Professor Zdenko Segetlija, PhD
University of J.J.Strossmayer, Faculty of Economics in Osijek
31 000 Osijek, Gajev trg 7, Croatia
Tel. 00385 31 224 400;   Fax: 00385 31 211 604
E-mail: seget@efos.hr

Professor Josip Mesarić, PhD
University of J.J.Strossmayer, Faculty of Economics in Osijek
31 000 Osijek, Gajev trg 7, Croatia
Tel. 00385 31 224 400;   Fax: 00385 31 211 604
E-mail: mesaric@efos.hr

Davor Dujak, MSc
University of J.J.Strossmayer, Faculty of Economics in Osijek
31 000 Osijek, Gajev trg 7, Croatia
Tel. 00385 31 224 400;   Fax: 00385 31 211 604
E – mail: ddujak@efos.hr

IMPORTANCE OF DISTRIBUTION CHANNELS - MARKETING CHANNELS - FOR NATIONAL ECONOMY

ABSTRACT

The paper starts from the importance of merchandise distribution and distribution channels and mutual relationships of the participants in them. Development of distribution channels based on the concentration processes and integration of functions is emphasized. In this context, the position of retail in distribution system is defined in terms of its business units and new elements in their design related to the application of certain business models. The authors try to give hints for finding ways to create new forms of distribution channels and retail business units in the respective national economies. The foundations for such considerations are the theoretical assumptions about the development of new forms of retail business units, as well as contemporary problems in the functioning of retail systems in individual countries. The basis for this development lies in new technological possibilities, i.e. opportunities offered by modern information technologies and new understanding of the connection between physical commodity *processes. In this sense, modern vertical marketing systems, new business models and multi-channel retailing can be observed.*

Key words: *distribution channels, value chain, vertical marketing systems, business models, multi-channel retailing*

1. INTRODUCTION

The starting point of this paper is the term distribution and its meaning. Distribution channels are defined and classified. Their development is explained and new possibilities of their development in contemporary conditions are indicated. In this sense, a variety of distribution channels exists, as well as the contemporary understanding of managing supply chains and value creation networks.

The importance of distribution channels is analysed both for individual economic operators, i.e. groups and for the aggregate national economy. These types of analyses start with the share of big firms and groups, both on national and international levels. This is the case of relationships between different economic operators within value creation chains. This is why earlier concepts of the role and importance of commerce in national economy are losing their importance.

The purpose of this paper is to point out various controversial concepts of economic structure and the possibilities of economic systems of certain countries. Moreover, the authors have tried to indicate certain solutions in creating new forms of distribution channels and retail business units in certain national economies.

2. DISTRIBUTION AND ITS CHANNELS

In its broadest sense, when it refers to the whole economic system, distribution is the allocation of income and assets within one society. In business economics, distributions relates to the allocation of goods to the recipients. In general, distribution includes all activities that enable the transfer of material and/or economic power over tangible and/or intangible goods from one economic subject to another (Wirtschaftsleyikon24.net, 2011).

This paper is concerned with the distribution in business economics, as well as its implications on the whole economic system, i.e. on the whole national economy, since distribution is one of the main functions of retail trade (Wirtschaftsleyikon24.net, 2011).

Domschke and Schield thus emphasise: “Distribution encompasses a system of all activities that are related to the transfer of economic goods between manufacturers and consumers. It includes such a coordinated preparation of manufactured goods according to their type and volume, space and time, so that supply deadlines can be met (order fulfilment) or estimated demand can be efficiently satisfied (when producing for an anonymous market)”(Domschke & Schield, 1994).

Distribution systems are usually divided into:

(a) acquisition distribution system

(b) logistic, i.e. physical distribution system.

G. Specht has pointed out that this division is not completely accurate, since both of these subsystems exhibit certain common starting points. According to this author, acquisition distribution system management includes the management of distribution routes, i.e. distribution channels. Logistic distribution system is focused on bridging the space and time by transportation and storage, as well as order processing and shipment, supply logistics, i.e. the movement of materials (compare Specht, 1988, 34-35).

The term “distribution channels” can at the moment be replaced by the term “marketing channel”. “Marketing channel” as a more complex term has been used in the USA since the 1970s, because the intermediaries include not only those who participate in the physical flow of a product from the manufacturer to the end user, but also those that have a role in the transfer of product ownership, as well as other intermediary institutions that participate in the value distribution from production to consumption (Tipurić, 1993, 15-16).

Therefore, it is assumed that there are three types of marketing channels (Kotler & Keller, 2008, 26): communication channels, distribution channels and service channels.

Distribution or marketing channels are systems of mutually dependent organisations included in the process of making goods or services available for use or consumption. [1]
Moreover, a marketing channel is "the external contactual organization that management operates to achieve its distribution objectives“ [2] (Rosenbloom, 2004, 8).

There follow some more recent concepts of the distribution channel:

„Channel of distribution – The route along which goods and services travel from producer/manufacturer through marketing intermediaries (such as wholesalers, distributors, and retailers) to the final user. Channels of distribution provide downstream value by bringing finished products to end users. This flow may involve the physical movement of the product or simply the transfer of title to it. Also known as a distribution channel, a distribution chain, a distribution pipeline, a supply chain, a marketing channel, a market channel, and a trade channel.“ (Ostrow, 2009, 59).

