History of Channels of Distribution and Their Evolution in Marketing Thought

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Purpose - Channel members contribute to the economic development of a country. Information technologies and online shopping have blurred distribution as the core of marketing's raison d'être as a discipline. The status of academic marketing with respect to supply chain management is analyzed and discussed.

Design/methodology/approach - The rise of vertically integrated channels of distribution combined with technological innovations has changed the way goods and services are handled, stored, distributed, and sold. Marketing as distribution is made up of two fundamental but distinct channels, one dealing with sales, the other deals with supply, both channels working together. These two channels are analyzed in light of online shopping and its implications to the network organization of channel members.

Research limitation/implications - The rise of online shopping has confused the meaning of a channel of distribution and the hierarchical arrangement among its members. There is a need to bring back more channel education in the marketing curriculum. Marketing has been reduced to an influence technology more or less subservient to the current emphasis on supply chain management.

Keywords - sales channel, supply chain management, online shopping, marketing education.

Introduction

The economic development of countries has been well documented by economic and business historians. They have focused their scholarly efforts on particular industries or sectors of the economy (e.g. fur, wheat, lumber, railroads, steel, chemicals, and cars). They have also explored how the history of technology helped transform the economy into a mass market.

Channels of distribution become more complex as an economy evolves due to increased separation between buyers and sellers, a greater division of labor and an increased specialization of economic activity accompanied by increasingly differentiated buyer wants. Beginning from the mid 1850s, a national market began to take shape in the U.S. due in part to the telegraph, the railroad and maritime transportation. Historically, market separations between buyers and sellers were mostly at the local level or involved foreign trade. However, the situation in the U.S. from 1850s was rather unique in the annals of market development with the influx of millions of immigrants and the end of the Civil War.

Mass production methods emerged at the end of the 19th c. and manufacturers began to cluster in certain areas of the country to be close to energy sources, raw materials, and means of transportation for cost savings. As a result, market gaps separating producers from buyers increased. Thus, the rise of a class of businessmen, acting as middlemen of all types, shapes and sizes emerged, to close the gaps because producers alone could not close these gaps. The rise of a class of such middlemen, known simply as merchants in the literature, has been well documented by historians and is not unique to the U.S. Trade in ancient times and the emergence of capitalism and a market economy were their legacy.

Shaw (1912) proposed that the work done or the functions performed by middlemen, explains the essence of the marketing process. Functionalization in marketing led McInnes (1964) to propose his market gap theory. He postulated that marketing bridges (i.e. resolves) the market gaps which exist between makers and users of economic goods. Various market gaps such as temporal, spatial, information, quantity, assortment, financial, risk, and ownership, explain and justify the existence of middlemen. Marketing flows can be substituted for gaps because flows capture more the dynamic and bi-directional nature of a function. Irrespective of whether functions, gaps or flows are used, the producer cannot assume all of these tasks in a cost effective way relative to channels members.

No matter how extensive the manufacturing sector or how technologically advanced products are made if they cannot be distributed to markets or to where demand exist, all will be for naught. The transformation of any economy, from a local, regional, to a mass national one requires the establishment of a complex distribution network made up of many different types of wholesalers, retailers, and transportation specialists. They need to work together cooperatively and collectively, often unaware of each other's presence or position in the hierarchy of distribution tasks, which enable goods to flow to consumers, not unlike Adam Smith's invisible hand.

The design and organization of channels of distribution represent what is perhaps the most unique aspect to the study of academic marketing. The study of channels represents a real challenge not only in modern times but even more so historically. Interorganizational channel systems develop slowly over time and sometimes abruptly, and they often need to be studied by the case method as when a manufacturer decides to develop a new channel alternative with a discount retailer, hoping not to offend his current channel members. Suppliers (i.e. manufacturers or wholesalers) decide to do business with their distributors, informally initially with more formal arrangements later on such as alliances, business partnerships, contractual or licensing arrangements, or marketing agreements with their distributors that have no parallel in B2C marketing efforts. Such formal and often legal arrangements can involve a select number of channel members (i.e. dyads) and be applicable in only certain parts of the market or region in a given time period (territorial restrictions).

Channels of Distribution and Manufacturing

The economic and business history literature has focused much of its attention on the manufacturing sector because of the sector's presumed vital and strategic importance to the economy for job and wealth creation, growth, productivity gains, and increases in living standards. The manufacturing's sector vital importance to the U.S. economy is still believed by many. Schuman (2017) is troubled that "a die-hard-conviction remains among many Americans that the more an economy manufacturers, the stronger it is" (p. 8). He adds that

> this strategy is based on flawed thinking. Manufacturing is certainly not as important to the U.S. economy as it once was, declining to less than 12 percent of gross domestic product in 2016 from 26% 50 years earlier (p. 8).

He concludes "that the true value in making something is no longer making it. It resides more in its design, branding, and the services needed to support it after it has been sold. The skills needed to conceive, brand and distribute a product are much scarcer than the skills to manufacture it." In other words, marketing and market distribution matter more now than making the stuff.

The manufacturing sector has been considered the backbone of any economy because it produced value added, while the distribution sector, allegedly, did not. New technological manufacturing methods, materials and processes help reduce the cost of making the goods. But cost savings in production will not benefit buyers if the cost of distribution increases. In 1939, the cost of distribution was estimated to be as high as 59 cents of each dollar spent by the consumer, but revised later to 51 cents (Cox et al., 1965). The importance of distribution in our economy cannot be overemphasized. The total contribution of distributive services has been estimated to range from 14% to over 22% of GDP, depending on which distribution activities are included (Stock and Lambert, 1987).

The distribution revolution which began in the 1960s with the ongoing building of the supply chain infrastructure of today means that distribution offers more opportunities for cost reductions than production. The current rush to offer more direct to home delivery in many sectors of food retailing that could not have offered such convenience and fast delivery in the past if the distributive sector was not technologically advanced. Some food retailers now offer freshly prepared meals delivered at home according to a set timetable, while others offer home delivery of an assortment of fresh produce. Instant gratification and convenience demanded by some consumers can only be possible if the economy is capable of offering such distributive services. Christopher (1989-81) contends that "improvements in transportation modes over time expanded markets, increased product assortment, reduced prices, made goods more readily available to buyers to the extent that logistics is a positive contributor to national wealth and is the engine that drives the national economy" (p. 5).

Manufacturing helps transform raw material into finished or semi finished goods valued by buyers. However, economic value is not only created by manufacturers but also by channel members. Value added is created not only by form utility (manufacturing) but also by time, place, and possession (ownership) utilities (Shaw, 1994). The concept of utilities has remedied a long historical bias against the marketing work performed by channel members as being unproductive labor because they produced nothing to the value of the product, they were costly, motivated by greed, were immoral as well as parasitic, a bias which, unfortunately, still persists today (Lerner, 1949).

The distributive trades add value that is no less important than manufacturing. In fact, it may even be more because commodities need to be extracted from nature, to be processed and manufactured, and at each step, finished or semi finished goods also need to be distributed to potential buyers who are not only spatially but also temporally separated from sources of extraction or production. Additionally, before goods are sold to consumers and a sales tax is collected, such goods need to be ordered, invoiced, stored, assorted, stacked, bundled, crated and uncrated, packaged, wrapped and unwrapped, received, shipped, delivered, moved, displayed and of course managed inside warehouses or distribution centers, as well as in transit to such facilities. The distributive work to be done still continues to retail stores and even inside the stores.

