, BtoB distributors have evolved from the mass-market distribution era to the one of personalized solutions. Sheresheva and Kolesnik (2011) also underline that the major phenomenon of globalization has led many manufacturers to outsource all activities that they don't consider as their core business. This accumulated change increases dramatically the complexity of logistic chains and renews the legitimacy of BtoB distributors to coordinate a portfolio of complex relationships.

1.2. *The transvection ability of BtoB distributors*

From the 2000s many articles in the BtoB marketing literature have strived for analysing in detail the SCM expertise of BtoB distributors. Gadde and Snehota (2000) advocate that the role of BtoB distributors consists in the identification of exchange opportunities between users and goods providers. Even if the roles of merchants and wholesalers still exist, BtoB distributors more and more position themselves in a user perspective and must be considered as the first suppliers of the client's procurement network, and not any longer as the manufacturers' distribution channels. Likewise, Cantu *et al.* (2010) conceive BtoB distributors as network interactions' facilitators, thus enabling a better commitment of clients. Olsson *et al.* (2013) perceive BtoB distributors as activities coordinators and providers of resources and solutions to the clients' issues. Thus, all those articles implicitly return to Alderson's (1965) concept of *transvection*.

According to Alderson's (1965) marketing theory, transvection differs from transaction by its systemic approach of all transformations occurring in the marketing process. In a *transvection*, each actor intervenes to add a form of value that Alderson (1965) calls "utility". It starts from the observation that markets are heterogeneous, both on the supply side and on the demand side. To be able to respond to such heterogeneity, distribution networks will be set up, made up of a certain number of interconnected actors (Hulthen, 2002; Quinn and Murray, 2005). If a transaction involves a single exchange between a buyer and a seller, *transvection*, on the other hand, is the series of transactions to the end user. Regarding the position of intermediaries in transvection, Alderson (1965) considers BtoB distributors as good candidates to transvection in as much as they face the pressure both from manufacturers and retailers while maintaining their profitability.

2. Case study

To develop an intermediate theory, in the Eisenhardt (1989) sense, concerning the transvection capacity of BtoB distributors, we chose to conduct an abductive case study based on the systematic combination method of Dubois and Gadde (2002). The data collected were coded using NVivo according to the methodology of Gioia *et al.* (2012), by developing a collaborative research approach that includes professionals during round tables (see Table 1). The electrical equipment (EE) sector in France is made up of many players organized in a network, such as manufacturers, distributors, electricians, regulatory bodies, etc.:

- *Manufacturers.* EE brings together a very large number of product families ranging from energy distribution to transformers, through automatic controls, energy management devices. Most of the manufacturers are global players such as General Electric, Siemens, Schneider Electric, Legrand, Hager, ABB, etc. The French market is oligopolistic since Schneider Electric and Legrand have dominated it for decades.
- *BtoB distributors.* The French EE distribution market is also characterized by an oligopolistic structure: the two leaders, Rexel and Sonepar, alone represent 75% of the market, the remaining 25% being carried out by independent distributors. The two leaders, traditionally positioned as generalists, are in the process of becoming multi-specialists thanks to a very fine segmentation of their client portfolio and to adaptation to client demand. Independent distributors try to differentiate themselves in niche markets where they bring great technical expertise.
- *Installers.* These companies install and maintain EE, whether in the industrial, commercial, or domestic field. This is a very heterogeneous population in that it includes very small craft businesses with less than 10 employees, and very large groups exceeding a thousand employees. Installers are specialized in three construction segments: industrial, residential, or tertiary. Small installers work mainly in the residential sector, while very large companies operate mainly in the tertiary sector.

Table 1: Qualitative material

Actors by category	Number of interviews	Duration in hours	Number of transcripts	Observations
Distributors	22	27,5	698	8 visits of agencies 2 fairs 22 interviews
Manufacturers	13	12,3	393	1 visit of showroom 10 interviews 1 conference on communicating devices
Installers	10	12,3	259	1 visit of showroom 3 professional conferences 10 interviews
DIY	3	2,2	92	3 interviews
Energy providers	3	3,1	81	3 interviews
BIM	1	2,6	40	1 interview memo
Round table	1	3,5	43	
Focus group	1	1,9	45	1 interview memo
TOTAL	54	65h	1 651 pages	14 on site observations

The French EE distribution network was set up in the 1960s, following the strategy of the major manufacturers to reduce their logistics costs by massifying flows. Until the mid-

1990s, EE distributors were mostly SMEs with a strong local reputation. From the mid-1990s, Rexel and Sonepar absorbed a lot of small players, thus becoming very large groups renowned for their logistical excellence.

