UNIVERSITY OF LJUBLJANA
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MASTER'S THESIS

CONNECTING DEMAND CHAIN REQUIREMENTS AND CHANNEL COMPETENCIES IN SPECIFIC INDUSTRY

Ljubljana, July 2016 BOŠTJAN HRIBOVŠEK

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INTRODUCTION

Information technology (hereinafter: IT) industries in general and most every print vendor and related channel partner are exhibiting some kind of **transformational strategy.** This trend signals the fact that the old ways of doing business are no longer securing or delivering expected growth rates (IDC, 2016a). In the past 18 months alone the two biggest global players, HP and Xerox, announced major transformations of their global operations. As a consequence their go-to-market strategies in Slovenia have changed, impacting both their direct and indirect operations (Ropret, 2013, 2015; Xerox corporation, 2016).

Over the last couple of decades, the office equipment market has become far more complex and competitive as a result of technological and industry developments. Commoditization of the market, price erosion, and annuity page decline are driving the need for **transformation from product- to solution-based** sales as an alternative source of revenue and profitability. Price deflation, the shift from analog to digital, the growth of managed print services (hereinafter: MPS), increased competition, and eroding loyalty are major trends in the printer industry (Dunne, 2015, pp. 1–12).

The global IT industry has always been an industry with **deflationary foundations**. The average selling price of IT products begins to fall as soon as they are introduced to the market. Gross margin levels earned on these products begin to fall as soon as the first sales are made. The real cost of technology also falls on a continuous basis. Historically, the deflationary nature of the global IT industry has been offset by the market's ability to consume ever-increasing numbers of units of product (ChannelCorp, 2009a, pp. 3–21). All IT vendors are under extreme pressure to constantly grow volumes of devices sold.

The shift to digital has vastly impacted the variety and sophistication of print hardware, giving it features and capabilities that are closer to those of PCs, smartphones, or tablets. Documents no longer need to be printed out in order for them to be used and useful. The ability of these devices to run software and interact with entire IT systems has paved the way for new software and services that add value and improve business processes. As a result of customer pressures, the industry has moved from a product-centric to a service-centric industry in the past few years. Instead of focusing on the value proposition of the solutions most **MPS channel providers** initially focused on offering customers lower prices. In many cases, they sacrificed margins in order to close a deal. The customer gained the majority of advantages from the transfer to services in the printer industry. Although this transition to services was positive for the consumer, it led to a far more competitive environment, as it has grew the pool of new channel providers competing for office equipment business, including new IT channels (Dunne, 2015, pp. 1–12).

Many vendors are struggling to redefine their go-to-market strategies, searching for ways to increase perceived customer value and define points of differentiation against the competition in order to create additional revenue streams for their channel partners. The choice between direct and indirect go-to-market strategies and their respective alignments has never been more important. Up to 15 years ago, most vendors' go-to-market strategies depended largely on direct operation activities. Today, vendors are looking for ways to increase their return on assets and reduce their transaction costs by reducing the number of accounts with which they deal directly (ChannelCorp, 2009a, pp. 3–21). As a result, vendors are decreasing their volume of direct operations in certain geographic areas and, on the other hand, increasing their reliance on channel partners. Upwards of 70% of all IT product (close to 100% in some product categories) began to move through the channel (ChannelCorp, 2009b, pp. 3–33). Owing to its size the Slovenian IT market is not immune to the latest trends.

Channel partners are becoming the outsourcing arms of vendors in marketing, sales or/and technical support. The task of vendors is to provide profitable business models to ensure their channel stays profitable and with sufficient working capital to operate normally. According to an analysis of channel health by ChannelCorp (2009a, pp. 3–21), 50–60% of solution providers are **technically insolvent**, with a **working capital deficit**. Some 30–40% are under financial pressure resulting in working capital/cash flow problems. Only 5–10% of service channel partners enjoy an excellent cash flow position. If they are **unable to stay profitable** while providing this valuable service to the vendor community, then the channel has severe capacity and capability problems. Most key channel development issues are connected with **Channel capacity, capability, and quality problems in a given period**. In practice this means vendors' channel partners do not have the technical capability to sell and support the products and services that are in the vendors' current product/service/solution portfolio; similarly, they will not able to sell what is on the product roadmap for the coming years. In order to do so, certain investments are needed, from both the vendor and reseller perspective As it takes a minimum of 12–36 months to transform issues related to channel capacity, capability and quality, into revenue, it is obvious that what is done this year will only create revenue next year or even later. Many vendors realize that channel development is not happening where and when it needs to happen. In many major companies there is no channel development function, which results in a pronounced channel development disconnect in many vendor organizations (ChannelCorp, 2009a, pp. 3–21).

Lately it has become much harder for IT vendors to motivate channel partners to blindly follow their strategies. As reseller **profitability gets squeezed** they are examining their profitability per vendor line in order to determine where they should continue to invest. **The power is shifting,** giving much more power to value-added resellers, solution providers, and system integrators that are adopting multiband strategies in search of profit opportunities (PartnerPath, 2014, pp. 1–11). Vendors are adopting increasingly complex channel strategies in response to shifts in consumer shopping behavior, the globalization of markets, and the advances of the Internet (Webb, 2002, pp. 95–102). Emerging multi-channel strategies, which many retailers and vendors have adopted

and the related **channel conflict** that comes with it, are among the wider body of channel-related topics receiving more research attention. Since online channels emerged a good decade ago **multi-channel marketing strategies** have become widely exploited by vendors in order to gain competitive advantage. Making products and services available to business markets via a wide range of different channels can provide better customer choice and service. But the task of coordinating and integrating multiple channels that operate at high levels of efficiency has forced managers responsible for channel management to deal with a **variety of challenging issues**. These include the role of e-commerce in the multi-channel structure, finding an optimal channel mix, creating synergies across channels, building strategic alliances, creating sustainable competitive advantages, managing more complex supply chains, dealing with conflict, and providing the leadership necessary to attain well integrated multiple channels (Rosenbloom, 2007, pp. 4–9).

In mature markets, where significant product differentiation is not possible, as in the technology sector, which is well exploited, most differentiation (in the eyes of customers) is effected with the adoption of different business models. The economic value of a technology remains latent until it is commercialized in some way via a business model. The same technology commercialized in two different ways yields two different returns (Chesbrough, 2010, pp. 354–363). Although barriers to changing the business model are real and difficult to achieve we do see that some hybrid business models have emerged. For vendor channel managers and business partner managers it is vital to understand different partner business models.

To optimize channel choices vendors or resellers need to be able to evaluate **particular channel performance**, which requires a close understanding of customers' channel preferences. This consists of a customer's loyalty to a particular channel and the channel's ability to attract switching customers (Gasler, Dekimpe, & Skiera, 2007, pp. 17–23). Providing a superior customer experience has become the primary goal of almost all vendors. The success of multi-channel management depends on a manager's ability to comprehensively understand as well as properly compare a customer's evaluations of the channels. Channel evaluation must provide a basis upon which resources can be allocated to the right channel elements (Hammerschmidt, Falk, & Weijters, 2016, pp. 88–101).

In working to understand **channel value,** the most widely used and researched concept consists in supply chain management (hereinafter: SCM), which has been an important strategic concept since the early 1990s. Whereas SCM lacks a customer perspective, the more recently introduced approach (and therefore far less extensively exploited demand chain management (hereinafter: DCM) seems to capture the synergies from both SCM and marketing. This can be done by defining specific customer needs and designing the chain to satisfy these needs, instead of starting with the supplier/manufacturer and working forward, as is common for SCM. Therefore, demand chain management aims to integrate demand- and supply-orientated processes. Demand processes are all processes at the customer or market interface, aimed at responding to customer demand through value creation (Juettner, Christopher, & Baker, 2007, pp. 377–392).

The role of the intermediary in creating customer value is becoming important. Vendors need to be able to influence channel capabilities in order to operate successful indirect go-to-market strategies. The channel is not simply a path to reach customers – as an entity of different intermediaries it also creates value. A **channel value chain** is the outcome of shaping channel capabilities to address the needs of the demand chain. Aligning and influencing the channel value chain is an ongoing task that requires a careful understanding of intermediaries, their value-adding capabilities, and the power they wield in influencing channel behavior (Rangan, 2006, pp. 4–10).

The **purpose of this Master's thesis** is to gain a detailed understanding of the various roles and business models different intermediaries play in creating customer value. This Master's thesis focuses on the Slovenian printer and associated services market, and analyzes the characteristics of the intermediaries involved in the industry. By executing a detailed market mapping we can gain a better understanding of the different go-to-market strategies multinational printer vendors practice on the Slovenian market. I define customer (segmented by size) demand preferences in the process of choosing a printing provider, and try to connect their preferred demands with particular two-tier channel competencies in order to be able to meet those customer needs.

The **main goal of this Master's thesis** is to define and identify channel capability gaps and propose future actions to improve competitiveness in a particular partner channel in order to meet the requirements of small, medium or large-sized companies when buying printers and related services. One of the sub-goals of my Master's thesis is also to map the printer industry in Slovenia, including providing an overview on the channel activities of the major market players. With my Master's thesis I define and prioritize demand chain requirements in the business-to-business (hereinafter: B2B) segment. I analyze channel competencies of a particular vendor's second-tier channel in serving or meeting customer requirements. By comparing customer requirements and channel competences I identify gaps between what the customer thought they needed and what the channel is able to provide.

Mapping the printer industry in Slovenia is done by using data from international market analytics agencies, material from channel consulting agencies, semi-structured interviews with major competitor representatives, together with some observations drawn from my personal experience as an active participant in the industry for the past 10 years in the role of channel manager, reseller owner, and marketing agency account manager. I use framework by Rangan and Bell (2010, pp. 31–50) to assemble the industry mapping. Four core forces (demand-chain requirements, channel capabilities and costs, channel power and competitive actions) influence the way channel strategies interact with each other as well to environmental forces. They help channel managers guide a particular channel to success. External forces (regulatory changes, technological advances, changes in the culture informing and shaping customers' buying behavior, trade culture and finally, industry consolidation and fragmentation) also influence these four key forces.

With my Internet survey I **define and prioritize the demand chain requirements** of companies when choosing a printer and printing services provider. The questions have been formulated according to the parameters customers used in past tenders for choosing print providers. Companies are separated into three groups based on their size (small, medium-size and large). Based on customer requirements I analyze the **channel competence** of a particular vendors' second-tier channel to serve customer requirements. A detailed survey is performed on second-tier channel partners on their capabilities to meet customer needs in defined customer segments. These steps help serve to identify the gaps between what the customer thought they need and what the channel is able to provide. For the gaps identified I propose future actions.

This Master's thesis consists of three chapters. In the first chapter I review the different channel structures, the marketing decisions needed to design and manage them, the different channel types and the different intermediary types involved, the roles and activities they perform as channel members, and where relevant, their business models, how they earn their money by adding value to the process of transferring products from producer to end-user. At the end of the first chapter I explain the trends that have the biggest impact on channel structures and their management: e-commerce, use of multi-channel strategies, and conflict management. In the second chapter I performed a detailed printer industry mapping, where I use data from independent research agencies, semi-structured in-depth interviews with the top 10 market players, and personal experience. Finally, in the third chapter I analyze a particular vendors' second-tier channel value chain. I conduct an Internet survey directed at three different sized segments of Slovenian companies in order to define and prioritize their demand chain requirements when choosing a print provider. After determining and assembling customer preferences I analyze the channel competences of the particular vendor's second-tier channel to serve customer requirements. In closing I analyze the demand-side gaps between channel competences and customer requirements and propose future actions and improvements.

1 ROUTE TO MARKET

McCarthy (1975, p. 37) introduced **place** as the last element in the marketing mix. Placement or distribution is referred to as a process of moving products from producer to end-users. It defines the way a product is bought and where it is bought. Products and services can be moved through a combination of intermediaries such as distributors/wholesalers and a variety of second-tier resellers. By using the right place, a company can increase sales and consequently increase revenue, profit and their market position. Therefore correct placement is very important, and should be focused on reaching the target audience at the right time. Distribution therefore focuses on how to connect the place of business with the place the target market is located.

Before I begin exploring channel marketing management I will first explain the main characteristics of the Channel by defining the Channel itself. A distribution or marketing channel is defined as the activities and processes required to move product from the producer to the consumer. Many authors describe it as a **route to market**, which is used to sell products or

services that consumers and businesses purchase. They serve as gatekeepers between the manufacturers and the end-customer. It is therefore particularly important that the manufacturer understand the actions of their channel partners in order to ensure its products and services reach their full potential on the market. Marketing channels can also be viewed as an important asset in a company's overall marketing and positioning strategy, as it often serves as the main point of differentiation between the company's products and services and those of the competitor. In the past, manufacturers were able to build competitive advantage solely by emphasizing product differentiation, which consequently led them to focus on research, development, and innovation as the keys to differentiation. In mature industries in particular, where the product is not a sufficient differentiator, manufacturers also have to build differentiation on the services performed and provided by channel members. They need to understand that routes to market define product differentiation. If a company wants their offering to differ from their competitors' then routes to market have to play a central role. Many authors recognize that channel experience strongly affects the end-users overall perception of a brand's image and influences end-user satisfaction. Companies cannot fulfill a brand's promise without managing their routes to market properly and controlling the marketing channels. So routes to market also influence perception of the company's brand. A strong channel system is therefore a competitive asset that is not easily replicated by other firms and is, therefore, a strong source of sustainable **competitive advantage** (Coughlan, Anderson, Stern, & El-Ansary, 2006, pp. 1–2; Dent, 2011, p. 9).

On the basis of these characteristics Coughlan et al. (2006, p. 2) proposes a basic definition for marketing channels as follows: "A marketing channel is a set of interdependent organizations involved in the process of making a product or service available for use or consumption." This definition points out that a marketing channel is a **set of interdependent organizations**. Intermediaries are third-party companies that are involved in this moving of products and services to their final consumption destination. Each channel member depends on the other to do his/her job. The definition makes it clear that running a marketing channel is a **process**, and not an individual event. Distribution typically takes time to put in place, and even after the sale is finalized relations with the end-customer do not typically end there. The purpose of this process is to **make a product or service available for use or consumption**. The goal of the process is to satisfy the end-users in the market by enabling them to use or consume the product or service (Coughlan et al., 2006, p. 2).

Products may now be distributed to multiple customer segments via multiple routes. Many of these routes to market involve one or more types of intermediary. Although managing channels is important very few companies can define the cost of selling through a particular route to market, whether the route is direct, single-tier (one intermediary level) or two-tier (two intermediary levels) channel structure (Dent, 2011, p. 9).

It is interesting to note that **different players in the same industry serving the same market segment often choose not to go to market through similar channel structures**. That is because each firm has different skills, capabilities and costs that determine which option is

optimal. What we have is different systems competing with each other, each attempting to put together a channel bundle that will effectively and efficiently address the needs of its chosen customers and channel partners. Channel systems are strategic, as they pit one firm against the other. The more effective channel value chain will gain more customers and revenue, and the more efficient channel value chain will deliver the company and its channel partner a higher return (Rangan & Bell, 2006, p. 89).

In the first chapter I review different channel structures, marketing decisions needed to design and manage them, different types of channels, different types of intermediaries, roles and activities they engage in and where relevant, their business models, how they earn money by adding value to the process of transferring their products from producer to end-user. At the end of the chapter I outline the trends that have the biggest effect on channel structures and management of them: e-commerce, use of multi-channel strategies and conflict management.

1.1 Channel decisions

Channel decisions are a component of business marketing strategy. Hutt and Speh (2001, p. 356) and Rangan and Bell (2006, p. 16) suggest there are two important and closely related dimensions of making channel decisions in marketing strategy.

The first component is the **design of a channel structure** in order to accomplish certain marketing objectives. There are many challenges related to selecting the best channel structure, including because the alternatives are numerous, marketing goals differ, and the variety of business market segments often requires that separate channels be put in place. An ever-changing business environment, stiff competition, changing patterns in customer behavior like the rapid growth of the Internet forces companies to periodically evaluate channel structure. The **second component** involves the process whereby once the channel structure has been specified the channel managers **must manage** the **channel** to achieve the prescribed goals. The most common channel administration activities consist in selecting intermediaries, motivating them to achieve the desired performance, mediating conflict situations when they arise and performance evaluation (Hutt & Speh, 2001, p. 356). These two elements of channel strategy should go hand in hand. Channel design and management should be interactive and integrative components of channel strategy (Rangan & Bell, 2006, p. 16). Throughout this chapter I explain the elements of channel design and management.

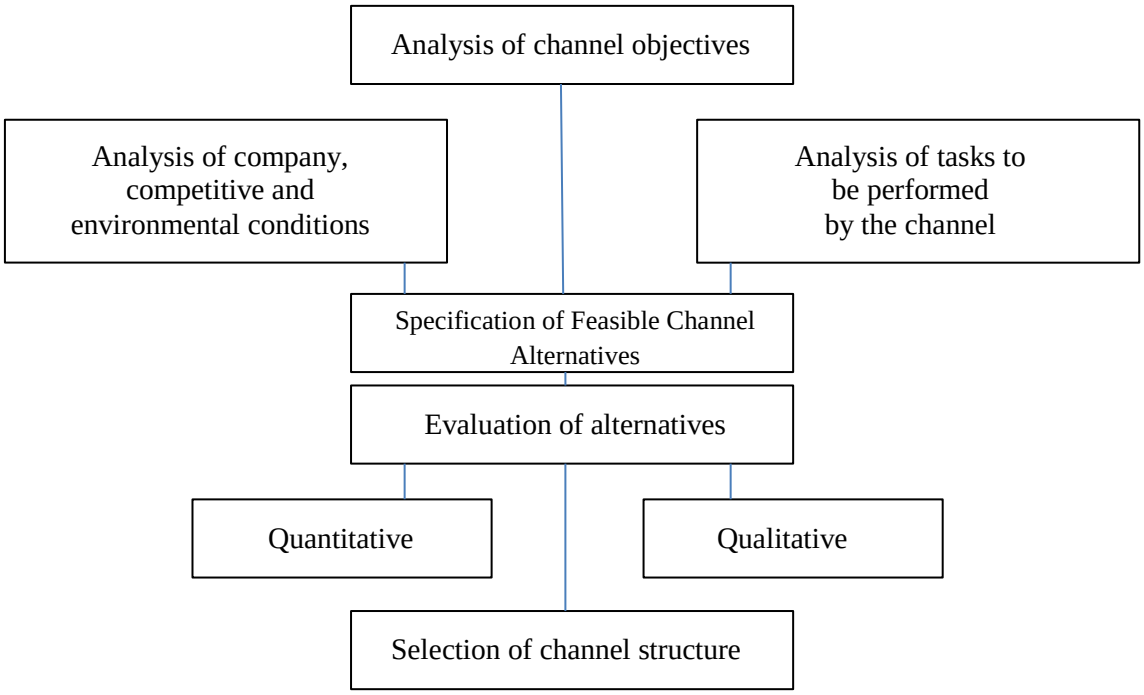
1.1.1 Channel Design framework

Channel design is considered a dynamic process of developing new channels on a single side or more frequently, simply modifying an existing design when it doesn't perform according to marketing objectives (Hutt & Speh, 2001, p. 365). McCalley (1996, pp. 3–18) also argues that for many manufacturers the **choice of channel is predefined**. The need to develop or design totally new marketing channels is uncommon, and is almost always an expensive alternative to

using channels that already exist. In practice, therefore, channel managers most often deal with modifying existing channels, although many new products or customer segments would need to design entirely new channels for new customer segments. Chesbrough (2010, pp. 354–363) argues that some products and technologies need to redefine their business model and therefore channel design with it in order to be able to fully exploit their full economic potential. Many companies don't have established processes in place for innovating their go-to-market strategies and therefore usually work at modifying their existing channel structure. Characteristically, channels don't simply evolve by themselves, but need constant development and management. Channel design is therefore an active rather than a passive task, one that requires well-defined goals and objectives in the marketing strategy (Hutt & Speh, 2001, pp. 365–373).

Hutt and Speh (1983, pp. 171–177) have defined the base framework for **conceptualizing Channel design** as a series of stages that must all be successfully completed (Figure 1). The Channel design process should result in building a channel structure that offers the highest probability of achieving the company's objectives. Same authors later define **Channel structure** as an outcome of the design process, which is defined as the number of channel levels, the number and types of intermediaries, and the linkages among channel members. The Channel design process focuses foremost on channel structure and less on channel participants (Hutt & Speh, 2001, pp. 365–373).

Figure 1. The channel design process



Source: M. D. Hutt & T. W. Speh, *Realigning Industrial Marketing channels*, 1983, pp. 171–177.

Stages are explained in further detail by the authors Hutt and Speh (2001, pp. 366–373).

Channel Objectives. Companies define marketing strategies in order to attract selected market segments, achieve target profit levels, and maintain or increase market share. All of this has to be achieved with limited resources. The first task of channel design is to gain an understanding of marketing goals and to formulate corresponding channel objectives. Marketing and distribution objectives guide the channel design process and consequently limit the range of feasible channel structures. Therefore channel structures need to reflect both strategic goals (e.g. achieving market share) and efficiency goals (e.g. reducing administrative costs).

Channel Design Constraints. Often channel managers have to deal with many constraints when deciding on a channel structure. Some factors limiting the choice of a channel structure include the availability of good intermediaries – the best intermediaries on the market are commonly protected by competition; changing traditional channel patterns can be difficult to implement and some customers demand doing business in a certain way; product characteristics like complexity of servicing could dictate direct support; the amount of available financial resources needed to operate successfully on the market; competitive strategies where direct services by the competition often forces all companies to sell direct; and geographic dispersion, e.g. a widely dispersed market of small customers often requires low-cost representation that ideally is executed by intermediaries.

Channel Tasks Performed. Channel structure has to be evaluated for its ability to fulfill the required channel roles and actions effectively and efficiently. The concept of a channel as a sequence of activities to be performed, rather than as a set of channel institutions, is essential to channel design. Channel managers must creatively structure the tasks necessary to meet customer requirements and company goals. How the channel tasks will be assigned among the channel participants depends on their competences and overall company strategy (Hutt & Speh, 2001, pp. 368–369). Channel actions, functions and flows are explained in detail later as individual subsections.

Channel Alternatives. Once the first three stages are understood, channel alternatives can be evaluated. Parameters that define different channel alternatives are as follows: the number of levels to be included in the channel (degree of "directness"); the types of intermediaries needed; the number of channel intermediaries at each level of the channel; and the number of channels needed. How each parameter is settled depends on the aforementioned objectives, constraints, and activities (Hutt & Speh, 2001, pp. 369–372).

Channel Selection. The final task in channel design facing channel managers is the selection of the most effective channel structure from among the feasible alternatives. Most channel design decisions are only small variations of or changes to the existing channel structure in response to changing markets, expanding geographic coverage, new customer requirements or new products. Selecting the appropriate changes to a channel structure may be fairly straightforward; in fact, the range of changes may be quite limited (Hutt & Speh, 2001, pp. 372–373)**.** Stern and Sturdivant (1987, pp. 34–41) propose a useful 8-step approach to evaluating channel options.

The focus of their approach is to create an "ideal" channel system that fully addresses customer needs. Channel selection is performed by reviewing the "gaps" that exist between the existing, the ideal, and a feasible channel structure. Later in third chapter I analyze the gaps inherent in a particular channel in meeting customer demands.

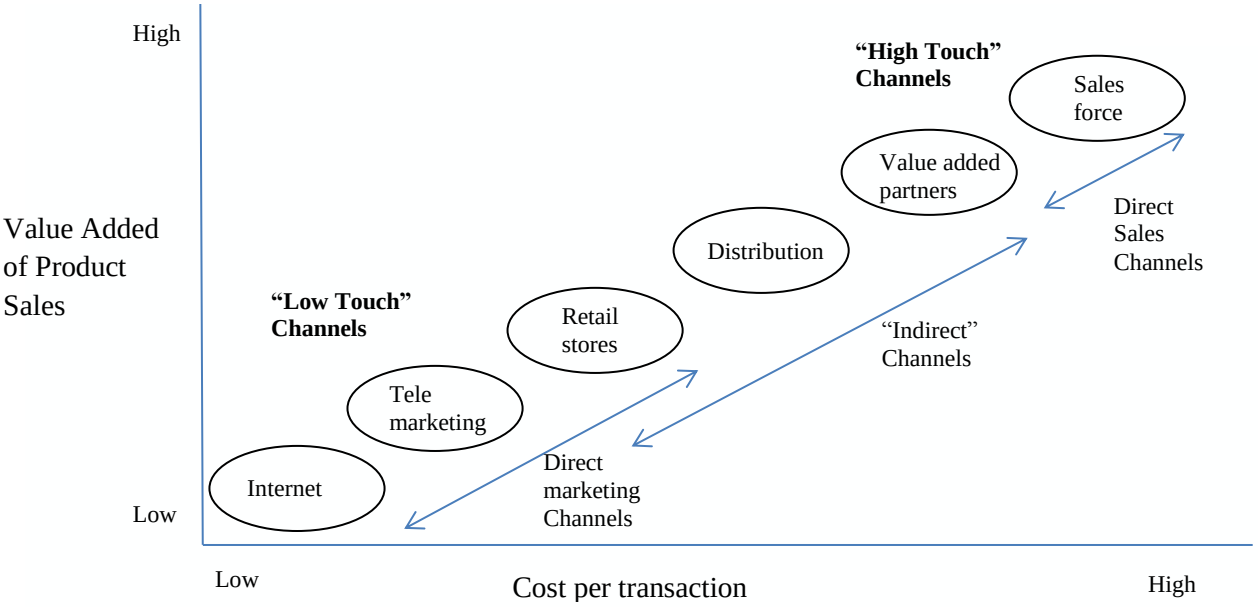
Along with certain **qualitative** factors channel managers must also consider **quantitative factors**. Factors such as an intermediary's image, financial capacity, sales, and merchandising ability must also be analyzed. When deciding between two channels with very similar economic performance, a critical factor may arise in the degree of control that the business marketer can exercise over the channels. The manufacturer may be willing to trade off short-term economic benefits in order to gain long-term control over channel activities. Adaptation by channel members may also prove important in the long run. Channel members that are not able to adopt to market changes can result in the need for redesign of the channel (Hutt & Speh, 2001, p. 373).

In what follows I analyze what impact the product, market characteristics, end-users and channel economics have on channel design.

1.1.2 Impact of products on channel design

Products are the key factor in the channel selection process. Some products can only be sold through a single, specific channel, while others allow for some flexibility and are suitable for a variety of thoughtfully chosen channels. Friedman and Furey (1999, pp. 44–45) define the product-channel fit as the **relationship between product complexity and channel touch,** as shown in Figure 2. This means that more complex products require more servicing, training and support and better fit 'high-touch' channels. Therefore **c**hannels differ in the amount of customer interaction, service and support they can provide or accommodate. The term **product channel readiness** is used by Utzinger (2011, pp. 17–24) and product channelization by Friedman and Furey (1999, pp. 44–45), by which is meant making a product ready for distribution through channels. Commonly, products must be redesigned to fit well into a new channel. This is especially true when existing products are being migrated to lower-cost channels. Lower-cost channels are lower-touch channels, and they require simpler, more standardized, more complete products to work effectively. There are situations where a channel has to change in order to achieve a good product-channel fit. A company's goal is to 'push down' transactions into lower-cost, low-touch channels. 'High touch' channels, such as sales forces, are the traditional channels of choice for complex products and services. Historically, simpler, less customized products have been pushed into lower-cost, lower-touch channels (e.g. retailers and distributors). The question is whether those lower-cost channels are able to sell product efficiently (Friedman & Furey, 1999, pp. 44–45).

Figure 2. Product complexity and channel touch



Source: L. G. Friedman & T. R. Furey, *The Channel Advantage; Going to market with multiple sales channels to reach more customers, sell more products, make more profit*, 1999, p.45

In order to determine **channel appropriateness** most products must be assessed across a variety of dimensions (Friedman & Furey, 1999, pp. 47–60; McCalley, 1996, p. 45):

- **Product definition** is an important attribute in assessing product-channel fit. The more poorly defined the product (or service), the more the product, along with its purpose and benefits, will need to be explained and articulated for a successful sale.
- **Product customization.** Products differ greatly in terms of the amount of customization required in the sales process. There are three levels of customization that affect product-channel fit: products differ in the amount of customization needed, from standard with no configuration needed, through mass customized (meaning they are tailored to a customer's needs with a set of pre-configured, factory-set options) to those that require unplanned customization (the degree of customization required is not known until the point of interaction with the buyer).
- **Product aggregation** indicates whether a product is a 'stand-alone' offering or whether it is typically rolled up into a larger solution. Aggregation affects whether a product will fit with a direct channel or an indirect channel.
- **Product exclusivity.** Some products are sold to as many buyers as possible. Other products are exclusive products, positioned as embodying higher prestige and a more limited (and usually wealthier) set of buyers.
- **Product customer education needed.** Products differ both in terms of how much customer education is required to use the product, and how much of this education the customer can do by himself.

- **Available product substitution.** Product substitution determines the ease with which a product can be substituted with a similar competitive offering. Substitution primarily affects the choice between a direct or indirect channel. The more substitutable a product is, the more control the company needs to have over its distribution.
- **Product maturity** curve, also called the product life cycle. Products go through four distinct phases throughout their entire life cycle: introduction, growth, maturity and decline[1]. Each has its own characteristics that influence channel design.
- **Customer risk.** Products pose different levels of risk to customers. The most important risk, from a channel selection perspective, is purchasing risk – the risk to the customer of making the wrong decision in buying the product. Low-risk products (to the customer) can generally be sold in any channel. These products require little, if any, selling with regard to product performance, reliability or suitability. Higher-risk products, on the other hand, must be sold. A knowledgeable, trained person must be involved in the sales process to explain the risks, and to help the customer understand how the vendor and the product are able to overcome any risk issues and concerns. High-risk products belong in high-touch channels, with a direct sales force, value-added partners, or a small, trusted group of distributors.
- **Product costs and reseller profit margins**. Low product cost relates to a longer channel structure. Products that are purchased frequently require long channels to assure their availability. The higher the product cost, the shorter the channel structure. Expensive products usually require very specialized servicing. High profit margins can also motivate larger numbers of channel members to get involved in correspondingly longer structures. Lower profit margins will, on the other hand, squeeze some layers of channel members out of the equation (McCalley, 1996, p. 45).

A product's characteristics tend to define a range of feasible channel solutions, but channel selection should be based primarily on customer preferences and buying behavior patterns (Friedman & Furey, 1999, pp.47–60). In chapter three I analyze the customer preferences for three different sized groups.

[1] **Introduction.** New products are usually ill-defined, customer education-intensive, and in many cases highly customized to the needs and requirements of the first few buyers. **Growth.** In this phase companies should be looking at ever available channel and determining whether the product could possibly work in that channel. **Maturity.** In this phase, the product becomes subject to increasing competition, market pressure, and substitutability. Indirect channel partners will become dissatisfied, and margins will begin to come down, affecting the ability to support the product in high-cost channels. **Decline.** In the decline phase, margins come down, along with sales volume, and the product becomes increasingly unattractive to indirect channel members who are still selling it. As a result, products will not be pushed hard in an indirect channel, and may be outright discontinued (Friedman & Furey, 1999, pp. 47–60).

1.1.3 Impact of market characteristics on channels design

Just as users dictate decisions related to channel structure market characteristics, too, greatly impact which channel structure can best achieve organization goals. McCalley (1996, pp. 45–81) defines seven general market characteristics that influence channel design, as follows:

- **Geographic area**. Large geographic markets could indicate a large number of intermediaries available to provide needed services.
- **Product mix**. Some companies recognize different market characteristics based on product requirements. Based on different user profiles they differentiate their product lines as well as the way products are sold on a particular market.
- **Market size**. Market size can be defined as the number of product users located within a specific geographic area or more accurately, by the number of units sold in a specific area. The larger the number of potential users, the longer the channel structure. The other two elements that characterize the size of a market are the percentage of users using a product and purchasing frequency. Therefore less frequent, particularly specialized or highly technical service requirements dictate shorter channel structures.
- **Market volume**. There are two ways of expressing the volume of business in a market: total value of the product sold, and the amount of a specific product the market can or does consume in a specific period of time.
- **Market density** indicates where the market (buyers or units) is most concentrated. Higher user density also dictates a shorter channel structure, but this factor alone will not be the deciding factor in determining channel length.
- **Market activity cycles** refers to seasonal or promotional purchasing cycles.
- **Channel selectivity**. Companies must determine the level of competitiveness allowed in a channel in order to secure optimal product availability and to adequately motivate competent channel members to properly execute marketing strategies. A company may need to employ different strategies for different types of products. The three main strategies that can be used are: *Intensive Distribution* (to distribute lower priced products that may be impulse purchases); *Selective Distribution* (a product may be sold at a select number of outlets); *Exclusive Distribution* (a higher priced item may be sold at a single outlet).

Tools designed to describe the main characteristics of a market are a market profile statement (McCalley, 1996, pp. 45–81) or market mapping (Rangan, 2006, pp. 29–55), and are used to design and manage and effective channel. In Chapter II I present a market mapping for the printer and related services field in Slovenia.

1.1.4 Impact of end-users on channel design

Users have more influence on channel structure than any other channel member or component in the equation. How well the manufacturer satisfies the needs and desires of the user determines

the success of the channel structure. The number of potential users, their geographic location, and the frequency with which they purchase a manufacturer's product constitute the primary demographic elements that dictate the selection of a channel structure – one that best serves the users. The channel structure should be developed to serve its users. Therefore the design of such has to start with analyzing customer purchasing habits and not the manufacturer's desire to develop a specific channel structure (McCalley, 1996, p. 44).

Coughlan et al. (2006, pp. 40–64) acknowledge that product is not the only element influencing the end-users' purchasing decisions. End-user channel preferences consist **not only in what the end-user is buying, but in how the end-user wants to buy it, too.** Therefore, alongside the product customers demonstrate different preferences for services performed by different channels. Coughlan et al. (2006) adopted a framework for codifying and generalizing the way end-users want to buy a particular product, which was proposed by Bucklin as a basis for determining channel structure. Bucklin (in Coughlan et al., 2006) argues that channel systems exist and remain viable through time by performing functions that minimize the time end-users spend searching and waiting, and minimize storage and other costs. These benefits are referred to as the channel's service outputs .

The factors that constitute the way a product or service is bought are called **service outputs**. "Service outputs are the productive outputs of the marketing channel, over which end-users have demand and preference" (Coughlan et al., 2006, p. 64).

Bucklin (in Coughlan et al., 2006, pp. 40–64) identifies four generic service outputs:

1. **Bulk-breaking** refers to the end-user's ability to buy the desired number of units of a product or service, even though said goods may originally be produced in large, batch-production lot quantities.
2. **Convenience** of a decentralized wholesale market increases consumer satisfaction by reducing time and costs related to transportation and product searches.
3. **Waiting or delivery time** refers to the time end-users must wait between the time they order and receive said goods or post-sale services.
4. **Product variety** refers to the range of different products and variations available to the end-user. Offering a greater variety typically means carrying more inventory.

Coughlan et al. (2006) add two other service outputs to this list:

5. **Customer service** refers to all aspects of easing the shopping and purchase process for end-users in their interaction with commercial suppliers or retailers.
6. **Information provision** refers informing end-users about a product's attributes, usage or capabilities, or pre-purchase and post-purchase services.

When making their final purchasing decisions, end-users make trade-offs among different combinations of **product attributes, price** and **service outputs** offered by different resellers (Coughlan et al., 2006, pp. 40–64). They propose **classifying end-users by their service output** demands. This can be a useful tool in the channel design process, because the resulting groups of end-users are similar (within each group in terms of the channel that best serves their needs). The information on targeted segments is then used either to design new marketing channels to meet its needs or to modify existing marketing channels to better respond to service output demands. The aim of my Master's thesis is to define the purchasing preferences of three distinctive customer groups. This is developed in Chapter III.

Building or modifying the channel structure involves costly and hard-to-reverse investments. The need to change a marketing channel should flow from changes in the buying preferences of the end-users. Therefore, it is of critical importance that all channel members focus their attention on the end-user (Coughlan et al., 2006, pp. 2–5).

1.1.5 Impact of economics on channel design

Companies are doing everything possible to get customers into lower-cost alternatives as they recognize the huge differences in transaction costs across channels. Lower-cost channels generate higher profits per sale, and consequently enable companies to achieve higher sales per investment unit, leading to faster growth. Determining which channels can most profitably capture the available business is therefore very important. Although alternative channels can be compelling they aren't always suitable. Further, Friedman and Furrey (1999, pp. 61–78) propose employing **Channel profitability** and **Channel capacity** as the basic tools of economic analysis in order to make informed channel selection decisions.

Like customer behavior and product-channel fit, channel profitability is a key factor in channel selection. The cost of going to market (the combined cost of sales and marketing across all channels) is often a company's single largest expense. Friedman and Furrey (1999, pp. 61–78) propose using **cost-per-transaction** as a basis with which to compare channel profitability. Channel expense-to-revenue (E/R) describes the amount of sales revenue spent by a channel performing a business transaction. Once the cost-per-transaction of each channel has been established, the profitability of each channel in a given market can easily be calculated. Channel profitability, as described earlier, consists in the cost per transaction divided by the average order size. Companies tend to gravitate towards the lowest-cost channel, where Friedman and Furrey (1999, pp. 61–78) suggest taking a more balanced approach, as it is important to recognize that channel profitability ultimately reflects the level of service being provided to customers. Lower-cost channels generally cost less because they provide fewer services in the sales process. Companies are sometimes better off using sound judgment and making a few compromises, rather than pushing as many sales scenarios as possible into lower-cost channels. Channel E/R focuses on the cost side of the equation, which is important but not the whole story. It is also important to look at a **channel's capacity to deliver sales revenue**. The role of channel capacity

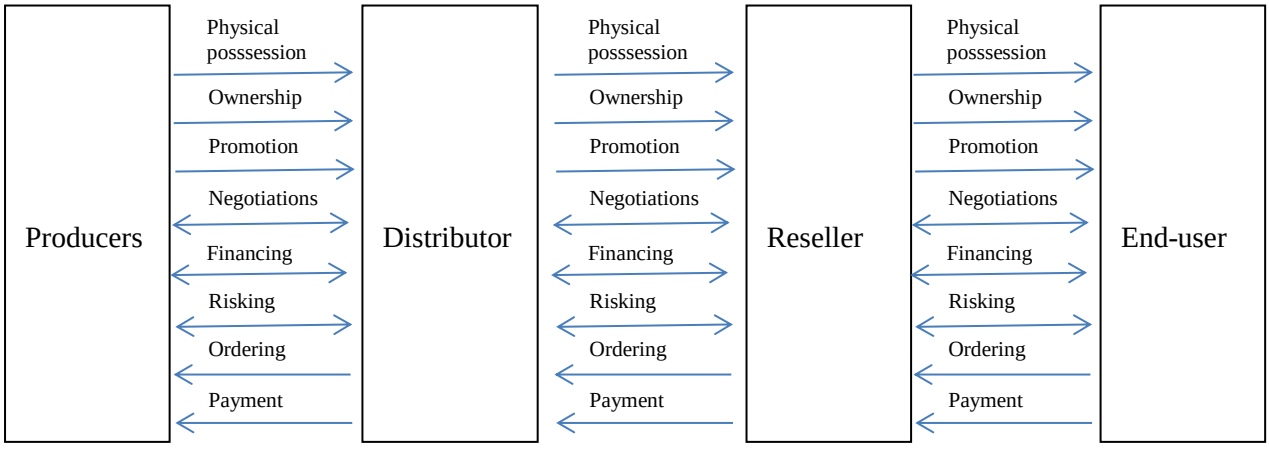
planning is to make sure that a channel under consideration can realistically do the volume of business desired in a given market. If not, the channel may either require substantial new investments – leading to lower profitability – or may simply not be the best channel choice.

Economic channel analysis is the last piece of the puzzle in terms of evaluating and comparing individual channels with each other. Customer behavior will often point toward a group of acceptable channels, and **product-channel fit analysis** can help narrow that group down to a more manageable set of alternatives. It is only when channels are compared in terms of economic performance, however, that an optimal choice can be made (Friedman & Furrey, 1999, pp. 61–78).

1.1.6 Channel activities/flows

For the further development of this Master's thesis it is important to further explain the work and function individual intermediaries perform in the process of delivering product to the end-user. In this section I explain channel flows in more detail. As we have seen, the marketing channel serves as a link between producer and end-user. The channel performs and fulfills all tasks necessary to effectively close sales and deliver product to the end-user (Hutt & Speh, 2001, p. 356). Intermediaries participate in the work of the marketing channel because they both **add value** and help **reduce costs** in the channel. In the following I describe what types of work is done in the channel by it various participants (Coughlan et al., 2006, p. 10).