Wholesaling, and not manufacturing, is considered by economic and business historians to be the key sector in economic development. Wholesaling agencies at the local, regional, and national levels were the key players in establishing a market economy. In pre civil war America, the manufacturing sector was largely small scaled as was the retail sector, with very few exceptions. Small local manufacturers were predominant during that period and faced many market constraints which wholesalers were able to overcome. Manufacturers lacked capital and access to credit, their products were undifferentiated and they dealt with small, mostly local, diverse segments of buyers. They lacked knowledge of more distant markets. Porter (1980) summarizes the multiple roles of these all purpose wholesale merchants toward the development of a capitalist and self-regulated market economy in pre civil war America:

> In order to carry out that basic sorting task, those engaged in marketing often had to play many other roles, including those of financier, advertiser, insurer, freight agent, warehouser, information gatherer, and risk taker. Their key position as multipurpose interconnectors between other economic units made them the most powerful persons in the economy. It also placed them among the most influential elements in the social and political systems (p. 396).

Some of these merchants were also part-time retailers before distributive trade specialization emerged with a growing economy. The channel captains of the period were wholesaling agencies and agents. They dominated the U.S. economy until the arrival of mass production methods after the Civil War ended. Mass producers needed mass marketing methods (Porter and Livesay, 1971, Strasser, 1989). Thus, large scale manufacturers became channel captains in the distribution of goods. Manufacturers' brands became a major force until the distribution revolution of the 1960s and beyond when large scale distributors regained more control over distribution.

Channels of Distribution and Marketing Education

The study of distribution channels is not a mainstream component of today's marketing curriculum or even a research focus. Sadly, the history of marketing thought has all but disappeared in doctoral education. Channels of distribution comprised but only a small portion of doctoral training.

One of the most influential marketing textbooks of the 20th century was Beckman and Davidson's *Principles of Marketin*g (nine editions from 1927 to 1973). Distribution was the core material presented in this textbook and many others, up to the 1960s because the functional, institutional and commodity schools of marketing thought dominated the discipline (Shaw and Jones, 2005). Distribution was the core of marketing education. However, the world of business changed after WW2, which brought an end of presenting the discipline as "marketing in the economy" (a macro approach) to a more micro managerial perspective. Marketing became a managerial technology serving the needs of the firm.

The Carnegie and Ford Foundation studies on business education in the 1950s recommended that more importance be given to the behavioral/social sciences in marketing. The strong affiliation of the social sciences with the scientific method resulted in major changes in marketing education and research by emphasizing the hypothetic-deductive method of doing research. Over time, it led to the near domination of the post 1960s managerial and consumer behavior schools of marketing thought to the demise of other and previously predominant schools of thought (Shaw and Jones, 2005).

The McCarthy and Kotler textbooks of the 1960s, two of the most influential textbooks of the period, among others, incorporated these new modern ideas and approaches to marketing education. Moreover, marketing textbooks have too often presented the channels of distribution decision domain from the perspective of a manufacturer seeking distribution, almost never from the position of a channel member. The de facto channel captain invariably has been the manufacturer, notably a large scale mass consumer goods one. This traditional academic perspective has resulted in viewing channel members, especially retailers, as being captive of a manufacturer's marketing efforts and "inevitably in a lack of attention to the multiplicity of intermediary channel relationship" (Davidson, 1992, p. 239). Current textbooks still emphasize manufacturers despite the rise of mass distributors as channel captains.

Marketing management "meant that distribution became just one of the four Ps while it had previously been at the core of the discipline" (Gripsrud et al., 2006, p. 648). The 4P model does not fit well with channel decision making for the simple reason that channel members involved in the market distribution of the firm's products are mainly outsiders. These outsiders are not an integral part of the firm and possess many of the attributes of complex organizations, thus forming an "interorganizational system made up of a set interdependent institutions and agencies" (Stern and El-Ansary, 1977, p. 23).

The firm needs the cooperation of these outsiders, i.e. channel members, for competitive and cost cutting reasons in order to achieve business objectives. Cooperation is essential among members even though they perform different tasks, may not even know each other's existence with any explicit and stable hierarchical interorganizational structure, which may lack a chain of command. Thus, the management of such a vertical network of interorganizations is very unlike the management of other marketing mix decision areas. Each channel member has its own corporate and marketing agenda, which may conflict with the firm's own distribution objectives leading to power struggle and conflict among channel members and causing maldistribution. Nevertheless, cost reductions in distribution can be obtained, given that cost reductions in distribution are not exclusively an intra company preoccupation. The establishment of partnerships and alliances, including contractual agreements, even leading to vertical integration, both upstream and downstream, along the distribution chain can result in significant cost reductions.

Stern and Weitz (1997) expressed disappointment in the lack of attention given to distribution in schools of business. Few schools offer a channel management course. And when offered, the number of students enrolled in channel management is far less than enrollment in any of the other marketing mix courses offered.

> We find the lack of attention to channel management issues by the academic community disappointing and surprising. Disappointing because…we have a vested interest in this area of inquiry…Surprising in light of the revolution which is taking place in distribution (p. 824).

They concluded that no scholar or teacher of marketing today could ignore the major developments taking place in distribution "because they are creating massive new challenges for marketing managers in all organizations" (p. 824). The irony is that the study of distribution at the turn of the twentieth century was what created marketing as a distinct field of study in the first place.

The Commercial Channel

The de-emphasis on channels in marketing textbooks is partly due to the nature of the domain being more B2B than B2C. Stern and El-Ansary (1977, pp. x-xi) take the position that the ultimate consumer needs to be excluded in the study of channels of distribution if we are to understand how channels are organized and be able to analyze what takes place among the network of channel members, both upstream and downstream. Their concept of a commercial channel is not new (Bucklin 1966). Gattorna (1978) justifies the exclusion of the consumer in the analysis because the channel is an operating system in which the "consumer lacks the kind of power necessary to alter relationships within the system and is indifferent to the structure of the channel beyond a specific point of exchange" (p. 496).

The commercial channel captures members' links which each other, minus the ultimate consumer. The commercial channel does not consider the ultimate consumer to be part of the channel. The consumer is the ultimate recipient of the manner by which channels members organize themselves and create an infrastructure (interorganization) to better serve the consumer. But the consumer is not involved in the manner by which channel members select and organize themselves, cooperate and deal with each other using numerous B2B marketing agreements and distribution programs made to manage, control and reward members. The philosophy of the commercial channel is that "marketing proposes while the consumer disposes."

The commercial channel is the proper way to study the dynamics of the interorganizational managerial arrangement of members. Stern and El-Ansary's (1977) understanding of a channel is compatible with Alderson's view of a channel as an organized behavior system. Of course, the consumer is not neglected for he/she remains the ultimate arbitrator of how well the commercial channel is capable of meeting consumer expectations of price, product choice, convenience, availability, after sales service, and so forth.

The commercial channel captures the essence of marketing as distribution, as a process, in accordance with the three prevalent schools of marketing thought. Tosdal (1957), among others, argued that any economy is structured and organized from the bottom up and not from the top down as espoused under the philosophy of the marketing concept that the consumer is king. Specifically, Clark and Clark (1946) explain:

> It may seem that the logical approach to an understanding of marketing would begin with the study of the consumer…But it does not appear to be feasible to approach a study of general marketing in this way. Products actually flow through the marketing machinery from producer to consumer. Hence, it is much simpler and more logical to start with the concept of product to be sold and to follow through the marketing process from producer to consumer (p. 303).