Similarly, distribution channel is defined by Hill: "Distribution channel - one or more companies or individuals who participate in the flow of goods and services from the manufacturer to the final user or consumer" (Hill, 2010, 93).

Nevertheless, other types of flows should not be neglected in distribution channels, so that the following definition is also possible: "Channel of distribution consist of one or more companies or individuals who participate in the flow of goods, services, information, and finances from the producer to the final user or consumer.” (Coyle, Bardi, & Langley, 2003, 106)

These are various routes that products or services use after their production until they are purchased and used by end users.[3] Therefore, marketing channels, i.e. distribution channels are all those organisations that a product has to go through between its production and consumption (Kotler/Wong/Saunders/Armstrong, 2006, 858).

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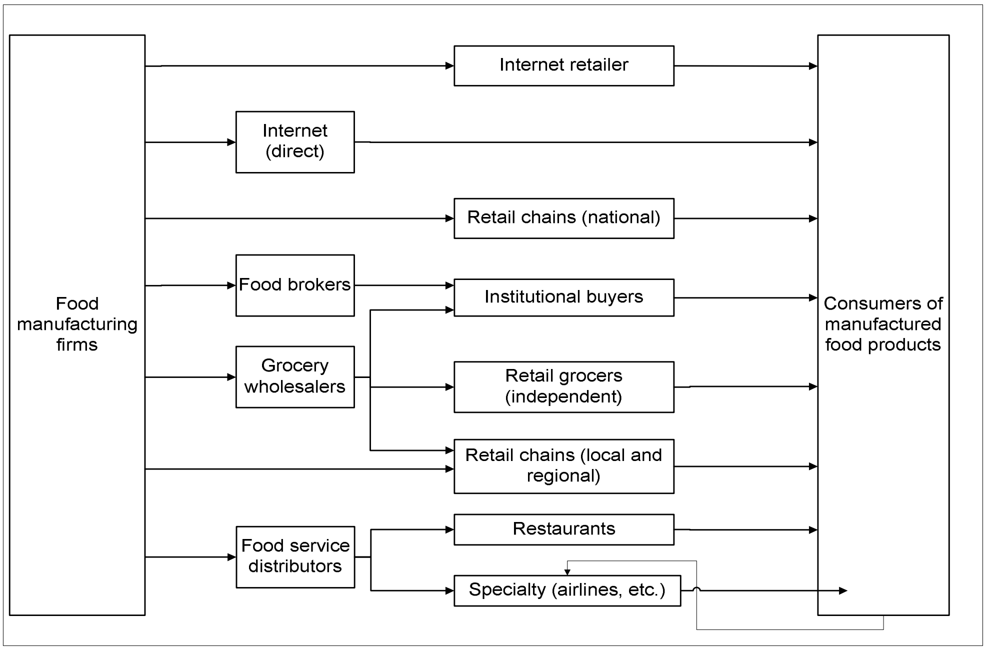
[1] Stern, L. W.; El -Ansary, A. I.: Marketing Channels, 5th Ed., Prentice-Hall, 1996., according to: Kotler, 2001., p. 230.
[2] The author states that the term "contactual organization" refers to those companies or parties involved in negotiation functions as the product or service moves from the manufacturer to its end-users. Negotiating functions consist of the purchase, sale and transfer of ownership of products or services.
[3] Coughan, Anne. T.; Andersen, E.; Stern, L. W.; El-Ansary, A. I.: Marketing Channels, 6 th Ed., Prentice-Hall, 2001., according to: Kotler/Keller, 2008., p. 468.

In the so-called consumer marketing channels, the marketing channel system usually includes the following operators: producer/manufacturer, wholesaler, intermediary, and retailer. On the other hand, when it comes to business marketing channels, the following are included: producer/manufacturer, representative or sales subsidiary of manufacturer, business distributor and business client (Kotler/Wong/Saunders/Armstrong, 2006, p. 861).

Different authors describe the possible options of marketing, i.e. distribution channels in different ways. Nevertheless, the basic division is into direct and indirect channels. In direct channels, producers/manufacturers sell their goods directly to individual consumers, while indirect channels include a trading company as well. An indirect marketing channel can be both short and long. Only one trading company is included in the short channel (usually, it is a retail company). In the long channel, there are two or more intermediaries (wholesale and retail companies).
Figure 1 shows an example of channels of distribution for products of food manufacturing firms.

