Chapter III

Drivers of Adoption and Implementation of Internet-Based Marketing Channels

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Abstract

This chapter analyses factors influencing manufacturers’ adoption and implementation of Internet-based marketing channels, using models based on marketing channel and organizational innovation theory. Survey data from 1,163 Danish, Finnish, and Swedish manufacturers form the empirical basis for testing the models using LISREL analysis. The results stress that adoption of Internet-based marketing is influenced by willingness to cannibalize, management support, market pressure, and a firm’s knowledge of information technology. Willingness to cannibalize mediates the effects of future market orientation, ownership, specialised investments, and management support. This is mainly the case in small firms, as the importance of the various drivers and the adoption pattern vary between size categories. Market-pull factors have relatively more explanatory power in medium-sized and large companies.
Introduction

It is now conventional wisdom that both customers and manufacturers have strong incentives to use Internet-based marketing channels (Alba et al., 1997; O’Cass & Fenech, 2003). It has been argued that the Internet is changing the structure of marketing channels, especially in industries such as retail banking, news media, and music, where an important part of the output is in digital form (Mols, Bukh, & Flohr Nielsen, 1999). However even many small and medium-sized manufacturers have adopted and implemented Internet-based marketing channels, though great differences can be observed in how these firms have actually gone about this.

This chapter examines possible explanations of the adoption and implementation. Some of the drivers of such radical innovations have been identified in previous research. Notably willingness to cannibalize (Chandy & Tellis, 1998) and recent findings in the U.S. stress the importance of the sense-and-respond capabilities of firms in e-business (Srinivasan, Lilien, & Rangaswarthy, 2002). As our study is based on a large European sample including several small and medium-sized manufacturers, the intention is to allow more rigorous analyses using structural equation modelling and trace how size may influence the models of adoption. In continuation, the path to successful implementation is explored.

First, the chapter briefly reviews the literature on changes in marketing channels and on organizational innovation. Then it proposes a basic research model for examining the adoption of new channels, and the model and its 11 hypotheses are explained in detail. After describing the methodology, we present the results of our survey of Nordic manufacturers, stressing the role of willingness to cannibalize. Finally, the results and the theoretical and managerial implications are discussed.

Theoretical Background

The Inertia of Marketing Channels

Internet-based marketing channels may radically interfere with the work and communication connected with getting products and services from producer to consumer. However the literature on marketing channels stresses that distribution systems are usually rigid and stable because of persistent inertia. Firms wanting to convert from one type of marketing channel to another often face resistance, conflict, and customer confusion (Anderson, Day, & Rangan, 1997; Weiss & Anderson, 1992). Thus, Stern and Sturdivant (1987) contend that of all marketing decisions facing firms, those that concern the design of distribution systems are the most far reaching, resource demanding, and time consuming. The right investments in distribution channels have traditionally provided long-term protection against competition, and few researchers have been concerned with proposing strategic design principles focusing on the dynamics of marketing channels or on feedback mechanisms that continually monitor the design of distribution channels (for an exception, see Anderson et al., 1997). The economic approach to analyzing marketing channels has been concerned with under-
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