Marketing channels have been neglected as a separate area of inquiry because their true complexity has discouraged academic investigators. Gattorna (1978) argued that "the current body of channels literature tends to over-simplify what is in fact an intrinsically complex network of institutions" (p. 482). Market information is easier to obtain at either end of the economic process. The ultimate consumer is more accessible for research purposes than attempts at studying the intricate business to business (B2B) operations and relationships that go on among channel members. It is far easier to use college students and focus on consumer-based research rather than to use members of channels as respondents.

Moreover, market distribution decisions between channel members are often proprietary, contractual, with partnership agreements involving high level executives. Such information is often not well disseminated in the academic literature for competitive reasons. Trade publications and the general media may not provide enough information of such alliances, often treating newly formed channel relationships as part of a company's public relation efforts. Finally, some of these partnerships or marketing agreements are modified over time and some maybe temporary. They may not live up to expectations, and may be terminated, and lead to litigation with little information being divulged. Besides, it would require practical knowledge of how channel members are organized and work together as networks, knowledge which, unfortunately, few current members of the academic marketing community possess. Perhaps this explains why channel consultants and supply chain experts are more likely to know more about the changing nature and structure of channels of distribution. They have become marketing thought leaders is this domain of marketing.

Some Definitional Issues in Channels

The channel of distribution has been an elusive concept to grasp because it is linked with what channel members do and what service functions they perform in distribution. Given the intangible nature of such functions, their acceptance throughout the ages has not been easy to grasp, even in academic marketing.

Dixon (1982) was the first author in academic marketing to trace the historical origin of the term. He concluded that the concept of a channel has been known for centuries even though the term formally appeared in the literature in the early part of the 20th c. A channel is a collection of firms working together for a purpose, according to Alderson (1957). He viewed a channel as an organized behavior system. The organized system requires members to cooperate to achieve their individual goals but conflict and disagreement may cause the channel to be dysfunctional, an idea that Dixon showed was known much earlier.

A channel of distribution is a term that "is part of the working vocabulary of every business executive, yet many would be hard pressed to define its meaning precisely" (Davidson 1961, p. 85). The elusiveness of the term is also because channel members do not always perceive themselves of being part of a broader economic organization made up of members other than those they deal with on a regular basis, such as their immediate suppliers and customers.

Who to include or exclude as members of a channel has presented conceptual issues. A channel is a lot more than those who participate in buying and selling. The two-pronged view of a channel greatly simplifies the question. However, McCammon and Little (1965) believed that a channel "should include all firms and individuals that perform one or more of the functions required to market the goods in question" (p. 326). A channel includes all members with no separate distinction of channel members involved in sales with those concerned with supply. This lack of distinction was due to McCammon's attempts at developing the concept of a vertical marketing system (VMS), a special type of channel of distribution, which incorporates both types of channel members from a systems perspective. McCammon's proposed VMS is noteworthy in marketing thought development because a VMS reflects the essence of supply chain management (SCM) working in tandem with sales, thirty years before it became fashionable at a time when the PC and the Internet did not exist and information technologies did not allow much sharing of data among suppliers and distributors.

The Sales Channel and the Supply Channel

Marketing and distribution were once synonymous and interchangeable terms in the marketing literature. Physical distribution or simply distribution, better known as logistics or supply chain management, a domain mainly concerned with transportation, warehousing, stock management and the movement of goods and information within the supply channel. Bartels (1982) and Svensson (2002a) maintain that marketing and distribution are inseparable and interdependent, each domain being the other half of marketing, just like Shaw (1916) had argued a century earlier.

Shaw's two-pronged view of the marketing process as demand creation and physical supply corresponds to two fundamental types of distribution channels, one referred to as the sales, exchange or the transactional channel, the other known as the supply or the logistics channel. The two channels are quite different in terms of the functions they perform. These two types of specialized but interdependent channels must be harmoniously coordinated among channel members if marketing is to satisfy its basic mission of not only stimulating demand (getting or obtaining sales) but also of meeting or servicing demand (satisfying sales).

Lewis and Erickson (1969), using systems analysis, clarified the notion that marketing decision making within the firm was made up of two separate but linked managerial entities. They provided a more modern marketing management perspective in accordance to the two fundamental types of channels. The marketing management process consists of two separate but synergistically-linked parts, as shown in Figure 1. We can see that one set of managerial responsibilities is concerned with obtaining sales via demand stimulation activities, such as advertising, promotion, personal selling, and so forth. This is similar to what typifies today's mainstream marketing decision making areas. Of course, such demand stimulation activities require market and segmentation analyses as well as researching consumer behavior.

The other part of the marketing management process deals with satisfying demand through logistical means. Specifically, Figure 1 shows logistics is an essential component, which needs to be integrated and coordinated with demand stimulation activities, if customer needs are to be met. The types of managerial activities under demand satisfaction are many and include order processing, billing, transportation, inventory control, materials handling, procurement, information management and dissemination, customer services, among others, which are tasks within the domain of logistics management.

The supply channel satisfies sales by the physical route taken by the product on its way to customers. Ordinarily, the product's physical route follows the same path as does the title flow but that is not always the case. A given product may never move physically while its title ownership may change hands numerous times (a house). A product may move across the nation and back within a distribution network without ever changing legal ownership. Physical possession and ownership are not identical in marketing, especially in channels.