Figure 1

Examples of channels of distribution for products of food processing industry

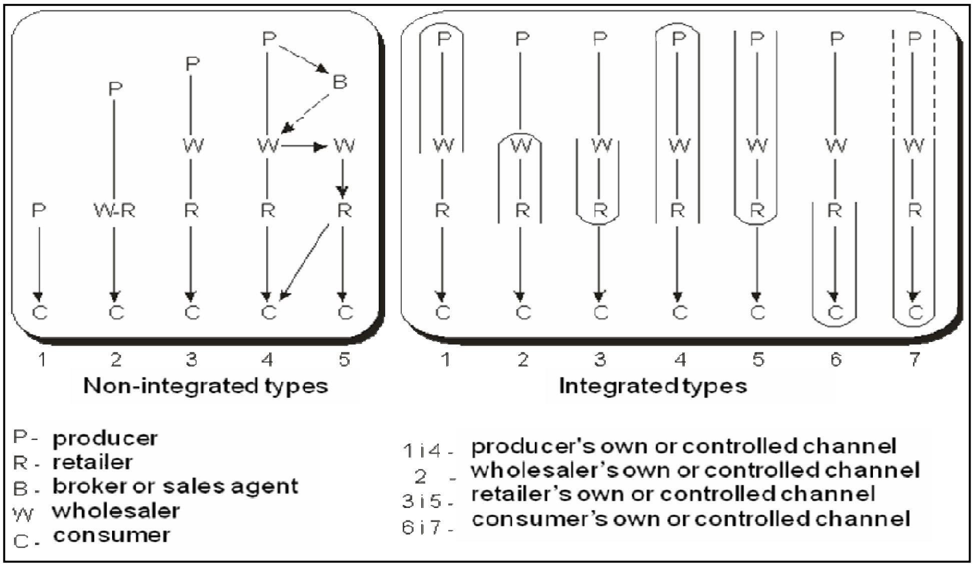


Source: Coyle, J. C., Bardi, E. J., & Langley, C. J. (2003): ***The Management of Business Logistics : A Supply Chain Perspective,*** South-Western, Thomson Learning, p. 108

Since different participants in distribution channels can be connected by joining of functions, different types of so-called integrated channels of distribution have been developed. In fact, they are the reality, while non-integrated types in which every single participant acts individually and competitively are currently only theoretical models. The development from the simple to the complex distribution channel, i.e. integrated and non-integrated types of distribution channels are shown in Figure 2.

Figure 2

Progressing from ordinary to complex distribution channels



Source: according to Revzan, D. A. (1971): **The Structure of Wholesaling in the United States**, in: Narver, J. C. and Savitt (eds.): Conceptual Readings in the Marketing Economy, New York, Holt, Rinehart and Winston, Inc., p., according to: Der Markt, No. 4/1979., p. 249.

So-called vertical marketing systems are formed by joining the functions of separate participants in a distribution channel. They are the result of competitive and concentration flows, so that some business systems have expanded by taking over the functions of other channel members. This is the expansion of activities within certain corporations, i.e. groups, as well as the development of cooperation types.

Therefore, the following basic division of vertical marketing systems is frequently mentioned: corporate, administered and contractual. [4]

[4] O vertikalnim marketinškim sustavima vidi između ostalog: Kotler, 2001., str. 549 – 552; Kotler/Keller, 2008., str. 486 – 488.

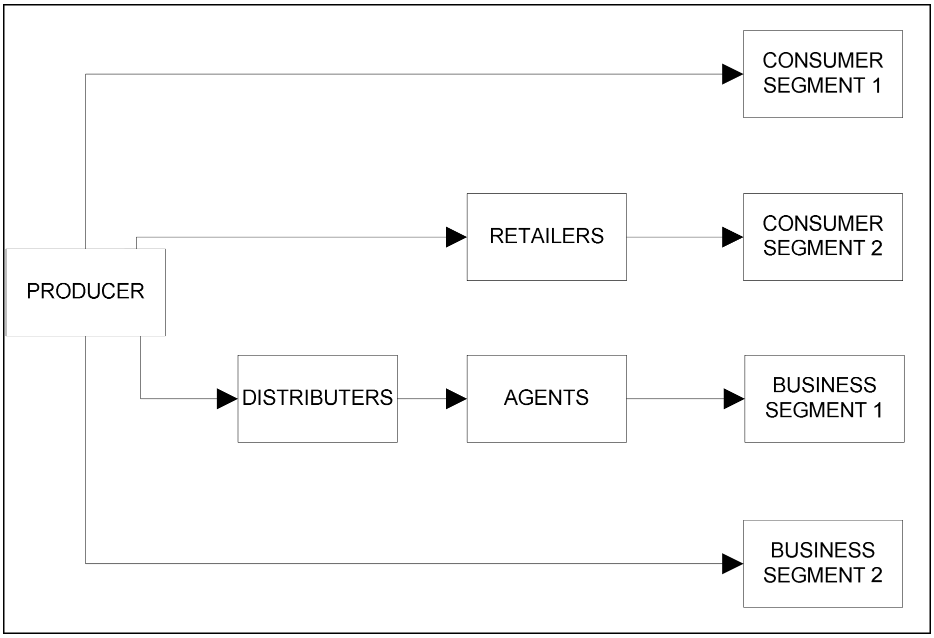
Furthermore, besides vertical marketing systems, horizontal and multi-channel marketing systems are being developed (compare Kotler/Keller, 2008, 486 – 491).

In horizontal marketing systems, two or more vertically unrelated firms join their resources or programs for pursuing new opportunities on the market (e.g. retailers within a trade centre, retailers within their supply co-operative, banks with their retail banking services in supermarkets). But, if a certain product is being sold to customers who do not have the same status, or to customers in different markets (in different countries), it is possible to establish the so-called multi-channel systems. Nevertheless, the so-called hybrid types of association, i.e. hybrid marketing channels and multi-channel retailing are gaining in importance nowadays.

