Abstract

This study proposes a distribution channel strategy model based on the notion that distribution channel strategy is the basic determinants of distribution channel performance. Its major objective is to assist manufacturers in making effective decision on distribution channel strategy (channel selection and channel management).

The proposed model integrates two strategic components: **a) distribution channel selection**—the manufacturer's choice of distribution intensity, channel location characteristics, channel control, and channel risk, and   **b) distribution channel management**—the channel service quality. The model tests how the two strategic components affect distribution channel performances that finally lead to firm's success.

The empirical test of the proposed model is conducted using descriptive research. Data are collected during September 2003 – February 2004 with self-administered questionnaires in food industry by randomly selecting small firms 2,500 sample from 5,836 elements listed in 2003 by Ministry of Commerce and Industry; and using the whole population of 498 medium and large enterprises. The 520 returned questionnaires providing 396 usable in which accounting for 20.8% of total responses are tested by t-value at alpha = .05. The results show no significance different between early and late responses. On the other hand, significant difference exists between small firms versus medium and large firms, leading to overall firms and subgroup comparison. The model fit, variable relationship and hypothesis testing are evaluated by Hierarchical Stepwise Regression together with Structure Equation Model (SEM). Interestingly, the results of Regression are consistent with those of Structure Equation Model, indicating that the proposed model is powerful.

The study generates three important findings: **First**, distribution channel strategy (subsequently, the channel control, channel service quality, channel payment term, channel investment, and location characteristics) are all critical factors affecting channel performance, except distribution intensity. However, the ANOVA results show that distribution intensity positively influences channel performance at a certain level, then its relationship becomes negative.

Second, channel performances (channel effectiveness, superior channel effectiveness, and superior channel efficiency) have positive relationship with firm's success (external and internal outcomes). Such findings confirm that a new route of causal-effect relationship exists as channel strategy and firm success is mediated by channel performance.

Third, subgroup analysis finds significant impacts of firm sizes on distribution channel strategy. Channel control and superior channel effectiveness are more critical to small firms; whereas, channel service quality and channel effectiveness are more critical to large enterprises.

In addition, this study provides managerial implications essential for firms to strengthen their distribution channel strategy by order of importance based on the results of analysis as follows: **a) to increase channel effectiveness**, firms should put more efforts into channel control [$\beta = .224$, p < .01] and channel service quality [$\beta = .220$, p < .01], **b) to increase channel efficiency**, firms should focus on channel control [$\beta = .198$, p < .01], channel payment term [$\beta = .192$, p < .01], channel service quality [$\beta = .180$, p < .01], and decrease unnecessary channel investment [$\beta = -.136$, p < .05], **c) to enhance superior channel effectiveness**, firms should improve channel control

$[\beta = .349, p < .01]$, channel service quality $[\beta = .141, p < .05]$, channel location characteristics $[\beta = .106, p < .05]$, and channel payment term $[\beta = .101, p < .05]$, and **d) to enhance superior channel efficiency**, firms should pay more attention to channel control $[\beta = .208, p < .01]$, channel service quality $[\beta = .196, p < .01]$ and channel payment term $[\beta = .141, p < .01]$.

At the same time, to enhance firm's success firms need to improve its channel performance by order of importance: **a) to increase internal outcome**, firms should focus most on channel effectiveness $[\beta = .287, p < .01]$, followed by superior channel effectiveness $[\beta = .273, p < .01]$, and superior channel efficiency $[\beta = .169, p < .01]$, **b) to increase external outcome**, firms should pursue more in superior channel effectiveness $[\beta = .254, p < .01]$, channel effectiveness $[\beta = .258, p < .01]$, and superior channel efficiency $[\beta = .112, p < .05]$ respectively.

The results of this study also suggest directions for policy implementation to support small and large firms as follows: **1)** Improve the managerial competency by providing the distribution strategic knowledge and essential information assisting in increasing competitiveness and ability to keep up with the changes in the world. **2)** Provide directions for better marketing support for small and large food business growth. **3)** Provide financial support in the way of being convenient, fast, and sufficient to serve the needs of businesses, especially for strengthening their channel distribution system. **4)** Provide advanced research and educational opportunity focusing on distribution channel strategy as a new critical area for increasing businesses; in particular SME's competitiveness, sustainability, and dependability in the long-run.

Finally, this study contributes theoretical and methodological implications differently from previous studies at least in four folds: **1)** Broadens concept of channel selection by adding new critical factors to help better channel choice's decision. **2)** Develops four new measures—channel intensity is newly evaluated in a more effective way leading to increase reliability, channel performance is measured using macroperspective view including both channel efficiency and effectiveness together with its superiority, channel risk is examined in terms of cost involved in that channel (investment and payment term) rather than in terms of economic and political instability which have fewer business contribution, and firm's success is assessed by both internal and external outcome, contrary to previous research that commonly uses only one dimension. **3)** Develops a new construct—channel service quality which becomes the most critical factor to improve consumers' satisfaction and firms' competitive advantage at present and in the future. **4)** Employs multi-data collection and multi-variate analysis in terms of quantitative and qualitative methods, especially the ideas and suggestion from industry experts to find out the powerful model, more reliable, and meaningful results including worthwhile applications for various related industries.

Even this study has provided much theoretical and managerial contribution for strengthening channel strategy in Thailand, limitations still exist. To get more precise information and better implications, future research should replicate the proposed model to test for generalizability of the theory across industries and countries varied by firm sizes or situation specifics if possible (in particular those providing opportunity for competitiveness).

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