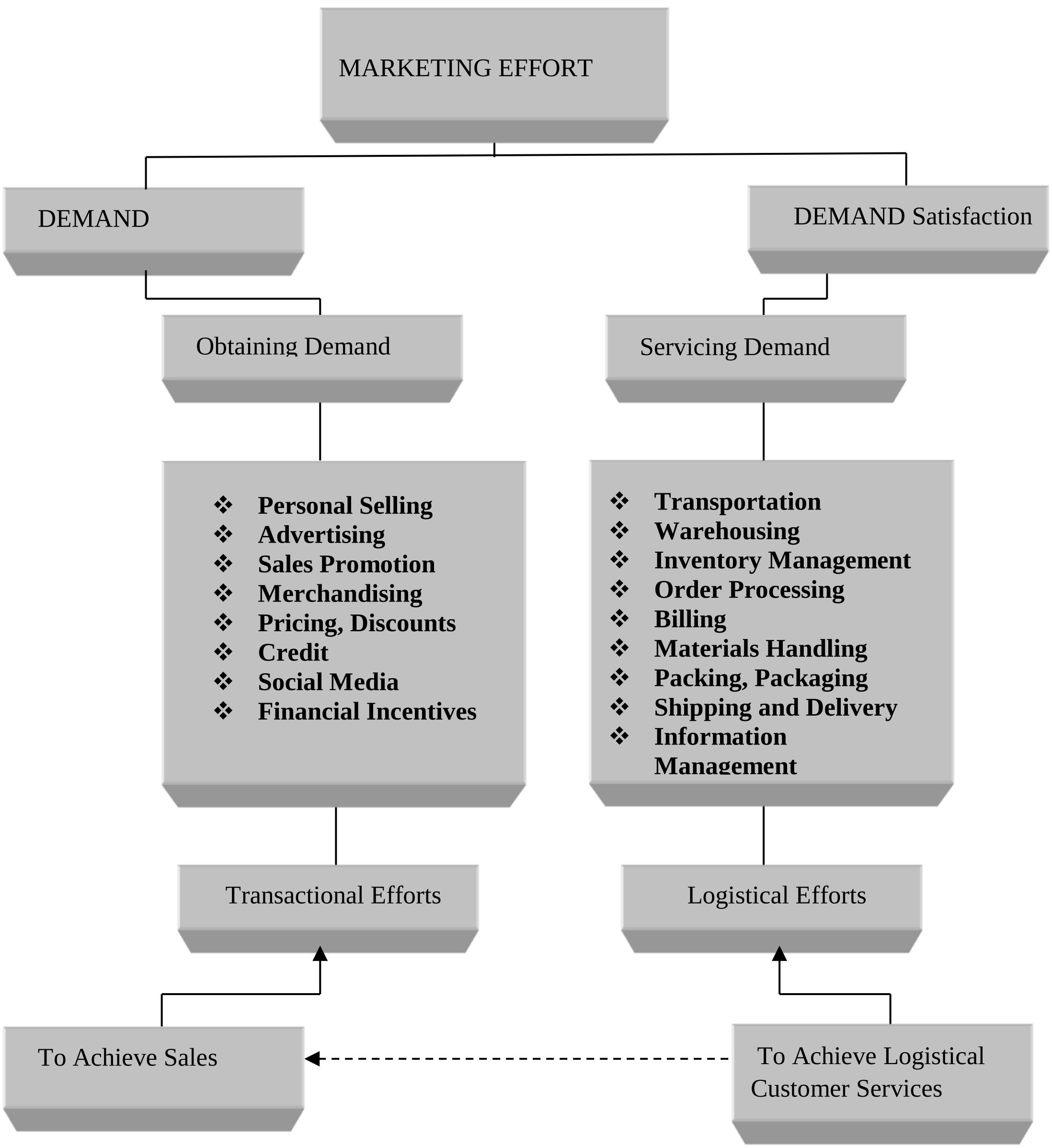
Demand stimulation activities may bring customers to the store, but will the desired merchandise be available? Analyzing the market and making a sale is only half the battle. Neglecting the other half of marketing will not assure continuing sales growth and maintain a competitive edge. Customers need to be serviced after a sale is made on an on-going basis. Unfortunately, once customers have been won over, keeping them satisfied no longer seems to be a major preoccupation or concern of those responsible for marketing. O'Connor and Galvin (1997), among others, have even gone as far as to suggest that it is often not even the responsibility of mainstream marketing management:

> Once a new customer is on board, the salespeople move on onto the next prospect. In too many companies, a game of "pass the parcel" is played with existing customers. Do they belong to operations? Or customer service? All too often they don't belong to anybody, least of all the marketing department (p. 12).

Mainstream marketing management is almost entirely concerned with demand stimulation, which deals mainly with creating and obtaining sales. The tools used to obtain sales are largely promotion-based, such as media and non media advertising, sales promotion, personal selling, price incentives, social media, and so forth. These are all mixed with heavy doses of consumer behavior analysis using the tools of marketing research for market and segmentation analysis so as to better understand what makes the consumer buy.

In essence, the sales channel promotes and sells the product while the logistics channel moves, stores, and services it. If the two channels are not working in tandem, customers and the firm will be affected, either with excess inventory or product stockouts.

Figure 1
The Two Halves of the Marketing Process



Too much emphasis on demand stimulation presents a truncated view of the marketing process and ignores the existence of these two types of distribution channels. Demand stimulation activities may make customers aware of the product and may even entice them to the store, or to buy online, but it would be all for naught if the brand is not stocked or is unavailable in the style, color, size, and price wanted by customers.

The attention paid to physical distribution, both in practice and in academia, has been nothing short of a distribution revolution that is still on-going. Drucker's (1962) famous article on distribution was a wakeup to business. He referred to distribution as the economy's Dark Continent, due to its neglect by management, despite the high costs in the economy. American business needed to reduce distribution costs to remain competitive. He argued that physical distribution activities and their costs are not contained within the legal boundaries and organizational framework within a business. They also occur outside the organization; but management is largely unaware of their costs in market distribution. This pioneer management thinker was advocating a systems view of distribution. To Drucker, the channel needs to be managed as a vertical marketing system with better integration and coordination among channels members to obtain cost savings and more efficient distribution with greater customer satisfaction. Not only was Drucker concerned about the management of the logistics channel but also of the sales channel as well. He realized that channel management is broader and more comprehensive than logistics per se.

The neglect of the supply channel is one reason why distribution separated from marketing with the rise of marketing management because "marketing practitioners, as well as academic theoreticians, have acted as though distribution were something apart from marketing" (Bartels 1982, p. 5). Moreover, Bartels adds:

> Marketing academics and practitioners, however, have become so pre-occupied with negotiatory and promotional aspects of marketing that they neglected the function of physical distribution of products. Advertising, market behavior, decision-making and social expectations became principle subjects, and qualitative and quantitative models for research and practice gave guidelines to actions (pp. 3-4).

Customer retention is one of the supply channel's demand management responsibilities because existing customers are easier to sell to than new ones. This is especially true if a formal or contractual arrangement exists or if the bonding with customers and suppliers is more operationally linked, such as with computer-assisted reordering and billing procedures, JIT, or with an EDI or a Quick Response expert system, as is often the norm in electronic commerce.

Once a purchase has been made, the responsibility of the logistics channel is to ensure that the customer will continue buying again and again with maximum ease and convenience. Therefore, the supply channel is not only concerned with supply management, a somewhat passive view of the channel, but also has a proactive and dynamic responsibility of retaining customers, enticing them to buy on a regular basis. In other words, the supply channel has very important demand stimulation responsibilities as well (Blackwell 1997).

Logistics managers have assimilated many of the same managerial tools used in mainstream demand-based marketing, such as the importance of segmentation analysis, customer motivation, promotion, and so forth (Lambert and Sterling 1994, Stock, 1997). Therefore, SCM's preoccupation with lowering distribution costs, increased efficiency and obtaining a competitive advantage also have an direct impact on sales, perhaps even a greater one than promotion-only marketing activities.

Routine Transactions

Shaw's (1916) thesis about marketing's two major preoccupations is aptly summarized by Alderson (1957, p. 87):

> We have to distinguish between physical delivery by labor from legal delivery by bargaining; and the double meaning of markets and exchange are the labor process of delivering and exchanging use-values, and the bargaining process of agreeing upon scarcity values and delivery of ownership at these values.

Alderson went one step further and introduced the concept of a routinized transaction previously discussed by Commons (1934, pp. 365, 632). Routine transactions with buyers are sought during the bargaining and negotiation process. It is far more advantageous for any seller to strive for routinized, fully pre-negotiated set of transactions with a buyer lasting for a certain period of time. The buyer becomes part of the seller's captive market. The transactions could be automatic without seeking a buyer's prior approval for each sale as is done in computer-assisted reordering procedures used in electronic commerce.

The time and effort saved in obtaining sales can now be better spent on improving the efficiency and effectiveness of the logistics channel. Routine transactions reduce costs and the higher the number of transactions, the more time devoted to satisfying demand, given that sales efforts have been lessened, even made redundant in some cases. For example, an annual subscription to a magazine means that the seller no longer needs to persuade a consumer to buy the magazine each month, using promotional efforts and price incentives. The consumer has a yearly contract and it behooves the seller to make sure the magazine gets delivered on time while respecting the conditions prescribed by the exchange transaction. More time will now be spent figuring out ways to cut distribution costs by seeking new or improved delivery methods from those logistics service providers willing to partner with the seller.