Hybrid marketing channels show that the use of only one channel is not sufficient. Multichannel architecture optimises channel coverage, adjustability and control, while at the same time minimises cost and conflict. Therefore, various channels for different sized clients should be developed (Kotler/Keller, 2008, 490). Figure 3 shows hybrid distribution channels.

Figure 3

Hybrid distribution channels



Source: Kotler, Ph.; Wong, Veronica; Saunders, J.; Armstrong, G.(2006): **Principles of Marketing**, Pearson Education Limiter, Prentice-Hall, 2005., Translation, MATE, Zagreb, p. 870.

Hybrid distribution channels are of utmost importance at the moment, since they represent the possibilities of various innovations, especially for small, fast-growing companies.

On the other hand, multichannel retail trade refers also to the types of complete Internet trade (or just the enrichment of certain variables of retail mix) within the retail systems with shops in the physical sense.

The so-called multichannel management is developed in this way. On the other hand, the term is also used for trading systems without the Internet (Multi-Channel-Management, 1). Therefore, the term is used for trade with more than one selling route or for parallel use of several trade channels. In fact, this is the way to find new groups of customers, to offer new possibilities for ordering to the existing customers and to influence special groups of customers.

3. DISTRIBUTION CHANNELS – MARKETING CHANNELS, SUPPLY CHAINS AND VALUE NETWORKS

The analyses of distribution channels – marketing channels usually cover the analyses of the aggregate supply (logistic) channels at the present time.

Therefore, in the contemporary conditions, different concepts of cooperation and correlation between economic operators have been developed. They refer to entire economic flows, from the raw material producer, across all levels of production and distribution and finally to consumption.

This means that relationships need to be built not only with clients but also with key suppliers and middlemen when producing and delivering goods or services. Therefore, the whole so-called "supply chain" is important for a company. It consists of both "upstream" and "downstream" partners. Suppliers and intermediaries, as well as intermediaries' clients are included in it and so-called delivery value networks are created (compare Kotler/Wong/Saunders/Armstrong, 2006, 857 - 859).

Related to this, it should be emphasised that a company, if it accepts the concept of supply chain management, first has to keep in mind the target market and then form the supply chain backwards. This would constitute the so-called demand chain management. Nevertheless, the concept of value network is even more spread, i.e. the conscious development of alliances or partnerships (Kotler/Keller, 2008, 471).

Therefore, this approach is important, since the success on markets can be ensured only by creating the whole value networks, not only by its downstream part, i.e. by distribution channels.

Large corporations, therefore, manage their value creation chains. Supply chain management (SCM) has been developed. Before defining SCM, it is necessary to define the supply chain itself. A supply chain consists of the series of activities and organisations that materials move through on their journey from initial suppliers to final customers (Waters, 2003, 7). Consequently SCM is the strategic management of all the traditional business functions that are involved in any flows, upstream or downstream, across any aspect of the supply chain system (Mentzer, 2004, 5).

Actually, SCM is the active management of activities and relationships within supply chains, in order to maximise the value for customer and to achieve a sustainable competitive advantage. It is a conscious effort on behalf of a company or a group of companies to develop and start supply chains in the most effective and efficient ways (Bozarth & Handfield, 2006, 8).

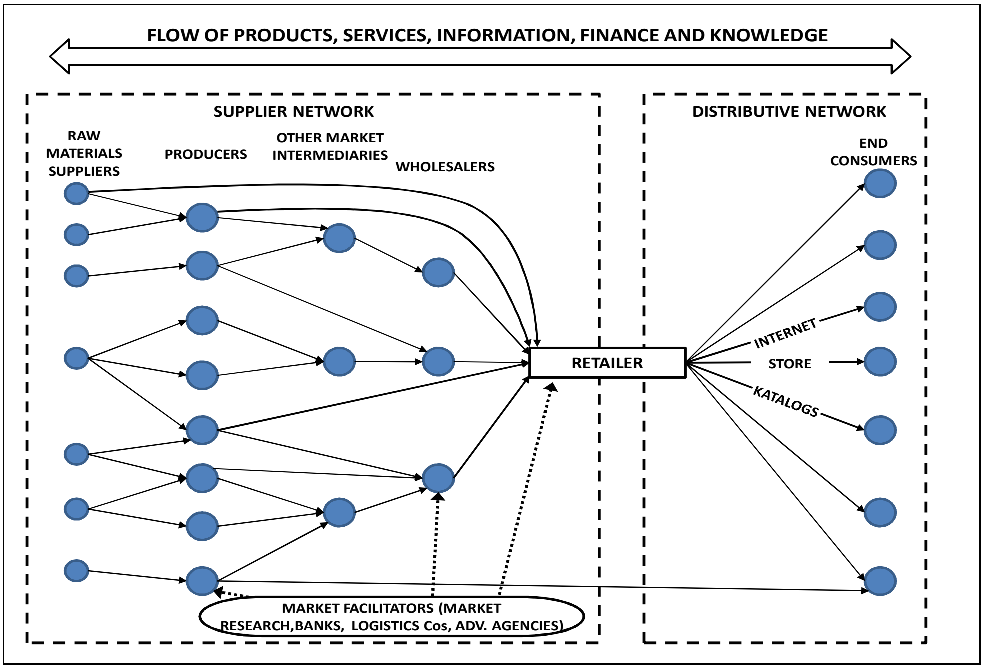
There is also a process view of SCM. According to Lambert, SCM is the integration of key business processes from end-user through original suppliers that provides products, services, and information that add value for customers and other stakeholders (Lambert et al., 2008, 2).