3. Analysis

The first salient result is that BtoB distributors have physical and organizational resources essential to the activity of all other players in electrical equipment. Our case study underlines that, contrary to what the channel literature may assume, distributors are not a “necessary evil”, but rather actors that can be described as strategic for the entire electrical equipment network. They have a territorial network of agencies and logistics expertise in deliveries and storage such that they ensure a very close service to their direct and indirect customers. Thanks to this proximity, distributors multiply the impact of the industrial offer: *“The distributor is not an unnecessary layer. It provides several services to its clients. If the distributor disappears, the question is who will carry the service? I’m telling you, it’s not the manufacturer, at least it’s not me!”* (Manufacturer).

The second salient result is that logistics expertise appears to be thought by BtoB distributors as the basis for the personalization of their offering. In the EE distribution, logistics competence is conceived as a support to the installer: *“For several years now, distributors no longer want to be cardboard carriers. They want to support us”* (Installer). Being very close to their customers, distributors are now able to develop highly personalized services to increase the operational performance of installers: *“We continue to adapt our logistics, our availability through our platforms, and our regional logistics base. Around this we have developed tailored logistics services for large installers, to help them with their on-date delivery to their sites, it’s called ‘kitting’. This means that today, for example, on very large sites, there is an agency on site, we manage outputs, invoices, and we also manage inputs, returns of material and on the environmental aspect, we recover the waste. We make life on the job site easier for an installer. From our logistics base that we have today, we are developing somewhat personalized tailored services. We can almost say that we are moving towards a form of third-party services”* (EE Distributor).

The third salient result is that logistics expertise is the keystone of the value proposition of BtoB distributors, even if it is no longer sufficient alone: *“Our primary business is to serve our client well logistically. This is our core business. It is no longer sufficient today; it is absolutely necessary that we enter into a logic of support”* (EE Distributor). For distributors, logistics plays a major customer service role and underpins their entire value proposition: *“We*

also have this shift saying logistics is central but because it is at the service of the value proposition” (EE Distributor). This centrality of logistics in customer service is thus unanimously recognized by all players in the electrical equipment network: “EE distributors are pros, and they were organized long before us on logistics platforms, on the service to be provided to their customers and not just the logistics department” (Manufacturer).

4. Discussion and conclusion

Our case study on EE distributors reveals an interweaving of logistics and marketing dimensions in the value proposition of distributors. As such, the research shows significant theoretical and managerial implications. On a theoretical level, the conception that EE distributors have of their logistics expertise fits into Alderson’s (1965) encompassing and systemic vision of marketing. Indeed, EE Distributors are experts in the sorting activity, defined by Alderson (1965) as the selection of diverse and varied elements in very disparate offers, but also of that of transformation, which Alderson (1965) conceives like all the activities allowing to increase the utility from the point of view of the user, whether it is the deadline (utility of time), the availability of the product (utility of place), or an individualized packaging (utility of form). In addition, with the permanent objective of user satisfaction, EE distributors can be considered as real transvectors, putting their logistics and marketing expertise at the service of end customers.

From a managerial standpoint, the logistics expertise of EE distributors illustrates how their logistical resources and skills allow them to play three fundamental roles for the EE network: (1) *integration*, since distributors assemble heterogeneous industrial offers in homogeneous offers; (2) *personalization*, as the offers of distributors are very adapted to the heterogeneity of their customers; (3) *facilitation*, because the logistics expertise of distributors enables manufacturers and installers to be performant; and (4) *influence* since by positioning themselves as major players in ecological and digital transitions, distributors are reconnecting with the societal usefulness of marketing desired by Alderson (1965), and thus resisting the hegemonic appetite of GAFAM, and more precisely of Amazon Business.

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