Figure 3. General marketing flow in channels



Source: A. T. Coughlan et al., *Marketing Channels*, 2006, p. 12

Coughlan et al. (2006) introduces the term **marketing flows**, which is proposed to substitute for the terms functions or activities in order to emphasize the fact that this is a **process that often flows** through a channel, and is being done at different points in time by different channel members. Figure 3 shows eight generic channel flows that characterize costly and value-added channel activities. Some flows move forward through the channel (physical possession,

ownership, and promotion), while others move up the channel from the end-user (ordering and payment). Still other flows can move in either direction, or are engaged in by pairs of channel members (negotiation, financing, risking). Information, not listed as one of the eight universal flows, nevertheless permeates and influences the entire channel's efficiency and affects the ways in which the eight flows are performed and by whom. Not every channel member needs to participate in every flow, especially as specialization of individual members is one of the determinants of channel operating efficiency. What is also important to understand is that flows correlate, and their efficiency is also dependent on other flow performance.

In order to bring product or service to its end users a given set of flows needs to be performed in every channel. Therefore, the manufacturer has to assume that **all flows need to be performed to meet customer needs**. They need to take responsibility for all channel flows that need to be performed. If some of them are not performed directly by the manufacturer he needs to shift some or all of them to the various intermediaries that are part of its channel. This directly influences channel design and management principles. The manufacturer can eliminate or substitute members in the channel, but the flows performed by these members cannot be eliminated. When channel members are eliminated from the channel, their flows are shifted either forward or backward in the channel (Coughlan et al., 2006, pp. 10–13).

Every **channel** flow not only contributes to the production of valued service outputs but is also **associated with costs.** The manufacturer needs to identify which channel flows need to be performed and by whom. The concept of channel flows can be used to design a new channel or revise an existing channel to minimize the cost of providing the desired service outputs. A detailed knowledge of flow performance in the channel helps the channel manager identify and diagnose shortcomings in the services required by end-users. Also knowing which channel members have incurred the cost of performing what flows helps in allocating the profits of the channel equitably (Coughlan et al., 2006, p. 73). In order to minimize the costs of a channel and its operation it is important not to perform unnecessarily high levels of any of the flows. Therefore understanding end-user product and service requirements is key to understanding what flow levels will create the right level of service outputs for the target end-users. Authors Coughlan et al. (2006, p. 73) therefore suggest that customization of the generic channel flow list for individual channels is important in order to understand **explicitly which channel member performs which channel flows** if a channel manager wants to properly reward channel flow cost-bearing and performance. Compensation in the channel system should be awarded on the basis of the degree of participation in the marketing flows and the value created by this participation. Compensation should mirror the normative profit for each channel member.

Authors propose an **efficiency template** be used in order to define the type and amount of work done by each channel member in their performance of marketing flows – and to define the importance of each channel flow in the provision of required consumer service outputs and be able to define the resulting share of total channel profit each channel member should receive. Ideally, a **separate efficiency template** should be created for each channel used to distribute the

product and, ideally, for each market segment that buys through each segment (Coughlan et al., 2006, p. 92).

Like any other channel member **end-users are also channel members** in the sense that they are able to perform various channel flows. When they do, they typically expect to be compensated for doing so via lower prices than they would pay for full-service purchasing.

The aim of any channel management is to create a **zero-based channel design** which is able to meet the target market segment's demands for each output and at the lowest price for performing the necessary channel flows that produce those service outputs (Coughlan et al., 2006, pp. 154–195). Comparing a **zero-based efficiency analysis** with the current channel's efficiency gives the channel manager information on channel members that are delivering in excess of customer requirements and consequently incurring higher costs but without bringing additional value to the channel value chain as perceived by the customer. This is what I explore in chapter III, i.e. is a particular channel over- or underperforming relative to customer preferences.

1.2 Channel structure

Channel structure is the final result of the channel design process, and refers to a number of channel levels, the number and type of intermediaries, and shows the various linkages among channel members (Hutt & Speh, 2001, p. 366). Structure is determined by the manufacturer's need to sell its products at a profit to as many users as possible and to work to adopt the most effective and efficient way of delivering these products to the customer (McCalley, 1996, p. 50).

1.2.1 Types of channel levels

The basic marketing channel structure consists of **three components**. The key members of a marketing channel are the manufacturer, the intermediaries and the end-user (customer or consumer). The presence or absence of particular types of channel members is dictated by their ability to perform the necessary channel flows in order to bring value to the end-users (Coughlan et al., 2006, p. 14–16). These three components are:

1. **Manufacturers**. By manufacturer we mean the producer or originator of the product or service being sold. Frequently a distinction is drawn between branded and private-label manufacturing. The manufacturer's ability to manage a production operation does not always extend to a superior ability to manage other channel flows, as they doesn't need to be channel champion.
2. **Intermediaries**. The term intermediary refers to any channel member other than the manufacturer or the end-user (individual consumer or buyer). Types of intermediaries are explained in further detail later in this chapter.

2. **End-users**. We classify consumers as marketing channel members because they can and frequently do perform channel flows, just as other channel members do. Naturally they expect a price break for their flow performance.

Like Coughlan et al. (2006, pp. 14–16) and others introduced the concept of "**channel captain**", Rangan (2006, pp. 9–29) defines the concept of "**channel steward**". The channel captain or steward is an organization that takes the most pronounced interest in the workings of the channel.

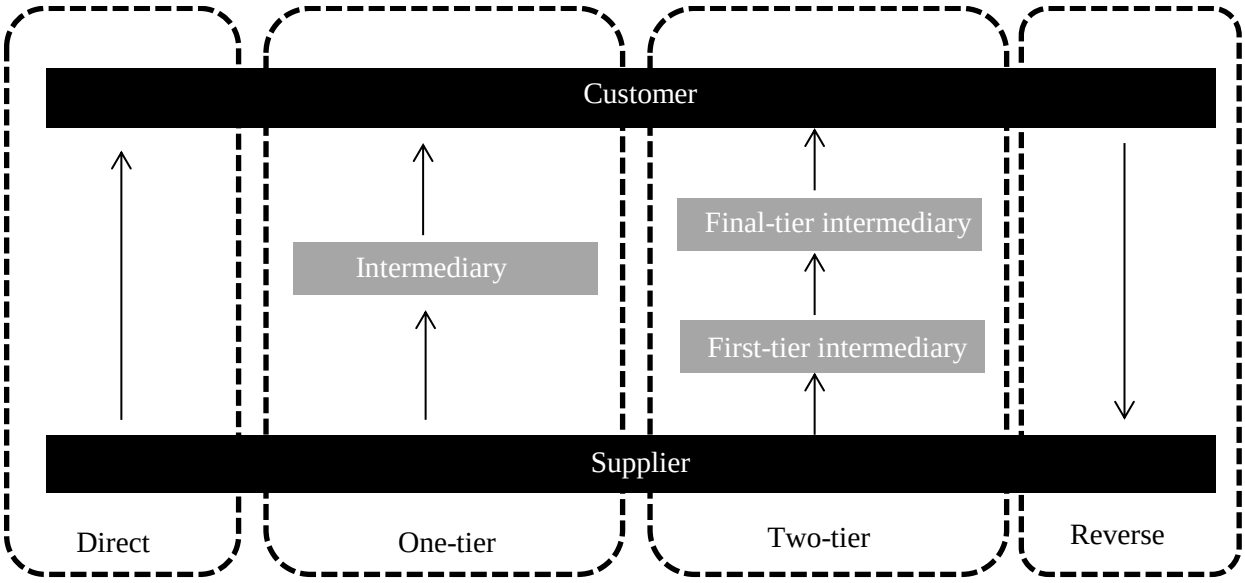
The channel is a combination of channel members. Various channel participants can combine in many ways to create effective marketing channels. The channel structure may consist of two or more members with one or more steps or processes in the channel. The range and number of channel members is influenced by the nature end-user of demand, and the captaincy of the channel can vary from situation to situation (Coughlan et al., 2006, p. 16). The number of channel members is determined by the need for intermediaries to perform all the tasks required (McCalley, 1996, p. 37).

Channel structure is determined by the names/types of functions that are performed in the channel. Although the marketing channel can take many different structures, the functions that will be performed are consistent: manufacturing or marketing, wholesaling, retailing and consuming, as well as physical distribution, which is involved in all of these functions. A manufacturer who sells to end-users has a direct, single-stop channel structure with only themselves and the customers as members. Other channels structures may contain six or more steps between the manufacturer and the customer (McCalley, 1996, p. 7).

1.2.2 Number of channel levels

The number of channel levels defines the type of channel structure. Although this topic is covered by many authors I have largely chosen to adopt the definitions of Dent (2011, pp. 11–17). There are four basic structures for a distribution system as shown in Figure 4.

Figure 4. Typical distribution structures



Source: J. Dent, *Distribution channels,* 2011, p.12

Direct channel. In this channel, the manufacturer directly provides the product to the consumer. In this case the business may own all of the elements of its distribution channel. The advantage of such a method is that the company has complete control over the product, over its image at all stages of the process, and the user experience. They gain customer insight through direct interaction and can adjust prices and promotional offers instantly in order to respond to supply and demand issues.

Indirect channel. In the indirect channel the company will use an intermediary to sell a product to the consumer. This may raise the cost of the product since each of the intermediaries will receive certain compensation for their work. This type of channel is suitable and necessary for large producers who sell through hundreds of small retailers. We differentiate indirect channel structures based on the number of intermediaries they use.

- **One-tier distribution.** This structure is defined by employing one set of intermediaries between the company and its customers to increase reach, provide special services to complete the customer offer or to position the product within established channels for the customer where it would make no sense for the supplier to try to persuade customers to change their purchasing habits. Distancing the customer by introducing a layer of intermediaries can be a disadvantage, depending on what information the intermediary is willing or contracted to share with the supplier.
- **Two-tier or multiple-tiered distribution.** In many markets we find thousands of potential intermediaries who service the customer segments the supplier is looking to reach. Similar models are adopted by the IT industry, where thousands of local dealers serve small and medium-size businesses. The advantages of such a scheme are leverage and cost

effectiveness, which enables the supplier to reach a wide, mass but low-value market, and at the cost of further distance from the customer and market. Multiple-tiered distribution works the same way as the two-tier model but with an additional tier required to reach the end-customer. In China, for example, it is not uncommon to find five- or six-tier distribution channels.

Reverse Channels. The last, least traditional channel allows consumers to send a product back to the producer. This reverse flow is what distinguishes this method from the others. Here the consumer may recycle or return a faulty product to the producer (Reverse Channel, allbusiness.com; 2016).

Many companies use a mix of distribution models in order to cover the market entirely and to reach the various customer segments for which their product ranges are intended. Operating with multiple distribution models and multiple channels creates a certain potential for channel conflict. In addition, the number of e-tailer and online price comparison sites has served as a source of particular frustration for vendors that want to work across multiple channels. Later in this chapter I present different trends in channel management, including Internet and multi-channeling.

1.2.3 Types of intermediary channel participants

I define types of intermediaries based on McCalley (1996, p.19), ChannelCorp (2009, pp. 25–69), Utzinger (2011, pp. 26–31), Forsyth (2002, pp. 7–9) and Friedman & Furey (1999, pp. 104–129). In practice many different participants may potentially operate in the distribution channel. Distribution channel intermediaries are middlemen who play a crucial role in the distribution process. These middlemen facilitate the distribution process through their experience and expertise. Any company or agency involved in the marketing or physical distribution of a product is a participant in the marketing channel (McCalley, 1996, p.19). The manufacturer has to identify and divide roles and responsibilities among its intermediaries. This is defined in the channel structure (Coughlan et al., 2006, pp. 33–39). Utzinger (2011, pp. 26–31), however, divides intermediaries based on their product or project orientation McCalley (1996, p.19–20) and proposes dividing channel participants into **direct** and **indirect participants based on their role in the selling process**.

Direct Channel participants. Direct channel members are directly involved in the selling process. Based on their ability to assume ownership of products they can be further divided into two groups – Merchants and Agents. On the contrary, indirect or facilitating channel participants are not directly involved with the product itself,, though they do have an important role in the selling process (McCalley, 1996, pp. 19–20).

The main characteristic of the **Merchant** group of intermediaries is that they assume ownership of the product in selling process. The group is further divided as follows:

- **Wholesalers/Distributors** are first-tier intermediaries as well as independent entities. They purchase goods from a producer in bulk and store them in warehouses. These goods are then resold in smaller quantities at a profit. Their customers are usually other intermediaries, such as resellers. A distributor may carry a variety of competing brands and product types; and distributors may have a close relationship with the producer. Utzinger (2009, pp. 26–31) refers to research by Channeltracks from 2009, which shows that up to 80% of all resellers place orders with distributors. Authors propose **the following types of distributors**:
    - **Broadliners** are wholesale dealers who sell to other resellers. Usually there are only a few such resellers operating in any one country. They have a vast reseller/channel partner base, offer one stop shopping for many resellers, and provide extensive financing and logistic services to resellers and vendors. On the other side they are expensive to work with, don't offer extensive service support and it is difficult to get their sales teams focused on the company's brand.
    - **Value added distributors (VAD):** Typically, value added distributors usually focus on specific market segments. The main difference between a broadliner and a VAD is that VADs don't have a wide range of products and are seen by their resellers more as consulting partners who help them make good decisions. They are highly skilled in their area, have a very good network of resellers, and are easier to get their sales group focused. They largely operate as niche players, and usually offer a single or limited number of brands and also sell direct to the end-customer, which can create conflict within their channel.
- **Resellers** are second-tier intermediaries typically operating in a business-to-business environment. They add value through bundling services with the product. Authors propose different types of resellers based on their product to services ratio and propose the **following groups of intermediaries** (Utzinger, 2011, pp. 26–31):

    - **Value Added Resellers (VAR)** are resellers that normally buy their product from distributors, package them with their own services and sell the solution to the end-user. Most VARs operate in a specific niche, which can be geographical, or they may be specialists for a particular vertical. VARs can often occupy a grey zone between a product-oriented and project-oriented reseller. They are difficult to find, are usually not particularly active in sales and marketing, and in the process of engaging them only some 20% will end up becoming active partners. They are considered local heroes and have extensive vertical expertise, are easy to work with and will promote a product if they believe in it.
    - **System integrators (SI)** provide services to support the vendor's product line. Most system integrators require a lot of training and support from the vendor. They serve a specific industry and customers trust their advice and are able to create customized solutions for specific customer groups. SIs are typically slow in the process of engagement, have only limited volume potential, and largely sell what the customer wants and not what the vendor is trying to push.

- **Service resellers (SaaS)** work to establish long lasting recurring revenue streams with their customer base. SaaS partners deploy their own systems, usually build their own brand and deliver ongoing service to their customer. Very few exist.
- **Retailers** sell in business to customer (hereinafter: B2C) segment. Distributors sell the products they have acquired to the retailer at a profit. Retailers will then stock the goods and sell them in visible physical stores to the ultimate end-user at a profit.
- **E-tailers** are the web cousins of physical retailers and have become, in the past decade, the biggest B2C resellers. They have a very strong web presence and impose price pressure on vendors, some with very aggressive pricing strategies. They provide customers with a convenient buying experience and many payment options. They build their advantage on automated e-fulfillment process competencies, traditionally sell only what customers are asking for, do not provide any free promotions for vendors and have little or no specific product knowledge

Agents are independent entities that act as an extension of the producer by representing them to the user. Agents never actually acquire ownership of the product and usually make money from commissions and fees paid for their services. Their commissions are earned on the basis of their ability to perform functions that make merchant middlemen valuable to the manufacturer they represent. There are different agent types (McCalley, 1996, pp. 21), as follows:

- **Brokers** represent manufacturers on a transaction-by-transaction basis. Each sale or transaction is a separate business deal. Brokers may handle many deals each year for a manufacturer, but every transaction is completed independently of all others.
- **Manufacturer's representatives or agents** differ from brokers in several important ways. Manufacturer's agents, or 'reps', will usually represent a single manufacturer of a product category, whereas brokers will often represent several manufacturers. Agents may also perform more of the marketing functions for a manufacturer than will a broker. Manufacturer's agents are paid the same way a broker is, that is on a commission basis. The primary difference between the two is that the 'factory reps' will also perform market-building functions related to product introductions, customer prospecting, account servicing, account building, and limited gathering of market information. The manufacturer's agents will represent the manufacturer as though they were direct employees of a branch office of the company. Reps are restricted to specific territories for their manufacturers and must follow company pricing and promotional programs schemes.
- **Branch offices** are owned and operated by the manufacturer, and are established by manufacturers for many reasons. Sometimes a branch can be operated cheaper than can traditional merchant intermediaries. Also, manufacturers may have an interest in establishing exclusive representation, need to perform highly technical task, ensure legal or regulatory compliance, or provide specialized storage or specific product handling facility; and it is not uncommon that they are simply not able to find a good viable alternative.

Indirect or facilitating channel participants. Participants who are not directly involved with products are considered facilitating agencies. They may be employed at any level in the channel structure, from the manufacturer to the user of the products involved. Those who use these services will pay for them. The need for facilitating services depends on whether the channel members are capable of providing these services as efficiently and at lower cost than the facilitating agent. Indirect channel participants may be advertising agencies, sales promotion agencies, merchandising specialists, public relations firms, transportation companies, insurance companies, service companies, market research companies and more. (McCalley, 1996, pp. 30–32).

1.2.4 Different business models of intermediary

Typically, some half the price paid for a product by the customer goes to the activities involved in getting that product to the customer (and the customer to the product). This proportion has actually increased significantly over the past 15 years, for as production costs have fallen marketers have segmented and media and distribution channels have multiplied. Typically this is the cost that is most poorly controlled and the least understood. Companies that have invested in analyzing and understanding the business models of their distribution system have been able to significantly reduce costs in their own business, boosting profits or reducing prices to gain an edge over the competition (Dent, 2011, p. 9).

Dent (2011, p.5) defines **business model** as "the way a business makes money from its activities. It is the financial expression of the role, positioning, strategy and execution of a business plan of a specific player in a specific industry". It is both static and dynamic. Chesbrough (2010, p. 354) recognizes that companies commercialize new technologies and ideas through the development of new business models. Although many companies have extensive investments and processes for exploring new ideas and technologies, he points out that they often have little expertise in innovating business models.

Business models are key to value proposition. There are very few brands or products that ever achieve strong product differentiation status. And most of them at some point become caught up by the competition. Therefore it is very challenging for manufacturers to build value proposition solely on product differentiation. Most intermediaries view a product's customer appeal as just one aspect of a business proposition. In addition to a product's characteristics they are more interested in other aspects surrounding a product: the cost of sales and support, a product's life cycle, rate of returns and warranty claims, promotional spending needed to build demand (direct from supplier to the end-user and through them as intermediaries), stocking requirements, and opportunities to sell related products and services. If a company wants to build their business through their channel partners, it is critical that they understand how their intermediaries' business models work in order to be able to efficiently communicate the company's value proposition beyond the product's characteristics. Just as final-tier intermediaries need to

understand the customer's business model in order to efficiently sell to them, suppliers need to understand the business models of their downstream channel partners (Dent, 2011, pp. 17–19).

The following paragraphs describe the three most typical intermediary business models. These are first-tier players (distributors), second-tier service intermediaries (VARs, system integrators, solution providers) and product centered second-tier intermediaries focusing on the business-to-customer environment (retailers). Intermediary roles are defined by their business models i.e. on what they do and how they do it in order to have a value role in the distribution channel. It is therefore very important that we get an overview of the different intermediary business models. Although authors like Friedman and Furey (1999, pp. 104–129), Utzinger (2011, pp. 37–63) and ChannelCorp (2009a, pp. 25–67) touch on certain elements of intermediary business models I largely refer to Dent (2011, pp. 26–318), as he explains particular business models in great detail. As this Master's thesis analyzes channel competences of particular vendor channels consisting of service intermediaries (value added resellers) I describe second-tier service intermediaries and their roles and business models in more detail. The other two intermediary types, which are not directly involved in this Master's thesis study, receive only a general treatment consisting of their main roles, characteristics and business models herein. A more detailed overview is found in Appendix B and C.

1.2.4.1 Distributor's role and business model

Distributors only exist in two-tier (or multiple-tier) distribution models. The distributor's primary role is to provide routes to markets for their vendors. Their role is to service other intermediaries. Although they fulfill only a few basic functions, like breaking bulk, providing credit and offering one-stop convenience to channel partners, their very necessary presence is an indicator of the value they deliver. For vendors and their intermediary resellers they bring transaction costs down. Distributors need to stock inventory and finance their resellers credit. Their business model, which is typically a high-volume, low-value-add business, where distributors in most industries operate on thin margins, is very capital intensive. Working capital is a descriptive term for the capital tied up in the trading cycle of a distributor. The faster the capital is turned over, the less cash is needed to finance the working capital cycle and the more efficient the distributor (Dent, 2011, pp. 27–121; ChannelCorp, 2009a, pp. 37–39). A more detailed overview of the distributor's business model is found in Appendix B.

1.2.4.2 Service partner's role and business model

Final-tier players are intermediaries that **interact with the end-users**. Every industry has its own labeling scheme for different types of players. Dent (2011, pp. 125–130) classifies final-tier players according to the extent they bundle services with the product. He differentiates between **product-related players** (a variety of dealers and resellers) and a wide array of **service-related players** (value add resellers, solution providers, system integrators). Service-related players add value by installing, setting up or integrating products for the end-customer. The following

outlines the characteristics of service partner business models. While retailers, as final-tier players, employ business models that are significantly different from those employed by service-related players I deal with them in a separate sub-chapter. Utzinger (2011, pp. 30–33) explains the different characteristics of value-added resellers, system integrators and managed service providers. In this Master's thesis I research the competences of channels consisting of value-added resellers. Utzinger describes the advantages vendors enjoy in dealing with VARs: primarily they facilitate access to their customers, offer input on product development and can provide cost-effective second- or first-line support for their customers. He points out, however, that dealing with them requires considerable effort. As they require minimum margins of some 30% the vendor has to give up this portion of the end-customer price. The goal of many vendors is to build a critical mass of active value-added resellers, and with clearly defined roles has to manage potential channel conflicts. ChannelCorp (2009a, p. 46) defines an average value model reseller as a struggling small- to medium-sized business with all the problems common to a small/medium business. Roughly 60% have fewer than 15 employees and 65% have revenues of less than 2.7 mil. EUR annually.

Despite large variations among final-tier intermediaries, there do share certain commonalities (Table 1) in terms of the roles and functions that certain partners fulfill in the value chain. As a result **commonalities** define business models that reflect some standard characteristics. Commonly, many final-tier players are to some degree hybrids (Dent, 2011, pp. 125–130) as a result of customer demand or expectations.

Table 1. Types of final-tier trade channel players in IT industry

Type of partner	**Partner activity**
Resellers, dealers, corporate resellers, independent software vendors (sell hardware on which their software runs)	Sell and support computers, software, telephones
Value added dealers, value-added resellers, solution providers, service providers	Install, set up, configure IT and telecom systems, possibly using their own specialized software or solutions
System integrators	Specify, design, install and integrate complex IT and/or telecoms solutions

Source: J. Dent, *Distribution channels*, 2011, p. 126

The customer's need for product customization, installation and integration are all major drivers determining final-tier intermediary roles. Once installed, these products and systems need maintaining, servicing, repairing and upgrading. A dedicated service provider is going to have a steady demand for its skills. Final-tier channel members play a vital enabling role in the sales process by employing their skills and expertise in making the product work for the end-customer. This means that these players deliver value both upstream to the vendor of the product and downstream to the end-customer, which makes this an attractive business model (Dent, 2011, pp. 125–246). Based on the different roles partners play in the sales process Friedman and Furey (1999, pp. 112–115) distinguish among lead generation partners, selling partners, support and services partners. Although individual partners may fulfill one or more roles I will focus on

intermediary types that fulfill this last role, that of service partner. Dent (2011, pp. 129–135) further suggests **five generic roles** that final-tier trade channel partners can choose to fulfill: extension of vendor, product completer, service provider, solution integrator and advocate to customer. Dent (2011, pp. 129–135) distinguishes between what kind of **supplier and customer orientation** a certain final-tier player has. He recognizes that there is shift in orientation across both roles. Orientation extends from exclusively supplier-oriented in the role of extension of vendor to entirely customer-oriented at the customer advocate end. Orientation has a very big influence on the business models associated with these roles. Each individual service channel partner can easily fulfill some of these roles; however, not all, as this would create a conflict of interest. Most typically intermediaries divide their orientation between that of service provider and that of solution integrator, where the service provider role is on the supplier side. Final-tier roles are defined by the **extent that knowledge and core competencies** need to be effective in particular roles, as shown in Table 2.

Table 2. Final-tier roles defined in terms of knowledge or core competences

Extension of vendor	**Product completer**	**Service provider**	**Solution integrator**	**Advocate to customer**
Knowledge of the product's market and supply chain Knowledge of process management	Ability to configure the product	Knowledge to make the product work and get the best out of the product	Knowledge required to make the product work with other products and make the product work within the customer's organization	Knowledge of the customer's requirements and which products meet those needs

Source: J. Dent, *Distribution channels, 2011,* p. 133

The **business model** of final-tier channel members **comprises a mix of product resale and service provisions** as shown in Figure 5. There are intermediaries who don't charge any service provisions to their customers and others where service provisions can represent up to 100% of sales with no product resale whatsoever. Typically the proportion of services increases when we move to the right on the spectrum of the partner types Dent (2011, pp. 149–191) has profiled. This reflects higher value added and greater customization of the offering required to be competitive and effective in each role.

Figure 5. Typical product/service mix across spectrum of partner roles profit margins

Extension of vendor	**Product completer**	**Service provider**	**Solution integrator**	**Advocate to customer**
Business model				
Product resale				Service provision
Margin model				
Nearer to the product	←		→	Nearer to the customer
Low value	←		→	High value
Gross margin 10 %	30 %	45 %	65 %	Gross margin 80 %

Source: J. Dent, *Distribution channels, 2011*, p. 191

The general **trend across most industries as they mature** is for the final-tier trade channel players to grow the **proportion of their sales generated by services**. The main reason is the fact that slowing growth rates are common for maturing markets, which pushes final-tier intermediaries to compete harder. They find that service provision provides a good basis for enhanced differentiation. Better differentiation tends to result in a higher percentage of **higher margins from services.** They also find that resold products, when bundled with/inside a service, produces higher margins than the simple resale of the product alone. Also, services tend to be less capital intensive and provide intermediaries better opportunities for growth (Dent, 2011, pp. 151–191). ChannelCorp (2009a, pp. 45–56) also recognizes the fact that what ties the different business models together is the simple fact that they generate a disproportionately high share of gross profits with the sale of software, services, support, training and consulting. Utzinger (2011, pp. 60–64) also suggests a correlation between business models, customer retention and margins. He distinguishes between IT resellers, VARs, System Integrators and Managed Service providers. Internet and related price transparency has moved many IT dealers to substitute lower sales volumes with a higher share of services. Business models of value added resellers and system integrators have compared to IT reseller's better customer retention, and are also able to secure higher margins. Because of the complexity of their business Managed Service Providers are able to charge the highest margins; and as there are fewer competitors in the tailored services segment they enjoy the highest rate of customer retention.

The primary driver for service providers is the potential to earn higher margins than is possible simply by reselling products. The more differentiated the service, the higher the potential margin that can be earned. Typical gross margins that can be earned for low-end services look to multiply fixed salary costs by a factor of 3; and higher-end services by a factor of 5. This means margins (excluding the cost of unused resources) of 33% for low-end services and 80% for high-end services. In terms of the business model, these high margins come with the increased risks of the specialization eroding over time, fewer customers and opportunities that demand specialist skills, and more time needed on the part of the service provider to remain current and to communicate its higher-end capabilities through thought-leadership activities. On the other hand,

the low-margin end of the spectrum has to maintain extremely high levels of utilization in order to cover costs and generate a profit (Dent, 2011, pp. 151–191).

The service-business has **four specific challenges**. Dent (2011, pp. 151–191) describes the special challenges facing those businesses managing services and the response required, as follows:

- **Demand management.** What characterizes the service business model is volume sensitivity, i.e. fluctuations in revenue. Even though revenue might fluctuate over particular months, the cost of sales remains fixed, as the cost of the people (whether salaried employees or contracted staff) delivering the service is relatively fixed. The real challenge is to cover the high fixed costs that need to be paid each month. Service companies need to manage the sales pipeline. Management manages this volume sensitivity by increasing the visibility of its pipeline of future revenues and by building its order book. They need to **predict future demand** as accurately as possible. Managers of service intermediaries have to manage the pipeline.
- **Capacity utilization**. As with the issue of demand management, the service provider has to manage the supply side (service provider's own resources) with equal attention. They need to manage capacity utilization. Utilization is the key measure of productivity used by service providers. Service providers need to work to have resources fully utilized for as much of the trading period as possible, maximizing the income generated from each person. They also need to plan the capacity pool to match future planned revenue and profitability goals (Dent, 2011, p. 183).
- **Recoverability** is essentially the proportion of fully-priced resources consumed by a contract or project that the customer actually agrees to pay for. For most service providers project/contract is a unit of delivery that has to be fulfilled on time, within an agreed, fixed budget and performed to according to an agreed standard of quality. Where service providers often lose out on recoverability is in the grey areas, where the customer has changed specifications along the way, often for good business reasons, but where the cost of which has not been budgeted and charged for by the service provider.
- **Managing people.** Larger service providers invest heavily in people management infrastructure to ensure that all staff members receive the best in-class training, personal development, feedback, evaluations, and pay and benefits so that they want to stay and build their customer service with the service provider. In return, the service provider secures a loyal, motivated, skilled team well seasoned in customer service.

As we have seen, the service-based business model is all about leveraging human capital rather than working capital, as in the case of the product business. Sufficient **working capital** is predominantly required to enable the service provider to pay its staff and subcontractors on time, bill its customers and wait for them to pay. In a well-run service provider, the level of working capital is relatively small compared to that of an equivalent-size product business. As a result,

creating value on the service provider side is heavily dependent on its **operating profit (**Dent, 2011, p. 170).

1.2.4.3 Retailer's role and business model

Retailers sell products and services to the customer for private consumption. The **retailer's primary role as a channel participant is to deliver customer traffic to the supplier's products.** The core proposition of the store-based retail channel is convenience, choice and comparison, touch and feel, trial, advice, and confidence through physical presence. The goal of the retailer is to select the best location, attract its customers to come to the store, get them to 'shop' the store, preferably from amongst the most profitable lines, and get them to come back again. Store-based retailing is a fairly high-risk channel, as mistakes made in selecting the store location are very difficult to correct.

The retailer's business is **all about volume**. Retailers measure their performance in terms of volume productivity. The first of these productivity parameters is productivity of space (store, square foot); the second performance parameter is productivity of labor (employees). Some key characteristics of the retailing business model are **high operating costs**, stemming from expenses related to store location. Retailers often describe their entire business model in terms of '**earn and turn**', referring to the need to maximize margins (earn) and the number of times they can earn that margin or velocity of inventory turnover (turn). Retailers think in terms of **products need to earn their place on the shelves** in their stores. Their stores have a finite amount of shelving on which products can sit. Retailer have to balance category range and depth with financial performance (Dent, 2011, pp. 247–300). A more detailed overview of the retailer's business model is found in Appendix C.

1.3 Channel management

Once the channel structure has been defined, the channel managers **must manage the channel** to achieve the prescribed goals. Most commonly channel management involves selecting and building partner networks, motivating these networks to achieve the desired performance, mediating conflict situations when they arise, and evaluating performance through the creation of different programs (Hutt & Speh, 2001, p. 356).

ChannelCorp (2009a) summarizes the main tasks channel managers have to perform: manage **physical capacity**, **technical capabilities** and make sure the channel has **adequate financial quality**. Capability indicates whether the channel is able to perform certain tasks, whereas by capacity we determine whether a channel is able to perform all functions at all levels of activities. Many channel managers **observe severe** channel capacity, capability and in recent year's even financial inadequacy (ChannelCorp, 2009a, pp. 10–17).

ChannelCorp (2009a, pp. 10–17) further emphasizes the challenges facing channel managers, and whether skills and the job match. Specifically, many channel managers do not have the skill sets to act as trusted business advisors. The challenge – and what makes their tasks even harder – is the constantly changing environment where new skills are constantly coming on line. Channel managers need to be competent in business dynamics, finance, channel development, CEO management, and have to understand how to connect channel programs with the investment economics of channel partners. In recent years many business skills have been added to the core set of product skills – simple product-reselling relationships are being replaced by complex influenced-based solution-reselling relationships, which require more advanced managerial skills in order to maintain relationships. Instead of mere "clerks" channel managers are becoming trusted advisors. Having competent channel managers is important for vendors, as their channel management strategies are fast becoming a key component of vendors' competitive advantage.

1.3.1 Building the Partner Network

One of the most important tasks of any channel manager is to build an effective partner network. Utzinger (2011, , pp. 78–91) emphasizes the importance of building solid foundations from the start. There are many fixed costs associated with building and maintaining channel distribution. Costs arise in the form of channel managers, marketing support and marketing material, partner training etc. Defining a clear strategy and building a channel support team is of utmost importance from the very outset. Spending time and money on partners that will never perform is usually a consequence of poor strategy.

Manufacturers need to achieve sales targets with the right channel partners. Companies commonly make the mistake when building their partner network of letting anyone sell their products instead of being more selective. Companies often gain unqualified partners and give them the same treatment instead of segmenting them. 'Over-distribution' is very frustrating for successful channel partners, as their profit margins shrink when there are too many resellers offering the same product.

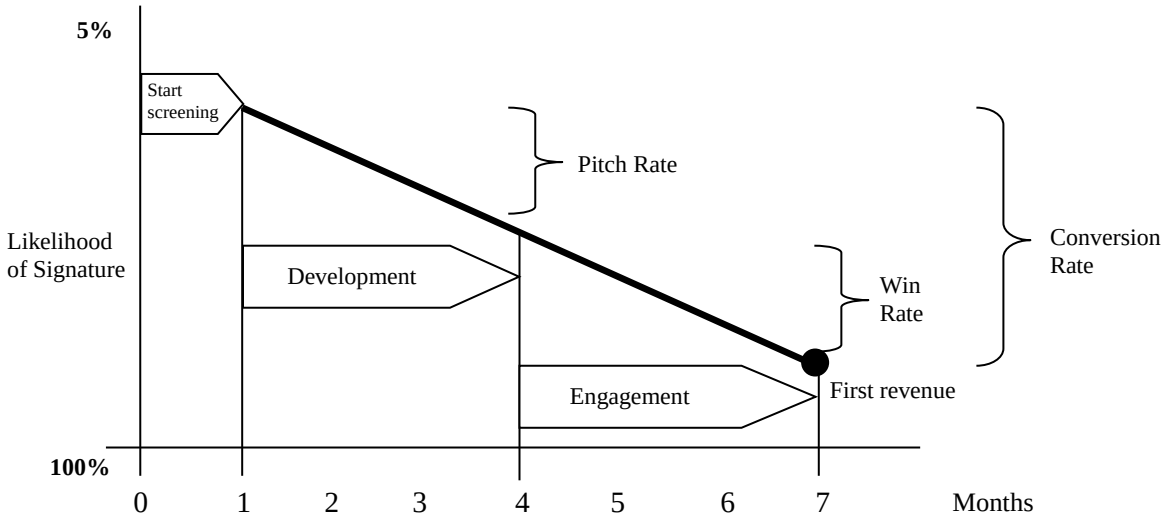
Utzinger (2011, pp. 78–91) proposes **the partner selection funnel as a framework for the selection process**. The first screening phase involves defining the **basic requirements** potential partners need to meet in order to get through the process. Some typical basic criteria include the partner having the same business focus, the amount of potential revenue, the chance of winning over the partner's management, access to the right people, and the profit a partner generates. It is crucial then that the manufacturer understand the importance of this phase. Each step thereafter costs more time and effort. If a company spends too much time on a partner that does not deliver, their acquisition costs are higher. The second phase of the partner selection process is **Expertise fit**, which determines whether a potential partner has the ability to resell the company's products in the way manufacturer thinks is best. Elements determining expertise fit include access to specific market segments, technical fit, and complementary partner product portfolio. If a potential partner meets the basic requirements and technology expertise fit, then a closer look at

their revenue potential is required. For this manufacturers need access to the existing sales force, market scope, reach and budget, the existing client base and references. It is important to assign realistic revenue targets to each individual partner. Once an action plan is formulated then the potential channel partner becomes part of the peer group with whom the manufacturer is looking to grow their business in the future. **Peer Groups** represent select groups of partners who share similar characteristics such as size, type of business and ability to serve a particular market (Utzinger, 2011, pp. 78–91).

Utzinger (2011, pp. 78–91) explains that only 20% of all partners will work out and contribute the target revenue. Therefore he proposes the **'partner engagement cycle'**, which describes the **likelihood that a partner will contribute to the channel revenue** (Figure 6). It defines, from the very outset, the most promising partners in order to ensure that channel investments are not wasted on the wrong 80%.

During **'partner development'** the company, their product and their team must win the trust of potential partners. The **'pitch rate'** in the graph shows the likelihood of successful development with the partner within the first three months after screening. A partner team is trained, products are listed and an action plan is put into action. During the **'engagement phase'** the focus is on promoting the company's product with the partner. This phase is very important, making sure the partner enjoys early success with the product. The **'win rate'** describes the likelihood that a partner will contribute revenue in the three months following the end of the development process. The total **'conversion rate'** shows the likelihood of finding and developing a target channel partner who will successfully resell the company's product and reach the expected target revenues in the future.

Figure 6. Partner engagement lifecycle



Source: S. Utzinger, *Channel revolution*, 2011, p. 91

The company has two ways they can **grow their channel revenue**. The first is to constantly grow the number of target partners. Authors like Homburg, Vollmayr and Hahn (2014, pp. 38–61) analyze the way a company's value grows with expansion. This is very difficult to do indefinitely. Generally speaking, as long as a partner's revenue potential remains stable a company can achieve growth with the acquisition of new partners. Another way to boost channel revenue is to increase revenue with those partners that are already successfully selling the company's products (Utzinger, 2011, pp. 78–91).

1.3.2 Key factors for a successful partnership

One task of channel management is to make sure that channel partners are successful. Utzinger (2011, p. 93) refers to research conducted by Gartner, the world's leading IT research and advisory company, of 2001, which shows that the most important factors for a successful partnership are: quality of the relationship manager, revenue generation, executive-level support/sponsorship, best-fit technology, single point of contact, ease of access, a reputation for trust and flexibility, mutuality and trust, joint sales calls and lead generation. It is interesting to see that only one of the ten most important factors is technology/product related. Partners are aware that technology in the IT industry changes quickly. As a result, partners also know that they can't build a relationship based on technology alone, so they look for partners they can trust and rely on. Some of these factors are as follows (Utzinger, 2011, p. 93):

- **Quality of the relationship manager**. The channel manager is the company's face for the partners. Therefore that person should be a single point of contact for partners and be easy to get in touch with. He/she is responsible for building and executing plans, working with channel partners on specific deals and creating marketing efforts to generate more leads. He/she needs to understand the business models of its partners.
- **Revenue generation/lead generation**. Every partner starts a relationship with the belief that they can generate additional revenue with the products of a particular manufacturer. If a company's product doesn't contribute to their revenue goals, then the company won't get the support from their sales team they need. Successful lead generation represents one step toward creating additional revenue for the company. The ability of a company's products to generate leads is very important.
- **Executive level support/sponsorship**. Executive support is important because managers in IT are very busy. If a company's products do not have management support they will not receive the attention they require to reach targets.
- **Best fit technology**. A company's technology must fit into a partner's technology scope. Every company, if it wants to increase its profitability, needs to leverage their existing resources.
- **Low/No channel conflict**. Protecting their market territory is a particularly high priority for partners. Channel partners often focus more on channel conflict issues and overlapping territories than on actual sales.

- **Joint Marketing funds.** In order to successfully develop market segments, it is crucial that both parties invest in marketing and develop their mutual actions and efforts. The partner council is a method used to involve partners in (mutual) decision-making.