The vertical integration of the marketing work has been assumed more by the supply channel than the demand channel. The application of systems analysis in the 1960s revolutionized logistics thought development. Notwithstanding the valuable competitive tool of promotion-based marketing, Schultz et al. (1994) insisted that logistics' contribution to the firm was now passé and the golden age of promotion-based marketing is around the corner. They argue,

> there is a limit to logistics just as there are limits to the laws of nature. Once the logistics are mastered, fewer advantages can accrue to the organization. Logistical excellence is a one-time victory although it may be a continuing advantage. So while we believe logistics will be the marketing battleground of the early 1990s, it is communications that will be the real opportunity for the mid-1990s and onward. We believe integrated marketing communication can provide a truly sustainable competitive advantage for the marketing organization. We believe it is an advantage that can be found nowhere else (p. 44).

Yet the integrated communications approach, systems-thinking in demand-oriented mainstream marketing has never been a strong basis for conceptual thinking. How wrong they were in assuming that logistics had reached its peak in marketing. Its importance and influence have grown even more such that logistics/SCM can now be considered as the nerve center of not only the firm but also the vertical network of relationships of some industries.

The sales channel is the one that is depicted in principles of marketing textbooks showing products going from the manufacturer, the wholesaler, the retailer and finally to the consumer. However, this channel arrangement only depicts the title flow neglecting many other marketing flows. The logistics channel is far more complex and involves the participation of external agencies required to bring products upstream to final destination. Its relationship with the sales channels also involves demand stimulation practices which take place between members. For e.g., marketing agreements, contracts, partnerships, alliances, even rewards and financial incentive programs exist in the supply channel such that a logistics service provider may benefit financially for meeting or exceeding pre-established service standards related to prompt delivery schedule, low frequency of out of stock, timely frequency of delivery, acceptable fill rate, low damaged goods rate, stop-offs or drop shipment services, or the setting of low error rates.

Channels of Distribution and Logistics/SCM

No attempt is made in this paper to differentiate SCM from logistics and the two terms are used interchangeably. The supply channel strives to minimize total cost by providing an acceptable and affordable level of services which meet customer expectations and requirements. Its preoccupation focuses on transportation modes, especially intermodal, warehousing and materials management, ordering and stock management, product assortment and availability, and in general, with the movement and management of goods and information along the supply channel organized and managed to meet agreed upon customer service expectations. Decisions are both intra and inter organizational.

SCM is a term that was first coined in the 1980s by consultants. It is a term that is fast replacing logistics in the literature, just like logistics replaced the term transportation from the 1960s. SCM has become a widely popular concept in business and numerous journals and trade magazines regularly publish articles on SCM. When SCM was known as logistics, it was an integral part of marketing, at least initially (Rutner and Sheperd, 2017). Svensson (2002b) even traces the theoretical foundations of SCM to the functional school of marketing thought. It is also considered an important societal force helping to protect the environment by establishing reverse channels of distribution and making waste disposal more affordable, convenient and available. Logistics/SCM, and not promotion-based mainstream marketing, is at the forefront of bringing relief to those needy people suffering from malnutrition, diseases, lack of water or shelter, or in need of emergency assistance caused by natural disasters and other man-made calamities (Penman and Stock, 1994).

Recent scholarly discussions recommend that SCM is not the same as logistics. Apparently, SCM is broader in scope than logistics and managing the two are not equivalent, even though logistics plays the most important role in supply chain management. SCM offers the "opportunity to capture the synergy of intra and inter-company integration and management…the supply chain is not a chain of businesses but a network of multiple businesses and relationships" (Hyland 2002, p. 32). SCM includes the management of product returns and product recalls, some aspects of new product development and their market launch, among other decision areas. According to the CSCMP (2018)

> Supply chain management encompasses…all logistics management activities. It also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party service providers, and customers. In essence, supply chain management integrates supply and demand management within and across companies.

Dozens of articles have been published since the mid 1990s attempting to clarify the nature and scope of SCM. It is not the purpose of this paper to provide a scholarly discussion of what is exactly SCM when experts in the field cannot fully agree after more than 20 years of debate (LeMay et al., 2017). Moreover, the SCM discussion has been made even more confusing with the idea that SCM is now enlarged to include demand chain management (DCM), which suggests that the two types of chain management have different purposes with different responsibilities with the need to be coordinated. The proposed SCM/DCM dichotomy seems to very similar to Shaw's (1916) ground breaking conceptual efforts to view the marketing process made up of two halves working together.

Growing Separation of the Sales Channel from the Supply Channel

SCM is a specialized business domain whose scope today may not fall entirely within the domain of the marketing discipline. The teaching of SCM is often assumed by non marketing academics and sometimes not even taught in schools of business. In fact, the growth in importance and popularity of SCM has resulted in marketing's assuming a smaller role in SCM. The two fields have been growing progressively apart, with SCM being more aligned with operations management than marketing, according to Rutner and Sheperd (2017). They profess correctly that marketing has had a long historical link with logistics/SCM. However, the tie that connected marketing with logistics began to weaken long before SCM's growing popularity in the 1990s.

Technological advances in the past 20 years have contributed to the growing separation between the sales channel and the supply channel (i.e. between marketing and logistics/SCM). The increase in product assortments (SKUs) and the introduction of an increased number of new products per year from domestic sources and from abroad with much shorter life cycles have presented unprecedented managerial challenges. Technological innovations in moving and tracking goods and information have contributed to task specialization among members, which have contributed to the changing nature and structure of channel network arrangements. The invention of the universal product code (UPC) in 1973, radio frequency identification tagging system for identification and tracking (RFID), the wider use of computers, computer assisted cash registers, the Internet, laptops and tablets, smart phones and GPS have increased the corporate value and importance of the supply channel.

Moreover, such innovations have blurred the sales and supply channels' functional distinctiveness and competitive priority. The supply channel has often overwhelmed the actual purchase process with online shopping emphasizing free delivery depending on the amount purchased. Buyers often buy more than what is needed to meet the minimum order quantity for free shipping, a B2B practice that discourages the costly small order purchases. When the order is received, the consumer will make a choice among items purchased and return the unwanted merchandise back to the end seller, often free of charge. The delivery tracking system seems to have rendered the sales channel less of a priority for consumers. The century old preoccupation with the high cost of distribution seems to have been forgotten in online shopping. In addition, delivering small packages by the tens of millions is certainly contributing to major waste disposal issues. The time and energy consumed needed to deliver these small packages to consumers also seem to have escaped the need to put a cap on distribution costs in order to satisfy consumers' need for convenience and instant gratification.

The recent big push toward online shopping is now focused on e-grocery and instant home meal delivery. If history is any indication of future success, one needs to be reminded of the more than one billion dollar fiasco of Webvan when it acquired Homegrocer in 2000 (Hansell, 2001). Webvan was known as being the most well financed Internet Company in history. Both were online e-grocery companies providing home delivery when the dot.com boom collapsed. They had major investors such as Martha Stewart and surprisingly, even Amazon invested $100 million, among other investors in 1999. Both firms went bankrupt very quickly along with others. It is unsure if the issues that led to their downfall are that much different today, irrespective of the new generation of millennials' addiction to their smart phones and social media.