Therefore, marketing channel today is seen more broadly: „Channel: A group of businesses that take title to products or facilitate exchange during the marketing process from the original manufacturer to the final buyer. Effective SCM requires an understanding of the needs of each customer and segment and the correct channel to reach them.“ (Ayers & Odegaard, 2008, 362).

Figure 4 shows a retailing supply network, and Figure 5 a supply network around manufacturer/producer.

Figure 4

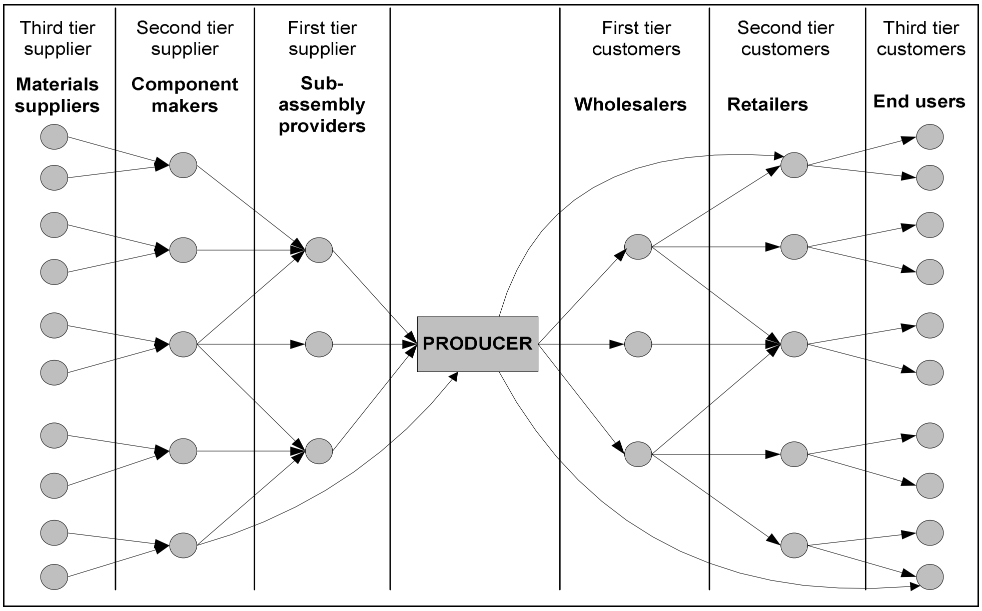
Retailing supply network



Source: developed based on Handfield, R.B., Nichols, E. L.Jr., (2002), **Supply Chain Redesign : Transforming Supply Chains into Integrated Value Systems**, Financial Times Prentice Hall, p. 9

Figure 5

Supply network around manufacturer / producer



Source: according to Waters, Donald (2003): *Logistics: An Introduction to Supply Chain Management*, Palgrave Macmillan, Hampshire and New York, p. 9.

The importance of large retail chains that are internationally spreading is reflected in the fact that they are able to integrate all levels before them (producers/manufacturers and market intermediaries) and thus direct and develop the production/manufacturing itself.

4. INFORMATION TECHNOLOGIES (IT) AND NEW BUSINESS MODELS

Information technologies are a precondition for the development of information systems, and thus information systems in a supply chain, i.e. in distribution or marketing channels. Information technologies can play various roles within a supply chain (Rushton, Croucher, & Baker, 2006, 529; Bowersox, Closs, & Cooper, 2010, 95; Shi & Chan, 2007, 177):

- they facilitate managerial decision making;
- they help to monitor and control operations;
- they enable the initiation of activities and monitoring of process-related information,

- they allow the creation of simulation systems,
- they allow data storing and processing,
- they allow data analysis needed for creating useful information,
- they facilitate the communication among individuals, companies and devices,
- they allow the development of information systems.

The importance of IT in a distribution channel is growing. Therefore, it is necessary to underline its specific role in it (Sabansua & Alabay, 2010, 7):

- the increase in market sensitivity,
- simplification of distribution systems,
- the increase in the number of channel types,
- the increase in the market size,
- wider use of e-commerce,
- internationalisation and easier access to global markets,
- change in distribution channels.

Information technologies are used in three broad areas, according to their areas of application and technological systems in their hierarchical structures, so there are (Ross, 2011, 31):

a) the most complex technological business systems, such as ERP systems (*Enterprise Resource Planning*), which were designed to cover and connect the whole company on the software level;
b) targeted technological solutions (the lower level of technological solutions that facilitate optimising certain business functions or enhance visibility along channels), such as: *warehouse management system* – WMS, *transport management system* – TMS, or *advanced planning system* – APS;
c) technological tools for executive solutions: *Electronic Data Interchange* – EDI, the Internet or RFID (*Radio Frequency Identification*).