1.3.3 Monetize channel programs

Channel partners are the outsourcing arms of vendors in marketing, sales and technical support. **If they are unable to remain profitable while providing this valuable service to the vendor community**, then there will be severe channel capacity and capability problems in the industry moving forward. Therefore, while managing channel networks channel managers need to build channel programs that can be "monetized". Channel managers need to understand how much channel partners will have to invest, how long it will take until the investment to pay itself back, and what the long-term rate of return on the partners' investment will be by adopting activities related to particular programs. ChannelCorp (2009a) proposes that all channel programs need to have direct impact on the revenues, expenses, assets and liabilities of channel partners in order to be efficient. "R/E/A/L" channel programs directly impact partner cash flow and working capital in a number of ways (ChannelCorp, 2009a, pp. 59–84):

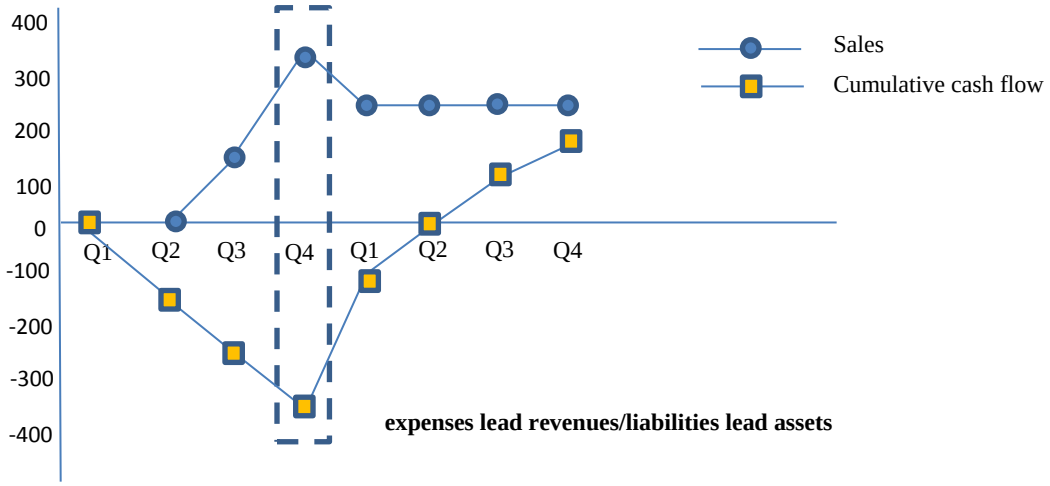
- **Revenue enhancement** – programs that enhance partner revenue generate increases in cash flow and working capital.
- **Expense suppression** – programs that suppress or reduce partner expenses increase profitability and therefore enhance cash flow and working capital.
- **Asset reduction** – programs that reduce the amount of assets a partner needs to invest in order to generate a defined gross margin increase profits by reducing expenses. Increased profits enhance cash flow and working capital.
- **Liability reduction** – programs that reduce the amount of money a partner needs to borrow to generate a defined gross margin reduce expenses, increase profits and therefore enhance cash flow and working capital.

ChannelCorp (2009a, pp. 59–84) proposes the **partner investment model** as a tool to better understand monetization of channel programs. Nothing happens in a channel's business until a channel partner makes a financial investment in a particular channel program. Once the investment is made, the partner must engage in market-focused efforts within 90 days of the investment or the activities will never take place. Results come only with real investment and activity. Figure 7 illustrates the way sales and cash flow change in the course of partner investment. Channel partners incur three types of expenses when they make investments in channel programs (ChannelCorp, 2009a, p. 59–84):

1. **start-up expenses** – usually one-time expenses associated with the acquisition by partners of technical/marketing/sales skills and/or expenses associated with assets/liabilities dedicated to the business proposition (certification),

2. **asset-related expenses** – usually associated with the incremental costs of increased assets directly associated with the business proposition (inventory/accounts receivable),
3. **operating expenses** – usually associated with those monthly expenses that can be directly associated with the creation of those activities required to make the business proposition a reality (salary/marketing expenses/office expenses).

Figure 7. Partner investment when adopting a channel program



Source: ChannelCorp, *Channels Handbook*, 2009a, p. 72

The channel manager plays an important role in the vendor's ability to improve the business proposition for their partners by selecting better channel/business partners, reducing channel/business partner start-up expenses, reducing investment levels, accelerating the cash flow cycle and by delivering sustainable returns on investment (ChannelCorp, 2009a, p. 59–84).

Later in the Chapter I I describe the most commonly researched trends in channel management. These consist in the emergence of the Internet as a channel, multi-channel structures, and management of channel conflicts.

1.4 Internet as a new channel

In the early 2000s many new breeds of intermediary companies viewed e-commerce as an opportunity to reduce costs and gain advantage by having direct access to customers. Not all were successful, as they focused largely on reducing costs rather than creating value or on determining which benefits to bring to their customers via e-commerce. Soon after the first intermediaries, vendors started viewing the Internet as an opportunity to eliminate the traditional middlemen. Many companies were and remain dissatisfied with their channel structure and were frustrated by their inability to influence their channel structure (Rangan & Bell, 2006, p. 203). Most attempts to eliminate intermediaries created channel conflict. **Skipping the intermediary**

level is useful only in limited cases, because it means losing an array of value-added functions that are performed by intermediaries and are difficult to replicate via direct channel.

After the initial over-enthusiasm, more sustainable models of e-commerce have started to emerge. The most widely adopted pattern is 'bricks-and-clicks', the integration of online sales into a portfolio of multiple alternative distribution channels (Agatz, Fleischmann, & van Nunen, 2006, pp. 339–356). Many authors have explored the question whether the Internet has generated higher profits for those adopters. Bernstein, Song and Zheng (2008, pp. 671–690) analyzed the transformation of 'bricks-and-mortar' companies into 'clicks-and-mortar' and found that adopting the Internet as an additional channel hasn't produced higher profits. The Internet commonly emerges as a strategic necessity. Consumers are the ones who are generally better off with the introduction of the Internet. Further, many authors focused on the extent the Internet has come to substitute for other channels. More than a decade back Keen, Wetzels, de Ruyter and Feinberg (2004, pp. 685–695) conducted a study of customer preferences among three different channels. Physical stores represented sufficiently strong channels and fears of the Internet taking over their share were exaggerated. In 2004 they recognized a segment of customers that preferred the Internet as a shopping alternative. Nine years later, in 2013, global Internet sales amounted to nearly 640 billion USD, roughly 90 USD per head – and still just 5% of global sales. Nevertheless, growth in e-commerce has been spectacular, with 127% growth over the past five years. In their International Strategy Briefing Euromonitor (2014) compares the characteristics and purchasing behavior of Internet shoppers, and reports that e-commerce and in recent year m(mobile)-commerce have changed the way consumers, even those who still visit physical stores, approach shopping. The main drivers of growth in e-commerce include increased access to content, faster broadband and download speeds, customer search for value and convenience, improved delivery and online payment methods; and in recent years, the shift to mobile devices such as smartphones and tablets (Euromonitor, 2014).

Although most research on Internet usage has focused on the B2C segment, most trends can be replicated in the B2B segment. Further, Rangan and Bell (2006, pp. 205–2011) propose the segmentation of Internet roles in the form of four distinct market characteristics. They describe the power of the Internet as a channel of four distinctive market types. Although this Master's thesis largely focuses on intermediary channel operation in Type 1 markets it is important to differentiate among different the different types of Internet use.

Type 1: What is characteristic of this market is a concentrated group of suppliers working to sell to a concentrated group of customers. The primary role of the Internet here is to reduce costs, boost productivity and serve customers under the direction of a seller. The direct sales model mandates use of the Internet as a way of increasing the effectiveness or efficiency of the overall value chain.

Type 2: Where large suppliers serve fragmented customers it is very difficult for suppliers to reach a dispersed customer base through a direct sales force. The Internet has the ability to reach

small and dispersed customers at a fraction of the cost, and with superior information capability. Using the Internet as a channel is only possible when the product is standardized and readily available. An Internet channel might be created as a matching standalone mechanism for certain segments of previously unreachable customers, or integrated as a utility to complement the work done by existing channels. In type 2, the Internet primarily takes on the role of a sales agent, be it an electronic catalogue or as an auction agent.

Type 3: Markets in this group represent a space where many sellers meet many buyers. This situation of fragmented sellers and fragmented buyers is ideal for the emergence of marketplaces of market exchange. In type 3, the Internet acts as a neutral exchange where many buyers and customers attempt to find a match. The more buyers, the better it is for sellers; and the more sellers the better it is for the buyers. The best known and most successful market exchange is eBay. eBay intermediates a network where buyers and sellers transact directly.

Type 4: This market typically consists of a larger number of fragmented suppliers that try to sell their products to a concentrated group of customers. For a buyer it is more convenient to buy product from an aggregator. The Internet assumes the role of a buyer's agent in providing a convenient buying mechanism.

Although there are many advantages to using the Internet it's **impact on business is** still very much **misunderstood**. Many industries have realized that the Internet doesn't necessarily reduce costs. Whereas airlines have successfully reduced the cost of using intermediaries from 20% to 12% over the last decade by using the Internet as a direct sales channel, the e-grocery business model has seen poor demand chain response on the Internet. This is important, as companies considering introducing the Internet should carefully assess its impact on the channel value chain. Without a positive impact on the demand chain the Internet channel will fail. Many companies have also come to realize that revenue and profitability are influenced by clear customer segmentation. If the Internet fails to deliver clear segmentation among different customer groups, implementation can result in lower costs but, due to offer overlaps, can have a negative effect on profitability. When adopted correctly the Internet provides more efficient and often, a more effective way of serving customers. Perhaps its most important contribution is its ability to unbundle information from the context of a transaction. By the same token, having information on your customers does not ensure **quick monetization** of this information (Rangan & Bell, 2006, p. 212–223).

In order to take full advantage of the Internet it is important that companies realize that employing the Internet means **continually evolving to meet the needs** of the demand chains it serves. Perhaps the two most significant, high-profile examples of Internet channel evolution are **Amazon.com and eBay**. Amazon.com has significantly changed the channel from the perspectives of both the **demand chain** and **channel capabilities**. When incorporated well, this attractive option can enhance channel effectiveness and simultaneously reduce costs (Rangan & Bell, 2006, p. 226). Amazon.com and the other biggest Internet shops rely on economy of scale,

largely in terms of e-fulfillment, delivering physical goods to the customer, which is considered by many authors as one of most expensive and critical operations (Lummis & Vokurka, 2002, pp. 50–55). Mapping in the second chapter will reveal whether Slovenian e-tailers have gained similar benefits and powers in recent years.

Rangan and Bell (2006, pp. 227–244) differentiates between adaptation of the Internet as a stand-alone component and the Internet serving as a utility that is integrated with a company's other channels. **The Internet can perform a number of the functions** of a conventional channel: it can provide information and educate, it enables transactions, customers can make product recommendations, it can perform the task of dynamic pricing, up-sell and cross-sell, deliver service via online support systems etc. Having these capabilities doesn't mean that these features should be part of every company's Internet channel design. They need to fully understand which aspects of the channel value chain could be best served with the Internet. Relatively few companies have successfully exploited the commercial possibilities and opportunities connected with employing the Internet as a part of a multi-channel solution. A company has to construct the channel value chain and steer customers so that said integration does not negate another channel's specialization and cost advantage. When designed well, a multi-channel solution is an effective tool to boost loyalty and retention and develop good customer relationships, in turn leading to more revenue and higher profitability. According to some scenarios, the Internet works best when it is integrated with a company's existing channel (as utility), and in others it is most effective when constructed as a new, stand-alone channel. Customer purchasing and usage behavior determine just how appropriate a solution the Internet scenario is. Whether the Internet is used as an **additional channel utility or a stand-alone channel**, each approach requires a different kind of channel management. The task of a channel strategy is to put together the appropriate combination of intermediaries, including the sales force, to accomplish the various channel activities. Further, Rangan and Bell (2006, pp. 228–244) outline the different varieties of Internet integration in a multi-channel strategy as follows:

1. **Integrated systems:** all the channels work together to provide the customer with various avenues for search, acquisition, and support; to create a seamless way for customers to navigate the maze and provide them with transparency across different channel media. This calls for drilling deeper within a given segment rather than seeking out new pastures. An integrated system is more costly than one that is specialized by function. A multiple channel should be constructed where the customer chooses how they interact with the provider. Practically speaking, an optimal multi-channel strategy should be designed to route the bulk of customer interactions to the most efficient medium. **The company has to build a series of incentives and disincentives that guide customer migrations to less costly channels**. Many companies have yet to fully understand this simple rule of the demand chain: customers choose channels, not the other way around. Instead of designing channels to capture targeted demographic segments, channels that support unfettered buyer behavior should be designed.

2. **Coordinated system:** channels are separated and aimed at addressing the demand-chain needs of various customer segments or even different behaviors by the same customer on different purchase occasions or through changes in the life cycle.
3. **Multiple-channel structure:** When emerging channels are set up as a competing option there is no need for channel separation. The idea is to let the channels compete and then transition to the winning solution. The key for the channel designer here is to ensure that it is not left out of a potential market opportunity, is not left behind as the industry changes (Rangan & Bell, 2006, p. 244).

The Internet has significantly influenced the way value-added resellers offer printing services to their B2B customers. The Internet influences how customers get their information, which results in greater price transparency. Technology has also enabled the remote connection of various devices and the lower costs that come with it, together with the introduction of new managed services, as described later in the Master's thesis.

1.5 Multi-channel strategy

Over the past decade, industrial marketers have adopted increasingly complex channel strategies in response to shifts in consumer shopping patterns, the globalization of markets, and increased usage of the Internet. Use of multiple distribution channels to serve B2B markets has rapidly become the rule rather than the exception (Frazier, 1999, pp. 226−240). Technology has enabled companies to provide customers with more, wider channel options. At the same time customer demands continue to grow, with customers wanting more options when accessing products and services (Verhoef & Donkers, 2005, pp. 574−584).

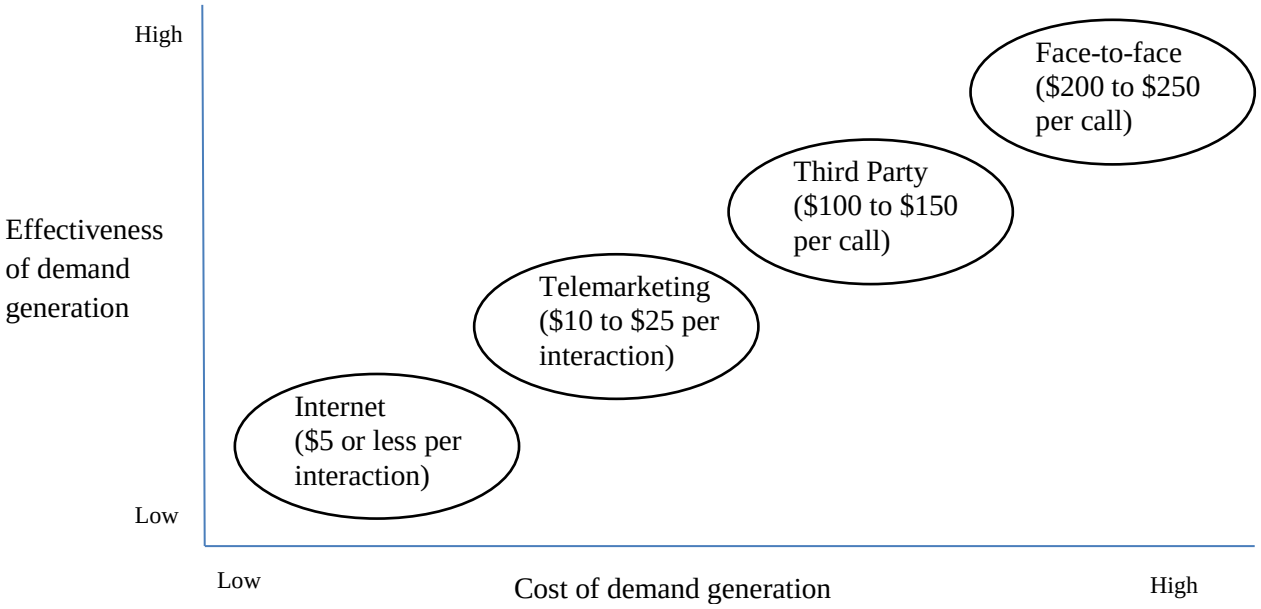
Suppliers often make several products or product lines and support each of them differently in order to meet the different needs of customers in different market segments. Such strategies call for multiple-channel coordination. It would be easier for companies if **markets and channels were insulated** from one another and each could be optimized as an independent vertical system. As multi-channel systems have become a necessity it is important for companies to be **able to coordinate spillovers** among channels and customer groups (Rangan & Bell, 2006, p. 181).

The primary motivation for suppliers to establish increasingly complex distribution arrangements is a desire to increase market share and reduce costs (Frazier & Antia, 1995, pp. 321–326). Rangan and Bell (2006, pp. 184–186) describe four primary reasons company create multi-channel systems:

1. **Market Maturation.** Companies are faced with fixed investment costs in mature markets and looking for lower-cost alternatives to their existing channel. New channels are not connected to the existing service model and have access to the latest technologies, like the Internet.

2. **Sales growth goals**. Aggressive growth targets force many companies to look for multiple distribution avenues to cover all market revenue opportunities.
3. **Evolution of Customer Demand**. Inputs for new channels come from customers, as their needs are constantly evolving. Often it is the dealer who feels it first. Being able to respond to changes in customer demand is increasingly important, thus the business model is transforming the shape and character of intermediaries' operations.
4. **Internet Access and Availability**. The Internet can access hitherto unreachable markets because customers seek it out, rather than the other way around. The Internet offers customers the 'open 24/7' option, and is a relatively inexpensive way to reach customers compared to other channel alternatives. Cost ratios per contact are 40:20:2:1, as shown in Figure 8. For a manufacturer's face-to-face sales organization, fully loaded costs amount to 200–250 € per call. The same call executed by a partner is 100–150 € owing to lower/poorer qualifications, and telemarketing operations usually cost about 10–25 € per interaction. The Internet, however, generally costs less than 5 € per interaction.

Figure 8. Cost and effectiveness of channel alternatives



Source: V. K. Rangan & M. Bell, *Transforming your go-to-market strategy*, 2006, p. 208

Each of these four reasons is enough to justify pursuing a multi-channel environment. When two or more occur at the same time, a multi-channel environment is often a must for survival (Rangan & Bell, 2006, pp. 184–186).

Webb and Didow (1997, pp. 39–78) and Webb (2002, pp. 95–102) propose a variety of ways **companies benefit from multi-channel** distribution strategies:

1. It allows companies to better adapt to changing customer needs and shopping patterns. Such companies' adaptive capability has proven useful when adapting to new emerging channels.

2. Leading companies with broad product lines benefit from a multi-channel solution, as it is likely that a single-channel system would not prove optimal for all products.
3. Companies with excess manufacturing capacity/capabilities benefit from additional channel options as it can push into wider customer segments and reduce the burden of oversaturated channels.
4. Finally, additional channels enable the supplier to focus on more precise target markets, thereby improving overall competitiveness.

In addition to the advantages a multi-channel strategy provides, it also created additional **multi-channel challenges** stemming from increased complexity. Rosenbloom (2007, pp. 4–9) defines the following challenges: integration of online channels with traditional channels, finding optimal channel mixes, creating synergies across channels, building strategic alliances in a multi-channel environment, using a multi-channel strategy to gain a sustainable competitive advantage, coordinating complex supply chains to serve multiple channels efficiently, dealing with multi-channel conflict, and providing effective leadership to drive multi-channel strategy. Particular challenges are further described as proposed by Rosenbloom (2007, pp. 4–9), Coelho, Easingwood and Coelho, (2003, pp. 561−563), Johnson and Selnes, (2004, pp. 1–17), Payne and Frow, 2004, pp. 527–538), Mehta, Larsen, Rosenbloom and Ganitsky (2006, pp. 156–165), Montoya-Weiss, Voss and Grewal (2003, pp. 448–458), Kim, Cavusgil and Calantone (2006, pp. 40–54), Rangan and Bell (2006, pp. 184–198), Alptekinoglu and Tang (2005, pp. 802–824).

Integration of online channels with traditional channels. Internet-based ecommerce has been the greatest factor influencing channel strategy in the past decade. Most all companies are faced with the task of combining online channels with conventional channels to create a "seamless" customer experience. In practice, such seamless integration is still more the exception than the rule, because substantial obstacles exist. Although the technological barriers seem to be falling rapidly, channel strategy issues are still very much in play. Questions like which product to offer online, what is the right balance between traditional and online channels, does online incur lower costs than conventional channels, does Internet provide access to new customers, is the online channel cannibalizing other channels etc., are just few of the strategic questions and challenges facing channel managers (Rosenbloom, 2007, pp. 4–9).

Reaching more customers with a multi-channel strategy. Most literature on multi-channel marketing suggests that additional channels provide more points of contact for the customer, and as a consequence companies gain more customers. In practice, providing more access points is as important as the customer segment the new channel is reaching. It could be that new channels only cannibalize old channels and persuade old customers to switch (Rosenbloom, 2007, pp. 4–9). Coelho, Easingwood (2003, pp. 561−563) indicate that poorly integrated channels can cause customer dissatisfaction. And poor multi-channel strategy can cause customers to switch to the competition. They emphasize that more than number of channels it is channel mix that determines the success of a multi-channel strategy.

Finding the optimal channel mix. Rosenbloom (2007, pp. 4–9) suggests it is the quality of the channel mix or channel portfolio rather than the quantity of channels that has the greatest influence on the size of a firm's customer base. He also proposes comparing channel portfolios to financial instruments in a conventional portfolio. So, just as a well-designed financial portfolio provides coverage across a range of investment opportunities to achieve diversification, the well-designed channel portfolio may need to offer the firm access to a range of customer segments while achieving channel diversification (Johnson & Selnes, 2004, pp. 1–17).

Creating synergies across channels. Rosenbloom (2007, pp. 4–9) suggests multi-channel synergy is when one channel increases the effectiveness and efficiency of another channel. As the most common example he proposes a situation where information on a product is obtained on Internet, but the purchase itself happens via a conventional "brick and mortar" channel. The potential of collaboration is far broader. Payne and Frow (2004, pp. 527–538) point to higher customer service as the result of different channels in the mix "helping each other out" and in doing so, creating synergies. In the situation whereby a product is out of stock in the customer's usual channel the customer would be seamlessly served by another channel. This described shift would increase customer satisfaction and even reduce costs. This would result in each channel focusing on those distribution tasks to which they are best suited and in the process, complement the performance of other channels in the mix. This is an area for which additional research is proposed (Rosenbloom, 2007, pp. 4–9; Payne & Frow, 2004, pp. 527–538).

Strategic alliances and multi-channel strategy. In complex multi-channel structures many channel members may fear being bypassed or even left out of the structure by other channels. Therefore collaboration is even harder to achieve. The success of a multi-channel scheme may depend considerably on whether the distribution tasks are evenly distributed among channel members. The distribution of tasks has to stimulate collaboration and consequently reduce conflict situations. Strategic alliances demand that channel members share the same long-term goals – and for this a certain level of capital and management engagement is needed. Most channel alliances have emerged in recent years as attempts to reinforce collaboration among channel members (Rosenbloom, 2007, pp. 4–9). The question then arises: is creating alliances more difficult under a multi-channel structure; are they even more important in multi-channel structures because trust is required to create efficient multi-channel systems? Authors like Mehta, Larsen, Rosenbloom and Ganitsky (2006, pp. 156–165) propose that in order to work together effectively, channel members have to trust each other, be willing to assist each other on a regular basis, be committed and generally cooperate with each other.

Using a multi-channel strategy to gain a sustainable competitive advantage. Today it has become very difficult for companies to build a competitive advantage solely on the basis of product or price differentiation. The Global competitive environment has resulted in companies being able to copy superior technologies relatively quickly, together with innovation, quality, even the brand identity of its competitors. As a result multi-channel strategies enjoy attention as

a possible element of sustainable competitive advantage, as it takes time and particular investment to build (Rosenbloom, 2007, pp. 4–9).

Coordinating complex supply chains to serve multiple channels efficiently. Adding additional channel options also increases the complexity of supplying products through multiple channels. Companies have to make sure they meet the customer's minimum requirements. So having the right amount of product, available at the right place and the right time is a real and valid requirement that all channel companies provide their customers. Failing to secure minimal standards will result in the customer not seeing the added-value in multi-channel options (Montoya-Weiss, Voss, & Grewal, 2003, pp. 448–458). In multi-channel structures coordination is even more important, as the customer would understand poor integration as inferior customer service. Therefore, multi-channel structures increase the need for efficiency in managing the supply chain. Companies must strive to synchronize the supply chain such that all channels in the channel mix are able to meet customer service standards. Only companies with the latest technology and logistics management expertise are able to do so (Kim, Cavusgil, & Calantone, 2006, pp. 40–54). In addition to achieving high standards of service the main goal of supply chain management in today's global environment is to drive costs down (Rosenbloom, 2007, pp. 4–9).

Coordination strategies and creating boundaries. When customers are motivated to move from one channel to another for the same product because of a lower price in one or a higher level of service in another it is very important for companies to have clear channel coordination strategies. Companies need to create boundaries between the products and markets of particular channels in order to reduce the potential for conflicts and eroding relationships. Rangan and Bell (2006, pp. 184–198) propose taking the following steps in order to coordinate channels: set product boundaries, set market (customer) boundaries, promote price convergence and compensate for cost difference. Although companies define boundaries they are simultaneously pressured to increase channel density. It is no exaggeration to say that most multi-channel conflicts are the result of the lack of a clear channel strategy. Instead of drawing strict lines of separation by imposing penalties and incentives, a better strategy would be to reduce the intensity of distribution. Fewer channel players are easier to coordinate and boundaries easier to implement. However, when the channel strategy is initially designed to reach as many as different demand-chain segments as possible, it is best to protect and develop each channel. **In a multi-channel strategy various channels are meant to reach different customer segments with different value propositions** (Rangan & Bell, 2006, pp. 184–198).

Dealing with multi-channel conflict. One of the most significant obstacles in building successful a multi-channel strategy is the conflict that emerges between channel partners and between different channels competing for customers. Some channel members view multi-channel strategies as a zero-sum game; meaning when someone gains customer, another channel member must have lost it. Rosenbloom (2007, pp. 4–9) proposes giving the proper attention to avoiding dysfunctional conflict as one of the most significant elements of channel design. He

asks weather conflict can be "designed out" by anticipating potential conflicts and formulating strategies and policies to prevent them. I will go into the details of channel conflict in the next chapter.

Channel leadership and multi-channel strategy. Multi-channel strategies have become a strategic decision for many companies and therefore needs attention from top management. It is equally important that tactical level management oversee the way different channels are developing, how they are managed and coordinated in order to create a seamless customer experience. Therefore highly complex multi-channel systems require management's full attention. For management it is important to develop tools that help produce sound channel decisions. Researchers Alptekinoglu and Tang (2005, pp. 802–824) have developed models with which to evaluate different distribution strategies arising from multi-channel strategies.

1.6 Channel conflict

As describes in previous chapters, the emergence of e-commerce has had greatest single impact on channel management – and the resulting channel conflict is perhaps the most serious concern for companies as they add e-commerce to their operations scheme (Webb, 2002, pp. 95–102).

Channel conflict is not some new phenomenon that emerged with the introduction of the Internet. Considerable research was done on conflict in the 1970s and 1980s (Frazier, 1999, pp. 226–240). Later, in the 1990s, channel conflict received little attention due to a focus on research on relationship marketing. Over the past decade, the introduction of the Internet and emerging multi-channel distribution strategies have brought channel conflict to the forefront once again (Webb, 2002, pp. 95–102).

Webb (2002, pp. 95–102) proposes both a **traditional and a modern view** of research on channel conflict, with the traditional view largely represented by Stern, El-Ansary, Coughlan and Anderson, who focus largely on channel conflict between two entities in a single-channel structure as opposed to new research, which focuses on multi-channel conflicts.

Traditionalists define channel conflict as the root of interdependence among channel members. As channel members specialize in certain functions, their specializations demand functional interdependence. In order for a channel task to be accomplished a certain level of coordination is required. When organizations strive to maximize autonomy, the establishment of interdependencies produces conflicts of interest (Coughlan et al., 2006, pp. 196–243). Coughlan et al. (2006, pp. 243) define channel conflict as "behavior by a channel member that stands in opposition to its channel counterpart. It is opponent-centered and direct, in which the goal or object sought is controlled by the counterpart". These are situations where one channel member perceives another channel member(s) to be engaged in behavior that prevents or limits it from achieving its goals**.**

Although conflict is considered a negative component in a human relationship it should not be seen as categorically undesirable (Coughlan et al., 2006, pp. 243–284). Without conflict, channel members tend to become passive and lacking in creativity. Conflict motivates channel members to adapt, grow, and seize new opportunities (Cohen in Webb, 2002, pp. 95–102). There are situations where it can even be healthy and desirable. Often referred to as **functional conflict**, there is evidence that it is actually the result of trust in a channel relationship (Anderson & Narus, 1990, p. 13). Channel participants voice their differences and work them through in order to reach a higher level of performance. Channel conflict is often a necessary stage on the way to adapting to environmental changes. Therefore, conflict should not automatically be eliminated, but should be monitored and managed. As was mentioned, the **consequences of conflict can be positive** when we are talking about functional conflict, where channel members recognize each other's contribution to each other's success. Their opposition forces them to communicate more frequently and effectively, critically review their past actions; devise and implement a more equitable split of system resources; develop a more balanced distribution of power in their relationship; and develop standardized ways of dealing with future conflict (Coughlan et al., 2006, pp. 243–284).

Channel conflicts can be also seen as an inevitable cost that arises when an otherwise healthy company tries to increase its market coverage. But because it is opponent-centered it can result in actions designed to destroy or injure another member in the channel relationship. Such conflict should be avoided at all costs, for **when intense it can be particularly damaging** to overall channel performance and coordination (Coughlan et al., 2006, pp. 243–284). Some researchers propose the **threshold effect**, where performance increases with increased channel conflict up to a certain point, after which performance begins to decrease as the level of conflict rises (Rosenberg & Stern, 1970, pp. 40–46; Rosenbloom, 1973, pp. 26–30).

Traditional researchers defined competing goals, different perceptions of reality and clash of market domains as **primary sources of conflict**. Channel members have different built-in goals and points of view. And because channel members see different pieces of the channel environment they have different perspectives. With a clash of market domains we understand a clash based on different roles, responsibilities, territories. For example, we are familiar with intra-channel competition, whereby suppliers see their channel intermediaries as competitors, and situations where downstream channel members believe suppliers are pushing them to compete against other channel members and other channel forms, which is common for multi-channel environments (Coughlan et al., 2006, pp. 243-284). As one would expect, empirical research has demonstrated that as goals become more incompatible, domains more similar and perceptions of reality more different, the greater the potential for channel conflict (Rosenberg & Stern, 1970, pp. 40–46).

A company needs to be able to measure conflict in order to be **able to manage it**. To define a source of conflict a company needs to list all the relevant issues, define the importance of the issue and the intensity and frequency of the disagreement. If any of these elements is not

particularly pronounced the issue is not a particular source of conflict. Summarizing levels of conflict for all individual issues gives a rough approximation of actual conflict and provides a base upon which to resolve issues (Coughlan et al., 2006, pp. 243–284).

Traditionally channel conflict has been analyzed from the perspective of **two interdependent but independent organizations** involved in a dynamic channel relationship, e.g. behavioral dynamics between a supplier and its distributors. With the growth of multi-channel distribution systems and the introduction of the Internet, channel researchers have begun to examine conflict from an entirely different perspective (Webb & Didow, 1997, pp. 39–78). Conflict can arise not only externally, between the supplier firm and its channel partners, but also internally, between the supplier's subunits responsible for managing all of the channels. Rangan and Bell (2006, pp. 184–194) proposes clearly differentiating between multi-channel and intra-channel conflicts. We speak of intra-channel conflict when a channel has too many dealers. Overloading a market area aims to reach a greater number of similar customers. Intermediary conflicts in such cases are the consequence of pressures to achieve volume goals. Multi-channel conflicts are different. Researchers like Webb (2002, pp. 95–102) have investigated the effect of introducing the Internet channel into an already complex, multi-channel distribution system and proposes strategies for proactively managing conflict, both externally with channel partners, and internally among the subunits responsible for managing the channels. While the primary sources of conflict remain the same – incompatible goals, domain dissent and differing perceptions of reality – the context in which they are investigated is different. Growing usage of the Internet has made managing channel conflict more important and more complex than ever before.

Webb and Lambe (2007, pp. 29–43) emphasize the limited research on multi-channel conflict. They focus on the internal-to-the-firm causes and effects of multi-channel conflict. They examine conflict between the various channel entities within a supplier organization and the way internal conflict affects overall external channel system performance. One finding from this suggests that **some degree of conflict is desirable**. Properly managed, internal conflict among the supplier's channel coalitions can actually enhance the performance of the overall distribution system. This is particularly evident in the **early stages of the product life cycle**. The major challenge is recognizing the point at which the level of internal multi-channel conflict becomes dysfunctional, thereby impairing the performance of the overall distribution system. They propose that managers use assessments of particular stages of the product life cycle to determine the desired degree of conflict, and then modifying their strategies and tactics accordingly. Also channel managers need to understand and appreciate the reciprocal relationship between internal and external multi-channel conflicts. When making decisions that are likely to affect one, they must strive to proactively anticipate any potential ramifications on the other (Webb & Lambe, 2007, pp. 29–43).

Conflict by its nature is self-fueling and can lead to a destructive spiral of aggression. Managing conflict is important and involves intense communication, creating compensation systems, working together with channel members to effectively arrive at win-win approaches

through collaboration and problem solving, and selling differentiated products through different channels. There are a number of ways of effectively resolving disputes. There are institutionalized mechanisms to contain conflict early on, including information-intensive strategies and the use of third parties. In addition to trying to resolve them channel managers need to accept certain levels of conflict to be productive in serving the customer better and more economically (Coughlan et al., 2006, pp. 243–284). Yan, Pei and Myers (2016, pp. 84–95) propose a triple cooperative strategy, as a management tool, to be used by suppliers in order to reduce channel conflict and increase overall channel performance in a dual-channel structure. They propose employing supportive sales efforts, coordinative pricing strategies and finally, profit sharing as a mechanism to improve coordination in a multi-channel environment.

In the first chapter I introduced the theoretical background to using intermediaries as part of a go-to-market strategy. In next chapter I present an industry mapping of the Slovenian printer industry, which will serve as the basis for later empirical research on aligning channel competences of particular channels with three customer demand segments.

2 INDUSTRY MAPPING IN THE SLOVENIAN PRINTER INDUSTRY

Mapping of the printer industry in Slovenia has been assembled using data from international market analysis agencies, material from channel consulting agencies, semi-structured interviews conducted with major industry representatives. In addition, I have drawn some conclusions from my personal experience in the industry over the past 10 years in the roles of channel manager, reseller owner and marketing agency account manager. In order to get an in-depth understanding of the work of major market players I have conducted, as part of qualitative research, **semi-structured interviews** with 7 of the 10 biggest printer vendors by market share in Slovenia. The following chapter provides insight into the laser printer market, including the main trends and players, and sketches out the key forces influencing channel structures.

2.1 Industry mapping framework

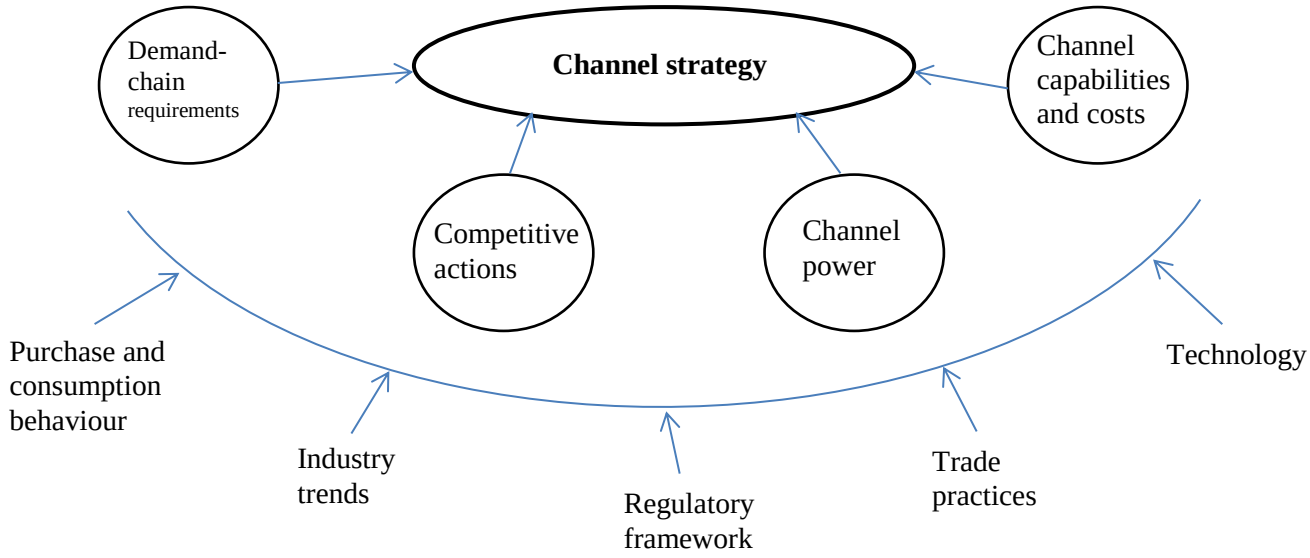
In order to get a broader view of what market players in the industry are doing Rangan and Bell (2006, pp. 4–30) proposes the mapping framework as an industry-level exercise. Mapping can be perceived as a warning system and helps identify the opportunities and threats in a particular industry. As proposed by Rangan and Bell (2006, pp. 4–30) it looks at the effects of the four key forces that influence the success of a channel’s strategy. These four forces are: demand-chain requirements, channel capabilities and costs, channel power, and competitive actions (Figure 9). Later in this chapter I focus on each of these four forces to present the views of the market players on a particular force.

Industry mapping sketches the history of an industry's distribution channels; using this method it can save time, resources and reduce the anxiety that comes with the prospect of repeating the

same mistakes. Therefore, mapping suggests ways in which top managers can try and shape the environment. By understand certain key forces channel managers can begin to influence them by **building and editing a true channel value chain** (Rangan & Bell, 2006, pp. 4–30).

As proposed by Rangan and Bell (2006, p. 31), there are four core forces that interact with each other and react also to environmental forces. In so doing they influence channel strategy. External forces are regulatory changes, technology advances in products or channels like the Internet, changes in the culture informing a customer's purchasing behavior, trade cultures, the set of norms and practices and forces of industry consolidation and fragmentation.

Figure 9. Mapping the forces affecting channel strategy

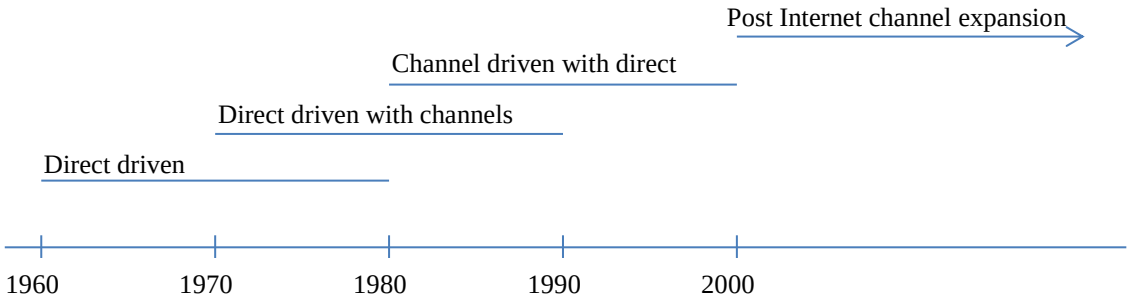


Source: V. K. Rangan & M. Bell, *Transforming your go-to-market strategy*, 2006, p. 30

2.2 History of IT channel development

ChannelCorp (2009b, pp. 3–10) offers a short history of IT channels for the purpose of understanding the historical development of channel ecosystems in the IT industry. They propose IT channel history be broken into four periods. Although these periods are related to developments on the American (US) IT market they can be generalized globally, as similar processes have and are still ongoing in the printer industry globally. Depending on where a particular market is in terms of development, its structure generally falls into one of four proposed stages. Similar processes have occurred in past decades in Europe and, consequently, in Slovenia. Figure 10 shows the periods of channel development as proposed by ChannelCorp (2009b, pp. 3–10), and describes a particular vendor example from Bartlett and Ghoshal (1999, pp. 418–443).

