

The importance of Channel Climate in Developing successful Partnerships with Intermediaries

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Abstract

Channel intermediaries form a link in the companies value chain, such that the relationship firms have with their channel partners will not only influence the intermediaries level of motivation, but also the satisfaction of the end customer with its impact on revenue growth and profitability. Much work has been carried out to determine the constructs and mechanisms that make up the relationship between the manufacturing firm and the intermediary. These constructs include interdependence, conflict, cooperation, commitment and trust. Within these constructs can be subsumed relational exchange concepts such as mutuality of interest, flexibility etc, as well as economic factors such as profitability and contribution to business. The relational construct map that emerges is complex and full of nuances and interactions. For this reason few firms have adopted channel climate as a focus for their channel development plans.

The research reported in this paper addresses this issue and reports, through primary research, on three hypotheses regarding the effect channel climate has on business growth, channel satisfaction and share of business. The analysis reveals that channel climate is a key driver of business growth and satisfaction, potentially having a more significant impact than other purely economic factors and operational initiatives. Finally, a relational added value model is developed with associated managerial implications for a new manufacture to more effectively manage their channel.