

# Foreword

At present, most people would agree that the rise of information technology has brought many benefits to company and consumer. Especially as can be seen in the diffusion of Internet, information technologies are developing rapidly. Complex and varied relationships (company-to-nonprofit organization relationships, new manufacture-to-distributor channel relationships, etc.) are being formed on a global level along with this popularity. Such dimensions are referred to as “the information revolution”.

“The information revolution” can be largely identified along three aspects, when inspected from a technological point of view. The first aspect is the development of broadcasting. In concrete terms, these are efforts to realize various residential services that utilize two-way cable televisions and multi-channel broadcasting with communication satellites by using digital method.

The second aspect entails the development of telephone services (mobile communications, television phones). It is generally understood that in the future mobile communications will become increasingly important. From this point forward, mobile communications does not simply consider that telephones will become increasingly sophisticated. Mobile communications are expected to evolve into mobile computers. In the United States, as well as in Japan, those in the telecommunications companies are acutely aware of this current.

The third aspect involves the development of computer linkages. As for concrete applications, the following fields make use of Internet: telecommuting (working at home), electronic banking care, international electronic commerce, electronic civil service, electronic settlements, remote education, remote medical and the like.

The present developments of these three aspects indicate that they interact with one another and, especially, that there is integration in the

applications of the three aspects. Broadcasting, telephones, and computer linkages were separate means of communication, up until now. However these three means of communication will be fused into computer linkage, in the future.

In the meaning, major advanced in information technologies have been among the most exciting and far-reaching developments in science and technology in the late twentieth century. The rapid pace of information technology innovation and diffusion is maintained well into the twenty-first century as computing, telecommunications, and broadcast and print media continue to converge on common digital-based techniques.

This information revolution has generated vigorous debate around a number of 'hot button' issues, such as concerns over the growing gaps between information 'have' and 'have not'. However, it has also generated many marketing channel visions which have been concentrated on concepts like "the virtual company" (Davidow and Malone, 1993), "the clicks and mortar" (Pottruck and Pearce, 2000) and "the one to one future" (Peppers and Rogers, 1993). So, one of the most recent concerns about marketing channel is the effect that "business strategic alliance" can have on the marketing channel. This business strategic alliance has two means on this study. The one is business strategic between manufacture and distributor. The other is business strategic alliance between company and nonprofit organization.

Although nonprofit organization does not have established definition, its most extended meaning is "a private organization that is systematically prohibited from distributing any profit outside the organization". Nonprofit organization functions like companies and its objective is not to make a profit but to pass it along to the society. It means the organization of social participation that started from the grass-roots activity. For example, their nonprofit organization is Global Reporting Initiative (GRI), Conservation International, Catalyst, Social Network, Linux, Gnutella, You Tube, Common Ground Community, and so on.

On the other hand, nongovernmental organization is distinguished from government activities and refers to an activity organization of private and civil groups. The term "nongovernmental organization" was originally designated in the Charter of the United Nations and was initially used in the field of the international company. However, it is now not only used for the international activity groups but also for any organizations that aim to protect the global profit and common profit for all humanity in each region that go beyond the concepts of the "nation" or national profit". The differences of them are: nonprofit organization emphasizes on "nonprofit" and nongovernmental organization emphasizes on "nongovernmental".

According to Lohrendahl (1997), the common characteristic of the nonprofit organization lies in the “connection of humanity, but not capital”.

These marketing channel visions have driven the opening of new strategic management between company and nonprofit organization. Company-to-nonprofit organization channel relationship is increasing and becoming more strategically important. In Japan, and in several other countries, it is often said that company-to-nonprofit organization relationships have much to be desired. For example, their relationships are Hewlett-Packard and the National Science Resources Center; Reebok and Amnesty International; MCI WorldCom and The National Geographic Society; Georgia-Pacific and The Nature Conservancy; Starbucks and CARE; NBC and You Tube; MTV and You Tube; Time Warner and Bit Torrent; and Timberland and City Year.

And, we need to understand that the Internet is the exemplar of the future marketing channel. Internet technology offers powerful tools for multiple entities. This will drastically change the nature of marketing channel strategy. Kotler (2002) addressed, “What is happening now is not the evolution of the technology, but it is “channel evolution” of connecting one organization with another. It is like reshuffling cards and beginning a new marketing competition.” He argues that the core of the information revolution is the transition from broadcasting to dialog, or from one-way to interaction.

Austin, a professor of Business Administration at Harvard University Graduate School of Business Administration of the United States, considers that the key to the future strategic management is various forms of business strategic alliance between multiple entities (Austin, 2000a, 2000b). Especially, business strategic alliance between company and nonprofit organization is emphasized. If we consider how to use information technologies, information technologies make it possible to envisage a future with diverse and individualized inter-organizational relationships and marketing channel supported by such modes of inter-organizations.

This study critically examines the visions and realities that have already shaped marketing channel in order to provide practical insights into how the long-term marketing channel implications in the information age can be addressed. In doing so, it provides much evidence to help readers understand the ways company-to-nonprofit organization channel relationship are shaping international electronic commerce —as well as being shaped by them. Most importantly, this journey into the international electronic commerce problem surrounding marketing not only challenges prevailing wisdom about the effects of Internet technology, it also provides

direction for marketing channel to achieve the opportunities presented by the profusion of information technology innovations.