Figure 10. Short history of IT channels



Source: ChannelCorp, *Ecosystem and Alliance Handbook*, 2009b, p. 9

1. Direct-driven period (60s–70s)

The 1960s and 1970s were dominated by a few big manufacturers. Technology was relatively new and most big printer compositions were sold direct by manufacturers' sales forces. As the systems were closed and related software bundled, there was little room for partner ecosystems to develop within the IT industry at the time. Vertical integration was the main manufacturing strategy (ChannelCorp, 2009b, pp. 3–10).

2. Direct-driven with channels (70s–80s)

In the 1970s and 1980s, direct channel strategies were still the key go-to-market strategy for hardware vendors, but many began to create complementary strategies with their software-capable ecosystem partners. These VAR/ISV organizations became the basis for what became a rich IT ecosystem. Major structural change began with the "inflection point", when from 1990/91 to 1992/93, the 19 largest publicly-listed IT vendors went from a combined profit of 7.5 billion USD to a loss of 6.1 billion USD. Changes in vendor economics were structural. The industry would never be the same again. Many vendor organizations required major re-engineering of their channel, sales, and marketing organizations in order to become profitable in the years to come (ChannelCorp, 2009b, pp. 3–10).

3. Channel-driven with direct (80s–90s)

The 1980s and 1990s were difficult for direct operations. By the mid-1990s the indirect channel model was firmly established in excess of 50%, with all IT products purchased going through the indirect channel. Ecosystems were far more complex at the end of the channel-driven period than in the direct-driven period. Channels and ecosystems were here to stay, and partners and vendors had to figure out how to work together (ChannelCorp, 2009b, pp. 3–10).

4. Post-Internet channel explosion (2000 – present)

Post-2000s distribution stepped in to connect vendors with channel partners. More than 70% of all IT products (close to 100% in some product categories) began to move through the channel. The industry moved from a product-centric industry to a service-centric industry. Channel ecosystems became very complex. Understanding channel ecology had become a key factor in

the survival of both vendors and partners. Falling average selling prices and shrinking margins throughout the industry have driven all hardware and software vendors to the execution of at least a part of their sales through one- and/or two-tier channel systems. The emergence of small and medium-sized business has reinforced the need for the industry to contract out marketing, sales and support to a broad array of species of channel partners in order to maintain and grow profits, cash flow and value (ChannelCorp, 2009b, pp. 3–10).

2.3 Characteristics and strategies of a mature and declining industry

The features that characterize a mature market as described by authors Walker, Boyd, Mullins and Larreche (2003, pp. 239–267) also characterized the Slovenian printing market. As market growth stagnates vendors and their intermediaries face challenges associated with mature and declining markets. A mature market characteristically sees total volume stabilize, and replacement purchases, rather than fist-time buys, account for the majority of volumes sold. Therefore a primary market objective of competitors in a mature printing market is to hold on to existing customers and sustain a meaningful competitive advantage that will ensure continued satisfaction and the loyalty of their customer base. The success of a product during the mature life cycle stage depends on the firm's ability to achieve lower delivery costs, higher perceived product quality or customer/service superiority (Walker et al., 2003, pp. 239–267).

Although the printer industry is only a few decades old it is already perceived as a mature industry in Slovenia; since 2009, the majority of printer vendors have had to face the **challenges associated with declining markets.** With the Internet and other technological advances, simultaneously changing demographics where recent generations are used to new mobile technologies and the consequent development of substitutes resulted in declining demand for most product forms and brands. As product volumes started to decline most vendor management structures had to decide how to change their strategy on the Slovenian market in order to secure expected profitability and revenue targets.

Many local managers faced pressures from global management to divest or liquidate the business on the Slovenian market. The total number of sold brands fell from 2009 to 2015 from 19 to 16, with 5 of them selling less than 17 units in 2015 (IDC, 2016b). As a result I can realistically say that there are only 11 active brands on the Slovenian market. Still, other vendors recognized opportunities in the declining market. Walker et al. (2003, pp. 239–267) describe certain marketing strategies for declining markets. When few exit barriers exist, an industry leader might attempt to increase market share via aggressive pricing or promotional actions aimed at driving out weaker competitors. Or it might try to consolidate the industry by acquiring weaker brands and reducing overhead by eliminating both excess capacity and redundant marketing programs. Alternatively, a Vendor might decide to harvest a mature product by maximizing cash flow and profit over the product's remaining life. All these alternative strategies have been adopted by various vendors between 2009 and 2015 on the global as well as local level. I will now describe the most frequently adopted strategies on the Slovenian market. Most followed a strategy to

retain market share, some players even executed strategies to expand volume growth. Executing strategies for mature markets become even more difficult to execute when the market was in heavy decline in the years 2009–2011. Some vendors simply could not sustain their market shares nor fulfill their growth targets. They had to decide on one strategy for a declining market.

Since the printing market has remained in the mature stage for decades, milking or harvesting mature product-markets by maximizing short-run profit would make little sense, as it would involve substantial cuts in marketing and research and development (hereinafter: R&D) expenses, which can lead to premature losses of volume and market share and lower profits in the longer term. It is important for business to strive during the early years of market maturity to maximize the flow of profits over the remaining life of the product-market. Therefore, most market players in Slovenia followed the marketing objective of **maintaining and protecting the business's marketing share**. A characteristic feature of a mature market sees few new customers buying the product for the first time. Instead, printer vendors had to focus on winning their share of repeat purchases from existing printer owners (Walker et al., 2003, p. 252).

Market maturity is defined by a flattening out of the growth rate. Structural reasons have contributes significantly to the decline in printer sales, with the emergence of substitute products (iPads, cloud applications) that don't require all documents to be printed, and with the related shift in customer preferences, where new generations grew up with mobile media, not with paper. Marketers can do little to revitalize the market under such conditions. Still, many see opportunity in wider target customer segments and wider product offerings to new, defined segments. They have adopted **strategies for extending volume growth**. Possible marketing actions that can be employed to achieve extended volume growth consist in the following (Walker et al., 2003, p. 254):

- **increased penetration strategy**, converting current non-users in target segment into users,
- **extended use strategy,** by increasing frequency of use among current users, and encourage a wider variety of uses among current users,
- **market expansion strategy,** by developing differentiated positioning focused on untapped or underdeveloped segments.

As discussed earlier, most vendors were not able to sustain market share nor even expect growth. They had to adopt marketing actions appropriate for different **strategies in declining markets**. These are as described by Walker et al. (2003, pp. 239–267):

- **Harvesting strategy,** by maximize short-term cash flow. The strategy suggests maintaining or even increasing margins, even at the expense of declining market share.
- **Maintenance strategy,** which includes maintaining market share for the short term, even at the expense of margins.
- **Profitable survivor strategy,** which suggests increasing the share of the declining market in order to encourage weaker competitors to exit.

- **Niche strategy,** suggests strengthening share position in one or a number of segments with potential for continued profit.

In the next chapter I introduce conditions, and through changes in market share show how different players use different strategies in a mature and even declining (through 2009–2011) market.

2.4 Printer industry in Slovenia

The main technologies used for years in the printer industry are laser and Inkjet technologies. As this Master's thesis focuses on business-to-business users I have chosen to narrow my research of the printer industry to products using laser technology. Inkjet technology is used foremost in consumer products and solely in niche segments of the business-to-business environment. In the next chapters the Master's thesis focuses on defining B2B user preferences and channel intermediary competences in servicing those needs.

2.4.1 Laser market characteristics

I have here adopted the market characteristics framework by McCalley (1996, pp. 45–81). The s**ize of the Slovenian laser printer market** can be defined by the number of laser printer units sold or by the number of potential users. Products are differentiated by the size of their media output, which ranges from A4 to A3 to SRA3, with the main categories A4 and A3 devices. In 2015 there were some 31,091 A4 laser printers and some 2,179 A3 multifunction laser printers sold in Slovenia. There are also 813,000 households in Slovenia (SURS, 2011) representing potential users of retail printers, and some 72,000 companies (Ajpes, 2015), which represent potential users of B2B products.

Market density indicates where buyers are concentrated. Ljubljana, as the nation's capital, provides a higher density of intermediaries. For example, most system integrators are located in Ljubljana. Profit margins or mark-ups define the number of channel members that can profitably operate on the market. According to information gained through in-depth interviews I have conducted with two printer distributors the number of IT resellers actively selling printers has dropped from 600 in 2006 to 450 resellers in 2015. This is a sign that margins are shrinking and as a result less resellers are able to profitably coexist in this segment of the IT market. Later in this chapter I show how global net margins of the biggest printer vendors has fluctuated over the past 10 years. The Central Slovenian region is characterized by high user density, as a large share of the country's companies is located here. Some 31,500 out of 72,000 companies have their headquarters in Central Slovenia (Ajpes, 2015). Higher user density means a higher density of intermediaries.

Similarly, **product costs** and **frequency of purchases** and **servicing requirements** influences intermediary density and overall channel structure. In 2015 there were 33,270 (31,091 A4 units

and 2,179 A3 units) laser printers sold in Slovenia. Almost half of them (15,712 units) represented retail products for home or home office use. The rest – some 17,558 printers – are sold annually to 72,000 companies in Slovenia. Therefore, every forth Slovenian company purchased at least one printer in 2015. The usual maximum duration of commercial contracts, including printer rental or maintenance, is five years, therefore the normal printer lifecycle is five years. Consumables, on the other hand, are purchased relatively frequently, depending on the volumes printed on the devices. Therefore, in addition to equipment sold, printer vendors and their intermediaries rely heavily on post sales of consumables and maintenance. According to information gained from in-depth interviews with distributors the consumables market is five times bigger by value than the equipment market.

Service requirements also define intermediary density. Most A4 devices in private use are serviced on location at service partners, whereas professional users, especially A3 multifunction devices (hereinafter: MFPs) require onsite servicing. The main factor here is product weight, which restricts device transportation and purchase of print services by larger companies, which normally includes rental and maintenance of devices on location at the customer.

Geographic market designation. Most vendors have very strict rules that define the territories in which particular manufacturer branches or their intermediaries are allowed to sell. Based on geographic boundaries they provide a certain level of exclusivity and actively seek certain levels of channel selectivity. Most vendors therefore make efforts to reduce gray imports and cross-border sales.

Product mix. In Slovenia, 92% of laser devices are A4 format and 8% are able to print on the larger A3 format. In terms of product mix, the Slovenian market displays the characteristics of a mature IT market. As it is well developed and even saturated it is closer to standard Western European markets. This is evident on the printer market in terms of two trends. Most A3 MFPs sold are color, and are therefore able to print color documents. Some 78.5% by value and 60% by units of all sold A3 units in 2015 were color. The second trend, related to product mix and already visible in developed markets, is falling demand for A3 MFPs, which are being replaced by high-end A4 MFPs with the same functionality. Different vendors, from two different strategic positions, are merging their competences on the same market segment – one a predominantly dominant producer of single function A4 devices, the other a dominant producer of larger self-standing A3 multifunction devices (Roufka, 2015).

Market activity cycle. Printer sales are less cyclical than some other consumer IT products. As printers are not as appealing to end-customers (as other consumer electronics) they tend not to be purchased as gifts and are therefore less prone to the influenced of seasonal demands. In the B2B environment we still recognize certain cycles, as it is common that most tenders or managed print services projects are finalized before summer, in the first half of the year, or just before the end of the year.

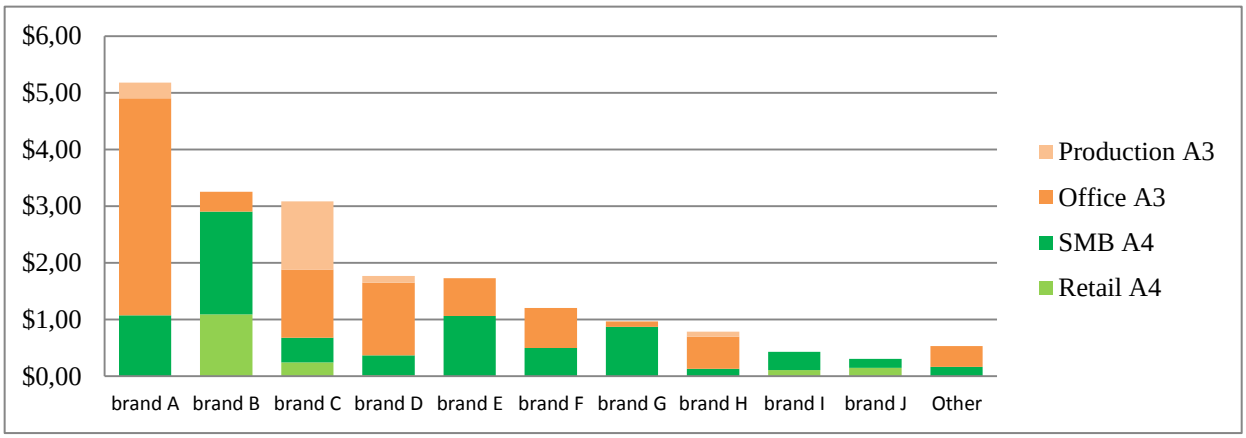
2.4.2 Market shares for laser printers

As a representative of a printer vendor on the Slovenian market for the past decade it is very important to ensure a certain level of anonymity for the participants of the research. In my Master's thesis I have decided to mask the brands analyzed, those who took part in in-depth interviews, and channel intermediaries participating in qualitative research. To this end each brand was given an alphabetic designation.

I focus here only on the top 10 brands as they represent 95% of total sales. Raw data was used from quarterly Hardcopy Peripherals market research reports for the Slovenian market performed on a quarterly basis by International Data Corporation (About IDC, 2016). International Data Corporation (hereinafter: IDC) is a premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC is a subsidiary of International Data Group (IDG), the world's leading technology media, research and events company.

Figure 11 shows sales by vendors divided among four main market segments. There are three dominant brands, each achieving their market overall market shares by dominating one of the market sub-segments. Brand A has a 26.9% market share as dominant in the Office A3 MFPs segment, brand B has a 16.9% share as market leader in the Retail and Small and medium businesses (hereinafter: SMB) A4 segments, whereas brand C with a 16.0% share is a dominant player in the niche A3 production segment.

Figure 11. Brand ranking by value of laser printers sold in 2015 (in millions)



Source: IDC, *Hardcopy Peripherals market research 2015Q4*, 2016b

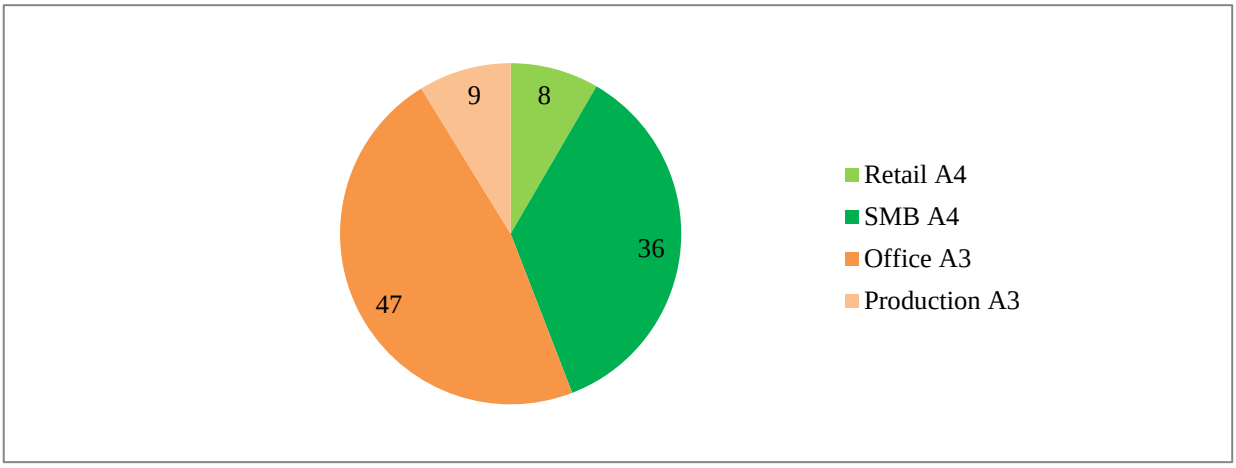
Some 450 resellers are actively selling printers and related Software (hereinafter: SW) solutions on the Slovenian market. This number has dropped as the result of a decline in the appeal of the printing part of IT and due to the heavy recession of 2008–2011, which has resulted in a certain level of reseller consolidation.

2.4.3 Market segmentation

The laser printer market is divided into subgroups according to product characteristics, user characteristics and by purpose of printed documents by end-users. Each of these elements define market segmentation. The first element of segmentation is the maximum size of media the printer is able to handle. Market researchers at IDC are able to segment market based on media output and report sales to A4 and A3 enabled devices. The second main element of product characteristics used for market segmentation is printer functionality. There are single-function and multi-function devices. Single-function devices are only able to print documents, whereas multifunction devices are also able to copy documents, send faxes and recently, run different software solutions that enable document workflows, user authentication and more. Market sub-segments are also defined based on product value and/or customer segments for which certain groups of printers are intended. For example, retail printers are normally used by end-consumers, usually at home or a single-user office environment. The value of retail printers does not exceed 200 USD. The last and also significant parameter for market segmentation is the use or purpose of the document. Documents can have a support (back office) function or they can be (e.g. brochures, catalogues etc.) the final product with a commercial value and sold further on to an end-user. This last parameter defines which printers are intended for production use and are usually divided further as per products for transactional printing and graphic art printers.

As shown in Figure 12, A3 MFPs sales represented a 47% share of total market value for a total value of 9.06 million USD; A4 SMB devices represented the second biggest segment with a 36% share and a total value of 6.88 million USD. Two niche segments are production printers, which represent a 9% share with a total value of 1.69 million USD, and A4 retail products with an 8% share and a total value of 1.62 million USD. Retail products were defined as all laser printers valued at less than 200 USD. Interestingly, 85% of A3 sales revenue was generated by the top 5 brands in the A3 sub-segment, and 75% of A4 sales revenue was produced by the top 5 brands in A4 sub-segment.

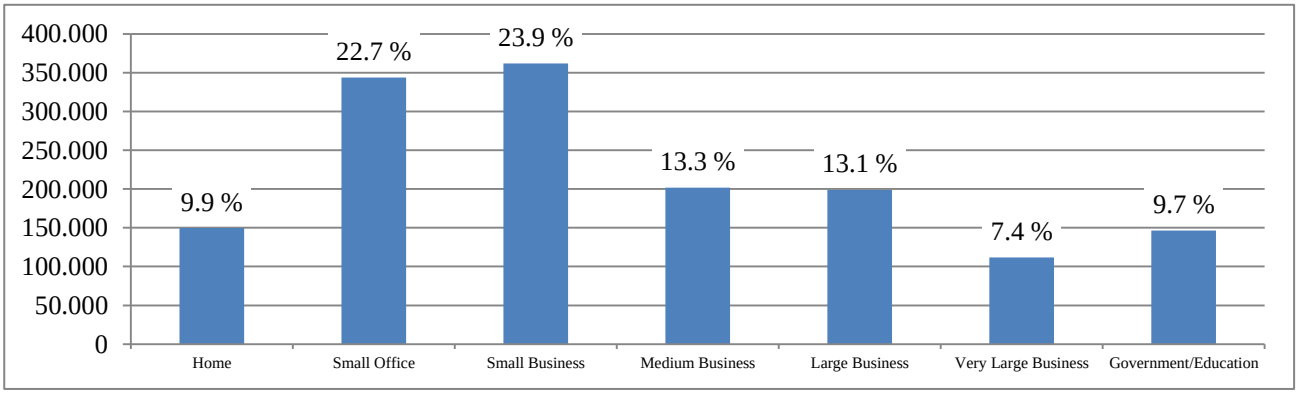
Figure 12. Market product segments by segment share in 2015 ($) in %



Source: IDC, *Hardcopy Peripherals market research 2015Q4*, 2016b

As there was no data available for sales by individual channels for Slovenia I have used only summarized available data from 2009 for East Europe, the Middle East and Africa. Figure 13 shows that a higher number of printers are bought by small business and small office users (representing 23.9% and 22.7% respectively).

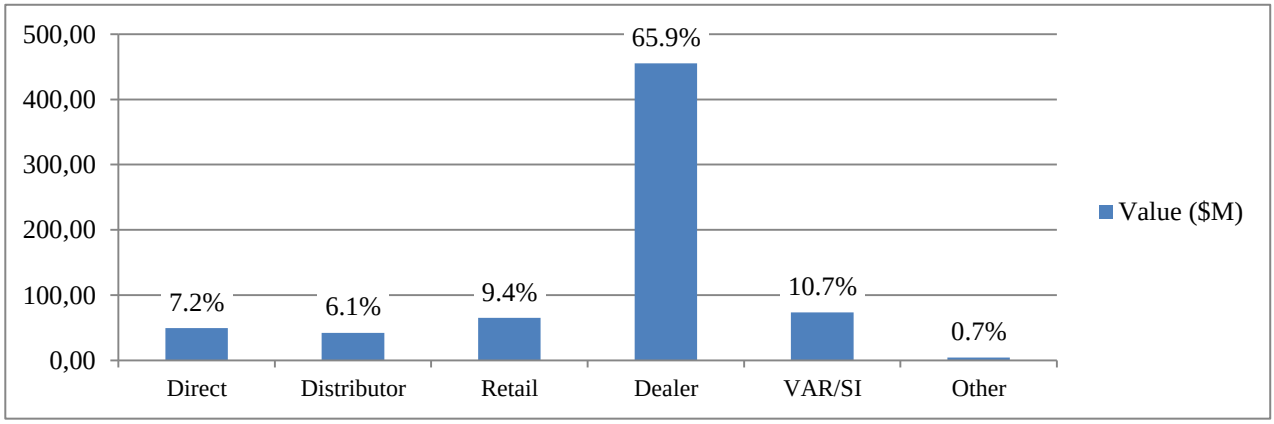
Figure 13. Units sold by end-user category Q4 2009



Source: IDC, *Hardcopy Peripherals MEA market research 2009Q4,* 2010

Figure 14 shows that only 7.2% of printers in the Middle East and Africa (hereinafter: MEA) region are bought directly from the manufacturer and more than 92.8% of printers are sold through some sort of first- or second-tier intermediary. The biggest group of intermediaries are IT dealers (product resellers). As this is pre-recession data based market observations I can add here that last year's sales through VARs increased as daily sales have decreased and customers are searching for added services with products; therefore, an active effort in managed print service sales is needed in order to sell products.

Figure 14. Value of printers sold by different types of channel partners in 2009 (in $ millions)

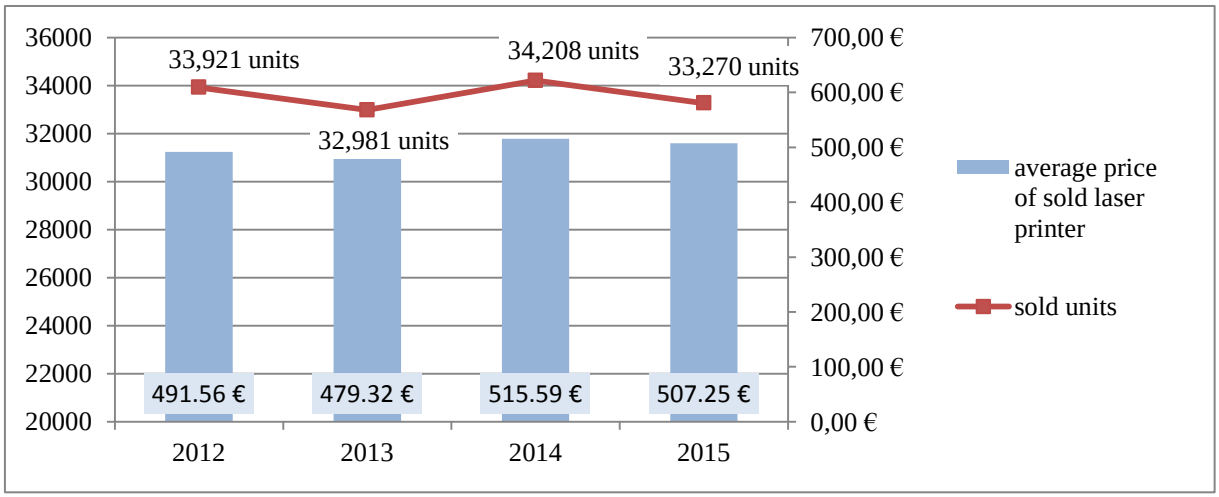


Source: IDC, *Hardcopy Peripherals MEA market research 2009Q4,* 2010

2.4.4 Average product price

Figure 15 shows that the average selling price of a printer fluctuates as sold quantities fluctuate. In 2015, the average price of a product sold in Slovenia was 507.25 EUR, which is 5.8% above the average price of two years ago. According to information from distributors, with lower quantities sold many manufacturers have started strategically increasing prices for products. Price levels for newly introduced products have risen to the starting levels of their predecessors. Distributors have noticed that after the recession product lifecycles have stretched.

Figure 15. Average price of laser printers sold 2012–2015 (in €)

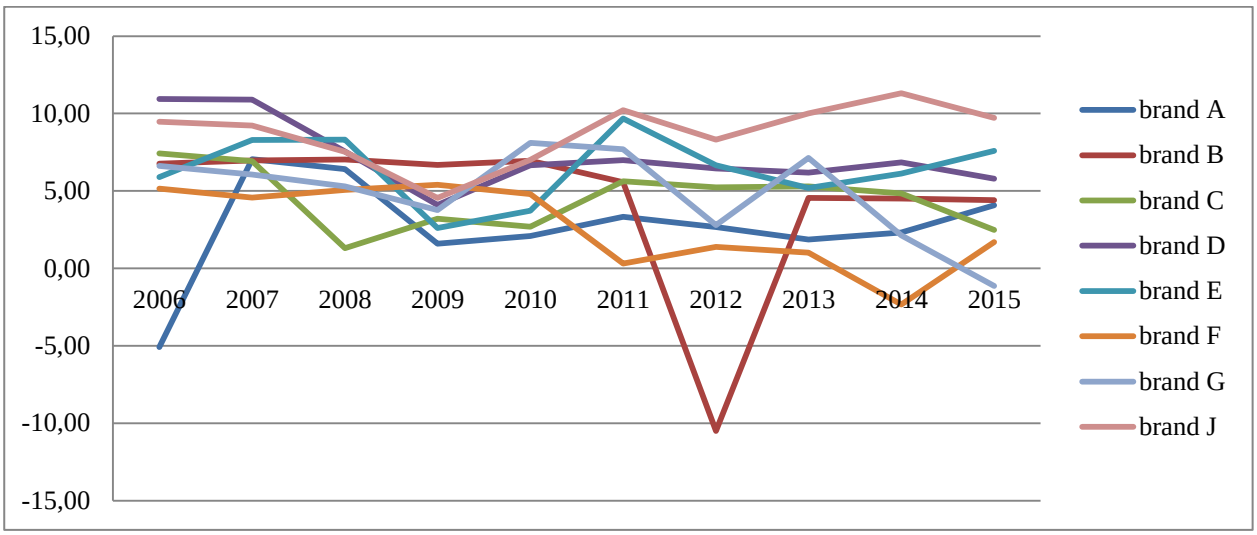


Source: IDC, *Hardcopy Peripherals market research 2015Q4*, 2016b

2.4.4 Printer vendor profitability

Whereas in 2006 all printer vendors globally operated with net margins of between 5 and 10%, only three brands in 2015 operated with a margin higher than 5% (Figure 16). Of the top printer vendors, four operated at between 0 and 5% net margins, and one even with a negative margin. This could be interpreted as different companies coping differently with intensified competition and maturity of the markets. Emerging substitute devices and document digitalization and changing end-user preferences have forced printer vendors to look for diversification alternatives to their current offer. Brand B is investing in other segments of IT products, Brand J in mobile products, Brand A in medical solutions, Brand D in photo equipment etc. With these diversification strategies some are more and some less successful, which is evident from the net margins of recent years. From these varying results it seems there is no one prescription for success.

Figure 16. Net margins of the top 10 global printer vendors from 2006–2015 (%)



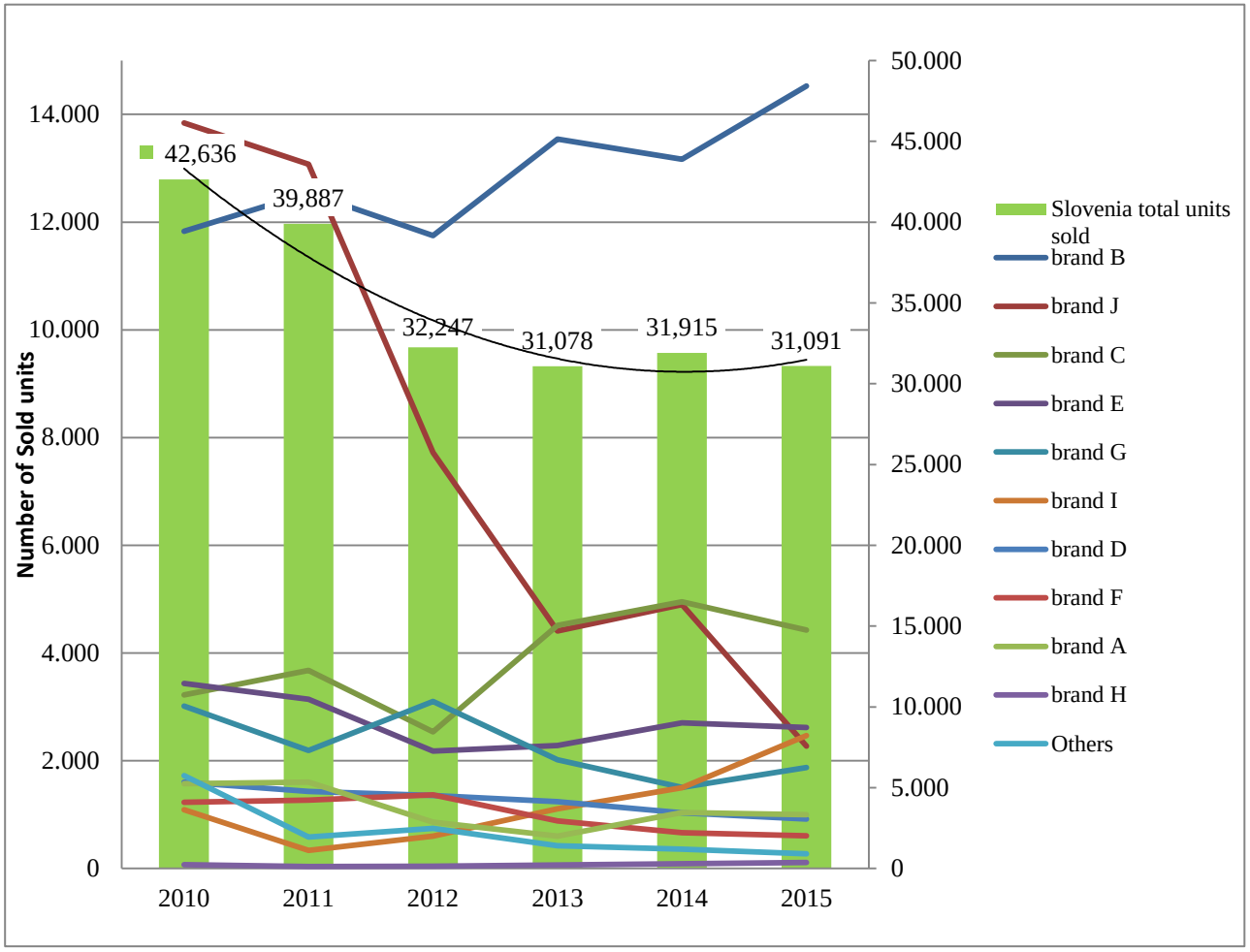
Source: *Key financial ratios 2006–2015: Canon*, *2016; Key financial ratios 2006–2015: HP*, 2016; *Key financial ratios 2006–2015: Konica Minolta*, 2016; *Key financial ratios 2006–2015: Kyocera*, 2016; *Key financial ratios 2006–2015: Lexmark*, 2016; *Key financial ratios 2006–2015: Ricoh*, 2016; *Key financial ratios 2006–2015: Samsung*, 2016; *Key financial ratios 2006–2015: Xerox*, 2016

2.4.5 A4 market trend in Slovenia

Figure 17 shows the number of A4 units sold over a period of six years between 2010 and 2015 and shows that after the record years of 2008 and 2009, when 42,636 units were sold on the Slovenian market, a decline began in 2011, followed by an even steeper decline in 2012.

Since 2012 the market has stabilized and is selling around 31,000 units per year, which is clearly evident from the trend line. Half the A4 laser devices sold fall into the retail product category, with a value of up to 200 USD and are normally purchased by home users. The rest is sold to B2B customers. Brand B traditionally dominates the A4 market in Slovenia. Although the market declined they were able to increase quantities sold from 12,000 in 2010 to more than 14,000 units in 2015. Brand J, however, was the market leader in 2010, but have reported a steep decline in units sold and fell to fifth place in 2015. As market leaders Brands C and I were able to grow their units sold and secured second and forth market position respectively.

Figure 17. Number of sold A4 printers and MFPs on the Slovenian market 2010-2015



Source: IDC, *Hardcopy Peripherals market research 2015Q4*, 2016b

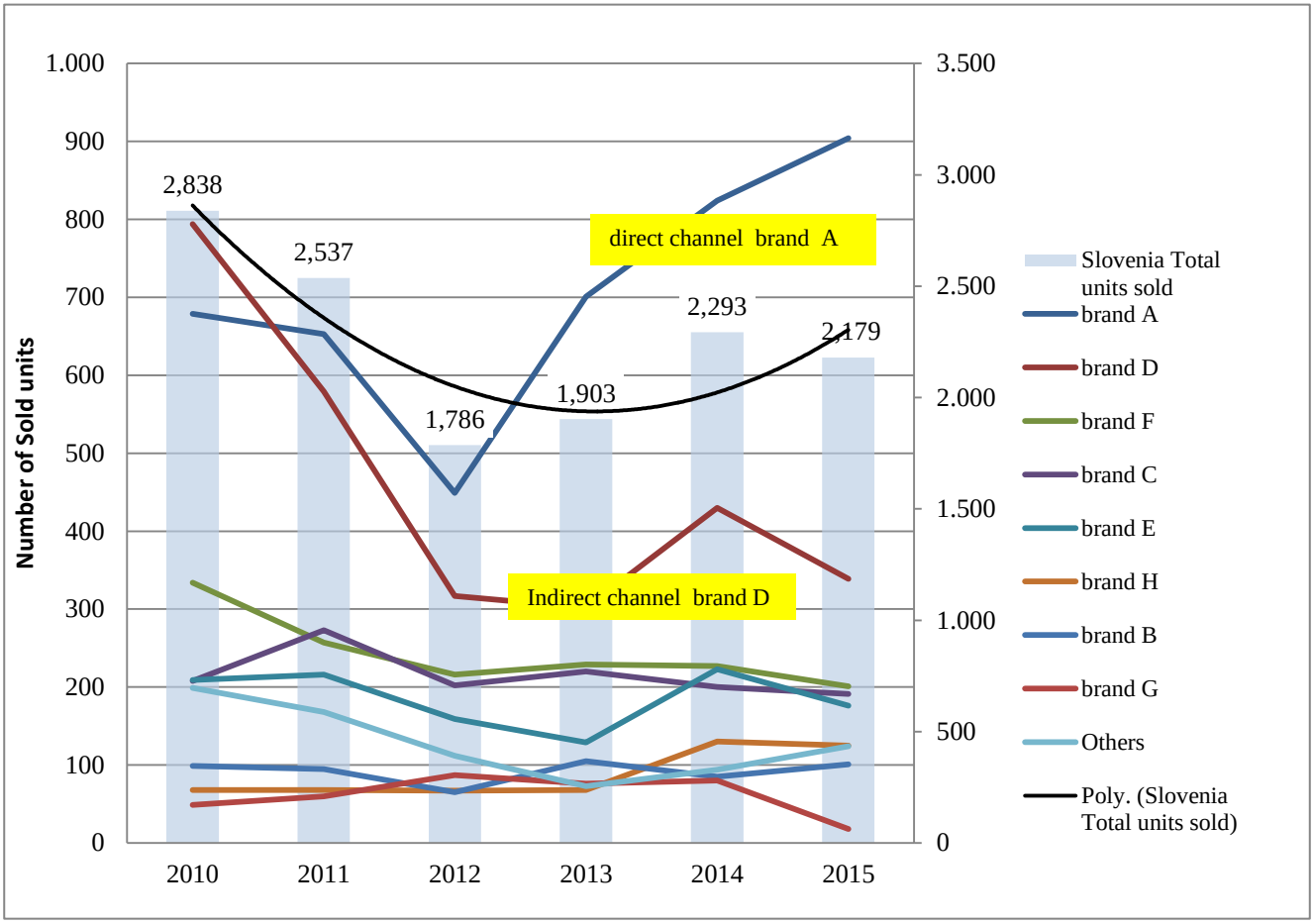
2.4.6 A3 market trend in Slovenia

Like the A4 market the A3 market, too, has declined since 2010. Figure 18 shows a U-shaped trend line, hitting bottom in 2012 with only 1,786 units sold compared to 2010, when more than 1,000 more units were sold on the Slovenian market. In the course of those two years almost all brands saw lower sales volumes. Much of this decline is attributable to shrinking government investment in IT infrastructure.

From 2012 on it is evident that brand A, which has a direct approach on the market with an aggressive pricing strategy, has used the situation best to its advantage and was able to increase their market share to 41.5% in 2015. On the other side, brand D, which used an indirect go-to-market approach, lost most of its market share, losing more than 50% of units sold over the past six years but still holding on to second position. We could argue that the direct approach in the A3 market, where adding value through the sales process is more important than in the A4 segment, was better able to adapt to the new market conditions and took advantage of the

inability of other brand's intermediaries to provide effective services bundled with A3 MFPs. A3 devices in the past three years in particular are sold as a bundle with managed print services, where channel competences and capabilities are key to good sales.

Figure 18. Number of sold A3 MFPs on the Slovenian market 2010–2015



Source: IDC, *Hardcopy Peripherals market research 2015Q4*, 2016b

2.5 Semi-structured interviews with major industry representatives

As part of the qualitative research for this Master's thesis I have conducted semi-structured in-depth interviews with the aim of gaining a deeper understanding of market conditions as perceived by different market players. An in-depth interview is an unstructured, direct, personal interview in which a single respondent is probed by an experienced interviewer to uncover underlying motivations, beliefs, attitudes and feelings on a certain topic. As a technique, in-depth interviews have certain advantages, as they can uncover greater depths of insight on the topic, enable the attribution of responses directly to the respondent, and frequently result in a free exchange of information that may not be gained by focus groups, as the absence of any social pressures is particularly well suited to researching commercially sensitive issues. Compared to focus groups they are easier to arrange, as one simply arranges a meeting with an individual.

Alongside these advantages in-depth interviews also pose certain challenges. The length of the interview, combined with the high cost of the session, means that the number of in-depth interviews in any given project tends to relatively small; also, the data obtained can be more difficult to analyze and interpret, and overall quality and completeness depends heavily on the interviewer's skills (Malhotra & Birks, 2003, pp. 178–200).

I have conducted **semi-structured** in-depth interviews where parts of the interview use consistent, heavily structured questions with set response categories, interspersed with open-ended questions that again suit the nature of the respondent. The final interview guide for semi-structured interviews appears in Appendix D.

Sampling procedure. I have gathered data through semi-structured in-depth interviews with managers responsible for channel development at the top 10 market players. These top market players were defined according to revenue generated in 2015. Based on IDC (2016b) data by value of equipment sold in Slovenia I have defined the top 10 players. My primary goal was to conduct interviews with as many of the top 10 brand representatives as possible. While some were reluctant to share their views I did, on the other hand, have the chance to conduct in-depth interviews with more than one representative for two particular brands. In the end, 7 out of 10 brand representatives agreed to in-depth interviews, representing some 84% of total market value. A total of eight individuals, one representing two brands and in two cases two individuals were interviewed per particular brand. In order to gain a deeper understanding of the role of a first-tier distributor on the market I have also conducted in-depth interviews with representatives of two distributors. My prime interest was to have in-depth interviews with people responsible for partner channel development, meaning new business managers, partner managers, direct sales managers or in some instances, even a CIO of a local brand representatives office.