Scholarly efforts have been proposed to re-integrate more marketing in SCM (Harris and Stock, 1985, Rutner and Sheperd, 2017). Svensson's (2002a) commendable historical review of the functional school of marketing thought demonstrated the unmistaken link of marketing with distribution/logistical functions. He presented the various marketing functions as if they were performed in an 'integrated marketing channel' and not according to task specialization specific to the exchange channel and to the logistics one. Despite this omission, it is still inconceivable to him that "there is often an illogical and unhealthy distance between the two research disciplines" (p. 427). The reality is that over the years, marketing and logistics have grown apart as two separate academic disciplines. There has been an attempt to reintegrate academic marketing with logistics. It is more of a reality in the real world of marketing but academics tend to create silos, which are hard to overcome. These two schools of thought are becoming quite dissimilar. Rutner and Sheperd (2017) sober reminder that academic marketing will have a hard time reuniting with SCM:

> As the logistics discipline moved towards a separate field it took the most likely SCM researchers out of the marketing field. Many of the traditional "channels types" of individuals were no longer doing research in marketing but rather becoming the first generation of logistics faculty members (p. 118).

The two domains are slowly drifting apart for many reasons. SCM researchers publish in different journals, are members of different professional groups, attend different conferences, have different sources of research funds, and have different educational background and training and their research methods differ. They ask different research questions and attempt to solve real practical business issues in cost effective ways.

The sales channel is highly dependent on the activities of the logistics one and vice versa. In theory "the satisfaction of supply and satisfaction of demand of customers' needs and wants have to be coordinated and synchronized in a marketing channel in order to achieve a successful outcome" (Svensson, 2002a, pp. 427-28). However, two channels working harmoniously in synch are easier said than done in the real world. The two channels cannot always work in tandem.

Coordination within the logistical channel is more programmable using sophisticated hardware and information technologies, while the sales channels is highly dependent on promotional and media tools and the whims of buyers, all of which are less programmable activities, more subject to malfunctioning and contain more uncertainty. The logistics channel operates more like a closed system, such that some parts are programmable using algorithms. The demand channel functions more like an open one, more subject to external market forces, much less predictable for decision making purposes. Besides, the two channels cannot always reconcile their differences because their working environment and managerial responsibilities are highly dissimilar. For e.g., product recalls by government agencies in cars, food, and appliances, among others, have made it mandatory in many businesses to track sold products and parts from final buyer to original sources. Reverse supply channels (traceability) are very complex and costly and increase the importance of a well tuned SCM. Both channel domains cannot have equality in power, responsibility and decision making. The leadership role of the channel captain has been assumed more by SCM than by sales judging by the increased managerial attention given to SCM in the last decade.

Channels of Distribution and Vertical Integration

Vertical integration is one reason, among others, why the channel of distribution domain is complex. Vertical integration in marketing was indeed evident in the 19th c. with the emergence of large-scale dry good wholesalers and the rise of the department store. Department stores were not only involved in wholesaling but they also made many of the goods they sold at both retail and wholesale. They were vertically integrated even before manufacturers.

The make or buy question in production has been studied extensively in economics. Vertical integration of marketing functions in the channel is a more complex area of decision making. To what extent should various members in the channel have warehousing facilities? When should a firm's tasks such as transportation, warehousing, advertising, its sales force, even IT be outsourced? To what extent should members in channel be a wholly owned subsidiary, majority-owned or minority owned by other channel members or even a manufacturer? The "make or buy" questions pertinent to marketing tasks represent some of the most challenging and perplexing decision making in marketing, indeed in all of business. Often, vertical integration in channels can involve corporate restructuring as a result of mergers and acquisitions.

The marketing work performed by each channel member needs to be streamlined with tighter controls in order to eliminate duplication, reduce waste and increase performance. Certain channel members possess the expertise to assume the responsibility of some marketing work for the benefit of all members involved in distribution, such as advertising, inventory management or even price setting. Conventional channel arrangements let each independent members compete against each other in order to get the best deals from their immediate suppliers or from their immediate customers. A properly functioning channel cannot be made up of independent participants serving their own self interest. Channel members need not work at cross purposes. That is why a system view of a channel means conflict is better managed minimizing consequences other members may suffer through no fault of their own.

In high level mass distribution economies, markets become less subject to market forces of supply and demand; markets are more organized, more cooperative, and more domesticated. Whether we like it or not, most markets are now dominated by very sophisticated channels of distribution (VMS) in many sectors of the economy, ranging from groceries, fast foods, cars, electronics, telephone services, and so forth. Such a channel requires members to form coalitions, partnerships, even alliances. Contractual obligations are signed in order to better plan, coordinate, and control the marketing functions they perform within both types of channel. One goal is to routinize transactions over a longer period thus avoiding short term, day to day market transactions that require negotiation, and terms of trade agreements over price, delivery, payment, and so forth. By opting for the long term and under contractual obligations, the sales effort can be better timed, at a lower cost by avoiding wasted promotional dollars, which of course lowers transaction costs. More importantly, such transactions no longer focus on just obtaining sales but on how both channels of distribution can be better planned, organized and managed at lower costs to the benefits of both channel members and consumers.

McCammon (1970, 1975) is probably the key marketing scholar in 1960s and 1970s, who repositioned the definition of a channel as an interorganizational system capable of better managing, rewarding and controlling members. He called such channels vertical marketing systems, the first to coin the term in the mid 1960s (McCammon and Bates, 1965). The term is no longer in vogue in the marketing literature. His innovative concept was a major contribution to the channels of distribution literature. He unabashedly stated that VMS were fast displacing conventional marketing channels as the dominant force in distribution in the American economy (McCammon, 1975). He argued that the post WW2 structure of distribution in the U.S. was undergoing transformative changes that were as profound in their impact and as pervasive in their influence as those that occurred in the Commercial Revolution and even in the post 18th c. Industrial Revolution.

Notwithstanding the contributions of other pioneer thought leaders in presenting marketing from a systems perspective (e.g. Alderson, 1957), he was the first to articulate the need for channels to be studied from a systems perspective by proposing a taxonomy of vertical marketing systems. These vertical arrangements, referred to as corporate, contractual and administered interorganizational channel arrangements, proved to be conceptually sound and appealing to research experts in channels of distribution. Establishing routine transactions is one of the objectives of a channel, especially within a vertical marketing system.

Channels scholars quickly adopted McCammon's ideas with the publications of numerous textbooks and research articles (e.g. Bucklin, 1970, Thompson, 1971). Moreover, most principles of marketing textbooks had a section discussing VMS as did marketing channels textbooks (e.g. Stern and El-Ansary, 1977). Tedlow's (1990), history of mass marketing in America even devoted a section on VMS (pp. 354-365). His history of marketing also discusses vertical systems in dozens of other pages. Vertical integration was an important development in the history of marketing practice. Unfortunately, the rise of SCM led to the near disappearance of the VMS literature. Most principles of marketing textbooks hardly ever mention VMS and scholarly discussion on VMS, even in textbooks on channels of distribution, are almost nonexistent. SCM has forgotten its roots. An informal search of a number of e-data banks revealed that the term is seldom referenced in the literature.

McCammon's ideas to rethink the organizational structure and management of a channel were right for the time. He also coined the term distribution programming or programmed merchandising, as part of a retail-level vertical marketing system (McCammon (1970). The promotional-based marketing work done in the sales channel needs to be carefully coordinated and orchestrated with the work done in the supply channel to meet demand, which is very similar to the underlying principles of SCM/DCM. For e.g., demand stimulation efforts such as national advertising, cooperative advertising, retail displays, price deals, off invoice allowances, quantity discounts offered to consumers and to channel members, slotting allowances, payments for store fixtures, preticketing, coupon handling allowance, contests, free goods, demonstrators, guarantee sales, and so forth need to be planned with the logistics channel in order to meet demand and avoid stockouts or loss sales. A partial list of marketing support programs offered to channel members is presented in Rosenbloom (2013, p. 267).