According to its purpose, IT in SCM consists of (Shi & Chan, 2007, 177): (a) telecommunication technologies; (b) networking technologies, and (c) data processing technologies.

Integration is the main goal of IT use in SCM, in order to achieve various positive effects that integration makes possible, based on more accurate, faster and comprehensive information sharing, for instance, better demand forecasts based on precise information, the effects of economies of scale, significant savings by avoiding multiple unnecessary operations, and the increase in reaction time to expected and unexpected demands, thus achieving better service for the final buyer.

The development of IT in supply chain was carried out in several phases, but always with the aim of additional integration. According to Shi and Chan, it is possible to differentiate among four main phases of development and application of information systems and IT in SCM (Shi & Chan, 2007, 179):

1) transaction support system – it represents IS and IT in logistic functional areas, which serve as a support tool in logistic operations. Its main task is to provide reliable, accurate and timely (if possible, in real time) data and information to support logistic activities. Bar-coding, scanning and POS (*Point-of-Sale*) should be underlined here. Although it is much more recent, RFID technology can also be included into this group. Moreover, WMS, TMS systems, as well as order processing systems and supply management systems also play an important role in functional logistic systems.

2) Intranet systems – systems that allow communication and exchange of logistic data across the whole organisation, regardless of the spatial spread of logistic departments, are developed by integrating the aforementioned organisational systems specialised in single functional areas. These intranet systems have evolved into ERP systems.

3) Extranet systems – by expanding integration to the information exchange among organisations, the well-known forms of extranet systems in the supply chain have been created, such as EDI *(Electronic Data Exchange*) and CPFR (*Collaborative Planning Forecasting and Replenishment*). The exchange of logistic and trading information among partners in the supply chain is thus carried out in a structured and standardised communication system.

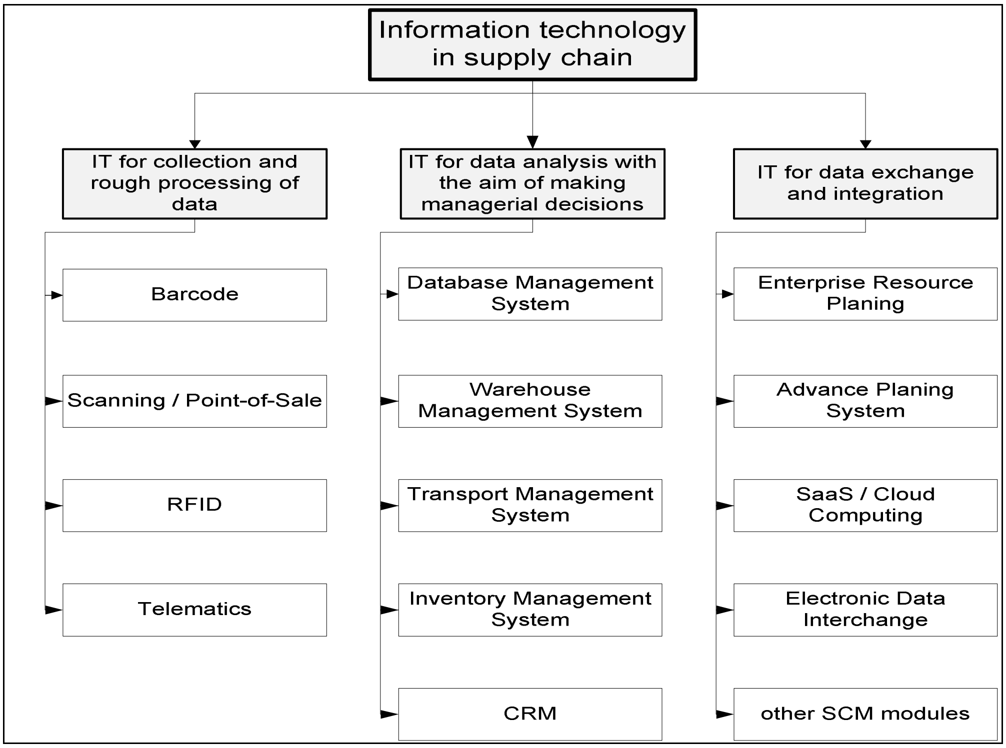
4) SCM systems based on the Internet – information exchange systems over the Internet that enable the exchange “from one to many” and “from many to one”, which is slowly replacing systems like EDI, based on *one to one* approach. Moreover, the advantage of this system is a relatively low cost of access/utilisation, widely spread and accepted data transfer standards and easier information synchronisation by all members of the supply chain. The wide use of the Internet in the distribution channel (supply channel) can significantly change the structure of channel itself.

Information access is not always a precondition for quality decision-making. Therefore, Shapiro makes a distinction between transaction information technologies and analytic information technologies. Transaction IT *are concerned with collecting, managing and communicating rough data in a company's supply chain, as well as report compilation and dissemination, which summarise those data*. On the other hand, analytic IT *estimate planning problems in the supply chain by using descriptive and optimisation models* (Shapiro, 2007, 36)

Figure 6 shows all the IT according to their purpose in the supply chain.