In this study, channel relationship in Internet such as international electronic commerce, and the business of peripheral devices of terminal machines, platform, such as the personal computer, content of information, contents, communication system, distribution, will be defined as “affiliated business of international electronic commerce”. Which of the marketing channel competition shall develop by open development of promotion by the information technology, in the market of the affiliated business on international electronic commerce? This study discusses how information technologies provide marketing channels for company-to-nonprofit organization communication and how such marketing channels the dynamics of the marketplace.

This study will deal with the following issues. One of the issues is to clarify how and why the Japanese manufactures, who used to use their power to manipulate the distributors in distribution keiretsu, failed to convert the marketing channel strategy in the 1980’s and 1990’s and the retail distributors or nonprofit organization, who were gaining control of the distribution industry, have come to develop the business strategic alliance in the Internet. The other issue is to understand how this was implicated in the marketing channel theory.

The study subject of this study is the shifting of distribution keiretsu when the marketing channel management led by the manufactures came to a standstill. Affiliated business of the international electronic commerce, which is often discussed in the marketing channel study in Japan, will become the review subject to examine how the manufactures modified and converted the marketing channel strategy and to discuss the fast-growing two types of business strategic alliance (manufacture-to-distributor channel relationships, company-to-nonprofit organization relationships).

The above issues are the main concentrate of this study because of the basic understanding that distribution keiretsu, where the manufactures had unilateral control over the purchasing and sales activity of the retail distributors, are making the transition to the business strategic management, where the innovation emergence is emphasized. The following analysis method will be used to examine the issues.

The method consists of surveying the existing marketing channel theory, organizing the characteristics and the problems, analyzing the strategic alliance in the information age, and giving feedback to the marketing channel theory based on the inter-organizational relationships. During these courses, they are important to pay close attention to the

prerequisite of marketing channel. Without the prerequisite, the validity of the marketing channel theory, which signifies the manufacture-to-distributor channel relationship, will decline. Consequently, it is essential to examine the relationship between the prerequisite, strategic alliance (manufacture-to-distributor channel relationships, company-to-nonprofit organization relationships) and the marketing channel theory. Based on the issues and the method, the concept of the business strategic alliance will be mainly studied and examined.



## Chapter 1

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# Introduction: Overview of Marketing Channel

1. Preface:  
Distribution Keiretsu and Business Strategic Alliance
2. Object of Study
3. Explanation of Format

## 1. Preface: Distribution Keiretsu and Business Strategic Alliance

In the 1940's, most companies had taken a great interest on the distribution and procurement of their management resources inside their companies and most efforts were concentrated in the same manner as well. The Japanese companies in the early 1960's included the lack of management resource for their companies by executing distribution keiretsu to use the external management resources for their expansions.

In the 1990's, as can be seen in the popularity of information technology, complex and varied relationships are being formed on the global scale. At the 2000's, the strategic connection between the companies called the business strategic alliance with their competition appeared as a new company activity. The business strategic alliance between company and nonprofit organization appeared, too. And this business strategic alliance is increasing and becoming more strategically important. By these business strategic alliances, the companies had changed their traditional marketing channels and corporate strategy rapidly. The companies had the intention to convert their marketing channels to cooperate from being their competitions by forming an organization different from itself.

As the development of their marketing channel theories and corporate strategies, this study takes consideration on the business strategic alliance to create knowledge to unify manufacture and distributor or to unify company and nonprofit organization. This study indicates clarifying the strategy role of the information technology and having the executed business strategic alliance.



## 2. Object of Study

One of the most recent concerns about marketing is the effect that “information technology” can have on marketing channel. Other is the effect that business strategic alliance, especially company-to-nonprofit organization channel relationship can have on marketing channel. Buchanan (1992) has shown that in some cases distribution keiretsu can be put business strategic alliances by information technology. These days, the manufacture-to-distributor channel relationship and company-to-nonprofit relationship is gaining a great deal of attention in marketing and management study worker. This is because the manufacture-to-distributor cooperative relationship and company-to-nonprofit marketing cooperative relationship, described as “business strategic alliance” has been or is recognized to have a major influence on the success or failure of company in the information age. In the meaning, inter-organizational relationships are elementary part of current business. Companies have a wide variety of external relationships with other organizations.

This issue will be examined as a marketing channel theory in the marketing study. Since the marketing channel theory has accumulated study results on the manufacture-distributor channel relationship, they will be used for explanations throughout this study. Therefore, this study follows the practice of the marketing channel theory.

As explained below, the actor in the marketing channel management has been, in many cases, assumed to be the manufacture, whether express or implied (See Figure 1-1). These assumptions continued until recently in Japan and until the 1960s in the United States. When the manufacture was the marketing channel captain, discussing the issues on the distributor management from an approach of the manufacture was very effective. However, as more and more retail distributors or nonprofit organization became the marketing channel captains, the marketing channel theory that did not specify the manufacture as an actor became necessary. However, the discussion from the viewpoint of the manufacture has not become meaningless. The fact of matter, the marketing channel management with the manufacture as an actor instead of a marketing channel captain has become important under some restricted conditions.