McCammon's view of a VMS also incorporates the "total least cost principle", a principle proposed in the later 1950s in operations research and a key building block for integrated logistics which transformed the field of logistics in the 1960s into a major corporate concern. Essentially, the total least cost principle means that a higher cost activity at one level of distribution may actually lower the overall channel costs due to the interdependency (trade-off) of costs. For example, media advertising done by one member of the channel who has the expertise and is better positioned in the channel to perform this function at lower cost than having many other members involved in this task.

Traditional Channels of Distribution and the Internet

Since Drucker's (1962) contributions to distribution, there has been an unprecedented technological revolution that has impacted on both the sales and logistics channels. However, we must be very careful not to confuse new technological ways to reach the consumers as creating new channels of distribution. An omnichannel is defined as a multichannel approach to reach consumers whether they are shopping online using a desktop, a laptop, a smart phone, a tablet, or an an iPad. It also includes in-store shopping (brick and mortar) but neglects all other nonstore shopping alternatives. Buying products in stores or in nonstore alternatives have existed long before the Internet and the computer came along. The technology is now electronic and digital rather than on paper, which makes it faster and easier for consumers to buy stuff. The availability of online technology may not result in an actual purchase, similar to the presence of mail order catalog in a person's home. Even if an actual purchase is made, the transaction is only between the end seller (e.g. Amazon) and the consumer at one level only in the channel, neglecting many other channel members involved in the sales channel. Cox and Goodman (1956) found that the number of channel members involved in building a house to be rather impressive. Yet the consumer dealt mainly with the end seller/developer.

> Some 366 business entities constituted the channel for housebuilding materials and their antecedents. Of these, 148 were transportation agencies that did not take title to the goods; 217 of the remaining 218 did take the responsibilities of ownership (p. 50).

An omnichannel is a primarily a modern means of communication, detailing various offers to consumers in the same manner that printed catalogues did in the past. The Internet has given many manufacturers, wholesalers and retailers opportunities to disintermediate their established distribution network, and to sell directly to final buyers. They are seeking ways to integrate the Internet by creating cyber intermediaries in order to achieve economies similar to or even greater that those achieved with traditional channels. However, disintermediation may irritate and even offend traditional intermediaries and create much resentment. Contrary to expectations, online shopping does not result in a decrease in the number of channel specialists, as is often assumed but rather an increase (LaLonde, 2000, Tamilia et al., 2002).

Amazon acts as a merchant wholesaler or an agent (not taking title) for hundreds of thousands of goods it offers for sale, from A to Z, similar to a giant mail order e-catalog. Its role as a wholesaler or an agent requires the company to link up electronically with thousands, if not tens of thousands, of independent vendors, suppliers and even other wholesalers located locally, regionally, nationally and internationally. These vendors, some can be importers, exporters, wholesalers, manufacturers, agents and even retailers, must be selected and preapproved before joining the Amazon family of suppliers. They need to meet pre-established business and financial standards and business practices pertinent to the class of goods offered for sale. The vendors also need to be monitored and evaluated on an ongoing basis for customer satisfaction. From the consumer's perspective, the process of buying from Amazon seems very seamless and care free. The sales channel is at one level only, between the consumer and the end seller, Amazon. The channel work among members that is done within the interoganizational vertical network after a purchase is made is anything but simple. More buying and selling is done among channel members that are unknown to the consumer. The supply channel is even more complicated given that the consumer is often given a choice of delivery time and type of delivery. The consumer may be a member of Amazon Prime which qualifies for a faster delivery schedule for certain types of goods purchased, notably Amazon's private brands and/or those shipped by Amazon. The networks of channel members in both the sale and the supply channels need to be well organized and synchronized as soon as a sale is made. Interorganizational communications among members is required. The consumer is largely unaware of the existence of this large and complex network of vendors, working together in synergy to obtain and satisfy demand. In fact, a typical consumer is oblivious to what is going inside the network. Why would consumers want to know or care to know how channels members organized themselves to fulfill the order, as long as the goods ordered are received promptly, at the right price, and at the right place?

The Internet has changed the way we look at channels. The Internet has changed the priority and attention given to such nonstore sales. An order placed on the Internet is just like an order placed via the telephone or by mail. The use of computer equipments and software do not change the nature of the buying and selling process. It simply accelerates the process by making it easier for the buyer to complete the transaction. However, the transaction is completed only when payment is made and the buyer has physical possession of the goods or has legal ownership.

In the past, some companies had a separate "division" that handled such nonstore sales. The Internet changed the priority and attention given to such nonstore sales. An order can be placed on the Internet just like an order can be placed via the telephone or by mail. Similar to all retail sales, other transactional channel members are involved in store or nonstore sales (e.g. PayPal, credit card companies, gift cards, etc.). In store sales, the consumer simply walks away with the goods or has it delivered if it is too bulky, heavy or awkward to carry home. In some nonstore sales, the consumer also walks away with the purchased good (vending purchase). In online shopping, the end seller organizes the logistics similar to what is done in mail order purchases or telephone orders.

Mail order catalogue sales greatly expanded retail and wholesale sales first to rural customers in the U.S. and Canada from the late 19th c. and later to urban consumers as well. Door to door sales by itinerant peddlers or drummers have existed in the U.S. since before the civil war and even longer in Europe. Periodic market fairs in antiquity and in the Middle Ages, farmers' markets and temporary stalls and kiosks also have a long history. Nonstore sales outside fixed permanent retail locations can also be realized in other venues such as vending machines, direct selling (also known as multilevel marketing), direct marketing (junk mail), catalogue selling, telemarketing, auction selling, street vending (push carts), food trucks, infomercials, door to door, flea markets, temporary kiosks during sporting events or other types of entertainment, mobile retail booths, garage sales, bazaars, farmers' markets, road side stands, classified ads, or just friends selling to friends. Not all nonstore sales are officially recorded as retail sales compiled by government agencies with sales taxes collected.

Is a company engaged in multiple channels of distribution when selling the same goods over the phone, by mail, via a smart phone, self pickup, door to door, in kiosks, or from vending machines? In the past, phone orders or buying from mail order houses were quite popular for some buyers and for some goods, even in grocery shopping. Yet few made a big fuss of the extent of such orders relative to in-store sales. The popularity of online shopping changed the nature of nonstore retailing.

An omnichannel assumes that a purchase over the phone becomes a marketing channel. By the same token, so is a mail order purchase or a vending machine one. The "devices" or media used in nonstore retailing are the printed catalog, direct mail, the phone, the vending machine or a salesperson in a door to door sales encounter.

Are we dealing with multiple channels of distribution when a retailer provides ordering shopping options to customers such as in-store or online purchases? Is the Internet more of a persuasive/communication channel than a channel of distribution? The answer "has more to do with the concept of what a channel of distribution is rather than what it does" according to Davidson (1992, p. 242). He does not

> consider the provision of consumer options by a retail entity as comprising 'multiple channels of distribution,' whether integrated or nonintegrated. For example, department stores have long provided optional arrangements for cash or credit, take-with or home delivery (by the store or a third party), in-store or at home retailing by mail, telephone, personal selling, and main store or branch store purchasing. I do not believe either suppliers or customers of department stores would view these options as different channels. Hence, what constitute multiple channels of distribution network merits serious consideration (p. 242).