The sampling process wound up once I had gathered 10 interviews in total representing more than 84% of the country's total market share; once there was major resistance to share what could be perceived as classified information to the competition. The final sample then consisted of eight brand representatives from a total of seven brands and two distribution representatives for a total of 10 in-depth interviews.

Sample characteristics. Table 3 shows the main sample characteristics. Our sample consists of eight manufacturer representatives, seven representatives employed in vendor-owned branches and one employed by a privately-owned first-tier VAD (value add distributor). Along with manufacturer representatives I have chosen to interview two representatives of major first-tier distributors who also have printers in their portfolio in order to gain a deeper understanding of their roles. In developing the sample, I have aimed to maximize diversity among the participants. The names of the participants and the brands they represent have been concealed in order to provide a certain degree of anonymity.

In order to ensure the quality of the information gathered it was critical to select only managers with long-term experience in the industry. They also needed to be decision-makers in channel development to provide a strategic view of the decision-making process. As a consequence I have conducted interviews only with senior-managers with an average of 22 years of experience in the IT industry.

As previously mentioned brands were chosen according to top-10 revenue figures for 2015, together with two distributors. One is the biggest in the county, while the second is a specialist and covers a niche position on the market. The different sizes of the chosen distributors provided different viewpoints stemming from their different market positions.

Table 3. In-depth interview sample characteristics

Participants background	**Brand**	**Position**
26 years in the industry, 2 years at current brand	Brand D	Business development manager
15 years in the industry, 14 years at current brand	Brand C	Customer services manager
19 years in the industry, 19 years at current distributor	Distributor S	Head of sales
33 years in the industry, 23 years at current distributor	Distributor B	Management
19 years in the industry, 11 years at current brand	Brand B	Channel manager
30 years in the industry, 12 years at current brand	Brand B	Partner business manager
30 years in the industry, 1,5 years at current brand	Brand I	Key account manager
15 years in the industry, 8 years at current brand	Brand I	Country managers
9 years in the industry, 9 years at current brand	Brand A and H	Key account manager
32 years in the industry, 1 year at current brand	Brand E	Executive manager

Interview guide. Structure of interviews was divided in 5 sections: demand-chain requirements, channel capabilities and costs, channel power, competitive actions and external forces.

Beside structure of questions I have defined two main tasks interviewees helped me to define. First task of in-depth interviews was to get confirmation on channel structure a particular brand has on Slovenian market. Interviewees described directness of their go to market strategy, number of levels, types and role particular intermediaries play in their channel structure. Second aim of qualitative research was to build average printers value chain on the market. By gathering fragmented information on margins, costs of particular players when building end-customer price. Used margins show averages and don't represent any strategic information which was not described by multiple interviewees.

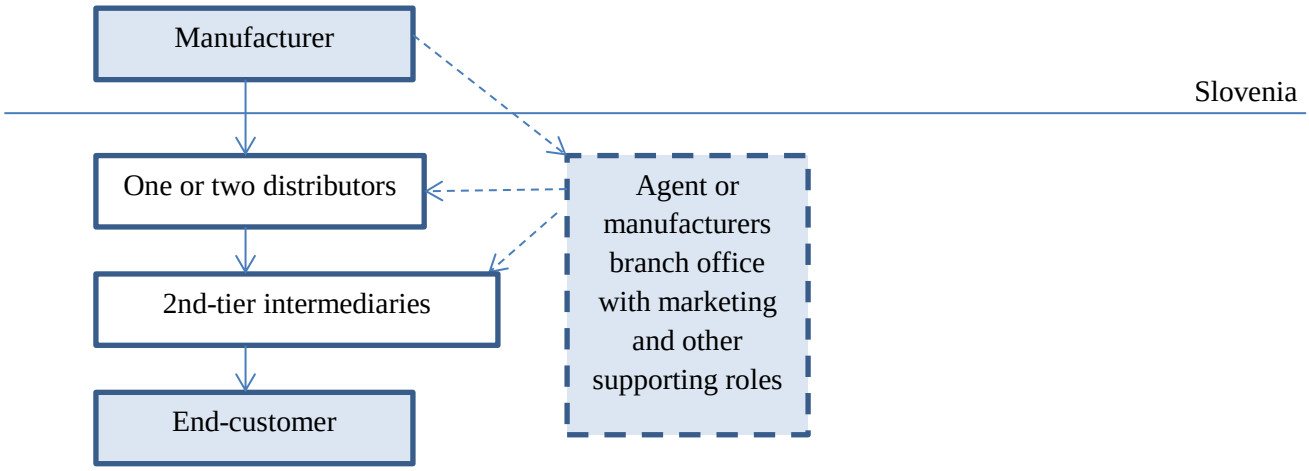
Analysis and interpretation. The interviews lasted an average of one-and-a-half to two hours. As some interviewees are direct competitors the interviews were not recorded; instead notes were taken and later transcribed. I use cross-case analysis to get a general overview of market situations by identifying commonalities and different perspectives on specific topics (Khan & VanWynsberghe, 2008). Based on the findings I draw types of channel structure per each vendor group and also draw average printer price structure.

2.5.1 Channel structure by vendor

Based on semi-structured interviews with seven market players and available public data (on their official webpages) (Lexmark Agent – Lexmark Slovenija, 2016; Where to buy – Canon, 2016; Samsung Slovenija – partnerji, 2016; Iskalnik HP-jevih partnerjev in trgovin – Slovenija, 2016; Vibor – PARTNER, 2016; Dealer locator - Xerox, 2016; O nas – Xenon Forte, 2016; O podjetju Brother, 2016; Kontakti – Develop, 2016; Informacije o podjetju - KonicaMinolta Slovenija, 2016; KonicaMinolta corp, 2012). I have categorized the top 10 market brands based on their channel structures.

The two-tier indirect structure is most widely used by the market players (Figure 19). The manufacturer typically has a local branch office or is contracting a privately-owned local agent performing work for manufacturers. Branches and agents never come into physical possession of the product. Products flow through first-tier distributors who later resell products to resellers.

Figure 19. Channel structure Type A: (branch offices) Brand B, C, D, J and (Agents) Brand G and I



In Figure 20, contrary to Type A, the roles of agent and distributor are merged into a single entity. Brands E and F take the role of value-added distributors. Besides servicing indirect channels they also close a certain proportion of sales themselves.

Figure 20. Channel structure Type B: Brand E and F

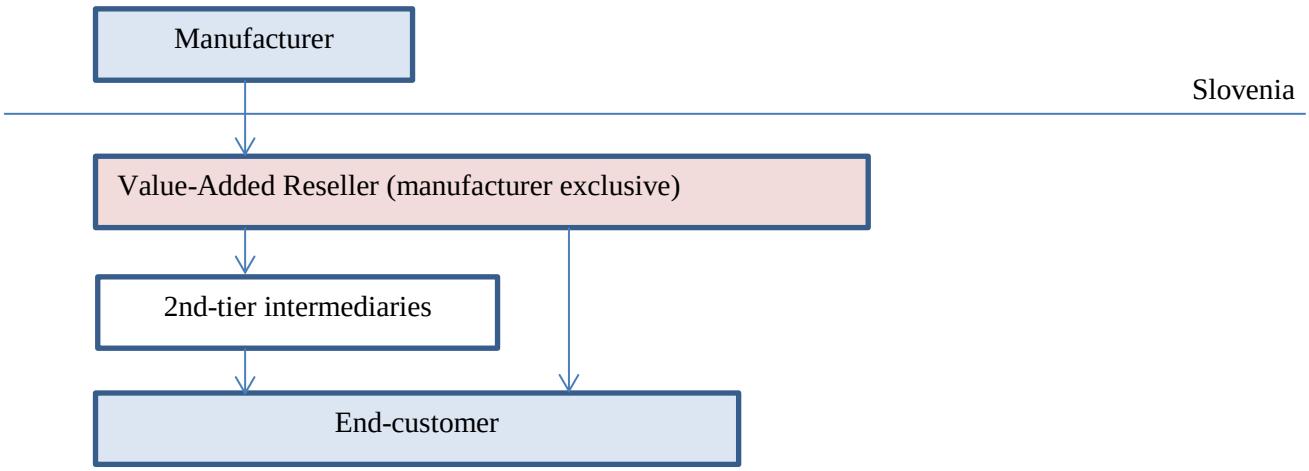
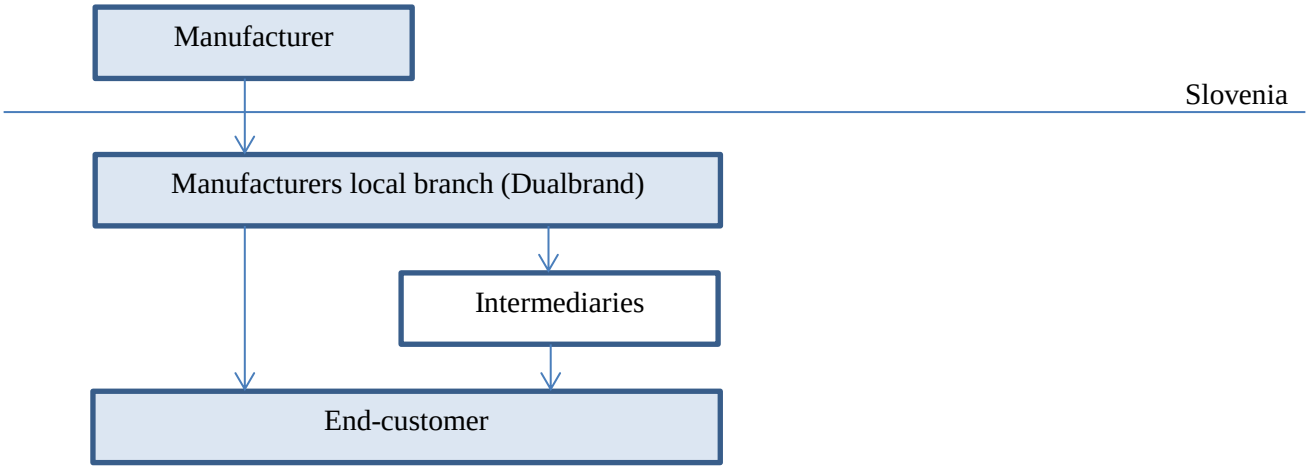


Figure 21 shows brand A's go-to-market structure with a 100% direct approach. Besides brand A, the same entity also performs work for brand H, whose strategy was defined as a parallel alternative for capturing indirect market opportunities.

Figure 21. Channel structure Type C: Brand A as direct and H as indirect channel



2.5.2 Price structure of the average printer sold on Slovenian market

Interviewees were asked to define the activities and associated costs of getting product from manufacturer to customer. Table 4 presents the **printer channel value chain,** which extends from manufacturer to end-user. Value is added at each step, but the costs associated with each value-adding activity are added together with the corresponding compensation for the relevant intermediary (Rangan, 2006, p. 41). Ultimately, the consumer price includes the margin on these intermediary activities. An average of 25% (or 130 EUR) of the printer price goes to sales, distribution and marketing costs. Based on IDC data the average value of a printer on the Slovenian market over 2012–2015 is around 500 EUR (IDC, 2016b).

Activities and added costs are divided among the local manufacturer, distributor and reseller. The manufacturer has local marketing expenses, local sales overhead and logistics costs related to getting products from centralized warehouses to the Slovenian market. As we have seen, average manufacturer profitability ranges from 3 to 10%, depending on the manufacturer (financials.morningstar.com, 2016). Before selling the product further to IT resellers the distributor has to cover local taxes as well as inventory costs for products sold for the period before they change ownership. Commonly, when a product is sold to a reseller the distributor provides credit for up to 60 days. Based on information from interviewees distributor overhead averages around 4%. In the end, distributor profitability ranges, depending on the product mix, between 1–3%. The data and information in Table 4 is taken from in-depth interviews with market players and from theoretical background from Dent (2011) explaining the profitability of different reseller business models.

Table 4 shows, with the help of interviewees, the margin structure for three different reseller business models, differentiated among themselves by the added services they provide to the end-customer. The first scenario –**the reseller business model** – shows the reseller alone reselling product. Average sales margins on product, depending on the product segment, range between 5 and 15%. In some instances, especially in the B2B segment, resellers also offer financing on equipment. The second and third scenarios show business models which, along with reselling equipment, also include some sort of post-sales. In the second **service business model** the reseller adds value by servicing and providing maintenance for printers sold in addition to selling equipment. Service margins on post sales (service parts and consumables) typically range between 20 and 30% and cover labor costs and transportation. Servicing can be charged per printed document. As an example, a printer producing 2,000 printed sheets per month and consumables costs of twice the value of the equipment in the contract period. The last and third scenario is the **solution business model,** where resellers offer tailor-made solutions bundled with a printer alongside maintenance of the equipment. Margins on solutions are as high as 80% and can also be charged in addition to the cost per printed document.

Table 4. Printers channel value chain on the Slovenian market

		Average margins (%)	Share of total product cost (%)	Additional product costs (€)	Product price at different stages (€)	Additional service charges	Charge for services in click or per month
	Manufacturing and manufacturing overhead (stating cost of product entering the Slovenian market)		74.36		370.66		
manufacturer local costs	Manufacturer marketing expenses	1.00–3.00	75.85	7.41	378.07		
	Manufacturer local sales overhead expenses	5.00–10.00	81.54	28.36	406.42		
	Manufacturer logistic costs	0.50–2.00	82.56	5.08	411.50		
	Manufacturers profitability (net margin)	3.00–10.00	83.59	5.14	416.65		
distributor costs	Local taxes	0.50	84.01	2.08	418.73		
	Inventory storage costs	1.00	84.85	4.19	422.92		
	Costs of crediting	1.00	85.70	4.23	427.15		
	Operating costs	4.00	89.13	17.09	444.23		
	Distributor profitability	1.00–3.00	90.91	8.88	453.12		
reseller margins	**Reseller model**						
	Sales margin (depending on product segment)	5.00–15.00	100.00	45.31	498.43		
	Financing costs (equipment rental)	7.00–20.00			568.21	69.78	15.78[2]
	Servicing model						
	includes post-sales servicing costs (no equipment included)				996.86[3]		
	Service margin (includes labor on execution of Service Level Agreement)	20.00–30.00			1,246.07	249.21	0.0173[4]
	Solution model						
	includes tailored SW solution and all costs of equipment, financing and servicing				(498.43 + 996.86 = 1,495.29)		
	Solution margin (includes labor, financing and tailored SW solution)	up to 80.00			2,691.52	1,196.23	0.0374[5]

[2] 15.78 € shows monthly rental of printer. This is calculated as printer cost multiplied by the interest financing rate divided by length of rental in this case 36 months, which is the average for A4 desktop devices.
[3] 996.86 € shows the total value of consumables. If a printer is utilized properly the costs of consumables and spare parts should be twice as high as the cost of bought equipment.
[4] 0.0173 € shows the option where equipment costs are divided by click volumes. In our example 2,000 clicks per month. A 20–30% servicing margin on consumables costs of 996.36 € is added, which covers labor, transport and maintenance costs.
[5] 0.0374 € represents the integrated solution for printed documents. An 80% solution margin is added at the end charged through printed documents on top of costs for equipment and consumables.

2.5.3 Key forces defining channel strategy in the Slovenian printer industry

In the following next pages I summarize the views of the top-10 market players on the conditions on the Slovenian printer market; and which is divided according to the four main forces plus environmental forces as the framework by Rangan & Bell (2006, pp. 22–33) suggests.

2.5.3.1 Demand-chain requirements (customer perspective)

Demand is the customer's need for a given product or service. Authors like Rangan and Bell (2006, p. 22) claim that customer perspective is very important for the success of a channel and the value-chain it creates – even though the most widely applied concept is that of the supply chain, which represents the physical distribution and logistical support required to fulfill the customer's needs (demand). Lately, the **demand-chain** concept is coming more to the fore emerging and encompasses the transactions required to fulfill the customer's needs, including and related product. When managers view the supply chain as a logistics network, they tend to focus only on efficiency when looking to improve performance. Manufacturers and dealers tend to forget the customer, especially when it comes to sales tactics and selling practices. **Lately, more focus is given to the role of value-creation**. **Dealers have become more focused on customer satisfaction,** as buying decisions are increasingly affected by the sales experience – both before and after the sale (Rangan & Bell, 2006, p. 22).

In the interviews I conducted among market players, certain demand-requirement questions arose, such as: What do customers buy, how do they buy, and why do they buy the products and services offered by the various players? How do the players segment their customer markets? What factors influence customer's wants and needs? How have they shifted? Are customers satisfied with the output-results of existing channels? What are the gaps in the channel value chain? (Rangan & Bell, 2006, pp. 32–33).

Customer segmentation. Most vendors divide their customers according to the following segments: retail, SMB , enterprise/government and graphic art professionals. Some divide their customers based on the channel that has been assigned responsibility for them. Vendors that have mixed direct and Indirect models divide accounts by size (by revenue or number of employees). For example, some have a top 50 or top 100 account list, which defines which accounts are serviced by direct and which by indirect channels.

Customer wants and needs. Interviewees recognize that the recession of 2008–2011 had an effect on customer requirements. They recognize that since 2008 most customers are no longer making undesignated purchases of IT equipment. Even government institutions have become more cost conscious, including for consumables in public tenders. As Brand B representative states: "Besides equipment, government tenders now frequently have consumables listed in single tender documentation. Recent months have seen a series of widely used web auctions, which puts further pressures on pricing [...]." Whereas in the past most business buyers were

buying IT equipment, the trend has shifted towards renting services. As Brand E executive managers states: “In the last two years customers have largely been renting equipment. In the private sector they require much more consulting, and because of that, since 2010, vendors have begun offering printer infrastructure optimization as a service [...].” Some recognize the industry’s mistake offering recognized discounts in the first service rounds directly to customers. Brand C representative states “30% cost discounts on MPS projects were granted to end-customers instead of using them to increase margins [...].” Business users in particular are not buying printers but prefer renting, and are usually looking for some sort of consultancy added into the presales part of the purchasing process, and are also trying to include certain elements of central control and maintenance of printing infrastructure in the post-sale period of the relationship.

Technological developments have a significant influence on customer needs. Internet and cloud services have redefined the industry offer of the past 10 years. Brand representative A states: “Since 2008, technology has enabled the offering of centralized, remote fleet management, and since 2014, with cloud enabled services, document management solutions have also become widely available. Multifunction devices (MFPs) have become the entrance point for document digitalization, and become part of the IT department’s responsibilities [...].” Technology has also changed end-customer habits in retailing. Ever more customers see the advantage and convenience of Internet-based purchases. Brand B representative states: “The Internet has given customers access to information [...].” Brand A representative adds: “Because of the Internet we have to be alert all the time. Everything is transparent [...].” Distributor S shares some observations on the market power some e-tailers have gained: “E-tailers have become the strongest resellers both locally and globally. We had to automate our processes as e-tailers were changing their prices some three times per day [...].”

Customer decisions based on the financial conditions of resellers. Distributor S offers: “As the biggest resellers through the recession were dealing with financial issues some customers started looking for alternatives to their major suppliers. Customers are trying to reduce dependence and are giving also smaller resellers a chance [...].” Alongside the financial arguments many customers have implemented higher transparency practices in the ordering processes, giving more resellers the chance to compete for customers and their money.

Loyalty. Distributors also point to different reseller purchasing habits. Distributor S states: “The main difference between 2008 and today is that there is far less loyalty among resellers. We as distributors have only “pre-emptive rights”, which means that loyal resellers gives us a chance to meet the lowest available price on the market. If we can meet it then the sale is ours [...].” Some vendor representatives are also experiencing dwindling loyalty. Brand B representative states: “Intermediary partners are not as loyal as they were in the past. They don't need accreditation or official certification. Most resellers have become multi-brand resellers [...].”

Customer satisfaction with a particular channel. There is a general feeling among interviewees that customers would not use certain channels if they didn't perform according to their needs. Distributor S states: "Although some believe that the Internet will destroy other channels this didn't prove true, especially in the B2B segment; even in retailing it forces other retailers focusing predominantly on physical shops to adopt multi-channel strategies, including the Internet, in their larger strategy [...]." Similarly, they don't believe there is any single brand that has a competitive advantage in all segments. There are only certain advantages to particular segments therefore every brand has their loyal user base.

2.5.3.2 Channel capabilities and costs

The role of intermediaries is to add value to a product or service after it leaves the point of origin, so that the ultimate user's needs and wants are satisfied. Such activities may provide the customer with information, inventory, convenience, assortment, service and so on. This range of activities defines the capabilities of go-to-market channels. This consists not only in the physical distribution and logistics part of the channel, but includes all the combined activities that a supplier and its intermediaries perform to generate and fulfill customer demand. Whenever such activities are undertaken, value is added. With each value-adding activity an associated cost occurs, and usually some corresponding form of compensation for the relevant intermediary. Ultimately, the consumer price includes the margin on these intermediation activities (Rangan & Bell, 2006, pp. 24–42).

Further interview questions related to channel capabilities and costs included: What are the industry's channel capabilities and costs? How have channel capabilities evolved over time? How have channel costs and margins evolved? (Rangan & Bell, 2006, pp. 32–33).

Channel manager tasks. All vendors have a dedicated channel manager in their structure. One of their main challenges is to increase channel capabilities. Channel managers are constantly on the lookout for potential new partners. They see that most IT resellers have become less loyal in last decade. Brand E representative states: "Most IT resellers have become multi-branded as they try to combine their offer of equipment with a solution using multiple brands [...]." On the one hand this provides vendors with opportunities to acquire potential new partners; on the other hand interviewees admit that an intermediary is successful only if it has a sufficiently individual brand. Brand E representative continues: "In order to succeed a certain dedication or focus is required. They simply cannot sell efficiently to many brands [...]." Channel managers are providing different training, organizing events, collaborating with partners and going on their customer visits with them in order to raise the competence levels of their channel partners. Despite these efforts, most vendors with indirect channel structures complain about a lack of channel competences. As Brand representative E also states: "Although we have more than 100 active resellers there are only 10 good ones. System integrators are not interested in printing, and value-added resellers don't have IT knowledge [...]."

Some interviewees point out structural issues with IT intermediary companies on the Slovenian IT market. Brand D representative states: “The majority of Slovenian IT resellers are family-owned companies and have roots that go back to the 1990s. There were not many successful transfers of management to the second generation. There isn’t much interest from young generations in the industry. Typically, Slovenian companies aren’t able to cooperate, which is why they don't grow beyond a certain level. Slovenian companies are “scared rabbits” who are afraid to grow, to invest in growth [...].” Brand B representative adds: “Most intermediaries tend to operate only within their comfort zones [...].”

Ability to respond to market needs. Most vendors believe that Indirect channels don't respond adequately to the requirements of future markets. Brand C representative states: “You have different partners. Some have a growth strategy, others try to survive year by year [...].” Most resellers restructured after the recession. Brand C representative continues: “Most of them have restructured (by laying people off, and discarding certain programs that were not profitable), but they didn’t invest in IT competences and solution development that they will need to survive in the coming years [...].”

Advantages and issues of indirect channels. Vendor representatives with indirect channels see the advantage of indirect models in better coverage, as partners are provide higher intensity efforts where the vendor has no economic interest. On the other side, there are some challenges, too, as Brand C representative states: “The challenge of managing an indirect channel is that you cannot control all the decisions of your intermediaries. Partners are first and foremost loyal to their economic interests [...].” Brand C representative also adds: “With the indirect model you transfer your knowledge to an indirect channel. At the same time you give away certain margins [...].” Brand D representative further elaborates on the challenges: With an indirect business model your success depends on your partner’s competences. If a single partner doesn’t bring the competences you as a channel manager needs at on certain project you need to create chain of intermediates that can provide all the competences needed to fully close the deal [...].”

Direct channel advantages. Most vendors with indirect channel structures observe the certain position gained in the last few years by brand A with its direct go-to-market strategy. Interviewees believe that the advantage of the direct model lies in access to information, more knowledgeable personnel, higher perceived competences on the part of customers, references with bigger accounts, and perhaps most importantly, better availability of funds that enables a quicker transition to a model sales solution. On the other hand, Brand A representative proposes: “Access to the customer is the most important factor for our success [...].”

Deflationary characteristics of the IT industry. Brand C representative states: “Product prices are constantly dropping. If a few years ago you could sell a professional printer for 10,000 EUR, we’re now selling the same category product for 4,000 EUR [...].” As selling equipment alone isn’t producing sufficient margins post-sales is becoming ever more important for a company’s overall profitability. Brand C representative continues: “Customers aren’t willing to pay for

servicing for the same amounts they did in the past. Every year we need to sell 20% more equipment to increase printing volumes by 10% to maintain the same levels of post-sales revenue. Vendors need to find new ways how of earning on documents, even if they're not printed. Servicing devices is not enough [...]." Brand D representative adds: "Intermediaries who don't have 20% of their sales related to services will sooner or later die. Solution margins go as high as 80% [...]." Brand E representative goes as far as saying "The cow is slowly dying". In the past, toners were black gold, and now they're coal. Without services you're dead [...]." Brand E representative continues: "Partners are not competent enough to sell the next generation of MPS services, which is why we had to go direct in the enterprise segment in order to compete [...]." It seems most intermediaries are not particularly willing to tackle future challenges.

2.5.3.3 Channel power

The third force is an acknowledgment of the distribution of the power among channel players. **Power is the ability of one party to influence the actions of another** (Rangan & Bell, 2006, pp. 96). Channel members draw their **power from various sources**. Power comes in two basic form. The first is power associated with having a unique product and technology, and the second form is having market access and intelligence. These two forces occur in conjunction with other sources like size, scale or legal power. The more powerful party usually influences channel policies in its favor and allocates a greater share of the channel's profits its way – which can handicap cooperation with other members (Rangan & Bell, 2006, pp. 24–33).

Interviews questions related to channel power included: How has power shifted among the channel constituents – vendors, manufacturers, distributors and retailers? Why? Who has the power? Who has gained power; and lost power? (Rangan & Bell, 2006, pp. 24–33).

Customer power. Generally speaking all interviewees agree that in the past 10 years most power has been gained by the end-customer, due largely to the transparency afforded them by the Internet. The Internet has given the end-customer access to pricing and made all resellers more active, as they are always having to compete with Internet providers. Some vendors (Brand E representative) would argue that the end-customer gains the most because partners foolishly give all discounts possible to the end-customer, and lack the ability to hold on to their target margins. Therefore Internet usage has become standard among distributors and resellers alike.

E-tailer power. Changing buying preferences has shifted most of the power among resellers towards the e-tailers. Distributor S representative states: "E-tailers, especially global ones (Ebay, Amazon) have gained the most power. They offer plenty of customer convenience, and have become "one-click shops". Customers don't go looking for a slightly better price, like some 5%, somewhere else. They choose to shop from dominant global or local e-tailers who have invested a lot in their e-fulfillment capabilities and marketing power. There has been a real consolidation. There are no many new entrants. The biggest are too big [...]." For many brands in Slovenia, the biggest e-tailer is also the biggest reseller in the retail segment.

The power of the direct channel. Owing to channel competence issues the direct channel is the one to have gained the most power on the market in the past few years. Brand E representative states: "With its direct access to market and direct business model, Brand A is able to act more aggressively on the market. All the rest who have indirect models have to make sure that their intermediaries operate at a profit. With its aggressive pricing, Brand A is buying up market share [...]." Even brand E, a former 100% indirect channel model practitioner, had to shift 25% of their sales back on themselves as the only way to compete against brand A in the enterprise segment.

Distributor power. Distributors' position on the market has also weakened. Distributor S representative states: "10 years ago, distributors were setting the rules on the market. Today they have become logistics and financial services providers. Product margins are shrinking, there's less time available for sales activities [...]." On the other side, some have gained power over manufacturers in the last year by restructuring in the face of three trends. Distributors are rationalizing their vendor portfolios. As a result, distributor B representative states: "In printing, the decisive factor in keeping or dumping a vendor is their ability to generate post-sales in supplies. The ratio between equipment and supplies is 1:5 in favor of supplies. We have dropped two brands in the past year because of their inability to grow post-sales [...]." Similarly, distributors observe that certain vendors during the recession were looking to increase their number of distributors; but last year a trend involving single distribution emerged, and some brands even returned. This gives distributors the power to decide who to keep and who to discard. Since the recession it has become clear that revenue is not a priority. Distributor B representative states: "One traditional standard in IT was 1 million revenue per head. Now generating revenue is less important than creating gross profit. The main objective is to combine different segments, where some newly-added driver is the increasing of average gross margins. So portfolio mix is very important. Nobody is in the business solely to create revenue [...]." As a result, manufacturers have fewer options from which to choose among hungry distributors.

Reseller power. The position of most resellers is deteriorating. Distributors recognize that the number of printer resellers is falling due to the fact that if you want to be actively involved in post-sales you need to specialize in services. Most resellers are not able to do that, so they are excluded from post-sales opportunities by specializing as supplier resellers and solution providers. As a result, most have lost interest in selling printers, which has caused a certain level of consolidation among partners. Distributor B representative states: "At the beginning of recession in 2007/8 there were 650–700 active IT resellers. Now there are only around 450 resellers actively selling printers and supplies. Similarly, 75–80% of all sales are made by a group of the top 20–25 resellers. Many resellers have transformed, some even transferred their activities to other segments of IT (audio, mobile) [...]."

Manufacturer restructuring. Some interviewees mention the effect of the constant restructuring of manufacturer representatives on their power. Brand representative I states: "Manufacturers, because of constant restructuring, have ever bigger issues with building a value proposition to their resellers. And sales personnel at resellers are ever more lacking in sales

knowledge. Only by understanding the business models of particular resellers and understanding how they operate can they produce an efficient value proposition [...].” To the question – has their company changed their go-to-market strategy in past years? brand representative B answers: “Constantly [...]”, with others, like Brand D representative adding: “Slovenia is becoming a black hole for corporations. First brand B exits the market, now others are following [...].”

Rangan and Bell (2006, pp. 5) proposes a redefinition of the **channel power concept.** Even though use of power is a useful weapon, absolute reliance on channel power as a means of editing the channel value chain misses the point of building an efficient channel value chain. Something other than power must become the primary driver of change. That something is **channel value chain performance**. If the value chain’s overall performance is the foundation of all channel relations, then even a small company with limited channel power can influence the channel to move forward in alignment with the value chain (Rangan & Bell, 2006, pp. 5). In my personal opinion, gained over the past ten years, is that you can not force an intermediary to do anything if it is not in their interest to do so, and activities on the market are relevant only if the customer perceives them as something of enhanced value for them.

2.5.3.4 Competitive actions

Everything is relative to what the competition (manufacturing and distribution) is doing and can do in the future. In response, other suppliers must match or exceed the first supplier's channel offering to have a chance of gaining share (Rangan & Bell, 2006, pp. 24–33).

Questions related to competitive actions are: What is the nature of industry competition? How has it evolved? Who is the dominant player? The most profitable? The most innovative? What are their channel strategies? What is the nature of competition at the channel level? How has it evolved? Which is the dominant channel? The most profitable? The most innovative? (Rangan & Bell, 2006, pp. 32–33).

The printer market in Slovenia is very competitive and very fragmented. Most of the players have been on the market for more than 15 years, but very few have more than 10 employees. Current pricing levels have forced many vendors, even resellers, to redefine their strategies. Most interviewees point out the fact that competitors are aggressively lowering prices. Brand E states: “Brand A, with direct access to the market and a direct business model, is able to act more aggressively on the market. All the rest, with indirect models, have to make sure that their intermediaries operate at a profit. Brand A, with its aggressive pricing, is buying market share [...].” Brand C representative adds: “Where one reseller collapses, a few emerge that don’t use original consumables and spare parts in combination with used equipment, and compete even more fiercely with lower prices than before [...].”

Business model differentiation. Printing is a mature market, where there is little difference between the products themselves. As a result, some interviewees acknowledge that the only differentiator lies in the ability to create different approaches to the customer. Most of them recognize the Slovenian startup OptiPrint as a viable competitor in the SMB segment. Optiprint is redefining and transforming the traditional (sales and services) reseller business model into a solution business model, albeit using existing technologies and non-original ink (Optriprint, 2016). Brand D representative adds: "The only differences lie in the go-to market and in business models. OptiPrint is a very good business model. As a solution provider OptiPrint, with its fixed monthly all-inclusive pricing, offers an efficient answer to the end-customer's desire for limitless, therefore safe offers [...]."

Threat of new entrants. Another aspect of competition is the potential threat of global distributors and resellers entering the Slovenian market. This would compromise the competitiveness of local distributors. Most distributor organizations interviewees made reference to the efforts of certain vendors to limit cross-border and grey import activities.

Conflict management. When asked about managing conflicts, brand E representative states: "We have project lists. Whoever is first to register an opportunity is protected. Distributor S representative offers that conflict among resellers on the market is resolved with segmentation. We dictate who receives certain pricing levels. This way we prevent conflicts from developing on the market [...]." Distributors also stress the importance of price controls in order to secure margins for active resellers.

Dominant players. As dominant players they all agree that no brand is evenly competitive across all four segments. Therefore, Brand A is recognized as the strongest player in the A3 segment, Brand C in the production printer segment, Brand B in the retailing and SMB A4 segment, and Brand G the most aggressive in government tenders.

2.5.3.5 Environmental (external) forces

The four core forces described in previous pages are prone to and react to environmental (external) forces. External forces are: regulatory changes, technological advances, changes in the culture surrounding the customer's buying' behavior, trade norms and practices, and industry consolidation and fragmentation (Rangan & Bell, 2006, pp. 31).

Questions related to external forces include: What are the broader economic trends at work, and how have they affected the core forces? Have we seen shifts in customer demographics? Have regulatory changes affected the demand chain or channel capabilities? Have there been changes in the formal or informal rules governing the trade practices of channel intermediaries? How has technology affected go-to-market strategies? And how has it impacted the players, including customers? (Rangan & Bell, 2006, pp. 32–33).

As described in the previous sections, the recession of 2008–2011 greatly affected the positioning of players, by impacting their financial health and owing to the changed customer demands that came with it. The number of resellers has decreased. And because of their size the market is very fragmented and has a tangible influence on indirect channel competences. Sales levels will not likely ever return to pre-2008 levels. All the players on the market will need to adapt to these new conditions. The Internet has become an important channel, and most resellers have had to implement some sort of multi-channel strategy. No particular channel has been excluded, and all have had to adapt and are working to retain their base of loyal customers. In the B2B segment customers are demanding more sophisticated consultancy and are now buying services – not the equipment of pre-recession times. IT expertise and financing is becoming ever more important. Brand C representative states: "This is a mature market, there is less development in the technology of the main products, development is largely on the software side and solutions. In recent year we have seen growing attention on IT security systems [...]." Brand E representative adds: "Technology has enabled connecting devices remotely, and the development of cloud-based solutions and similar. All this brings costs down and makes resellers able to develop IT expertise more efficient [...]."

Interviewees also point to EU legislation as another aspect of external forces. On open borders and the potential threat of foreign players entering the Slovenian market with aggressive pricing, Brand I representative offers: "Legislation on archiving has affected sales as products need to be certified to be compliant with legislation [...]." Brand B representative states: "There are also governmental green purchases, which affects sales, as products need to be compliant with increasingly severe environmental legal requirements [...]." Some brands are successfully taking advantage of this.

2.6 Mapping findings

The purpose of industry mapping is to define opportunities and threats in light of the developments and dynamics at play in the printer industry in Slovenia today. What follows are conclusions drawn from better understanding the market, positions, players, and the four core forces that together shape the business environment within which the top vendors and their intermediaries plot and execute their go-to-market strategies (Rangan & Bell, 2006, p. 50).

The most important findings for the printer industry in Slovenia are:

- The end-customer has gained most of the power by virtue of the transparency the Internet has gave them,
- The Internet has also become, as end-customers well recognize, the most important channel in retailing,
- Government and enterprise customers are far more cost-conscious then prior to the recession,
- Business customers are renting equipment and expect a certain level of consultancy,

- There is low product differentiation among brands, most opportunities for developing competitive advantage lie in building unique business models,
- Distributors are optimizing their printer brand portfolios. Profit generated through post-sales has become more important than merely generating revenue,
- Most indirect channel managers see intermediaries' inability to adapt to future industry requirements. They believe channel competences pose a hurdle to successful sales, especially in the corporate and government segments,
- The market is mature and was, through three years of severe recession, showing all the signs of a declining market,
- As margins shrink, a certain level of intermediary consolidation is developing. This creates greater vendor dependency on a few competent intermediaries,
- As in the past, post-sales servicing was a necessary requirement for a profitable existence; similarly, intermediaries will need to transfer up to 20% of their revenue to solutions if they want to survive in the future.

In Chapter III, I use my findings from the mapping process to identify the strengths, weaknesses and gaps in particular company channels to address the needs of business customers in three different (by size) segments.

3 ALIGNING CUSTOMER PREFERENCES WITH CHANNEL COMPETENCES

3.1 Creating customer value

In order for companies to be able to create a channel that is able to meet customer preferences and expectations it is very important to have a certain market orientation built into their strategy, and be able to use information to create value for their customers. When customers perceive certain value they are more satisfied and more loyal. If companies want to build a customer-centered value chain it is very important to adopt a demand chain view of the channel as a servant to customers' needs. In the next chapter I align customer preferences with channel competences (Simpson, Siguaw, & Baker, 2001, pp.119–134; Berghman, Matthyssens, & Vandenbempt, 2006, pp. 961–973; Wallace, Giese, & Johnson, 2004, pp. 249–263; Juettner et al., 2004, pp. 377–392; Rangan & Bell, 2006, pp. 60–68).

3.1.1 Market orientation

Market orientation creates greater value for resellers and customers. Value is derived from the perspective of the customer. Simpson et al. (2001, pp.119–134) build a model for value creation, and research the correlation between market orientation (i.e. the vendors ability to use market information) and the creation of greater reseller and consequently, customer value. They claim that market orientation may be an important precursor to value creation. Supplier market-

orientation behavior drives value creation for resellers, and suppliers who generate value for their resellers are rewarded with greater loyalty, better sales etc. (Simpson et al., 2001, pp.119–134).

Berghman et al. (2006, pp. 961–973) go a step further and define the different stages of market orientation – from market orientation through responsive or market-driven orientation to proactive or market-driving orientation. They suggest that it is vital for companies to transform from market-driven to market-driving organizations, which requires that companies be able to build their ability to create new customer value.

Other competences, along with market orientation, also influence value creation. Moeller and Toerroenen (2003, pp. 109–118) research the value creation potential of a strategic supplier. The perceived value and roles of the customer and supplier in value creation is also researched by Moeller (2006, pp. 913–924). He defines the kind of competences required by companies to build value for their business customers. Further, Golfetto and Gibbert (2006, pp. 904–912) analyze how marketing competences, such as customer relationship management and channel design, influence the financial returns of companies. Also, Schoenbachler and Gordon (2002, pp. 42–53) emphasize that a customer-centric approach needs to be taken when designing a channel, as their success and effectiveness depends on customer needs being properly considered. When designed with customers in mind, the channel is more likely to be profitable. A customer-centric approach is also important when building alternative channel options, as it forces managers to build synergetic rather than competing alternatives.

Value for customers creates customer satisfaction and loyalty. Wallace et al. (2004, pp. 249–263) explore the question whether customer loyalty increases when a multi-channel strategy is adopted. They conclude that an increase in the portfolio of service outputs serves to improve customer satisfaction and with it, greater loyalty as well.

With the 5C model Hammerschmidt, Falk and Weijters (2016, pp. 88–101) research how five elements (choice, charge, convenience, confidence and care) influence customer satisfaction. For companies it is very important to understand which element(s) lead to greater customer satisfaction and to what specific extent. With this information companies can optimize their investments in different channels. Gasler, Dekimpe and Skiera (2006, pp. 17–23) define loyalty to a particular channel as one of the key elements of good channel performance; the other is the channel's ability to attract switching customers.

3.1.2 Supply chain management vs. demand chain management

Supply chain management (SMC) can be defined as " the management of upstream and downstream relationships with supplier and customer in order to create enhanced value in the final market place at less cost to the supply chain as a whole" (Christopher 1998 in Juettner et al., 2004, p. 377). The most recent approach to demand chain management (DCM) works to

capture the proposed synergies between SCM and marketing by starting with specific customer needs and designing the chain to satisfy these needs – instead of starting with the manufacturer and working forwards (Heikkilae in Juettner et al., 2004, pp. 377–392). Authors discuss a few of the advantages of integrating marketing and SCM. They also demonstrate how DCM leverages the strengths of marketing and SCM to meet the challenges of creating customer value.