Figure 6

Information technologies in supply chain



Source: Authors' work

According to Ross, the implementation of information technology in any human venture consists of three knowledge concepts. It could be said that they are in a way development stages of IT (Ross, 2011, p. 38-41):

(a) technology automatizes knowledge (the development of machines that automatize production processes – replacing human hands and skills in product manufacturing)

(b) technology creates knowledge – automatized functions create new types of information on the performed activities – for instance, by automatically sending orders, numerous new pieces of information are gained, which are the result of the performed operation, such as supplier reliability in order fulfilling, precise supply time calculation and others,

(c) technology integrates and networks knowledge.

When the demands of these three concepts are summarised, contemporary technologies should become integrative information technologies, i.e. they should enable computer correlation, together with the possibilities provided by automatization and information gathering, which would activate networks of the equal subjects that help people overcome functional barriers and intertwine common and specialised knowledge, as well as explore new business opportunities (Ross, 2011, 41)

New integrative information technologies are primarily competing to increase information availability, i.e. which one is able to offer the more accurate item of information in the shortest possible time. According to this, Ross suggests three relevant new technologies (Ross, 2011, 53):

- SaaS software,
- Wireless technologies (especially RFID),
- GTMS (Global Trade Management Solutions) software

SaaS software is in the spotlight when it comes to contemporary successful (not only IT) companies. Software-as-a-Service is a new concept for providing services, which allows companies to lease software via a safe Internet access network with only minor infrastructural investment by the user. The user owns neither the software nor the licence. The software remains the property of the company that is providing the service. The service consists of accessing the clients' location network, offering education, controlling the system and everything else that is required so that the user can successfully perform the functions for which the software is intended. At the moment, the most popular type of SaaS service is the so-called *cloud computing*. Although the advantages of *cloud computing* are almost limitless, it should be emphasised that more and more companies are now opting for transferring their logistic functions (transport, planning, demands, CPFR and others) to SaaS and cloud computing (Ross, 2011, 55-56).

It is necessary to underline in this analysis that Internet technologies have facilitated e-retail, thus enabling multichannel retail and new retail business models.

Multichannel retail in its broadest sense describes communication from and with customers, business partners and own co-workers, as well as different routes with the help of Internet technology (Ladwig, 2002, 16). The term itself, in general, also includes non-technological routes; nevertheless, here it is restricted mostly to solutions that are based on the Internet (Ladwig, 2002, 179).

Therefore, business unit types of the Internet retail refer to both “pure” Internet retail and the use of several trading channels, so that there are:

(a) stationary retail trade (shops with physical location) and Internet retail;
(b) parcel sales and Internet retail
(c) stationary retail trade, parcel sales and Internet retail.

According to the abovementioned, business models are labelled as multichannel retail, i.e. multichannel distribution systems (Einzelhandel im Internet, 2007, 41).

Individual features of trading businesses are distinct both according to their business unit form and according to company features (business unit type). These features become united in the term “business model”. This individual term allows establishing the flow of goods and information from buyers to external partners, which is completed at their contact points. Such flows determine business model flexibility, as well as the development of the turnover and cost structure (Merkel/Heymanns, 2003, 2).

Business models refer to the use of contemporary ITs in interactions with business partners (compare Bosilj Vukšić/Kovačić, 2004, 2). Therefore, the impact of business models on the changes in business processes does exist.

Specifics of retail trade refer to both the use of contemporary information and communication technologies and to organisation and cooperation types of retail companies, where competitive advantages are achieved due to economies of scope (super-stores with large floor space, subsidiaries and the like), as well as successful process management, i.e. value creating chains. M. Porter used value chains to develop an instrument for strategic planning in the mid 1980s. Its use became wide-spread in marketing, cost calculations, controlling and strategic management (Schmickler/Rudolph, 2002, 19). Therefore, marketing channels are too a combination of various activities that create value.

In a broad sense, value creation chain is seen as supply chain, i.e. value chain management can be observed as supply chain management (SCM). For this kind of management it is necessary to use certain software products, but also to achieve changes in performing business activities (the so-called process reengineering) and a new way of thinking in the company itself. Supply chain is thus observed as a "transparent" value creation chain (see Reindl/Oberniedermaier, 2002, 166).

In all this, it is important that business models allow a tempo of changes in the process determined by the consumer (Rudolph, 2005, 27).

At the same time, business models refer to contemporary types of cooperation between producers and sellers within vertical cooperation called "efficient consumer response – ECR".

In fact, within *ECR*, different strategies, methods and techniques are being developed, both on the supply side and in demand and sales. When it comes to demand, category management (CM) has emerged, which includes sales improvement, optimising store and shelf layout, new product development and new assortment orientation (Schmickler/Rudolf, 2002, 23).

Therefore, it is considered that product "categories" are parts of the assortment of a business unit suitable for planning and control. Items within "categories" should be considered as having something in common by the consumers (Müller-Hagedorn, 2005,180). It is, in fact, the affinity of needs that are met within a certain product "category". On the other hand *ECR* can be viewed as the expression of SCM in the consumer goods segment (see Zschom, 2001).

