Channel redistribution with direct selling
Subjects: Internet, Studies, Demand, Direct selling, Distribution channels, Mathematical models
Classification Codes 9130 Experimental/theoretical, 5250 Telecommunications systems & Internet communications, 2600 Management science/operations research, 7400 Distribution
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Document types: Feature
Source type: Periodical
ISSN/ISBN: 03772217

Abstract (Document Summary)
It seems nowadays that a company can be considered either a "pure-direct" such as Amazon.com and Dell Computers, or an "adopted-direct", like Barnes and Noble for example. An adopted-direct company's decision to directly sell "on-line" has become a fashionable choice. But the results of such choice differ drastically. Glorious success mixed with pathetic failure. One of the pending issues has been the channel redistribution strategy, as whether to entirely switch to direct sell or to maintain a combination of both. This paper develops a dynamic channel diffusion model and analyzes how the sales will redistribute between the two channels in a given time-variant marketplace. This paper provides two major contributions: First, we obtain the existence of a steady-state redistribution between the two channels and the necessary conditions for this existence; Second, we establish measures of industry-specific suitability for on-line business operations. In short, the results concur with the theory: IT changes the way of doing business, but does not change the business itself.