Whereas supply chain management focuses on efficient supply, and tends to be cost-oriented, marketing concerns itself more with revenue by focusing on the demand side of a company. It is evident that together they determine the company's profitability, so the need to merge both aspects was created.

DCM is a relatively new concept and has been defined in a number of different ways. Juettner et al. (2004, pp. 377–392) describes demand chain management as a concept that aims to integrate demand- and supply-orientated processes. Demand processes are all processes at the customer or market interface, aimed at responding to customer demand through value creation.

3.1.3 Channel value chain

A channel is not just a route by which to reach customers. As an entity it also creates value. Rangan and Bell (2006, p. 55) proposes the concept of the **channel value chain** as the outcome of shaping a distribution channel's capabilities to address the needs of the demand chain. With each activity that channel members perform on a product's route to the final destination (customer), value is added and consequently costs, too, are added.

Editing the value chain is a dynamic process, because the external factors influencing what customers want (demand chain), and competitors' capabilities (channel value chain) are constantly evolving. The channel manager has to honor the following principles proposed by Rangan and Bell (2006, pp. 60–68) in order to build a responsive and adaptive channel value chain: he has to understand channel intermediaries, their value-adding capabilities and the power they wield in influencing channel behavior. Integrating these three principles gives the channel manager the ability to transform the channel (Rangan & Bell, 2006, pp. 60–68).

Value Creation starts with the customer. Many companies make the mistake of treating their intermediaries as customers. Intermediaries are partners and co-produce the value function targeting the customers. Applying a customer orientation rarely extends to the channels that carry the product to the customer, perhaps because channel decisions are perceived as tactical. The lack of customer orientation, combined with a certain lethargy in calibrating a competitive offering, has caused many a channel system to fail. As it is the purpose of marketing to create value it is important to start the process of building a value chain with the customers. It is not enough to have a superior value proposition when the product leaves the manufacturer. It is far more important to have a superior value proposition when the customer receives the product bundled with all related services. The channel manager has to be able to sense and respond to the

distinct demand-chain needs of all of its fine-grained segments (Rangan & Bell, 2006, pp. 60–68).

Benchmarking the offering against key competitors. Companies need to recognize that channels can create or diminish value in and by themselves. Companies should look for opportunities to differentiate themselves against competitors by offering superior products and services through their channel. Competitive benchmarking does not always mean that you outsmart the competition; sometimes a company needs to honestly calibrate their capabilities and costs and adapt their channel strategy accordingly (Rangan & Bell, 2006, pp. 60–68).

Channel capabilities and the demand chain influence each other. Channel design is a dynamic process, therefore channel capabilities and customer requirements (the demand chain) should exert a mutual influence on each other to foster channel evolution. Channel capabilities should typically be constructed in response to the demand chain. But that is not always the case. Often, those that own the channel capabilities are in a position to articulate and fulfill latent demand and even create new value packets for customers. An example from IT history shows us that Dell changed its supply-chain capabilities to meet demand-chain requirements, and with these new capabilities it was further able to customize its products. Dell used its ability to adapt Internet technology to create value for its customers, which demonstrates how an innovation in the channel value chain can create demand-chain value (Rangan & Bell, 2006, pp. 60–68).

Whereas the mapping employed in the previous chapter identified certain opportunities and threats in the light of the dynamics of the printer industry, the building and editing of a channel value chain brings the mapping analyses closer to **identifying the strengths, weaknesses and gaps in a company's channels** (Rangan & Bell, 2006, p. 74). Such is the goal of the quantitative research presented in this chapter.

3.2 Particular vendors' second-tier Channel value chain analysis

I perform my quantitative research using a particular brand’s channel. In the past years, this chosen vendor has transferred its strategy from partially direct go-to market strategy to fully 100% indirect model on the Slovenian market. While in the past a portion of value-adding functions were performed by the vendor itself, now a days all tasks on the market fall down to intermediary channel partners. Therefore, the vendor’s strategy has to rely on capacity and capability of its value added resellers (VAR) partners.

For the purpose of my Master’s thesis, I have focused on channel intermediaries providing managed print services in Office environment. The channel consists of 9 intermediary VAR companies. All of them have multiple decades of experiences on the market. As industry mapping shows they face decreasing margins on equipment, and lately even on servicing, slowing daily sales of A3 MFPs, and inability to close the gap with winning projects in enterprise segment. Although the vendor’s strategy for many years has been a steady expansion

of its VAR channel to improve market coverage, for the channel value chain analysis in the Master's thesis I have excluded the element of market coverage and I take the channel structure as given.

3.2.1 Methodology overview

My Master's thesis adopts the six step framework of Building and Editing the Channel Value Chain by Rangan (2010, pp.73–88). In particular, it concentrates on the following first three steps:

1. prospective of the end-customer,
2. prioritization and segmentation by demand-chain needs,
3. measurement of channel's capabilities to serve those needs.

I begin by considering end users' demand-chain requirements and their perception of the existing channel value chain. Therefore, I conduct an Internet **survey directed to Slovenian companies** in order to define and prioritize demand chain requirements of companies when choosing print provider. Questions are based on parameters which customers used in past tenders for choosing their print providers. Companies are further segmented in three groups based on their size (i.e. small, medium-size and large companies) getting as close as possible segmentation by demand-chain characteristics.

After obtaining customer preferences I analyze **channel competences** of the particular vendor's second-tier channel to serve customer requirements. Detailed questionnaire is distributed to second-tier channel partners and it asks about their capabilities to meet customer needs in defined customer size segments.

In order to assess channel competences in meeting customer preferences I used two separate questionnaires. The **first questionnaire** has two main goals. First, it obtains information about customer preferences when choosing managed print service provider. Second, it defines preferred service levels they require. Customers are segmented in 3 groups depending of their size. In particular, small companies have between 10 and 49 employees, medium-size companies have between 50 and 249 employees, and large companies have 250 or more employees. The **second questionnaire** targets members of the particular vendor's channel and aims to assess their capabilities to meet customer preferences in the 3 customer segments. Specifically, channel members are asked which levels of managed print services are they able to execute for a particular customer segment.

These steps later serve to identify any **gaps** between what the customers think they need and what the channel is able to provide. For any identified gaps I intend to propose future actions.

3.2.2 Questionnaire development

Customer questionnaire is divided into two parts. In the first part I ask customers to define their priorities when choosing print service provider and in the second part I ask them to define desired service level requirements for managed print services.

I have defined service elements based on in-depth interviews, by modifying Microsoft research of customer parameters for choosing managed service mentioned by Utzinger (2011, p. 69), by modifying possible service output priorities for customer channel segmentation (Coughlan et al., 2006, p. 58) and by analyzing documentation from tender request for managed print services issued by Slovenian business customers in 2014 and 2015. Based on gathered information about added value that intermediaries are executing in value chain I have defined **13 demand elements**. These are: (1) Provider's size of portfolio offering, (2) Product costs, (3) Total cost of ownership (TCO), (4) Contract flexibility, (5) Equipment servicing availability and number of serviced locations, (6) Equipment servicing response time, (7) Integration of HW/SW solution with current customer's IT environment, (8) Requirements for centralized fleet management, (9) Required technical support, (10) Transition support to new management of services, (11) Required references and experiences of provider, (12) Required provider's credit check, and (13) Ongoing relationship with provider.

In the first segment of the questionnaire customers are asked to **evaluate and prioritize importance of these 13 individual demand-chain requirements** when choosing managed print service provider. The answers use Likert scale from 1 to 5, where 1 represents an unimportant requirement and 5 a very important requirement. I analyze the requirements using averages, standard deviations and medians. For each customer segment I select 6 most important requirements based on these statistics. Furthermore, I use one-way ANOVA to test whether the averages between the three segments are statistically significant and Tukey's HSD test to determine statistical significance of differences in averages between each pair of segments (i.e. large and medium-size companies, large and small companies, medium-size and small companies).

In the second part of the questionnaire customers are asked to **define desired demand-chain requirements** when choosing managed print service provider. They are asked to choose one of 5 service parameters, where 1 means the least complex service and 5 the most complex service. In the Appendix E I have listed all 5 service levels for each of 12 demand-chain requirements.[6] For each customer segment I present the desired levels of service with medians. Moreover, I use Kruskal-Wallis H statistic to test whether the medians between the three segments are

[6] Although I start with defining 13 demand elements, I decided to join two of them (i.e. "2" and "3") into one (i.e. "2") for the purpose of analyzing desired demand chain requirements.

statistically significant. If the Kruskal-Wallis H shows a significant difference between the groups, I compare pairwise differences of average ranks using a chi-square distribution.[7]

At the end the customers are expected to answer 3 **questions which are important for segmentations and further definition of sample characteristics**. They are asked to provide the number of employees in their company, which helps to group responses in the customer segments. They are also asked to define what proportion of their IT purchases they do through different types of channel intermediaries and name the department of the company in which the respondent is working.

Customer questionnaire was tested on a group of 5 respondents prior to sending it out. Their comments helped to improve the questions and make them clearer in order to optimize time needed to finalize the questionnaire by each responded. I am aware that potential respondents are very busy in their daily routine and fluidity of questionnaire is very important for achieve a targeted response rate. Final customer questionnaire can be found in Appendix E.

My second questionnaire is assessing channel members capability to meet customer demands when choosing managed print service provider. Using the same 12 service elements, channel members are asked to define service levels they are able to meet for a particular customer segment. They have to define separate service levels for segments of small, medium-size and large companies. A particular service has to be executed at least at 3 end-customers in order for an intermediary to claim its ability to meet a certain level. Final channel member questionnaire is in Appendix F.

3.2.3 Data collection

3.2.3.1 Sampling procedure

My data is based on a purpose-made database of Slovenian companies. This database is focusing on companies that are most suitable for managed print services and therefore targets the following companies:

- top 500 Slovenian companies by size (revenue, number of employees) and
- companies with above 20 employees in document intensive industries.

[7] One-way ANOVA is a parametric test for comparing means (when variances are unknown) of more than two (in my case three) samples. On the other hand, Kruskal-Wallis H test is a non-parametric test which is used in place of one-way ANOVA for ordinal variables. I consider desired levels of services as ordinal variables for which the possible values are ordered (but it does not make sense to take an average of these values). Similarly, Tukey's HSD test is used for pairwise comparisons of averages and for ordinal variables one has to compare pairwise differences of average ranks.

The construction of the database started with 3,210 Slovenian companies (out of 7,389 companies in the biggest 3 size segments in Table 5 that fall in one of two categories mentioned above).

Table 5. Number of companies in Slovenia by size (2010)

Company size	**Number of companies**	**Number of employees**
Micro	107,745	192,093
Small	5,937	114,302
Medium-size	1,223	126,584
Large	229	171,857

Source: SURS – Statistical Office of the Republic of Slovenia. *Podatki strukturne statistike podjetij, Slovenija, 2010* [Data on structural business statistics, Slovenia, 2010], tabela 1

In the second stage of compiling the database I had to obtain contact information from an IT or purchasing department of chosen companies. Companies were contacted up to 3 times. In this process yielded contacts of 554 individuals responsible for purchasing of printing IT environment. Mostly these contacts related to managerial IT or purchasing positions. At the end **purpose-made database of 554 contacts in targeted companies was defined.**

For the purpose of the Master's thesis, an anonymous web-based questionnaire was sent to the contacts in the purpose-made database between 22.3.2016 and 5.4.2016. The questionnaire was sent 3 times, including 2 reminders in period of 2 weeks. As presented in Table 6, there were 52 bounce back invitations (9.4% of the purpose-base database), so 502 recipients receive an invitation to the web questionnaire. After 2 reminders I have received 93 answered questionnaires, out of which 15 are incomplete. At the end I have received 78 competed questionnaires, which represents 15.5% response rate. As targeted respondents operate in an intensive business environment our target was between 10 and 15% response rate.

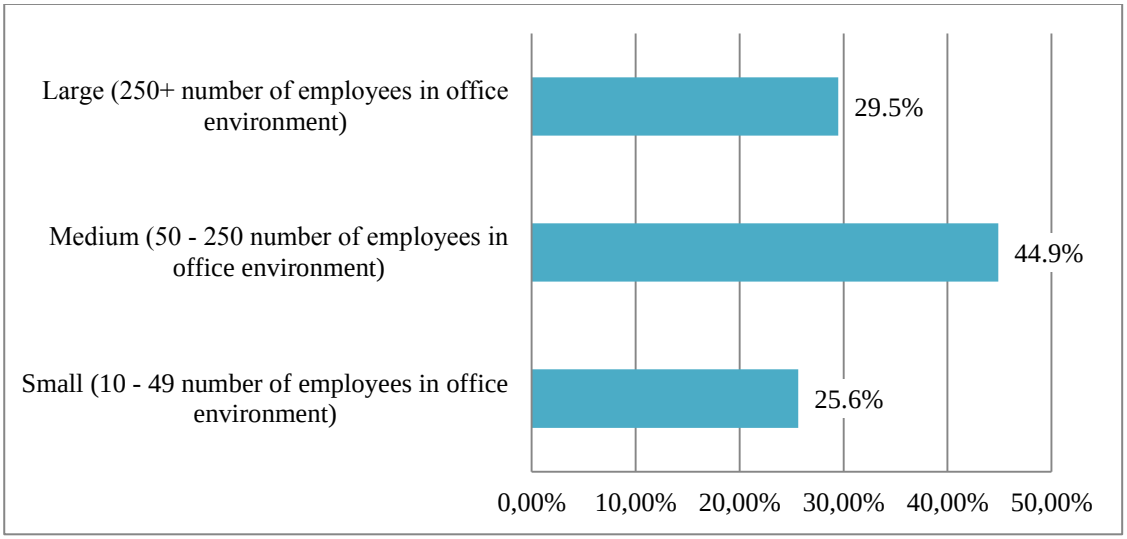
Table 6. Customer preferences and service level requirements questionnaire statistics

Purpose-made database	554		
Bounced back invitations	52	Bounced back rate	9.4%
Received invitations	502		
Answered questionnaires	93		
Incomplete questionnaires	15		
Completed questionnaires	78	Response rate	15.5%
22.3.2016 Sent invitation message to 554 contacts			
30.3.2016 Sent reminder message to 465 contacts			
5.4.2016 Sent reminder message to 450 contacts			

3.2.3.2 Respondent and sample characteristics

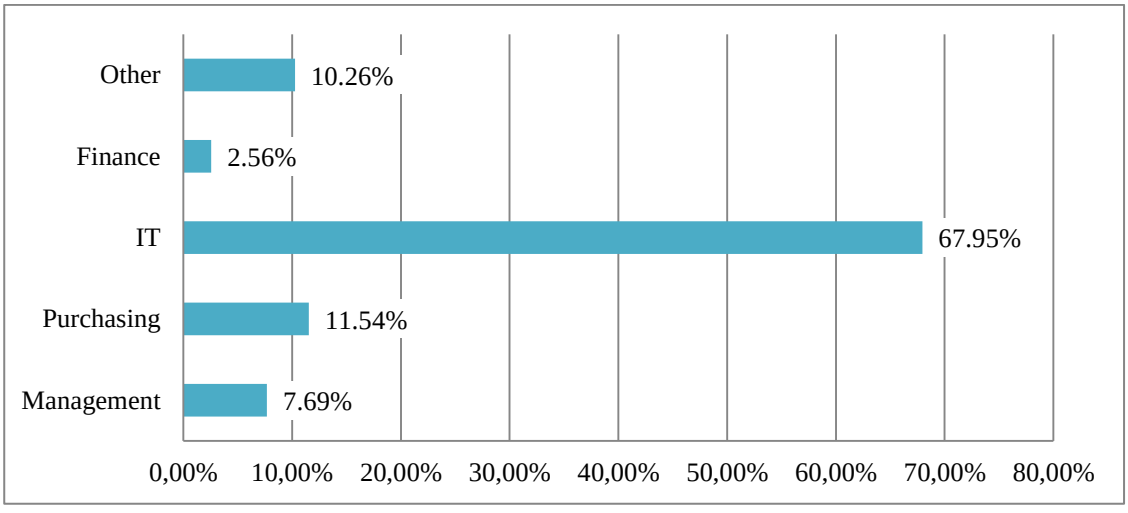
Figure 22 presents the composition of respondents by their company size. Out of 78 completed questionnaires, 23 respondents are from large companies, 35 respondents from medium-size companies and 20 respondents from small companies. The aim was to receive at least 15–20 responses from each segments.

Figure 22. Respondents' company size (n=78)



In line with the pre-selection contact information gathering I aimed to get contact details from IT and purchasing department. Details are presented in Figure 23. Out of 78 respondents 53 are from the IT and 9 from the purchasing department. However, mostly in small companies, IT decision making can be divided among other segments in a company. Management thus represents 25% and Finance 10% of all respondents in small companies.

Figure 23. Respondents' position in the company (n=78)



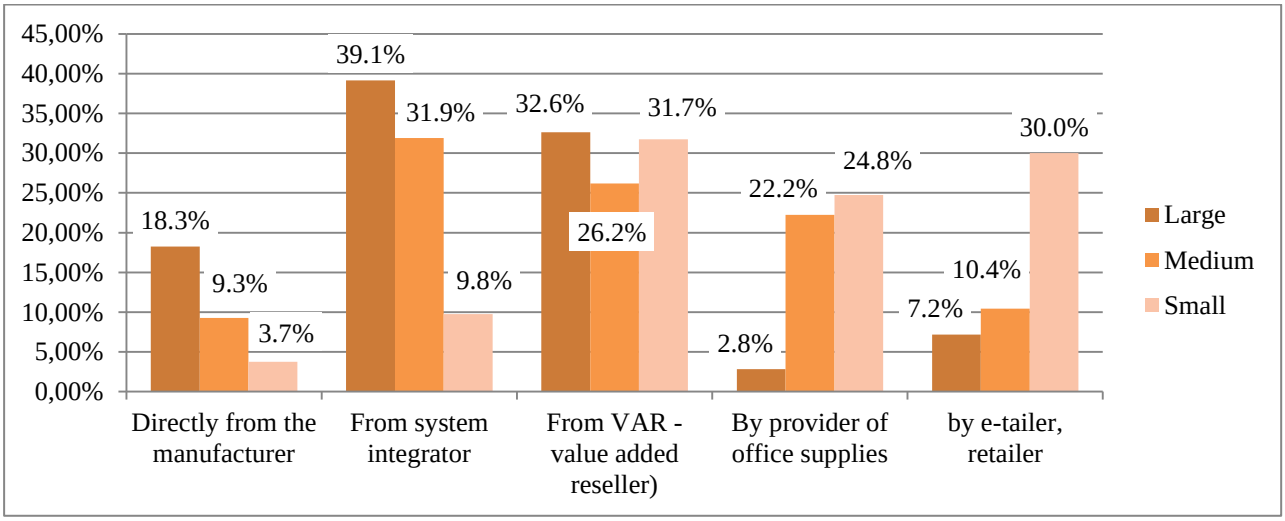
3.2.4 Identification of customer's demand chain preferences when choosing printing provider

In customer questionnaire I asked respondents to define the share of purchases made through a particular channel intermediary. Further I define and prioritize demand chain requirements of companies when choosing print provider for each company segment separately.

3.2.4.1 Customers' channel choice

Figure 24 provides respondents information on the share of purchases made through a particular channel intermediary. Surprisingly, although market leader Brand A has direct channel approach, results show that direct channel is only the third channel choice among large companies and even on the last place for the other two segments. System integrators are the first channel choice for large and medium-size companies. Value added resellers evenly represent one third of chosen channel options by all three segments. Not surprisingly, Internet is used widely by small companies and has together with physical retail shops 30% of their channel choices.

Figure 24. Share of purchases made through particular channel intermediaries



3.2.4.2 Demand-chain preferences

Based on respondents' prioritization of service elements I further define and prioritize demand chain requirements of companies when choosing print provider for each company segment separately. For each segment I have defined **top 6 preferences** based on calculated averages (AVG), standard deviations (SD) and medians. At the end, I compere top 6 customer preferences with channel's ability to meet them for each customer segment separately.

As shown in Table 7, the preference with the highest average of 4.55 among small companies is "Response time on equipment servicing". This one is followed by "Technical support",

"Availability of equipment servicing", "Up-front product cost", "Ongoing relationship with provider" and "Reference and experiences with provider". "implementation of centralized fleet management tools" is the least important and has an average of 3.05. Most important preferences of small companies related to choosing print management provider are in close relation with equipment itself: being it equipment servicing response times or availability, the technical support or up-front product cost. Provider's reference is found among top 6 preference list only in the segment of small companies but not in other two segments.

Table 7. List of top 6 preferences for small companies

Q	Service element	AVG	SD	Median
6	Equipment servicing (response time)	4.55	0.76	5
9	Technical support	4.50	0.76	5
5	Equipment servicing (availability and number of locations)	4.50	0.69	5
2	Up-front product costs	4.40	0.88	5
13	Ongoing relationship with provider	4.25	0.64	4
11	References and experiences of provider	4.05	0.51	4
4	Contract flexibility	4.05	0.76	4
3	Total cost of ownership (TCO)	3.80	0.95	4
12	Provider credit check	3.65	0.49	4
1	Portfolio offering (size)	3.60	0.94	4
7	Integration of HW/SW solution with customers IT environment	3.55	0.94	3,5
10	Transition support to new management of services	3.45	0.89	3
8	Fleet management software's implementation	3.05	1.05	3

Table 8 shows results for medium-size companies. The preference with the highest average is the same as in the segment of small companies: "Response time on equipment servicing" has an average of 4.51. The next highest preferences are "Availability of equipment service", "Up-front product costs", "Integration of solution with customers IT infrastructure", "Technical support" and "Ongoing relationship with provider". "Transition support" is the least important and has an average of 3.40. Medium-size companies put most preferences to equipment servicing parameters. Although up-front costs of product is more important than total cost of ownership differences between averages are small. Companies in this group already emphasize importance of integration of purchased HW/SW with existent IT environment.

Table 8. List of top 6 preferences for medium-size companies

Q	Service element	AVG	SD	Median
6	Equipment servicing (response time)	4.51	0.78	5
5	Equipment servicing (availability and number of locations)	4.26	0.85	4
2	Up-front product costs	4.06	0.91	4
7	Integration of HW/SW solution with customers IT environment	4.06	1.00	4
9	Technical support	3.97	0.89	4
13	Ongoing relationship with provider	3.97	0.98	4

(table continues)

(continued)

Table 8. List of top 6 preferences for medium-size companies

Q	Service element	AVG	SD	Median
3	Total cost of ownership (TCO)	3.94	1.03	4
4	Contract flexibility	3.83	0.79	4
8	Fleet management software's implementation	3.71	0.93	4
12	Provider credit check	3.66	0.94	4
11	References and experiences of provider	3.63	0.84	4
1	Portfolio offering (size)	3.49	0.85	4
10	Transition support to new management of services	3.40	0.77	3

Table 9 shows results for large companies. The preference with the highest average is "Availability of equipment servicing" with an average of 4.74. The next highest preferences are "Total cost of ownership", "Integration of solution with customers IT infrastructure", "Response time for equipment servicing", "Fleet management SW implementation" and "Transition support". "Provider's credit check" is the least important and has an average of 3.30. For large companies among the most important preferences are aspects which deal with larger IT environment system support: need for transition support, centralized fleet management tools and integration of new HW/SW solution with existent IT environment. It is also noticeable that total cost of ownership has greater importance than up-front cost of equipment. Required technical support is relatively low on the list but this could be explained by large companies' internal IT competences. Beside already mentioned provider's credit check, large companies give low ranks to ongoing relationship with provider (average is 3.35) and required references of provider (average is 3.83). These two results could be explained with much more defined and strictly monitored purchase processes implemented in large companies.

Table 9. List of top 6 preferences for large companies

Q	Service element	AVG	SD	Median
5	Equipment servicing (availability and number of locations)	4.74	0.54	5
3	Total cost of ownership (TCO)	4.70	0.70	5
7	Integration of HW/SW solution with customers IT environment	4.61	0.50	5
6	Equipment servicing (response time)	4.52	0.51	5
8	Fleet management software's implementation	4.52	0.79	5
10	Transition support to new management of services	4.26	0.92	5
4	Contract flexibility	4.26	0.54	4
2	Up-front product costs	4.22	0.42	4
9	Technical support	4.22	0.60	4
11	References and experiences of provider	3.83	0.72	4
1	Portfolio offering (size)	3.74	0.62	4
13	Ongoing relationship with provider	3.35	0.83	3
12	Provider credit check	3.30	0.56	3

Finally, in Table 10 I present one-way ANOVA results which test significance of the differences in preferences between small, medium-size and large companies. For preferences "Total cost of ownership (TCO)", "Integration of HW/SW solution with customers IT environment", "Fleet management software implementation", "Transition support to new management of services" and "Ongoing relationship with provider" the test shows that the averages between the three groups are statistically significant at the 5% level. However, for preferences "Q1", "Q2", "Q4", "Q5", "Q6", "Q9", "Q11", "Q12" the test documents that the averages between the three groups are not statistically significant. If one-way ANOVA shows a significant difference between the groups, I use Tukey's HSD test to identify exactly which groups of customers are significantly different (Stevens, 1999).

Equipment servicing is among top 6 preferences of all three size categories. For medium-size and small companies response time is more important than location availability but it is the other way around for large companies, for which coverage of locations is more important.

Table 10. Preferences of customers by company size (differences between groups)

					Differences between groups			
		Large	**Medium-size**	**Small**	**One-way ANOVA**	**Tukey's HSD test**		
Q	**Service element**	AVG	AVG	AVG		Large-Medium-size	Large-Small	Medium-size-Small
Q1	Portfolio offering (size)	3.74	3.49	3.60	NO	NO	NO	NO
Q2	Product costs	4.22	4.06	4.40	NO	NO	NO	NO
Q3	Total cost of ownership (TCO)	4.70	3.94	3.80	YES	YES	YES	NO
Q4	Contract flexibility	4.26	3.83	4.05	NO	NO	NO	NO
Q5	Equipment servicing (availability and number of locations)	4.74	4.26	4.50	NO	NO	NO	NO
Q6	Equipment servicing (response time)	4.52	4.51	4.55	NO	NO	NO	NO
Q7	Integration of HW/SW solution with customers IT environment	4.61	4.06	3.55	YES	NO	YES	NO
Q8	Fleet management software's implementation	4.52	3.71	3.05	YES	YES	YES	YES
Q9	Technical support	4.22	3.97	4.50	NO	NO	NO	NO
Q10	Transition support to new management of services	4.26	3.40	3.45	YES	YES	YES	NO
Q11	References and experiences of provider	3.83	3.63	4,05	NO	NO	NO	NO
Q12	Provider credit check	3.30	3.66	3.65	NO	NO	NO	NO
Q13	Ongoing relationship with provider	3.35	3.97	4.25	YES	YES	YES	NO

For "Q3" preference "**total costs of ownership**", one-way ANOVA indicates that there are statistically significant differences (at less than 1% level) in averages across the three groups of firms (One-way ANOVA, statistics.laerd.com; 2016). In particular, Tukey's HSD test shows that

the average for large companies is significantly higher than the average for medium-size and small companies (Stevens, 1999). The difference between medium-size and small companies is not significant. This shows that "total cost of ownership" of installed equipment is more important for large than for medium-size and small companies. While large companies put higher importance on "total cost of ownership", for the other two size segments "up-front equipment price" is more important. These differences in preferences are especially visible how companies combine different elements of requested offer under a single tender.

For "Q7" preference "**integration with existing customer IT environment**", I also find that there are statistically significant differences (at less than 1% level) in averages across the three groups of firms. However, Tukey's HSD test only shows that integration with existing customer IT environment is significantly more important for large companies than for small companies. However, there are no statistically significant differences between large and medium-size companies, and medium-size and small companies.

For "Q8" preference "**implementation of Fleet management tools**", one-way ANOVA shows statistically significant differences (at less than 1% level) in averages across the three size groups. In particular, Tukey's HSD test shows significant differences for all three pairs: implementation of Fleet management tools is the most important for large companies (average is 4.52), this is followed by medium-size companies (average is 3.71) and it is the least important for small companies (average is 3.05).

Results for "Q10" preference "**transition support**" indicate statistically significant differences (at less than 1% level) in averages across the three groups of firms. Tukey's HSD test shows that transition support for large companies is significantly more important than for medium-size and small companies. The difference between medium-size and small companies is not significant.

Finally, for "Q13" preference "**ongoing reference with provider**", one-way ANOVA indicates statistically significant differences (at less than 1% level) across the three groups of firms. In particular, Tukey's HSD test shows that ongoing reference with provider is significantly less important for large companies than for medium-size and small companies. However, the difference between medium-size and small companies is not significant. In contrast to general expectations that larger companies put more emphasis on building relationships, my results show that larger companies actually put less importance to relationship with the provider. This could also be a result of other 2 segments being more open regarding this topic and admit that relationship is important, whereas large companies have much stricter ethics and procedure rules, and do not want to admit that relationships are important.

3.2.4.3 Desired level of services

After defining preferences for an individual service element, respondents are asked about the service level that they desire. For each service element they could choose among 5 service levels, which differ in their complexity.

With **12 service elements and a maximum of 5 points for each**, a maximum total number of 60 points are possible. First, I calculate total number of points achieved by each respondent and then the average total points achieved for desired service levels for each of the 3 company size segments. As shown in Figure 25, desired service level for an average large company is 47.30 points, whereas for an average medium-size company it is 40.51 points and an average small company it is 34.35 points. Moreover, an independent samples t-test confirms that the average for large companies is significantly higher than the average for medium-size companies; and the average for medium-size companies is significantly higher than the average for small ones (Independent sample t-test, statistics.laerd.com; 2016). This finding is in line with my expectation that the larger the company the higher is the service level that they demand.

Figure 25. Average number of points showing the desired level of services by company size

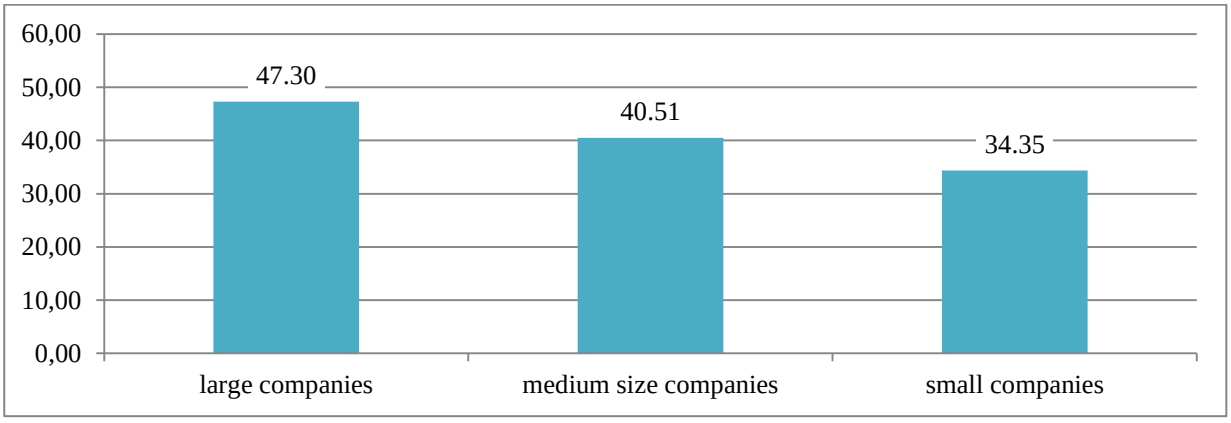


Table 11 shows the median values of desired level of services for each company size segment separately. I test statistical significance of differences between the three segments using the Kruskal-Wallis H test (Kruskal-Wallis H Test, statistics.laerd.com, 2016). If the Kruskal-Wallis H shows a significant difference, I test the Pairwise differences of average ranks using a chi-square distribution and show the results in the Table 12 (Follow up tests Kruskal-Wallis, real-statistics.com, 2016).

Table 11. Desired level of service by company size segments

		Large	Medium-size	Small	Pairwise differences between groups*		
Q	**Service element**	Median	Median	Median	Large-Medium-size	Large-Small	Medium-size-Small
Q1	Portfolio offering	5	4	2	yes	yes	no
Q2	Product costs / total cost of ownership	5	4	3	yes	yes	no
Q3	Contract flexibility	1	4	5	no	no	no
Q4	Equipment servicing (availability and number of locations)	5	3	2	no	yes	no
Q5	Equipment servicing (response time)	5	4	3	yes	yes	no
Q6	Integration of HW/SW solution with customers IT environment	5	4	3	no	yes	no
Q7	Fleet management software's	5	4	3	no	yes	no
Q8	Technical support	4	3	2	yes	yes	no
Q9	Transition & change management support	4	3	3	no	yes	no
Q10	Provider's references and experiences	5	3	3	yes	yes	no
Q11	Provider credit score	4	4	4	no	no	no
Q12	Ongoing relationship with provider	4	4	4	no	no	no

First, I observe that there are no statistically significant differences between medium-size and small companies for any of the services. Such result is expected because small and medium-size companies in Slovenia are much closer in their requirements due to the market size. In particular, for Slovenian standards small companies with up to 49 employees are already well developed companies with years of market experience and therefore have similar requirements as companies in one-category higher size segment. On the other hand, there is statistically significant difference (at the 5% level) between large and medium-size companies as well as between large and small companies for the following services: Q1, Q2, Q5, Q8 and Q10. For Q4, q6, q7 and q9 the difference is only significant between the extreme groups – large and small companies. Finally, for Q3, Q11 and Q12 there is no statistically significant difference between any of the 3 company size groups. A possible explanation for this finding is that these three questions are related to financial or relationship aspects of services, where size of the company is not a dominant differentiation parameter.

3.2.5 Analyzing Channel capabilities to meet customer preferences in particular segments

Based on customer requirements and their relative importance I continue with analyzing the channel's existing strength and weaknesses. I analyze **channel competence** of the particular vendor's second-tier channel to serve customer requirements. For this purpose, I have sent a detailed questionnaire to 9 second-tier VAR channel partners and asked them about their capabilities to meet customer needs in defined customer size segments. This critical step led me to identify gaps between what customer think they need and what the channel is providing.

3.2.6.1 Sample characteristics

Respondents to the questionnaire are managers or owners of the intermediary. An average intermediary company has 11 employees and 1.95 million EUR revenue in 2015. On average 56% of their revenue is generated from serving small companies as customers, 28% from servicing medium-size companies and only 16% from servicing large companies.

3.2.6.2 Defining channel capabilities to meet customer demands on top 6 preferences

Table 12 relates to the top 6 preferences in segment of small companies and present the corresponding channel competencies of the intermediaries. The highest median competence is found for preferences "Merging elements of offer" and "Response time of equipment servicing". For preferences "Availability of equipment servicing", "Provider's references" and "Ingoing relationship with provider", the median value is 3. On the other hand, "Technical support" seems to have the lowest competence level in the segment of small companies with the median values of 2.

Table 12. Channel competences on top 6 small companies' preferences of service level

		Intermediary									
Q	**Service element**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**Median**
2	Merging elements of offer (product costs vs. total cost of ownership)	4	3	4	4	4	3	3	3	4	4.00
4	Equipment servicing (availability and number of locations)	4	3	4	4	2	3	1	2	2	3.00
5	Equipment servicing (response time)	5	5	5	2	5	4	4	4	3	4.00
8	Technical support	2	3	3	1	5	2	1	2	1	2.00
10	Provider's references and experiences	5	5	3	1	4	3	3	4	3	3.00
12	Ongoing relationship with provider	3	3	4	3	5	3	4	3	3	3.00

Next, Table 13 relates to the top 6 preferences in segment of medium-size companies and show the corresponding channel competencies of the intermediaries. Overall, in medium-size segment the median values of intermediaries' competences seem to be higher. The highest median competence (with the value of 4) is found for 5 out of 6 top preferences (i.e. "Merging elements of offer", "Availability of equipment servicing", "Response time of equipment servicing", "Integration" and "Ongoing relationship with provider"). Again, "Technical support" seems to have the lowest competence level in the segment of medium-size companies (with the median values of 2).

Table 13. Channel competences on top 6 medium-size companies' preferences of service level

		Intermediary									
Q	**Service element**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**Median**
2	Merging elements of offer (product costs vs. total cost of ownership)	4	3	4	4	4	4	4	4	4	4.00
4	Equipment servicing (availability and number of locations)	5	5	4	4	2	4	4	2	3	4.00
5	Equipment servicing (response time)	5	5	5	4	5	4	4	4	3	4.00
6	Integration of HW/SW solution with customers IT environment	2	5	4	5	5	5	4	2	3	4.00
8	Technical support	2	4	3	2	5	4	2	2	2	2.00
12	Ongoing relationship with provider	3	3	4	4	4	4	4	4	3	4.00

Finally, Table 14 relate to the top 6 preferences in segment of large companies and show the corresponding channel competencies of the intermediaries. In this segment, the median values of intermediaries' competences are even higher than in the other two segments. In particular, preferences "Response time" and "Integration of HW/SW solution" have a median value of 5. On the other hand, the other four preferences out of top 6 have a median value of 4 (i.e. "Merging elements of offer", "Availability of equipment servicing", "Implementation of fleet management SW" and "Transition support"). From Frequency distribution it is evident though most of the intermediaries equalize median value there are intermediaries channel participants who over perform or under perform certain service parameter from median value. For example when it comes to HW/SW integration 5 intermediaries meets median value but 4 underperform on this element. Similarly at Fleet management tolls implementation 4 equalize median value but 4 underperforms whereas only one intermediary is able to over perform on this element. This probably in reality shows that not all intermediaries are able to equally meet customer preferences on each customer preferences. There are intermediaries who meet, those who over perform and also some who underperform. Channel manager of particular intermediary channel needs to be able to standardize partner service levels in order to have coherent offering. The finding that intermediaries offer the highest levels of their competences in the segment of large companies is in line with my expectations because there are higher customer expectations in that segments and because of total size of the project there is higher motivation from intermediaries to offer their top capabilities.

Table 14. Channel competences on top 6 large companies' preferences of service level

		Intermediary									
Q	**Service element**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**Median**
2	Merging elements of offer (product costs vs. total cost of ownership)	4	3	4	4	4	4	5	4	5	4.00
4	Equipment servicing (availability and number of locations)	5	5	4	4	2	5	5	3	4	4.00
5	Equipment servicing (response time)	5	5	5	4	5	5	4	5	3	5.00
6	Integration of HW/SW solution with customers IT environment	3	5	4	5	5	5	5	2	4	5.00
7	Fleet management software's	4	3	4	2	5	4	4	2	3	4.00
9	Transition & change management support	4	4	4	4	4	5	4	4	3	4.00

3.2.6 Analysis of the gap between desired customer service levels and channel capabilities

In Table 15, I compare the customers' desired service levels to intermediaries' competences for large, medium-size and small companies separately. In the case of large companies, I find the largest gap between desired level of service (median is 4) and intermediaries' competence (median is 2) for "Technical support". In addition, the desired service level is also higher than the intermediaries' competence for Q1, Q2, Q3, Q4 and Q7. This means that the intermediaries would have to make some improvements to reach their customers' demand. On the other hand, there are some areas where intermediaries' competence is aligned with the desired level of service (i.e. Q5, Q6, Q9, Q10, Q11 and Q12).