The tasks of marketing, determined by classical marketing theory (product development, pricing, distribution and communication), are now supplemented, especially due to service marketing, with the following variables: human resources management, process management, physical facility management (Marketing-mix, 2007). When it comes to retail company marketing, on the other hand, purchasing and sales process (and within this process today a business model) is gaining importance as a sales method.

The importance of multichannel retail is in achieving certain synergistic effects (Einzelhand im Internet, 2007, 51-52), since the introduction of Internet retail makes it possible for Internet traders to take part in this economic activity.

5. THE IMPORTANCE OF MARKETING CHANNELS FOR ECONOMIC OPERATORS AND THE NATIONAL ECONOMY AS A WHOLE

From the standpoint of economic operators, decisions on marketing channels are considered to be most important, since the chosen channels directly influence all other marketing decisions. Similarly, decisions about marketing channels imply relatively long-term responsibilities to other companies (Kotler, 2001, 529).

When it comes to the importance of marketing channels, the share of their costs in the final selling price should be emphasised. The expenses of the marketing channel system used by a certain company in the USA account for 30 – 50% of the final selling price of a certain product, which is substantially more than, for example, advertising costs, which are only 5 – 7% of the final selling price. [5]

The importance of distribution channels for producers/manufacturers lies in the fact that traders need to include their products into their stores' assortment. Therefore, producers/manufacturers observe certain types of trading companies, i.e. trading business units and use them in the development and innovation of their channels.

On the other hand, for traders, especially retailers, the total efficiency of the trading system, i.e. its business unit types, is important. A retailer can then control the distribution channel, i.e. the whole supply chain.

It is important to keep in mind that the development of vertical and hybrid marketing systems can efficiently operate on the market, so it is important to achieve adequate integration of producers/manufacturers and traders in certain systems , i.e. in value chains.

The importance of distribution channels for economy can especially be seen in the system development and channel integration. Therefore, vertical marketing systems in the USA, for instance, cover 70 to 80% of consumer goods market (Kotler/Keller, 2008, 487).

Moreover, vertical marketing systems are especially important from the standpoint of foreign trade, since the introduction of large retail chains into a

[5] Stern, L. W.M Weitz., B. A.: The Revolution in Distribution: Challenges and Opportunities, Long Tange Planning, 30, br. 6 (1997), 823 – 829, according to Kotler/Keller, 2008., str. 468.

certain country immediately provides ample opportunity and the need for development of the whole chains, regardless of the fact which producers/manufacturers (domestic or foreign) will become members of such channels.

In such conditions, where vertical marketing systems are becoming stronger, new competition in retail occurs, since vertical marketing systems can sustain their production and avoid (even large) producers/manufacturers (Kotler/Keller, 2008, 488).

Thus, the importance of distribution channels for national economy is reflected in the activities of its business operators (whether they are traders or producers, or service providers) on any market, domestic or foreign.

The preconditions for expanding business activities lie in successful strategies for development, based on modern knowledge management, IT management, human resources management and others. This is how innovative business structures develop, i.e. value creation chains.

The aforementioned emphasises that the importance of distribution channels should be observed not only as the share of commerce in GDP nor employment numbers, but also as the share (component) of value chains in the function of consumption, production and competition development. GDP and the employment numbers are related to a single (observed) country, i.e. its territory, and value chain today is organised in such a way that economic operators from different countries participate in it.

Economic policy in a country can be used to influence the level of production and consumption, but consumption can also be developed on the basis of import. In this sense, the ownership of distribution channels can be of vital importance for the development of production in the given country.

On the other hand, innovative types of distribution channels, i.e. trading business units provide means for avoiding traditional structures and offer new opportunities for the growth of certain companies, i.e. economic sectors. Therefore, the importance of distribution channels should be estimated according to the share of such types and business models that are based on contemporary IT.

New types of distribution channels occur due to new forms of physical distribution and physical distribution management. There is a relationship between physical distribution management and concentration, since only large economic operators have the opportunity to introduce technological innovations. This is why they can exploit favourable opportunities in economically underdeveloped countries by finding new locations, and thus find consumers under their own terms: (a) using the economies of scale and market power (b) taking over favourable logistic and distributional locations (e.g. those in suburban trading centres).

6. INSTEAD OF A CONCLUSION

Distribution channels, i.e. marketing channels are being developed in contemporary conditions of concentration, internationalisation and globalisation processes. New structures of vertical marketing systems are thus created. The expansion of large retail chains from developed countries into economically underdeveloped countries is very dynamic at the moment. The process is supported by the explosive development of IT, as well as by certain trends on the international geopolitical scene.

As large international retail chains penetrate certain markets not only in the functional but also in the spatial sense, the development of domestic retail is being limited, which puts the domestic production under threat as well. Of course, the development of distribution channels is conductive to production development; however, management is being transferred to large international business systems. Future research might cover the following topics: (a) until when will it be possible to maintain the current tempo of the exploitation of energy and space resources; (b) what possible rationalisations are offered by savings in value chains based on the decrease of transport costs (bringing production sites closer to consumption sites) and faster development of communication and service channels.

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