Despite the concept of a distribution channel, the popularity and omnipresence of electronic retailing and social media have blurred the notion of the meaning of a channel of distribution. Kozlenkova et al. (2014) go as a far as to claim that new smart electronic devices to reach consumers constitute a new channel of distribution:

> As new technologies continue to blur the line between online and physical channels, retailers are devising new ways of employing smart devices and social media networks to engage consumers through the omni-channel perspective (p. 586)

Moreover, their idea of a physical channel being the store itself makes little sense conceptually because a fixed store location cannot be defined as a channel of distribution. Would a computer kiosk located in a store count as a channel within a channel? Obviously, a channel cannot be defined by the technology used to reach buyers. It focuses only on the final stage of B2C interactions between the end seller and the consumer, while neglecting the B2B interactions that take place among networks of channel members working together to obtain and satisfy demand.

The ratio of nonstore sales to total retail sales has remained relatively constant over the past one hundred years, notably in mail order sales (Keep and Hollander, 1992). The growth of nonstore sales has since increased substantially due to technological innovations that have made online shopping much easier compared to the rudimentary electronic home shopping scenario outlined by Doody and Davidson (1967) in their award winning article on the future or retailing.

Will nonstore sales eventually surpass in-store sales? If that happens, will it mean the end of brick and mortar stores and shopping malls as consumers' favorite places to shop? This retail apocalypse has been in the headlines ever since the Internet helped make Amazon one of the world's cutting edge firms in online shopping. Apparently, online shopping has caused the rise of store closings and shopping malls. Are stores on the verge of becoming retail dinosaurs in the near future? Some well known mass retailers are indeed closing many of their stores (Wilson, 2018). The closing of hundreds of department stores often make headline news; but they tend to exaggerate what is happening in store retailing.

The closing of stores happens to be a normal aspect of the retail business model. Wilson (2018) reported that more store openings are occurring than store closings in categories such as convenience stores, grocery stores, drug stores, supercenters; but not for department stores, shoe stores, bookstores, sporting goods, and electronic stores. Thus, retail apocalypse makes great headline news but they do not tell the whole story of the future of store retailing. Retail shopping is becoming more like "threetailing" that is, a store visit, catalog shopping by phone, or a login. Keep and Hollander (1992) provide a sober reminder of in-store sales.

> The strength of in-store retailing has frequently been underestimated; its demise prematurely predicted on a number of occasions…new nonstore retailers will have difficulty displacing traditional retailing (p. 82)

Online retail sales were estimated to be 9.8% of all retail sales as of 3rd quarter of 2018 (U.S. Department of Commerce, 2018). E-commerce sales are defined as "sales of goods and services where the buyer places an order, or the price and terms of the sale are negotiated over an Internet, mobile device (M-commerce), extranet, Electronic Data Interchange (EDI) network, electronic mail or other comparable online system. Payment may or may not be made online". The Commerce Department's definition of online retail sales is rather all-inclusive. It considers all E-commerce sales to be retail sales. Some online sales are not at retail but are actually wholesale ones. Many businesses buy stuff online from known retailers. Such sales are not retail. A retail sale is when the purchaser is buying to satisfy his own personal needs and those of his family and friends and the motive behind such a purchase is not for resale or for profit (Beckman and Davidson, 1962).

The level of retail online sales is actually smaller than what is reported. Some online retail sales may just be traditional mail order catalog or telephone sales, which are now being compiled as online sales. Placing an order using extranet or EDI network is more B2B than B2C. It is doubtful if retail consumers actually use such networks when ordering online. Are returned goods or nonpayment of goods deducted from online sales as compiled by the Commerce Department? E-commerce may actually account for a lower percentage of all retail sales than what is being reported.

Amazon's online share of the market will reach 49% this year (Ovide, 2018). This is an incredible market share, given that most retailers, large and small, offer online shopping services. Online retailers are becoming more like traditional store ones. The leading online retailer once boasted of being a virtual retailer (i.e. having no physical stores or warehouses) now has over 75 warehouses all across the U.S., Canada, and elsewhere. Soper (2018) reports that Amazon is considering opening up to 3,000 cashierless convenience stores in a few years, called Amazon Go, to compete with quick service food retailers such as Subway, pizzerias and convenience stores that number in the tens of thousands. Amazon is fast becoming a high tech specialized food retailer with its purchase of Whole Foods, a high end grocery chain focusing on organic products with almost 500 stores located in the U.S., Canada and the U.K. Amazon is into private brand offering over 70 private brands of products it makes. Sales of private labels reached $7.5 billion in 2018 (cnn.com). Amazon has now vertically integrated backward into wholesaling with massive distribution centers and into manufacturing, similar to what mass retailers did in the 19th c.

Conclusions and Future Research

The marketing process is made up of two but distinctive parts conceptualized as separate but interdependent and complementary channels of distribution: (i.e. sales and supply). The two channels need to work in tandem rather than work independently. Logistics/SCM is changing the way firms manage their business in order to gain and sustain a competitive advantage. The growing importance of electronic commerce and information technologies will continue to impact on both types of channel decisions.

Yet the teaching orientation in marketing is still mainly from a consumer perspective. Most marketing curricula emphasize demand stimulation courses dealing with promotion, advertising and consumer behavior. Channel management is taught only at a handful of schools. Yet the majority of students do not obtain jobs in consumer marketing. Channel management forces a student to broaden his/her knowledge of what makes a business run and be successful. It forces students to be concerned about costs, efficiency, intra and interorganizational links, and offering cost savings which benefit channel members and ultimate consumers.

The field of logistics/SCM reinvented itself in the 1960s by redefining its role as being more than performing passive physical work involved in transportation. The 1990s made the area a major corporate player, the nerve center of corporate decision making. It is actually restructuring how distribution systems are managed not only internally but externally as well, and not only for individual firms, but also for whole industries. The end result has been nothing short of a phenomenal managerial revolution and the distribution revolution is still ongoing. The role of marketing requires a reintegration with the supply management. Marketing seems to be too subservient to managerial decisions made in the supply channel as if marketing is subsumed under SCM. It is time for academic marketing to join the distribution revolution by incorporating more channel management in the curriculum.

Historical studies documenting the types of channel arrangements used by innovative manufacturers and merchants of the 18th, 19th and even early 20th centuries would enlighten us as to the nature and extent of their channel arrangements. For example, Josiah Wedgwood, the 18th c. innovative pottery producer would reveal how he established his distribution network to sell his products not only in England but across Europe as well. A fascinating channel study would be of the famed *merciers*, the 18th c. Parisian-based guild, called the Six Corps, mostly wholesalers with very innovative retailing and merchandising skills. They excelled in the marketing and distribution of luxury goods, which contributed to Paris's current image as the world capital of taste and fashion (Sargentson, 1998). The distribution of such products as the sewing machine, baby foods, automobiles, soaps, razor blades, chewing gum, and cereals, among many others, would shed light on the role played by channel members in the distribution of such goods. The multitude of marketing programs and cooperative agreements among channel members and their networks are still hidden away in the vast collection of information sources ranging from archival materials, trade publications, newspapers and magazines, as well as haphazardly presented in company histories. They still deserve to be historically researched.

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