Table 15. Median of customer desired service levels and median of intermediary competences

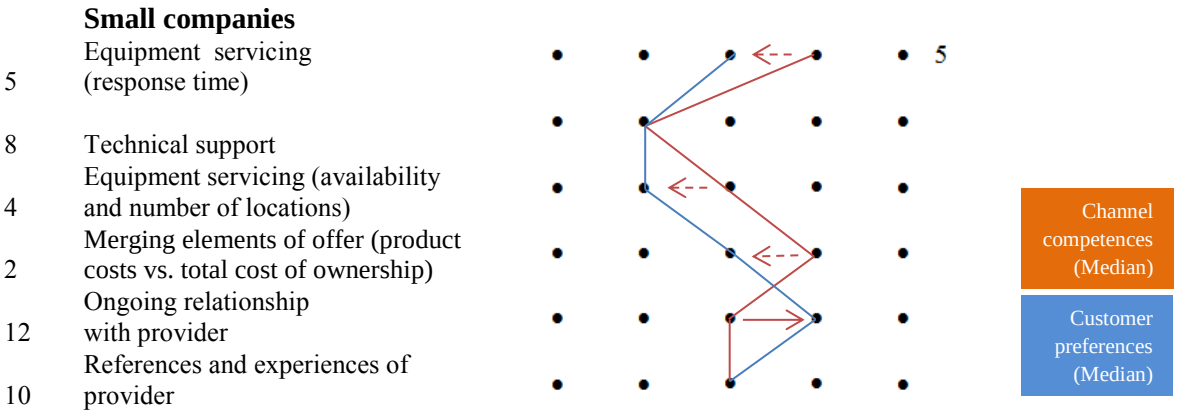
		Customers' desired level of service			**Intermediaries' competences**		
		Large	Medium-size	Small	Large	Medium-size	Small
Q	**Service element**	Median	Median	Median	Median	Median	Median
Q1	Portfolio offering	5	4	2	4	4	3
Q2	Product costs / total cost of ownership	5	4	3	4	4	4
Q3	Contract flexibility	1	4	5	2	2	2
Q4	Equipment servicing (availability and number of locations)	5	3	2	4	4	3
Q5	Equipment servicing (response time)	5	4	3	5	4	4
Q6	Integration of HW/SW solution with customers IT environment	5	4	3	5	4	3
Q7	Fleet management software's	5	4	3	4	3	2
Q8	Technical support	4	3	2	2	2	2
Q9	Transition & change management support	4	3	3	4	4	4
Q10	Provider's references and experiences	5	3	3	5	4	3
Q11	Provider credit score	4	4	4	4	4	4
Q12	Ongoing relationship with provider	4	4	4	4	4	3

In the case of medium-size companies, I find some areas where intermediaries' competence exceeds the desired level of service (i.e. Q4, Q9 and Q10). This implies that intermediaries could offer less in this areas without a high likelihood of losing customers. The largest gap between desired level of service (median is 4) and intermediaries' competence (median is 2) for "Contract flexibility". The desired service level is also higher than the intermediaries' competence for q7 and q8. This means that there are at least three areas in which the intermediaries would have to make some improvements to reach their customers' demand. On the other hand, there are some areas where intermediaries' competence is aligned with the desired level of service (i.e. Q1, Q2, Q5, Q6, Q11 and Q12). Taken together, I find that for medium-size companies the intermediaries are better able to provide desired service levels than in large companies.

This finding is further confirmed in the segment of small companies, where there are only two areas (i.e. Q7 and Q12) where intermediaries' competences fall short of desired service levels. In most other areas, the intermediaries' competences exceed the desired levels of service.

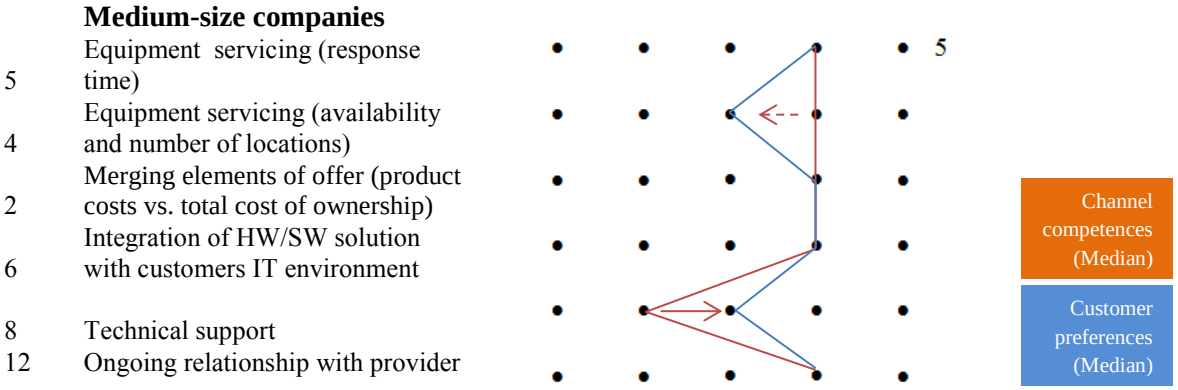
Figure 26 focuses on the top 6 customer preferences in the segment of small companies. It shows that only in the area of "Ongoing relationship with the provider" the intermediaries would have to improve their competences to be able to match the customers' preference. In the case of preferences "5", "4" and "2" the intermediaries' competences exceed customers' preferences.

Figure 26. Illustration of Gap between top 6 customer preferences and Channel capabilities for small companies



In Figure 27 I focus on the top 6 customer preferences in the segment of medium-size companies. It shows that there are only two areas where the intermediaries' competences and customers' preferences are not aligned. On the one hand, in the area of "Technical support" the intermediaries would have to improve their competences to be able to match the customers' preference. On the other hand, in the area of "availability and number of locations for equipment servicing" the intermediaries' competences exceed customers' preferences. Compared to small companies' segment, channel competences and customer preferences are better aligned in the segment of medium companies.

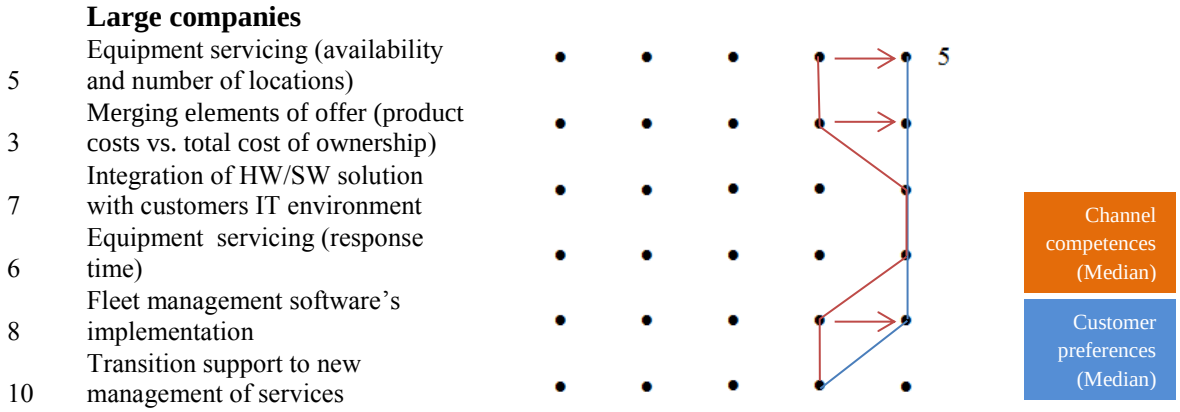
Figure 27. Illustration of Gap between top 6 customer preferences and Channel capabilities for medium-size companies



Finally, in Figure 28 I focus on the top 6 customer preferences in the segment of large companies. It shows that there are three areas out of top 6 preferences where the intermediaries'

competences fall short of customers' preferences. In particular, in the area of "Equipment service availability", "Ability to merge different elements of offer" and "Fleet management software implementation" the intermediaries would have to improve their competences to be able to match the customers' preference. Taken together, compared to the other two segments, channel competences and customer preferences are not so well aligned in the segment of large companies. This finding is most likely attributable to relatively high preference levels of customers in the large segment; they are demanding customers and intermediaries need to offer a lot to be able to service them properly.

Figure 28. Illustration of Gap between top 6 customer preferences and Channel capabilities for large companies



3.2.7 Gap clarification

Coughlan et al. (2006, p.154–195) define a channel that meets service output demands at the minimum cost required to perform its work as a zero-based channel. Channels that are not zero-based have **demand-side** or **supply-side gaps**. Channel gaps arise as a result of constraints. Constraints can be environmental and therefore imposed by elements outside the channel, or they can be managerial and therefore internal.

My Master's thesis focuses on defining demand-side channel gaps of particular channels consisting of value add resellers. Most of their revenue is generated in the small company segment (56%), followed by medium-sized companies with 28%, and just 16% of their revenue is generated from large companies. This could indicate that there is certain shortcoming in the level of service offered to large companies.

Gaps can occur due to a channel performing a particular service output for a certain customer segment at an excessively low level or because a certain service output is performed at too high a level.

Coughlan et al. (2006, p.154–195) describe the situation whereby **service output demand** (hereinafter: SOD) **< service output supply** (hereinafter: SOS) as a sign that the channel is operating inefficiently, because customers don't value service highly and are not willing to pay for a level of service higher than they think they require. We can see that in the small company segment our analyzed channel over-performs customer demand in 5 out of 12 service parameters. This obviously creates competitive advantage and our channel is able to take advantage of opportunities in the small company segment efficiently. Separate analysis could be done whether over-performing services create additional costs and if the same results could be achieved with a lower level of services. The opposite situation, whereby **SOS (service output supply) < SOD (service output demand)** is a sign that customers demand a higher level of services than the channel is able to provide. Research performed in this Master's thesis shows that most of the service levels for medium-size companies are met, except for technical support, whereas in the large company segment, the researched channel has not over-performed customer demands/preferences for any of the service parameters. They have demand-side gaps for five service parameters: in portfolio of services offered, inability to merge individual elements of the offer, locations and coverage availability of equipment servicing, fleet management tools, and insufficient technical support.

Before starting to try and close the gap we should determine whether there is a product or quality issue. No amount of channel excellence can overcome fundamental weaknesses in the product. We presume that there is not a product or quality issue, so our attention turns to improving channel capabilities. Demand-side channel gaps can be closed by extending or restructuring the level of service output provided to the segment. Usually, demand-side gaps should not be closed if the competition is not proving better at providing the required service levels. However, over-performing service output requirements can have an influence on overall operating costs, which may result in inadequate service levels in another segment.

Demand-side channel gaps can be closely connected to supply-side gaps, which arise when one or more channel actions are performed at too high a cost. This could mean that a competitor is using a superior technology that could reduce the cost of performing a certain activity. Closing supply-side gaps on one side can result in improving demand-side gaps on the other (Coughlan et al., 2006, p.154–195). My Master's thesis does not analyze the cost side of performing certain activities and has instead focused on the demand-side of gap definition. We can only assume that a certain level that is not cost-competitive exists in certain segments, which results in lower revenues in that particular segment.

When closing the gap the main idea is to **move the channel capability frontier as close as possible to the customers' desired requirements** (Rangan & Bell, 2006, p. 84), which is illustrated in Figures 26–28. The first step is to address those activities that value-added resellers were performing poorly. The vendor has two options, as proposed by Rangan and Bell (2006, p. 87). One is to increase their own involvement. When managers are confronted with data such as this, their first impulse is often to mimic the market leaders, so the obvious next step for the

vendor would have been to consider replacing the vendor's current distribution channel with a direct sales forces covering large companies. The decision to go direct would create additional costs, credit risks and the possible creation of additional competition, as intermediaries would have to flee to a competitor's channel. As many vendors try to reduce local presence or at least reduce market risks this is not a realistic option. So the second option would be to motivate (Gililland, 2003, pp. 87–95) and persuade the VARs to upgrade their efforts to fulfill the top attributes that are not being met.

In the large companies segment a particular channel of VARs is underperforming across a group of parameters that are determined by intermediary IT capabilities. IT competences influence the VAR's ability to implement centralized fleet management tools, influence the level of technical support offered, including having their own help desk, and influence the ability to offer document management solutions as the most complex print service demanded by large companies. The vendor's task is to help the channel make the transformation from service provider to solution provider, as they need to generate at least 20% of their revenue through services if they want to survive against direct operations. Higher IT competence is needed to offer managed print services, which includes managing a printer fleet, or even document management services, which involves managing processes and digital document workflows. In order to accomplish this, VARs need to shift their personnel structure towards IT professionals. Once this is accomplished vendors need to guide their channel through the process of gaining additional knowledge. This can be done with the transfer of tools and experiences the vendor has gained through its direct operations worldwide on their channels. Further, an understanding of individual intermediary business models is needed.

The second group of underperformed parameters is related to the size of the VARs and their ability to cover services to companies with multiple locations throughout Slovenia. If individual companies are not able to cover whole territory and consequently, are not able to service large accounts the vendor needs to merge and coordinate the activities of multiple intermediaries on the same accounts. Service standardization is the base on which channel managers have to build the mutual understanding that with collaboration all channels gain.

CONCLUSION

The aim of this Master's thesis was to gain a deeper understanding of the different roles and business models intermediaries assume and play in creating customer value. By executing a detailed market mapping of the Slovenian printer sector I gained a detailed understanding of the various go-to-market strategies multinational printer vendors practice on the Slovenian market. Since 2010, the market has declined by some 20% and sales have remained flat in all segments. The mature nature of the market combined with constant pressures on margins has forced printer manufacturers to look for alternatives. As a consequence, most find themselves in some sort of transition and are rethinking their go-to-market strategies on the Slovenian market. Research of the market reveals that the indirect business model is predominant in the A4 product segment,

with vendors using intermediaries to perform various tasks in their name and on their behalf. Conversely, in the high-value segments (A3 MFPs, production printers), the most successful vendors in recent years have been those practicing direct go-to-market strategies, which add value by including service and solutions in their own offer.

As part of the industry mapping herein I conducted in-depth interviews with 7 of the top 10 market players and with 2 first-tier distributors. Most indirect channel managers see their channel intermediaries as unable to adapt to the future requirements of the industry. In the past, post-sales equipment servicing was requiredin order to remain profitable; in the future, however, intermediaries will need to transfer up to 30% of their revenue base to solutions if they want to survive. Channel managers also believe their channel competences are an impediment to sales performance, especially in the corporate and government segment. As the result of shrinking margins we are seeing a certain level of intermediary consolidation in the industry – which in turn makes vendors even more dependent on a few competent intermediaries. Similarly, distributors are optimizing their printer brand portfolios, as profit generated through post-sales has become more important than mere revenue generation. Most interviewees also agree that the end-customer has benefitted most from the shift in power among the channel players, largely as a consequence of the transparency provided them by the Internet. Product differentiation is very low among brands in the industry, so most opportunities for developing competitive advantage lies in building unique business models.

Using an Internet survey of 78 Slovenian companies I defined and prioritized the demand chain requirements of three different sized business-to-business customer segments. Small and medium-sized companies are giving priority to equipment servicing, up-front product pricing and their relationships with IT providers. Large companies, however, are giving priority to total cost of ownership, implementation of centralized fleet management tools and the integration of solutions with current customer IT infrastructures. The predisposition of large companies toward total cost of ownership, fleet management software implementation and transition support is statistically higher than for the other two groups. On the other side, ongoing relationships as a priority for larger companies is statistically lower than in the other two segments.

The primary aim of this Master’s thesis was to define channel capability gaps and propose certain actions aimed at improving competitiveness in a particular partner channel. Toward the end of the work I have analyzed the channel competencies of a particular vendor's second-tier channel in serving customer requirements in three particular segments. The survey was directed at nine value-added resellers, which comprise a particular vendor channel. Most of their revenue they realize in the small company segment (56%); 28% is generated from medium-sized companies, while just 16% of revenue is generated from large companies. This would indicate that there is certain shortcoming in the level of service they offer to large companies. Based on a questionnaire on channel competences I have defined certain demand-side channel gaps. Gaps arise as the result of a channel performing a particular service output poorly in a certain customer segment – or because they perform a certain service output at an excessively high level. Whereas

channel participants outperform in most channel preference parameters in the small companies segment and meet most requirements of the medium-sized segment, there are specific gaps in meeting large company requirements. Specifically, intermediaries would have to improve their competences in terms of equipment service availability, their ability to merge different elements of their offer, and in the implementation of centralized fleet management software in order to meet current customer requirements.

Gaps occur largely as the result of a lack of IT competences and issues related to the size of intermediaries. As most market participants don't have the option to establish direct channel structures the only way to improve their channel performance is through a better understanding of individual intermediaries' business models and by guiding them through the process of gaining additional knowledge.

At the conclusion of this Master's thesis I would like to emphasize its limitations and propose certain directions and opportunities for further research. The analysis in my Master's thesis is largely based on the ordinal scales of measurement. The following could represent certain limitations: the space between each choice cannot be determined, as it fails to measure the true opinions of respondents, therefore the calculation of averages and performance of statistical tests using averages is problematic. In line with these limitations I have used the median to define the gaps between customer requirements and channel competences. Further, the sample size used in the quantitative study did not include all 7,389 entities that fall within the researched size segments. Instead, a group of 3,210 companies operating in relevant industries with more than 20 employees was included. In the end a purpose-made database of 554 contacts in targeted companies was defined. We also cannot know whether the answers of the companies that did not respond would be different from those that did, but a 15.5% response rate is still sufficient to carry out the analysis.

As an opportunity for future research I propose focusing on the supply-side of gap analysis, which would determine whether a channel is performing one or more channel action at too high a cost. The demand-side of channel gaps analyzed in this Master's thesis has defined gaps between customer preferences and a channel's ability to meet them. I did not analyze whether a channel is able to meet certain requirements at competitive pricing levels – which suggests directions and areas for further research on channel competences.

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APPENDIXES

TABLE OF APPENDIXES

Appendix A: Slovenian translation: Povezava potreb verige povpraševanja in kompetenc tržnih poti v izbrani panogi

IT industrija na splošno ter znotraj nje skoraj vsak prodajalec tiskalnikov poudarjajo potrebo po preoblikovanju strategije nastopa na trgu. Takšen trend nakazuje, da stari načini poslovanja ne zagotavljajo več pričakovanih stopenj rasti (IDC, 2016a). Samo v zadnjih 18 mesecih sta dva največja globalna igralca na trgu, HP in Xerox, naznanila obsežno preoblikovanje svojih globalnih dejavnosti. Posledično se je spremenila tudi njuna strategija nastopa na trgu v Sloveniji, kar je vplivalo na njune neposredne in posredne dejavnosti (Ropret, 2013, 2015; Xerox corporation, 2016).

V zadnjih nekaj desetletjih je trg pisarniške opreme kot posledica razvoja tehnologij in sprememb znotraj same industrije postal bistveno bolj kompleksen in konkurenčen. Komodifikacija trga, erozija cen tiskalnikov in upad cene posamezne tiskane strani spodbujajo potrebo po **transformaciji prodajnih strategij z izdelčno usmerjenih na prodajo celostnih rešitev** kot alternativnega vira prihodkov in dobičkonosnosti. Deflacija cen, prehod z analogne na digitalno tehnologijo, rast upravljanih storitev tiskanja (angl. *managed print services*), povečana konkurenca in manjša zvestoba tržnega kanala so ključni trendi v panogi tiskalnikov (Dunne, 2015, str. 1-12). Globalna IT-panoga je imela vedno **deflacijske temelje**. Povprečne prodajne cene IT-izdelkov začnejo upadati v trenutku, ko so predstavljeni na trgu. Enako velja tudi za prodajne marže. Realni stroški tehnologije prav tako konstantno upadajo. Zgodovinsko gledano se je deflacijska narava cen v IT-panogi izravnavala z zmožnostjo trga, da stalno povečuje število nakupljenih enot posameznega IT-izdelka (ChannelCorp, 2009a, str. 3-21). Vsi prodajalci IT-izdelkov so tako pod izjemnim pritiskom, da neprestano povečujejo obseg prodanih naprav.

Prehod na digitalno tehnologijo je močno vplival na raznovrstnost in zmogljivost tiskalniške strojne opreme. Ta je pridobila lastnosti in zmogljivosti, ki so sicer bližje osebnim računalnikom, pametnim telefonom ter tablicam. Prav tako vseh dokumentov ni več potrebno tiskati, da bi jih uporabili. Zmožnost nadgradnje naprav z naprednejšo programsko opremo in njihovo povezljivost v celovite IT-sisteme je tlakovala pot razvoju novih storitev, ki ustvarjaj dodano vrednost z izboljševanjem poslovnih procesov. V zadnjih nekaj letih je panoga kot posledica pritiskov kupcev prešla z osredotočanja na izdelke na osredotočanje na storitve. V prvi fazi ponudb storitev upravljanja tiska se je večina ponudnikov, namesto na dvig dodane vrednosti skozi ponudbo naprednih storitev, osredotočala predvsem na nižanje stroškov za končne uporabnike. V številnih primerih so se z namenom pridobitve posla celo odpovedali dodatni marži. Kupci so pri prehodu panoge tiskalnikov na storitve tako pridobili večino ugodnosti. Čeprav je bil prehod na storitve za uporabnike pozitiven, pa je imel za posledico tudi nastanek precej bolj konkurenčnega okolja (Dunne, 2015, str. 1-12).

Številni proizvajalci tiskalnikov imajo izzive s preoblikovanjem strategije nastopa na trgu. Tako iščejo načine, kako povečati zaznano vrednost njihovih izdelkov pri kupcih ter kako opredeliti

elemente razlikovanja od konkurence, da bi ustvarili dodatne vire prihodkov za svoje prodajne partnerje. Tehtanje med strategijo neposrednega (angl. *direct*) in posrednega (angl. *indirect*) nastopa na trgu ter njuno prepletanje še nikoli ni bilo tako pomembno. Še 15 let nazaj je večina proizvajalcev uporabljala neposredno strategijo nastopa na trgu. Večina jih je tako imela lastna predstavništva v večini geografskih okolij. Danes večina IT-proizvajalcev išče načine povečanje donosnosti sredstev in zniževanja transakcijskih stroškov prek zmanjšanja števila uporabnikov, s katerimi še imajo neposreden odnos (ChannelCorp, 2009a, str. 3-21). Posledično proizvajalci IT-izdelkov zmanjšujejo svoj obseg neposrednih dejavnosti znotraj določenih geografskih področij ter na drugi strani krepijo svojo odvisnost od neodvisnih prodajnih partnerjev. Posredni prodajni kanali so tako zaslužni za distribucijo že več kot 70 % vseh IT-izdelkov (celo blizu 100 % v nekaterih kategorijah izdelkov) (ChannelCorp, 2009b, str. 3-33). Slovenski IT-trg zaradi svoje majhnosti seveda nikakor ni imun na najnovejše trende.

Neodvisni prodajni partnerji postajajo za proizvajalce zunanji izvajalci na področju trženja, prodaje in/ali tehnične podpore. Naloga predstavnikov blagovnih znamk je zagotoviti poslovni model, ki omogoča dobičkonosno poslovanje posameznih udeležencev tržnega kanala. Sodeč po analizah zdravja tržnih poti ChannelCorp (2009a, str. 3-21) je 50-60 % ponudnikov IT-rešitev **tehnično insolventnih**, saj imajo **primanjkljaj obratnih sredstev**. 30-40 % izmed njih je finančno obremenjenih, kar se odraža v težavah z obratnimi sredstvi in denarnim tokom. Zgolj približno 5-10 % storitvenih prodajnih partnerjev nima težav z denarnim tokom. Če prodajni partnerji ne morajo dobičkonosno izvajati storitve v imenu določene blagovne znamke, to pomeni, da ima oziroma bo imel v prihodnosti določen proizvajalčev prodajni kanal težave z zmožnostjo zagotavljanja določenega obsega in nivoja storitev. Ključni izzivi razvoja tržnih poti so torej povezani **z njihovo skupno kapaciteto, zmožnostjo zagotavljanja in kakovostjo ponujenih storitev v danem obdobju** (ChannelCorp, 2009a, str. 3-21).

Proizvajalci IT-opreme zadnje čase vse težje motivirajo lastne prodajne partnerje, da slepo sledijo njihovim strategijam. Medtem ko je **dobičkonosnost posameznih neodvisnih prodajalcev pod pritiskom**, ti analizirajo lastno dobičkonosnost na vsakem prodajnem programu in se na podlagi tega odločajo za morebitne nadaljnje investicije v posamezno blagovno znamko. **Razmerja moči se tako spreminjajo**, pri čemer vse več vpliva pridobivajo prodajalci z dodano vrednostjo (angl. *value add resellers*), ponudniki rešitev in sistemski integratorji, ki sprejemajo strategije uporabe izdelkov večjega števila blagovnih znamk (angl. *multi-branded*) v razpršenem iskanju dobičkonosnih priložnosti (PartnerPath, 2014, str. 1-11). IT-proizvajalci izvajajo tako vse bolj zapletene prodajne strategije kot odgovor na spremembe v nakupovalnih navadah porabnikov, globalizacijo trgov in napredek pri uporabi spleta (Webb, 2002, str. 95-102). Porajajoče strategije s hkratno uporabo večjega števila tržnih poti (angl. *multi-channel*), ki so jih sprejeli številni prodajalci in preprodajalci, ter s tem povezani **konflikti znotraj tržnih poti**, spadajo med najbolj raziskana področja analiz tržnih poti. Še posebej, odkar se je pred dobrim desetletjem pojavil internet, so se proizvajalci in njihovi prodajni partnerji, z namenom pridobivanja konkurenčne prednosti, začeli množično posluževati **strategij s hkratno uporbo večjega števila tržnih poti**. Omogočanje dostopa do izdelkov in storitev prek širokega

nabora različnih tržnih poti, lahko zagotovi višjo raven porabniške izbire in storitev. Toda naloga usklajevanja in integracije več tržnih poti, ki delujejo na visoki ravni učinkovitosti, je prisilila njihove upravljavce, da se soočijo z **raznolikimi zahtevnimi izzivi**. Ti vključujejo vlogo spletnega poslovanja znotraj struktur z večjim številom tržnih poti, določanje optimalnega razmerja med posameznimi tržnimi potmi, ustvarjanje sinergije širom tržnih poti, ustvarjanje strateških povezav, ustvarjanje vzdržnih konkurenčnih prednosti, upravljanje z zapletenejšimi dobavnimi verigami, razreševanje konfliktov in zagotavljanje vodstvenih sposobnosti, potrebnih za doseganje ustrezne integracije več tržnih poti (Rosenbloom, 2007, str. 4-9).

IT-industrija poseduje lastnosti zrelega trga, kjer bistveno razlikovanje med izdelki ni možno, saj je tehnologija dobro izkoriščena Večina razlikovanja v očeh porabnikov je dosežena s uveljavitvijo različnih poslovnih modelov. Ekonomska vrednost tehnologije ostaja latentna, dokler ni s pomočjo poslovnega modela na nek način komercializirana. Ista tehnologija, komercializirana na dva različna načina, prinese dva različna rezutata (Chesbrough, 2010, str. 354-363). Čeprav so ovire pri spreminjanju poslovnega modela resnične in jih je težko preseči, pa opažamo, da so se pojavili nekateri uspešni hibridni poslovni modeli. Za upravljavce proizvajalčevih tržnih poti in njihovih poslovnih partnerjev je posledično razumevanje različnih poslovnih modelov poslovnih partnerjev ključnega pomena.

Če želijo posamezni proizvajalci optimizirati svoj izbor tržnih poti morajo biti predvsem zmožni ovrednotiti **uspešnost posamezne tržne poti**. To zahteva temeljito razumevanje preferenc kupcev glede posameznih tržnih poti, ki je sestavljena iz zvestobe kupcev do posamezne poti ter njene zmožnosti, da privabi tiste uporabnike, ki so v procesu menjave izdelka (Gasler, Dekimpe & Skiera, 2007, str. 17-23). Zagotavljanje vrhunske uporabniške izkušnje je postal poglavitni cilj skoraj vseh prodajalcev, ob tem pa je uspeh upravljanja z večjim številom tržnih poti odvisen od zmožnosti upravljavcev, da temeljito razumejo in tudi ustrezno medsebojno primerjajo, kako kupci vrednotijo posamezne tržne poti. Njihovo ovrednotenje mora predstavljati temelje za ustrezno razporeditev sredstev med posamezne elemente tržnih poti (Hammerschmidt, Falk & Weijters, 2016, str. 88-101).

Koncept, ki je pri poskusih razumevanja **vrednosti tržne poti** (angl. *channel value*) najtemeljiteje raziskan in najpogosteje uporabljen, je management dobavne verige (v nadaljevanju MDV), ki je od uvedbe v 90. letih postal pomemben strateški koncept. Toda medtem ko je pomanjkljivost MDV, da ne obravnava stališča kupca, pa se za bolj nedavno uveljavljen in posledično precej manj uporabljen koncept management verige povpraševanja (v nadaljevanju MVP) zdi, da zajema sinergije med MDV in trženjem. To poskuša doseči prek opredelitve specifičnih potreb kupcev in zasnove verige na način, ki izpolnjuje te potrebe, namesto da se veriga začne pri proizvajalcu/dobavitelju in nato napreduje po posameznih členih, kot je običajno pri MDV. Upravljanje verige povpraševanja je torej koncept, namenjen integraciji procesov na strani povpraševanja in ponudbe. Povpraševalni procesi so vsi procesi pri stiku s porabniki ali trgom, namenjeni odzivu na povpraševanje porabnikov prek ustvarjanja vrednosti (Juettner, Christopher & Baker, 2007, str. 377-392).

Vloga prodajnega posrednika (angl. *intermediaries*) pri ustvarjanju vrednosti za porabnika postaja vse pomembnejša. Proizvajalci morajo biti zmožni vplivati na posamezne člene tržne poti, da bi lahko uspešno izvajali posredno strategijo nastopa na trgu. Prodajna pot ni zgolj način za doseganje kupcev, marveč združuje aktivnosti različnih posrednikov, ter tako ustvarja vrednost. **Vrednostna veriga tržne poti** (angl. *channel value chain*) je rezultat procesa oblikovanja zmožnosti posamezne tržne poti, da ta učinkovito naslavlja potrebe verige povpraševanja. Usmerjanje in vplivanje na vrednostno verigo tržne poti je konstanten proces, ki zahteva temeljito razumevanje njenih členov, njihovih zmožnosti dodajanja vrednost in njihovo moč pri vplivanju na obnašanje tržne poti (Rangan, 2006, str. 4-10).

Namen pričujočega magistrskega dela je pridobiti podrobno razumevanje različnih vlog in poslovnih modelov različnih posrednikov. Osredotoča se na slovenski trg tiskalnikov in povezanih storitev ter analizira lastnosti posrednikov v posamezni panogi. Namen izvedbe podrobne analize trga (angl. *industry mapping*) je pridobiti natančnejše razumevanje različnih strategij nastopa na trgu, ki se jih na slovenskem trgu poslužujejo zastopniki proizvajalcev tiskalnikov. Prav tako opredeljujem porabniške (segmentirane po velikosti) preference glede zahtev, ki jih imajo pri izboru ponudnika tiskalniških storitev, in poskušam povezati njihove prednostne zahteve s točno določenimi kompetencami dvostopenjskega tržnega kanala. **Poglavitni cilj tega magistrskega dela** je opredeliti vrzeli v zmogljivostih določene tržne poti in predlagati prihodnje ukrepe za izboljšanje konkurenčnosti pri določenem tržnem kanalu pri izpolnjevanju zahtev majhnih, srednjih ali velikih podjetij ob nabavi tiskalnikov in povezanih storitev. Podrejeni cilj mojega magistrskega dela je tudi podrobna analiza panoge tiskalnikov v Sloveniji, vključno s pridobitvijo vpogleda v aktivnosti večjih predstavnikov na trgu. V magistrskem delu opredeljujem in razvrščam zahteve verige povpraševanja v medorganizacijskem segmentu (v nadaljevanju B2B). Analiziram tudi kompetence tržnega kanala posameznega prodajalca pri izpolnjevanju zahtev kupcev ter s pomočjo primerjave med zahtevami kupcev in kompetencami tržne poti opredeljujem vrzeli med tem, kar si kupci predstavljajo, da potrebujejo, in tem, kar je tržni kanal dejansko zmožen zagotoviti.

Magistrsko delo je sestavljeno iz treh poglavij. V prvem je izveden pregled različnih struktur tržnih poti in trženjskih odločitev, potrebnih za njihovo načrtovanje in ravnanje, različne vrste tržnih poti, pregled posrednikov, ki sodelujejo znotraj tržnih poti, vloge in dejavnosti, ki jih izvajajo kot člani tržnih poti, ter (kjer je to relevantno) pregled njihovih poslovnih modelov, torej način, kako služijo denar z dodajanjem vrednosti postopku distribucije izdelkov od proizvajalca do končnega uporabnika. Na koncu prvega poglavja je razlaga trendov, ki imajo najbolj izrazit vpliv na strukturo tržnih poti in njihovo upravljanje: spletno poslovanje, uporaba strategij z večjim številom tržnih poti in upravljanje s konfliktom. V drugem poglavju je predstavljena podrobna analiza panoge tiskalnikov, pri čemer so uporabljeni podatki neodvisnih raziskovalnih agencij, delno strukturirani poglobljeni intervjuji s prvimi desetimi igralci na trgu in osebne izkušnje. V tretjem poglavju pa je predstavljena analiza vrednostne verige določene drugostopenjske tržne poti. Opravil sem spletno anketo, namenjeno slovenskim podjetjem v treh

segmentih po velikosti, z namenom opredelitve in razvrstitve njihovih zahtev verige povpraševanja pri izbiri ponudnika tiskalnikov. Po pridobitvi uporabniških preferenc sem analiziral kompetence drugostopenjske tržne poti pri izpolnjevanju zahtev posameznih segmentov kupcev. Na koncu sem opravil še analizo vrzeli med kompetencami tržne poti in zahtevami kupcev posameznih segmentov ter podal priporočila za prihodnje izboljšave.

Z izvedbo podrobne **analize trga** slovenske panoge tiskalnikov sem pridobil podrobnejše razumevanje različnih strategij nastopa na trgu, ki jih izvajajo posamezne blagovne znamke tiskalnikov na slovenskem trgu. Po letu 2010 je trg upadel kar za približno 20 % in od takrat prodaja v vseh segmentih stagnira. Zrelost trga v kombinaciji s stalnimi pritiski na marže so proizvajalce tiskalnikov prisilili v iskanje alternative. Posledično je večina izmed njih v neke vrste tranzicijskem obdobju in razmišlja o preoblikovanju svoje strategije nastopa na slovenskem trgu. Tržne raziskave so pokazale, da v segmentu izdelkov A4 prevladuje posredni poslovni model, saj se prodajalci poslužujejo posrednikov za izvajanje dejavnosti v njihovem imenu. Nasprotno pa so bili zadnja leta v segmentih z visoko dodano vrednostjo (večfunkcijske naprave A3, profesionalni tiskalniki), kjer na prodajo vpliva zmožnost ustvarjanja dodane vrednosti s pomočjo dodatnih storitev in rešitev, najuspešnejši prodajalci z neposredno strategijo nastopa na trgu. Kot del analize panoge sem izvedel poglobljene intervjuje s sedmimi izmed prvih desetih glavnih igralcev na trgu ter obenem še z dvema distributerjema. Večina upravljavcev posrednih tržnih poti opaža, da so se njihovi posredniki znotraj tržene poti nezmožni prilagoditi bodočim zahtevam panoge. Kot so bile v preteklosti za dobičkonosen obstoj na trgu potrebne poprodajne servisne storitve opreme, bodo morali v prihodnosti posredniki do 30 % svojih prihodkov ustvariti s trženjem rešitev, če želijo preživeti. Upravljavci tržnih poti prav tako verjamejo, da jih kompetence njihovih prodajnih partnerjev omejujejo pri uspešnem izvajanju prodaje zlasti v segmentih velikih podjetij in v javni upravi. Zaradi vse nižjih marž se do neke mere pojavlja konsolidacija posrednikov, kar ustvarja še večjo odvisnost proizvajalcev od majhnega števila kompetentnih posrednikov. Obenem distributerji izvajajo optimizacijo svojih portfeljev blagovnih znamk tiskalnikov, saj je dobiček, ustvarjen z naslova poprodajnih storitev, postal pomembnejši od samega ustvarjanja prihodkov. Večina intervjuvancev se prav tako strinja, da je končni kupec pridobil največ moči izmed vseh igralcev znotraj tržne poti, kar jim je omogočila uporaba spleta in posledična transparentnost. Nadalje se večina strinja, da je razlikovanje med izdelki posameznih blagovnih znamk v panogi zelo nizko in posledično največ priložnosti za razvoj konurenčne prednost ponuja razvoj edinstvenih poslovnih modelov. Na osnovi poglobljenih intervjujev sem opredelil strukturo tržnih poti prvih desetih igralcev na trgu, na osnovi pridobljenih informacij pa sem določil tudi cenovno strukturo povprečnega tiskalnika, ki je naprodaj na trgu.

Moje magistrsko delo temelji na šestih korakih, ki jih predlaga Rangan (2010, str. 73-88) za izgradnjo in urejanje vrednostne verige tržne poti. Še posebej se osredotočam na prve tri korake, ki so: (1) perspektiva končnega kupca, (2) prednostno razvrščanje in segmentacija potreb verige povpraševanja, (3) merjenje zmožnosti tržne poti pri izpolnjevanju teh potreb. Za namene ocenjevanja kompetenc tržne poti pri izpolnjevanju porabniških preferenc sem uporabil dva

ločena vprašalnika. **Prvi vprašalnik** je imel dva poglavitna cilja. Prvi je bil pridobitev informacij o preferencah kupcev pri izbiri ponudnika upravljanih tiskarskih storitev, drugi pa je bil opredelitev prednostne ravni storitev, ki jih potrebujejo. Kupci so bili razdeljeni v tri skupine glede na število zaposlenih. **Drugi vprašalnik** je obravnaval člane tržne poti določenega prodajalca, njegov namen pa je bilo ocenjevanje njihovih zmožnosti izpolnjevanja preferenc kupcev v omenjenih treh porabniških segmentih. Natančneje se je člane tržne poti spraševalo o tem, kakšne ravni upravljanih tiskarskih storitev so zmožni izvajati znotraj posameznega porabniškega segmenta. Ti koraki kasneje služijo za opredelitev morebitnih vrzeli med tem, kar si kupci predstavljajo, da potrebujejo, in kar je tržni kanal zmožen zagotoviti. Za ugotovljene vrzeli predlagam tudi ukrepe.

Kvalitativno raziskavo pričnem z analizo preferenc končnih uporabnikov in analizo njihovega dojemanja vrednostne verige obstoječe tržne poti. S pomočjo **spletne ankete med 78 slovenskimi podjetji** sem opredelil in prednostno razvrstil zahteve, ki jih imajo od verige povpraševanja trije različno veliki medorganizacijski porabniški segmenti. Medtem ko majhna in srednja podjetja dajejo prednost servisiranju opreme, vnaprejšnjemu določanju cen izdelkov in odnosu, ki ga imajo s ponudnikom IT-storitev, pa velika podjetja dajejo prednosti skupnim stroškom lastništva opreme, izvajanju orodij za centralizirano upravljanje flote ter integraciji rešitev s trenutno infrastrukturo porabniških IT-storitev. Pri velikih podjetjih je preferenca do skupnih stroškov lastništva, zagotavljanje programske opreme za upravljanje flote in podpore tranziciji statistično višja kot pri ostalih dveh skupinah. Na drugi strani pa je preferenca dolgoročnega sodelovanja pri večjih podjetij statistično nižja kot pri ostalih dveh segmentih.

Po pridobitvi porabniških preferenc sem naredil analizo **kompetenc tržnega kanala določenega proizvajalca** pri izpolnjevanju zahtev kupcev. Med drugostopenjske prodajne partnerje je bil razdeljen podroben vprašalnik, ki jih sprašuje glede njihovih zmožnosti izpolnjevanja potreb kupcev v opredeljenih porabniških segmentih. Kvantitativno raziskavo sem opravil z uporabo tržne poti določene blagovne znamke. V preteklih letih je izbrani prodajalec svojo strategijo na slovenskem trgu preoblikoval z deloma neposredne strategije nastopa na trgu v popolnoma posredni poslovni model. Medtem ko je bil v preteklosti del aktivnosti dodajanja vrednosti opravljen s strani lokalnega predstavništva proizvajalca, pa dandanes vse trženjske zadolžitve padejo na ramena posredniških prodajnih partnerjev. Posledično se mora proizvajalčeva strategija zanašati na kapaciteto in zmožnosti prodajalcev z dodano vrednostjo. Za namene svojega magistrskega dela sem se osredotočil na posrednike znotraj tržnega kanala, ki izvajajo upravljanje storitev tiskanja v pisarniškem okolju. Tržni kanal je sestavljen iz 9 neodvisnih prodajalcev z dodano vrednostjo, imajo tudi več desetletij izkušenj na trgu. Kot prikazuje analiza panoge, se soočajo z upadajočimi maržami na tiskalniško opremo, v zadnjem času pa celo na servisne storitve, kar upočasnjuje dnevno prodajo večfunkcijskih naprav A3. Čeprav je bila dolga leta lokalna strategija proizvajalca širitev prodajne mreže prodajalcev z namenom izboljšanja pokritosti trga, sem za potrebe analize vrednostne verige tržne poti v magistrskem delu izključil element pokritosti trga in tako struktro tržne poti jemljem kot dano. Analiziran tržni kanal večino svojih prihodkov ustvari v segmentu malih podjetij (56 %), čemur sledijo

srednja podjetja z 28 %, z velikimi podjetji pa ustvarijo zgolj 16 % svojih prihodkov. To nakazuje, da obstaja določena raven storitev, ponujenih velikim podjetjem, ki je nezadostna za izpolnjevanje njihovih potreb, kar je kasneje potrdila tudi analiza vrzeli.

