

A History of Network and Channels Thinking in Marketing in the 20th Century

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Abstract

The development of research explaining the structure and operations of interfirm relations and networks in marketing channels and business markets is described. The focus is on the main contributors and research themes that have underpinned the development of marketing thought in this area since the beginning of the 20th century. I show how ideas have been borrowed from other disciplines such as economics and the behavioral sciences to inform research and develop marketing theory, and how different but overlapping research traditions emerged in North America, Europe and Australasia. A broad picture is painted of the intellectual history regarding the subject of interfirm networks, rather than a detailed exposition of particular theories or contributions. This is followed by a state of knowledge assessment in terms of five fundamental explananda identified at the outset of the article. I conclude by discussing some of the main research issues challenging researchers in the 21st century.

Keywords: History of thought; marketing channels; distribution; business networks; inter-firm relations; marketing theory

“The further backward you can look, the farther forward you are likely to see” Winston Churchill

1. Introduction

The study of interfirm relations and networks can be traced to early civilizations, as people tried to understand the emergence of various institutional arrangements associated with the buying and selling of products and services, including the emergence of markets, retail and wholesale institutions, international trading systems and the like (e.g. Dixon 1982, 1984, 1991). The purpose of this article is to put into perspective the study of one aspect of marketing by tracing its historical development in the twentieth century. The timing is appropriate: as we commence the 21st century we can reflect back on the 20th and see what we have learned.

I take a broad view of the field of interfirm relations and networks. It is meant to include theories or concepts developed to help explain why systems of interrelated firms and other organizations arise to carry out production and marketing work. In the marketing discipline this includes the study of: marketing and distribution channels in domestic and international markets; supply chains; business to business markets and the nature and role of relations between buyers and sellers; and institutional studies of intermediaries such as retailers and wholesalers. Each of these areas draws heavily on research from other disciplines including economics, geography, sociology, politics, psychology, social psychology and law.

2. Why Study History?

There are many reasons for studying history. As the Winston Churchill quote at the beginning of this article suggests, history can teach us about the future. In terms of our understanding of business networks this means that insights into current problems and issues can be found by examining earlier work. In his article for the 60th anniversary issue of the *Journal of Marketing* George Day summarised the role of the study of history this way:

“Histories serve many functions. They reveal our origins, celebrate our successes, and remind us of our debts to our intellectual ancestors. A history also helps interpret the past by identifying the reasons for important transitions.” (p 14)

The history of thought to be described reveals the way our ideas have developed over the last century and reveals something of the sociology of science and knowledge development. It shows how earlier scholars sometimes addressed issues that could only later be taken up and developed, as methodologies improved and complementary areas of theorizing emerged permitting a fuller realization of the earlier ideas. We see how the practice of science is influenced by the timing of the introduction of ideas, the nature of the environment of ideas and theories into which a new theory or insight is borne. History matters in the sense that theory development is path dependent: the emergence of particular scholars and

ideas at particular times and places shape future research and theory development. We will see the way economic ideas dominated early theory development and how this gave way to the introduction of theories from other social sciences as they developed – beginning in particular with the work of Wroe Alderson and his colleagues. Later, the empirical revolution shaped the way research on the behavioral dimensions of interfirm relations developed. Lastly, we see how the way a question is initially framed and the initial focus of interest can entrain a particular path of development – as in the focus on power and conflict in the study of behavioral dimensions of interfirm relations.

A final reason for studying the history of thought is that many scholars today do not have the time or inclination to delve into history to discover and read the original formulation of concepts and theories. This can lead to an unfortunately narrow and biased view of the nature and sources of ideas. It can lead to misunderstandings and misinterpretations of the original concepts and even to mistakes that could have been avoided had earlier contributions been better understood. One example of this is work on the economic principles underlying the existence of channel intermediaries and the nature and role of diseconomies of scale that led to a misrepresentation of earlier economic principles (see section on economic principles and network structure).

3. Scope and Organisation

This article goes some way to providing a broader historical backdrop to the study of channels and business networks. Having said this, it should be noted that there is a vast and growing literature in this area and it is impossible in one article to do justice to all the various contributions. But this is not my purpose. The purpose here is to describe the broader intellectual pathways that have led us to where we are today, or what may be described as “Big History” (Christian 1991). It is not meant to be a complete history of the development of marketing thought like the work of Robert Bartels (1962) but one focused on a particular aspect of marketing theory. The history described necessarily reflects a personal view of the important events, concepts and people that have shaped our thinking, based on my own research and teaching in the area in Australia, Europe and the USA. It is thus a Western view of intellectual development in the area based on publications in English. Some of the people and concepts are well known and accepted, others less well known, even though their ideas, I contend, underpin more familiar theories and approaches. I am sure some will feel that important sub-themes and people are left out or not given sufficient prominence in the history described and that others (such as my own efforts!) are over-represented. This is perhaps inevitable in a subject as broad as this covering such a long period.

The article is organized as follows. First, the fundamental research questions concerning business networks are discussed. The history of thinking and research in the area is

then described in terms of various evolving and interconnected streams of research, beginning with the work of early economic and social theorists in the first half of the twentieth century. From then on the history is organized, for convenience, primarily by decade but it is linked also to key contributions and transition points in thinking and research.

In terms of number of publications most research in the area has taken place in America, but in this review I include sections on European and Australasian contributions. This is done for the following reasons. First, important contributions and different approaches have emerged elsewhere which have not been fully represented in American publications. Second, by considering the work going on in other parts of the world we gain a better appreciation of how ideas develop in part in response to local contexts and opportunities. Of course, the focus on Australasian and European contributions also reflects my own interest and involvement in this area of research. Finally, because this article is being published in the *Australasian Marketing Journal*, it is appropriate to summarise the development of research in this part of the world.

After describing the patterns of development of ideas I return to the fundamental research questions and consider how far we have progressed. This leads on to a final section in which some potential areas for future research are discussed.

4. The Explananda

Marketing channels or business networks refer to the interdependent systems of organisations and relations that are involved in carrying out all the production and marketing activities involved in creating and delivering value in the form of products and services to intermediate and final customers - what is now coming to be referred to as value chains, systems or networks. There are at least five fundamental research questions concerning the structure and operation of such networks:

- Why are networks structured the way they are? This includes the reasons for particular types of organizations existing at different times and places, the reasons for activities being divided up among them and the nature of the relations or connections among them.
- To what extent and how are the activities of different organizations in a network coordinated, managed and controlled?
- How and why does the structure and coordination of a network change over time, i.e. how does it develop and evolve?
- How do we identify and create optimal or better performing networks?
- How do (and should) individual organizations in a network deal with their relations with others in the network?

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