Na podlagi analize kompetenc tržnega kanala sem opredelil **vrzeli** na strani povpraševanja. Splošno gledano se pojavijo zaradi tega, ker tržna pot določenemu porabniškemu segmentu ponuja določene storitve, ki so bodisi na prenizki bodisi na previsoki ravni. Medtem ko so člani tržne poti, ki so sodelovali v raziskavi, presegli večino zahtev kupcev v segmentu majhnih podjetij ter izpolnili večino zahtev kupcev v segmentu srednjih podjetij, pa so pri izpolnjevanju zahtev velikih podjetij nastale vrzeli. Posredniki bi morali za izpolnjevanje porabniških preferenc izboljšati svoje kompetence zlasti na področju "razpoložljivost servisiranja opreme", "zmožnost združevanja različnih elementov ponudbe" in "izvajanje centralizirane programske opreme za upravljanje flote". Vrzeli se pojavljajo zlasti zaradi pomanjkljivih IT-kompetenc in zaradi težav v povezavi z velikostjo posrednikov. Ker večina udeležencev na trgu nima možnosti vzpostavitve neposrednih struktur tržne poti, jim za izboljšanje učinkovitosti njihove tržne poti preostane edino, da si prizadevajo povečati razumevanje poslovnih modelov posameznih posrednikov ter slednje vodijo skozi postopek pridobivanja dodatnega znanja.

Na koncu magistrskega dela bi rad poudaril njegove **omejitve** in predlagal nadaljnje priložnosti za raziskave. Analiza v mojem magistrskem delu v veliki meri temelji na ordinalni merski lestvici, kar bi lahko predstavljalo omejitev, da prostora med posameznimi izbirami ni mogoče opredeliti, saj dejanskih mnenj anketirancev ni možno izmeriti, posledično pa je izračun povprečij in izvedba statističnega testa z uporabo teh povprečij problematična. Skladno s temi omejitvami sem za določitev vrzeli med preferencami kupcev in kompetencami tržne poti uporabil mediano. Nadalje v vzorcu, uporabljenem v kvantitativni raziskavi, ni bilo vključenih vseh 7.389 subjektov, ki so ustrezali velikosti raziskovanih treh segmentov, temveč 3.210 podjetij z več kot 20 zaposlenimi, ki delujejo v relevantnih panogah. Na koncu je bila opredeljena tudi namenska podatkovna baza s 554 stiki v ciljnih podjetjih. Prav tako ne vemo, ali bi bili odgovori podjetij, ki se na vprašalnik niso odzvala, drugačni od prejetih odgovorov, vseeno pa 15,5 % stopnja odzivnosti še vedno zadostuje za izvedbo analize.

Kot možnosti za **bodoče raziskave** predlagam osredotočanje na ponudbeno stran analize vrzeli, kar bi opredelilo, ali prodajna pot izvaja eno ali več dejavnosti s previsokimi stroški. Povpraševalna stran vrzeli tržnih poti, analizirana v tem magistrskem delu, je opredelila vrzeli med zahtevami kupcev in zmožnostmi tržnih poti za njihovo izpolnjevanje. Pri tem pa nisem analiziral, ali je prodajna pot te zahteve zmožna izpolnjevati tudi na konkurečni cenovni ravni, kar nakazuje področja za nadaljnje raziskave kompetenc tržnih poti.

Appendix B: Distributors role and business model

Distributors are a key link in the route to market for many sectors. Although they seem to fulfil only a few basic functions, breaking bulk, providing credit and offering one-stop convenience to channel partners, their needed presence in emerging and mature markets shows the value they deliver. Distributors exist only in two-tier (or multiple-tier) distribution models. Their main role is to service other intermediaries. Broad line distributors can even serve thousands of IT resellers on daily basis (Dent, 2011, pp. 27–121).

Dent (2011, pp. 27–121) divides services based on recipient groups. He distinguishes roles distributors provide to their customer (resellers) and roles they provide to their suppliers (manufacturers).

Customer (reseller) roles. For final-tier resellers it is much convenient to establish trading relationship, that meet most or all of their needs, with limited number of distributors. So most of services distributors can provide for channel partners are related to their perceived value of one-stop shop. By leveraging their own scale advantage distributors can provide services numerous cost effective services to their resellers. Core distributors' service is the ability to provide products on demand, saving or minimizing the stocking burden on the part of its customers. **One-stop shop** enables resellers to be able to buy different line items at a single time. Many distributors do very little genuine 'wholesaling' in large volumes, but sell mostly smaller volumes required by individual end-customers. **Bulk breaking** is at the same time value proposition that has value to both resellers and supplier. Second most important service from distributor to reseller is **provision of credit** which gives resellers ability to supply, install, or fit the products without having to finance their entire work-in progress and end-customer receivables. Closely related to costs is **order consolidation**, enabling customer to minimize their delivery costs by waiting until an entire order of different products from different vendors is ready to ship. Beside core services most of distributors provide some level of **technical support** usually on a pre-sales (and therefore free) basis. All the **elements above are built into the price paid** by customer for the product. All the additional optional services that can be offered go beyond this core proposition and therefore are charged in addition to the product price – either as a service charge on a fee basis or as an addition to the transaction cost per item (Dent, 2011, pp. 27–121).

Supplier (manufacturer) role. Channel Corp (2009a, pp. 36–38) define reduction of transaction costs as most important reason why distributors are so widely used by vendors. Distributors primary role is therefore **route to market for the supplier**. Depending on the maturity of the product category, product lifecycle stage, market share of the supplier and density of the final tier in the distribution system distributors can perform variety of roles for suppliers. As suppliers focus on their core activities, they are looking for ways how to outsource non-differentiating activities. Distributors provide for suppliers cost effective ways to reach uncovered market segments. **Demand generation** and **supply fulfillment** are their two core functions provided to suppliers. By acting as the supplier to potentially thousands of local trade customers, the

distributor takes the credit risk on these sales, requiring it to have excellent credit control and credit insight to minimize the exposure and cost of bad debts. In many distributors the **marketing function** is a profit center, attracting marketing development funds from its suppliers by offering innovative marketing tools and activities. Also many of the activities will be charged for in addition to the trading margin or distributor discount, especially **provision of sell-out information** and marketing collaterals, catalogues. To manage their channel, suppliers need good information about their distributors' sales and inventory levels ad are prepared to pay to get it. To lesser degree distributors can even providing the **channel development function** – recruiting new partners or acting as suppliers' local or territory representatives in providing services such as warranty or pre- and post-sales support (Dent, 2011, pp. 27–121).

Roles executed by the distributor to their resellers and suppliers **define their business model** and its key characteristics. Distributors need to hold stock and finance their resellers credit, defines that distributors business model is **capital intensive**. This is typically **high-volume, low-value-add business**, where distributors in most of industries operate on **thin margins**. The gross margin is the difference between the price the distributor pays for its products to suppliers (=cost of sales) and price it gets for them when sold to customers (=sales). It's very small number between two very big ones. We could say profit is a very small number between two very big numbers. With many of the costs being essentially fixed in nature, **controlling overheads** is important.

The balancing of the profitability and working capital profile of the product range is at the heart of the distributor's business model. **Working capital** is an excellent descriptive term for the capital tied up in the trading cycle of a distributor. It represents the capital needed to fund the cash-to cash cycle. This is time taken from cash leaving the business to pay suppliers until it comes back in from customers when they pay for their products after the period of credit given to them and includes the time the products spend in inventory in between. **Managing the three components** of the working capital cycle is of paramount importance to a distributer. This three components being **supplier credit (**time taken to pay the suppliers), **inventory (**time spent in inventory) and **customer credit (**time customers take to pay). The faster the capital turns, the less cash is needed to finance the working capital cycle and the more efficient is the distributor. Small improvements in the elements of working capital can lead to a significant change in overall efficiency of the distributor and reduce the cash needed to finance the business. The role of product managers in the distributor is critical as they execute margin and working capital (or at least inventory) management. Even tiny improvements in margin make for a big impact in the operating profit. The challenge is to balance the product range and stocking depth with what customers are demanding and the suppliers are insisting on with what makes sense financially. In order to be profitable they need to manage margin mix or blending margin. And they need to perform portfolio pricing which is smart differential pricing within a category and across product categories (Dent, 2011, pp. 27–121).

In order **to grow**, the distributor needs to **increase its working capital to match the bigger trading volumes** or accelerate the cycle of cash to cash. Distributor that fails to plan for growth find that their cash situation deteriorates rapidly despite sales and profit growing healthily. We have seen also there is very little room for slippage – a couple of profit points off the margin and a couple more points on the costs and the profit turns into loss (Dent, 2011, pp. 39–121). ChannelCorp (2009a, pp. 37-39) also defines main five issues distributor companies experience. This are: constant need to grow volumes, effects of consolidation on global scale, increasing pressure from Vendors to distributors to adopt Partner business development functions, need for automatization of processes and finally need to develop value-added services in order to increase profitability margins

Appendix C: Retailers role and business model

The generally accepted definition of retailing is that it consists of selling products and services to the customer for private consumption. **Retailer's primary role as a channel is to deliver customer traffic to suppliers products.** Many retailers have become massive brands with the power to make or break a supplier's access to customers through their presence in the market and share of a particular category (Dent, 2011, p. 247).

Although retailing may include sales through catalogues, mail-order, web and tele-sales we will focus on selling through physical retail premises. The core proposition of the store-based retail channel is convenience, product choice and comparison, touch and feel, trial, advice, confidence through physical presence in backup of ability to return and the intangible dimensions of 'experience' such as image, entertainment, indulgence etc. The goal of the retailer is to select the best location, attract its customers to come to the store, get them to 'shop' the store, preferably most profitable lines and to get them to come back again. The goal is to encourage the customer to buy a bigger 'basket', spending more than they intended). Store-based retailing is fairly high-risk channel as mistakes made in store locations selections are very difficult to correct. Core costs of the retail operation are relatively fixed, which puts pressure on the retailer to drive sufficient volumes and secure high enough margins to cover the costs. Because of the pressures on retailers, some have developed a reputation for demanding outrageously high margins from suppliers. Therefore it is very important for supplier to understand retailers business model and foremost have clear idea which products have realistically best fit (Dent, 2011, pp. 247-300).

The **retailer's business model** is **all about volumes**. Retailers measure their performance in terms of volume productivity. First of this productivity measurements is productivity of space (store, square foot) and second performance area is productivity of labor (employees). Retailers choose whether they are high- or low-service store and balance this with their ability to sell and trade up customers through the range.

Some key characteristics to retailing business model are **high operating costs**, because of expense related to store location. Most retailer lease their stores in order to maintain flexibility in their property portfolio. Retailing is often referred as cash business. To be profitable they aim for fast turning inventory. This is a business of big powerful players. In order **to grow** retailers add stores and aim to increase their sales per store. Ideally both at the same time. Increasing sales per store requires fine-tuning of category mix, selection of product lines, ranging, merchandising, more effective marketing and tight management. Larger retailer with a significant number of stores will track store density.

Retailers often describe their entire business model in term of **'earn and turn'**, referring to the need to maximize the margin (earn) and the number of times they can earn that margin or velocity of inventory turn. In terms of inventory velocity and height of margins retailers can be classified in one of these two business models: High earn and low turn; or low earn and high

turn. **Margins are the 'earn' in the earn and turn model**. Here is important to measure actual margin is termed the achieved margin. Namely retailer commit to buying decisions many months ahead of the products arriving in store for sale to customers. By the time the product arrives in store, many things may have changed. For example competitor is using same product for price war, better or more popular product is introduced, product may not sell well or even product may gone short supply. These are all element which influence actual achieved margins. Retailer needs to ensure that its business volume and margins are adequate to cover its relatively high fixed costs and earn healthy net margins. **Inventory turns are the 'turn' in the earn and turn model** of the retailer and there are several ways in which retailers look to measure the rate at which products are driving the critical part of the business model, related to their scares resource – space.

Retailers think of **products need to earn their place on the shelves** in their stores. Their stores have finite amount of shelving on which products can sit. Retailer have to balance category range and depth with economic performance. Has to decide how much space to allocate to each category and how many SKUs (stock-keeping units – each size of each product is a different SKU) to allocate across range breadth (different items) and depth (different size and configuration. Large retailers and major brands can afford to do the customer research that provides the insight they need to understand how to lay out category. Some brands become so expert that the retailer asks them to be **'category captain'** and hands over them the responsibility for organizing the entire category, including their competitors' products.

With targeted communications and offers, loyalty cards and further technologies, retailers are effectively able to offer differentiated service levels, pricing and unique offers to those customers who deliver the greatest value to them.

Above all supplier needs to focus on the retails key challenges, getting customers to the store, getting them to shop the store and buy the most profitable product and getting customers to return (Dent, 2011, pp. 259-300).

Appendix D: Semi-structured interviews with vital market players

1. Demand-chain requirements

Kako delite posamezne skupine kupcev? (glede na velikost - retail, SMB, Enterprise; oziroma glede na različne potrebe in/ali načine oskrbovanja)?

Za zadnjih 10 let katere so prelomnice v prodajnem procesu / zahtevah strank v posamezni kategoriji?

Kaj, kako stranke kupujejo tiskalnike in povezane storitve? Zakaj menite, da kupujejo izdelke in storitve različnih ponudnikov?

Katere so glavne zahteve strank pri razpisih?

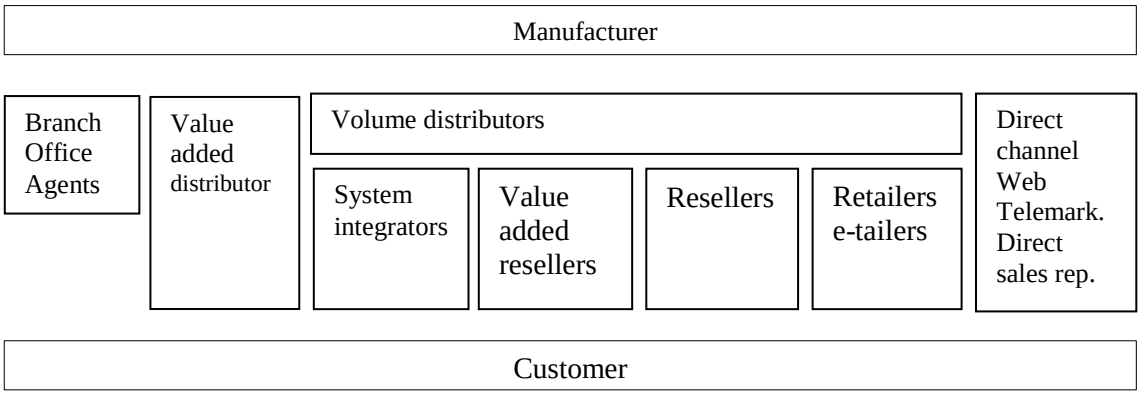
Ali so stranke zadovoljne s ponudbo posameznega prodajnega kanala? Kje vidite manjko v zmožnostih posameznega prodajnega kanala, da kreira dodano vrednost?

2. Channel capabilities and costs

Ali imate v vaši strukturi nekoga, ki skrbi za prodajni kanal (Channel manager)?

Kako skrbite za razvoj prodajnega kanala? (treningi, nagrajevanja ...)

Kakšen je vaš dostop do trga? (*izberi med verzijami – grafični prikaz*)



Vaše prodaje v letu 2015 na direktni prodajni kanal in na indirektni prodajni kanal (ocena v %)?

Kje vidite prednosti in izzive posameznega modela?

Koliko partnerjev sestavlja vaš indirektni kanal?

Kakšne vrste partnerjev imate v vaši strukturi? (retaileri, e-tailerji, VAR, SI, Solution providers ...)

Kakšne naloge izvajajo posamezni partnerji?

Ali vodite multi-channel pristop? (npr. direktni, internetni, call center, indirektni preko VAR partnerjev)

Ali in kako je vaša korporacija spreminjala strategijo nastopa na trgu v zadnjih letih?

Kako se partnerji prilagajajo na spremembe v zahtevah končnih strank?

Kako se je prilagajala vloga distributerjev v zadnjih letih?

Ali v zadnjih letih zaznavate spremembe v finančnem zdravju prodajnega kanala?

Kako se spreminjajo cene, marže na trgu? (izgradnja strukture cene povprečnega tiskalnika)

Manufacturers					distributor					
cost of product	**Local operations overhead costs**	**Local marketing costs**	**Transport-ation costs**	**Manuf. profit**	**Local tax costs**	**Local inventory, storage costs**	**Local credit cost**	**Local logistic costs**	**Other operating costs (also profit)**	**Distri-butor profit**
100 points										

reseller			
Sales margin	**Financing costs**	**Servicing margin**	**Solution margin**

Kje vidite prihodnje izzive v industriji?

3. Channel Power

Zaznavate spremembo pozicije moči med deležniki na trgu / oz. znotraj prodajne verige?

Kdo pridobiva moč? Kdo izgublja?

Kako rešujete konflikte med posameznimi prodajnimi kanali?

Kako rešujete konflikte znotraj posameznega prodajnega kanala?

Finančno zdravje posameznih prodajnih partnerjev skozi zadnja leta?

4. Competitive Actions

Aktivnosti na trgu, ki so najbolj vplivale na industrijo?

Hybridni modeli?

Kdo je dominanten igralec na trgu? Kdo je najbolj inovativen? Kakšno strategijo prodajne poti imajo?

Kako se je konkurenčnost med posameznimi prodajnimi kanali razijala? Kateri je dominanten prodajni kanal? Kateri najbbolj profitabilen? Najbolj inovativen?

5. External forces ...

Spremembe zakonodaje, ki so vplivale na zahteve kupcev oz. zmožnost prodajnega kanala?

Kako napredek tehnologije vpliva na samo industrijo? Delovanje posameznih partnerjev? Razvoj poslovnih modelov nastopa na trgu?

Kakšni so ekonomski trendi in kako vplivajo na industrijo? V prihodnje?

6. Interviewer characteristics ...

Leta delavnih izkušenj v industriji _____

Leta delavnih izkušenj pri trenutnem delodajalcu _____

Trenutno delavno mesto _____

Datum ura pogovora _____

Appendix E: Questionnaire Identification and prioritization of B2B customers' demand chain requirements when choosing printing services provider

VABILO: Anketa za magistrsko delo o dejavnikih izbire ponudnikov IT-storitev

Spoštovani,

v okviru zaključevanja ***znanstvene magistrske naloge*** *na rednem podiplomskem* ***študiju Ekonomske fakultete*** *Univerze v Ljubljani vas* ***vabim, da izpolnite kratko anonimno anketo****, katere skupni rezultati bodo vključeni v empirični del mojega magistrskega dela.*

Namen raziskave, ki jo opravljam v okviru magistrske naloge, je ***analiza dejavnikov izbire ponudnikov storitev upravljanja tiska med slovenskimi podjetji****. Številna podjetja se namreč, še posebej njihovi prodajni in IT-oddelki, soočajo z vedno večjimi pritiski po zniževanju stroškov, podhranjenosti kadrovske zasedbe in posledično prenosu dela še nedavno internih aktivnosti na zunanje izvajalce. Istočasno je razvoj tehnologij omogočil učinkovit nadzor nad izvajanjem celostnih storitev, med katere spadajo tudi* ***storitve upravljanja tiska****, ki predstavljajo eno izmed najhitreje rastočih storitev v industriji.*

Vaše podjetje sem za sodelovanje izbral namensko na podlagi vaših dejavnosti, uspeha in referenc. Na vas osebno pa se obračam, ker ste v vašem podjetju verjetno oseba z najbolj ustreznim znanjem in izkušnjami, ki mi bodo - podane v spodnjem vprašalniku - najbolj v pomoč. Če menite, da bi bil-a vaš-a kolega-ica za to primernejši-a, vam bom hvaležen, če mu/ji vprašalnik prepošljete. Prosim vas, da si vzamete ***10 minut*** *za izpolnitev vprašalnika in mi pomagate pri* ***ugotavljanju dejavnikov izbire ponudnikov IT-storitve*** *(upravljanja tiska) med slovenskimi podjetji.*

Dostop do ankete najdete na: https://www.surveymonkey.com/r/F8RYTCR
Spletni vprašalnik je povsem ***anonimen****.*
Prosim, da vprašalnik izpolnete ***do 31. marca****.*

Vnaprej hvala za vašo pripravljenost na sodelovanje, ki je zame izjemnega pomena.
Lep pozdrav,

Boštjan Hribovšek
International Full Time Master Programme in Business administration (IMB)
Ekonomska fakulteta v Ljubljani

Prosim ocenite pomembnost posameznih elementov pri izboru ponudnika storitev upravljanja tiska

Z oceno od 1 do 5 opredelite pomembnost posameznih elementov pri izboru ponudnika storitev upravljanja tiska (1 pomeni nepomemben in 5 zelo pomemben element)

		(1) Nepomembno	**(2) Manj pomembno**	**(3) Srednje pomembno**	**(4) Pomembno**	**(5) Zelo pomembno**
1	Ponudnikova širina ponudbe					
2	Nakupna cena opreme					
3	Skupni stroški lastništva (TCO)					
4	Pogodbena prilagodljivost					
5	Vzdrževanje naprav (delovni čas in pokritost lokacij)					
6	Vzdrževanje naprav (odzivni čas)					
7	Povezljivost HW/SW rešitve z obstoječimi procesi/IT-infrastrukturo					
8	Centraliziran nadzor infrastrukture					
9	Tehnična podpora					
10	Podpora pri prehodu k novemu načinu upravljanja storitev transition & change management)					
11	Reference in izkušnje ponudnika					
12	Bonitetna ocena ponudnika					
13	Zgrajen odnos s ponudnikom					

Prosim definirajte za vaše podjetje minimalen in želen nivo storitve za posamezni element pri izboru ponudnika storitev upravljanja tiska.

Spodnje trditve predstavljajo 5 zahtevnostnih stopenj ponudb storitev. Pri čemer je 1. najmanj in 5. najbolj zahtevna stopnja. V vsakem stolpcu lahko izberete samo po eno trditev. V levem minimalen (še sprejemljiv) nivo in v desnem želen (optimalen) nivo storitve.

2. Pri izbiri ponudnika storitev mora ponudba vključevati najmanj:

	Minimalen nivo	**Želen nivo**
1. Nakup tiskalniške opreme (HW)		
2. (1) + servis in vzdrževanje tiskalniške opreme.		
3. (1+2) + orodja centralnega nadzora tiskalniške flote (Fleet mnganagement tools).		
4. (1+2+3) + sisteme za spremljanje, nadzor in avtentikacijo uporabnikov (AAA SW).		
5. (1+2+3+4) + rešitve dokumentnega/mobilnega upravljanja (DMS).		

3. Na kakšne načine vaše podjetje kupuje posamezne sklope storitev:

	Minimalen nivo	**Želen nivo**
1. LOČEN nakup posameznih sklopov (opreme/SW rešitev/potrošnega materiala/servisnih delov/servisnih posegov) brez pogodbenega vzdrževanja.		
2. LOČEN nakup (opreme/SW rešitve/potrošnega materiala) in SKLENITEV pogodbenega vzdrževanja (servisni deli/servisni posegi).		
3. LOČEN nakup (opreme/SW rešitve) in SKLENITEV pogodbenega vzdrževanja z vključenim potrošnim materialom (potrošni material/servisni deli/servisni posegi).		
4. NAJEM ali nakup posameznih sklopov (opreme/SW rešitve) in SKLENITEV pogodbenega vzdrževanja z vključenim potrošnim materialom (potrošni material/servisni deli/servisni posegi).		
5. Ponudnik zaračuna vse sklope ponudbe (oprema/SW rešitve/potrošni material/servisne dele/servisne posege) v ceni izpisanega dokumenta.		

4. Stopnja definiranosti pogodbenih razmerij:

	Minimalen nivo	**Želen nivo**
1. Pogodba brez omejitev.		
2. Pogodba z dogovorjenimi cenami za individualna naročila.		
3. Pogodba za definiran letni obseg naročil.		
4. Pogodba, ki definira letni obseg izpisov.		
5. Pogodba, ki definira letni obseg izpisov s cenovnimi prilagoditvami v primeru nihanja obsega izpisov.		

5. Vzdrževanje naprav (delovni čas in pokritost lokacij):

	Minimalen nivo	**Želen nivo**
1. Delovni čas na lokaciji uradnega servisa.		
2. Redni delovni čas podjetja (odaljenost med lokacijami do 50 km).		
3. Redni delovni čas podjetja (odaljenost med lokacijami do 100 km).		
4. Redni delovni čas podjetja (odaljenost med lokacijami nad 100 km).		
5. Dežurstva tudi med vikendi (24/7), podpora na lokaciji podjetja na več lokacijah po celotni Sloveniji.		

6. Vzdrževanje naprav (odzivni čas):

	Minimalen nivo	**Želen nivo**
1. Na lokaciji servisnega ponudnika.		
2. Na lokaciji podjetja – v 3 delovnih dnevih.		
3. Na lokaciji podjetja – naslednji delovni dan.		
4. Na lokaciji podjetja – v 8 urah.		
5. Na lokaciji podjetja – v 4 urah.		

7. Zahtevana stopnja dokazljivosti integracije HW/SW rešitve z obstoječimi procesi/ IT-infrastrukturo:

	Minimalen nivo	**Želen nivo**
1. Omogočen obisk stranke s podobno inštalacijo.		
2. Možnost postavitve demo enot.		
3. Na voljo tehnik z dostopom na daljavo.		
4. Sistemski inženir na lokaciji.		
5. Izvedba celotnega pilotnega projekta.		

8. Zahtevana stopnja centraliziranega nadzora infrastrukture:

	Minimalen nivo	**Želen nivo**
1. Naprave brez povezave.		

2. SW za pobiranje števcev naprav.		
3. SW za avtomatizirano zaznavo statusa tonerjev.		
4. SW za centralizirano spremljanje in prejemanje obvestil o statusu naprav.		
5. SW za proaktivno upravljanje naprav, poročila o delovanju infrastrukture in povezava s centrom za pomoč uporabnikom (helpdesk).		

9. Tehnična podpora:

	Minimalen nivo	**Želen nivo**
1. Inštalacijo in prvi nivo podpore zagotavlja IT služba samega podjetja.		
2. En sistemski inženir na lokaciji ponudnika z dostopom na daljavo.		
3. Trije sistemski inženirji na lokaciji ponudnika z dostopom na daljavo.		
4. Proizvajalčev globalni klicni center, povezan z lokalnim ponudnikom		
5. Lastni klicni center ponudnika.		

10. Podpora pri prehodu k novemu načinu upravljanja storitev (transition & change management):

	Minimalen nivo	**Želen nivo**
1. Dostava opreme/SW.		
2. (1) + inštalacija opreme/SW.		
3. (1+2) + šolanje IT-oddelka.		
4. (1+2+3) + šolanje ostalih pisarniških uporabnikov.		
5. (1+2+3+4) + podpora za komunikacijo z internimi javnostmi ob prehodu.		

11. Reference in izkušnje ponudnika:

	Minimalen nivo	**Želen nivo**
1. Certifikacija ponudnika oz. naziv uradnega ponudnika priznane znamke.		
2. Navedba 1 referenčnega naročnika.		
3. Navedba do 3 referenčnih naročnikov.		
4. Navedba do 10 referenčnih naročnikov.		
5. Priporočilo podjetij oz. naročnikov ponudnika znotraj industrije.		

12. Ponudnik ima boniteto:

	Minimalen nivo	**Želen nivo**
1. C,D		
2. B		
3. A		
4. AA		
5. AAA		

13. Odnos s ponudnikom:

	Minimalen nivo	**Želen nivo**
1. S ponudniki nimamo razvitih odnosov, za vsako naročilo posebej iščemo ponudnika.		
2. S ponudnikom imamo delno razvit delovni odnos, ampak vedno za vsak posel pripravimo razpis.		
3. S ponudnikom imamo razvit delovni odnos, a pri oddaji naročila preverjamo ponudbe omejenega števila ponudnikov.		
4. S ponudnikom imamo razvit sodelovalni odnos, a pri oddaji naročila še vedno občasno pogledamo, kaj lahko dobimo pri konkurenci		
5. S ponudnikom imamo razvit partnerski odnos, ponudnik je naša edina izbira na tem področju.		

14. Določite kolikšen delež vrednosti nakupov tiskalniške opreme in povezanih rešitev oz. storitev opravi vaše podjetje pri posameznik ponudnikih (skupni seštevek naj bo torej 100 %):

	100 %
Neposredno pri proizvajalcu	(%)
Pri sistemskem integratorju	(%)
Pri ponudniku razširjenih storitev proizvajalca (VAR - value added reseller)	(%)
Pri ponudniku pisarniškega materiala	(%)
Pri spletnem trgovcu, prodajalcu (fizična trgovina)	(%)

15. Označite velikost vašega podjetja (glede na število zaposlenih).

Majhno (10 - 49 zaposlenih v pisarniškem okolju)	
Srednje (50 - 250 zaposlenih v pisarniškem okolju)	
Veliko (250+ zaposlenih v pisarniškem okolju)	

16. Opredelite področje, ki ga pokrivate v vašem podjetju.

Uprava	
Nabava	
IT	
Finance	
Drugo	

Hvala za vaš trud in čas.

Appendix F: Questionnaire on particular channel competences when providing printing services to three size segments

VABILO: Anketa za magistrsko delo o kompetencah prodajnega kanala

Spoštovani,

v okviru zaključevanja ***znanstvene magistrske naloge*** *na rednem podiplomskem* ***študiju Ekonomske fakultete*** *Univerze v Ljubljani vas* ***vabim, da izpolnite kratko anketo****, katere skupni rezultati bodo vključeni v empirični del mojega magistrskega dela.*

Namen raziskave, ki jo opravljam v okviru magistrske naloge, je ***analiza kompetenc ponudnikov storitev upravljanja tiska znotraj definiranega prodajnega kanala****. Številna podjetja se namreč, še posebej njihovi prodajni in IT-oddelki, soočajo z vedno večjimi pritiski po zniževanju stroškov, podhranjenosti kadrovske zasedbe in posledično prenosu dela še nedavno internih aktivnosti na zunanje izvajalce. Istočasno je razvoj tehnologij omogočil učinkovit nadzor nad izvajanjem celostnih storitev, med katere spadajo tudi* ***storitve upravljanja tiska****, ki predstavljajo eno izmed najhitreje rastočih storitev v industriji.*

Vaše podjetje sem za sodelovanje izbral namensko na podlagi vaše pripadnosti izbranemu prodajnemu kanalu, dejavnosti, ki jo izvajate ter referenc. Na vas osebno pa se obračam, ker ste v vašem podjetju verjetno oseba z najbolj ustreznim znanjem in izkušnjami, ki mi bodo - podane v spodnjem vprašalniku - najbolj v pomoč. Če menite, da bi bil-a vaš-a kolega-ica za to primernejši-a, vam bom hvaležen, če mu/ji vprašalnik prepošljete. Prosim vas, da si vzamete ***10 minut*** *za izpolnitev vprašalnika in mi pomagate pri* ***ugotavljanju kompetenc prodajnega kanala****.*

*Odgovori na vprašalnik bodo v magistrski nalogi sumirani in zamaskirani ter je tako zagotovljena anonimnost****.***

Prosim, da vprašalnik izpolnete ***do 15. aprila****.*

Vnaprej hvala za vašo pripravljenost na sodelovanje, ki je zame izjemnega pomena.
Lep pozdrav,

Boštjan Hribovšek
International Full Time Master Programme in Business administration (IMB)
Ekonomska fakulteta v Ljubljani

*Tabela 1: Definirajte za vaše podjetje **najvišji nivo storitve** , ki jih izvajate kot ponudnik storitev tiska za (A) majhna, (B) srednja in (C) velika podjetja. Pri tem velja, da ste za izbrani nivo za določeno velikost stranke izvedli vsaj tri takšne primere. Anketa se nanaša na storitve tiska v pisarniškem okolju. Izberite eno izmed 5 stopenj posameznega elementa storitve, pri čemer je 1 najmanj in 5 najbolj zahtevna storitev.*

			Malo podjetje (10-49 zaposlenih)	**Srednje veliko podjetje (50-250 zaposlenih)**	**Veliko podjetje (nad 250 zaposlenih)**
1	Ponudnikova širina ponudbe	Svojim strankam v določeni velikostni skupini nudite sledeče sklope izdelkov/storitev: (1) Nakup tiskalniške opreme (HW) (2) (1) + servis in vzdrževanje tiskalniške opreme. (3) (1+2) + orodja centralnega nadzora tiskalniške flote (Fleet mng. tools). (4) (1+2+3) + sisteme za spremljanje, nadzor in avtentikacijo uporabnikov (AAA SW). (5) (1+2+3+4) + rešitve dokumentnega/mobilnega upravljanja (DMS).			
2	Združevanje posameznih sklopov v ponudbi	Svojim strankam v določeni velikostni skupini večinoma združujete elemente ponudbe na sledeč način: (1) LOČEN nakup opreme + SW rešitve + potrošnega materiala + servisnih delov + servisnih posegov. (2) LOČEN nakup opreme + SW rešitve + potrošnega materiala + pogodbeno vzdrževanje (VKLJUČUJE servisne dele in posege). (3) LOČEN nakup opreme + SW rešitve + vzdrževanje na izpisan dokument (VKLJUČUJE potrošni material, servisne dele in posege). (4) LOČEN najem opreme ali SW rešitve + vzdrževanje na izpisan dokument (VKLJUČUJE potrošni material, servisne dele in posege). (5) Posamezen izpisan dokument (VKLJUČUJE opremo, SW rešitev, potrošni material, servisne dele in posege).			
3	Stopnja definiranosti pogodbenih razmerij	Svojim strankam v določeni velikostni skupini zagotavljate sledeče stopnje definiranosti pogodbenih razmerij: (1) Pogodba brez omejitev. (2) Pogodba z dogovorjenimi cenami za individualna naročila. (3) Pogodba za definiran letni obseg naročil. (4) Pogodba, ki definira letni obseg izpisov. (5) Pogodba, ki definira letni obseg izpisov s cenovnimi prilagoditvami v primeru nihanja obsega izpisov.			

			Malo podjetje (10-49 zaposlenih)	**Srednje veliko podjetje (50-250 zaposlenih)**	**Veliko podjetje (nad 250 zaposlenih)**
4	Vzdrževanje naprav (delovni čas in pokritost lokacij)	Svojim strankam v določeni velikostni skupini zagotavljate sledeče delovne čase in lokacije vzdrževanja: (1) Delovni čas na lokaciji uradnega servisa. (2) Redni delovni čas podjetja (odaljenost med lokacijami do 50 km). (3) Redni delovni čas podjetja (odaljenost med lokacijami do 100 km). (4) Redni delovni čas podjetja (odaljenost med lokacijami nad 100 km). (5) Dežurstva tudi med vikendi (24/7), podpora na lokaciji podjetja na več lokacijah po celotni Sloveniji.			
5	Vzdrževanje naprav (odzivni čas)	Svojim strankam v določeni velikostni skupini zagotavljate sledeče odzivne čase: (1) Servisiranje na lokaciji vašega servisa. (2) Servisiranje na lokaciji podjetja – v 3 delovnih dnevih. (3) Servisiranje na lokaciji podjetja – naslednji delovni dan. (4) Servisiranje na lokaciji podjetja – v 8 urah. (5) Servisiranje na lokaciji podjetja – v 4 urah.			
			Malo podjetje (10-49 zaposlenih)	**Srednje veliko podjetje (50-250 zaposlenih)**	**Veliko podjetje (nad 250 zaposlenih)**
6	Stopnja dokazljivosti integracije HW/SW rešitve z obstoječimi procesi/ IT-infrastrukturo	Svojim strankam v določeni velikostni skupini zagotavljate sledečo podporo pri integraciji z obstoječimi procesi ter njihovo trenutno IT strukturo: (1) Omogočate jim obisk stranke s podobno inštalacijo. (2) Možnost postavitve demo enot. (3) Na voljo tehnik z dostopom na daljavo. (4) Sistemski inženir na lokaciji. (5) Izvedba celotnega pilotnega projekta.			
7	Zahtevana stopnja centraliziranega nadzora infrastrukture	Svojim strankam v določeni velikostni skupini večinoma zagotavljate sledeče stopnje centralnega nadzora infrastrukture: (1) Naprave brez povezave. (2) SW za pobiranje števcev naprav. (3) SW za avtomatizirano zaznavo statusa tonerjev. (4) SW za centralizirano spremljanje in prejemanje obvestil o statusu naprav. (5) SW za proaktivno upravljanje naprav, poročila o delovanju infrastrukture in povezava s centrom za pomoč uporabnikom (helpdesk).			
8	Tehnična podpora	Svojim strankam v določeni velikostni skupini večinoma nudimo tehnično podporo na sledeče načine: (1) Inštalacijo in prvi nivo podpore zagotavlja IT služba samega naročnika (2) en sistemski inženir na lokaciji ponudnika z			

		dostopom na daljavo (3) trije sistemski inženirji na lokaciji ponudnika z dostopom na daljavo (4) proizvajalčev globalni klicni center, povezan z lokalnim ponudnikom (5) lastni klicni center ponudnika			
			Malo podjetje (10-49 zaposlenih)	**Srednje veliko podjetje (50-250 zaposlenih)**	**Veliko podjetje (nad 250 zaposlenih)**
9	Podpora pri prehodu k novemu načinu upravljanja storitev (transition & change management)	Svojim strankam v določeni velikostni skupini nudite sledečo podporo: (1) Dostava opreme/SW. (2) (1) + inštalacija opreme/SW. (3) (1+2) + šolanje IT-oddelka. (4) (1+2+3) + šolanje ostalih pisarniških uporabnikov. (5) (1+2+3+4) + podpora za komunikacijo z internimi javnostmi ob prehodu.			
			Malo podjetje (10-49 zaposlenih)	**Srednje veliko podjetje (50-250 zaposlenih)**	**Veliko podjetje (nad 250 zaposlenih)**
10	Reference in izkušnje ponudnika	Reference, ki jih navajate pri določeni skupini kupcev (1) Certifikacija ponudnika oz. naziv uradniega ponudnika priznane znamke. (2) Navedba 1 referenčnega naročnika. (3) Navedba do 3 referenčnih naročnikov. (4) Navedba do 10 referenčnih naročnikov. (5) Priporočilo podjetij oz. naročnikov ponudnika znotraj industrije.			
11	Bonitetna ocena ponudnika	Ponudnik je imel v letu 2015 bonitetno oceno: (1) C, D (2) B, (3) A, (4) AA, (5) AAA			
12	Trajajoč odnos ponudnika s strankami	S strankami v posamezni skupini imate sledečo obliko odnosa: (1) s strankami nimamo razvitih odnosov, saj iščejo ponudnika za vsako naročilo posebej, (2) s strankami imamo delno razvit delovni odnos, ampak še vedno za vsak posel pripravijo razpis (3) s strankami imamo razvit delovni odnos, a vemo, da pri oddaji naročila preverjajo ponudbe omejenega števila ponudnikov (4) s strankami imamo razvit sodelovalni odnos, a vemo, da pri oddaji naročila še vedno občasno pogledajo, kaj lahko dobijo pri konkurenci (5) s strankami imamo razvit partnerski odnos, kot ponudnik smo njihova edina izbira na tem področju			

2. Prosim označite velikost vašega podjetja po sledečih kriterijih:

Število zaposlenih v letu 2015	**Promet v letu 2015**

3. Prosim ocenite obseg prometa, ki pripada določeni kategoriji strank v letu 2015 (ocean v %):

Majhna podjetja **10-49 zaposlenih**	**Srednje velika podjetja** **49-250 zaposlenih**	**Velika podjetja** **49-250 zaposlenih**
(%)		

4. Prosim definirajte poslovni model, ki ga vaše podjetje ima (lahko izberete največ 2 obliki):

Spletnem trgovec, fizični prodajalec (fizična trgovina)	**Ponudnik pisarniškega materiala** (osnovan dejavnost prodaja pisarniškega materiala, potrošnega materiala …)	**IT reseller** – prodajalec IT opreme, večinoma ne dodaja izdelku dodano vrednost v obliki vzdrževanja	**Ponudnik razširjenih storitev proizvajalca** (VAR - value added reseller) – značilno, da vzdržuje naprave ter ima zmožnost implementiranja rešitve drugih proizvajalcev	**Sistemski integrator** (specialist za določene industrije, ponuja že lastne rešitve)

Hvala za vaš trud in čas.