

Special Issue

Research Frontiers in Wholesale Distribution

Introduction

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Wholesaling is a distribution function that together with manufacturing and retailing forms part of a sector's marketing channel. The EU defines wholesaling as involving firms:

... exclusively or primarily engaged in the resale of goods in their own name to retailers or other wholesalers, to manufacturers and others for further processing, to professional users, including craftsmen, or to other major users. The goods can either be resold in the same condition or after the processing, treatment, packing or repacking usually carried out by the wholesale dealer. (European Commission 1990)

Wholesale activities have remained an important activity in many economies, despite the significant transformation of commercial distribution and supply chain power relationships in the last half of the twentieth century. Wholesalers however, in some supply systems, appear to be under considerable threat and are perceived as operating declining businesses. Traditional wholesalers, as measured in standard industrial classifications, in many countries compete with supply chain focused organisations, which operate different business models but undertake many of the functions of wholesaling. There is thus some ambiguity about the status, parameters, measurement and even requirement for wholesale distribution.

Academically, a literature search for research on wholesaling and/or wholesale distribution produces very limited current results. The literature, such as it is, is in the main historical and with some exceptions, is rooted in traditional wholesaler notions, approaches and situations. The perception is primarily of a sector that has become less significant, has declined in scale and scope and research about which has effectively ceased. Whilst this may be something of a caricature, it would seem that wholesale distribution is at a crossroads both in terms of operation and intellectual analysis.

This was the background for an international conference on 'Research Frontiers in Wholesale Distribution' hosted by the Institute for International Integration Studies (IIIS) at Trinity College, Dublin between 6-8 September 2006. Sponsored by Allied Irish Banks Group (AIB) and the IIIS, academics from around the world and wholesale practitioners from Ireland met and debated the future shape and direction of both wholesaling activities and wholesalers along with academic research on wholesale distribution. The majority of the conference was occupied by academic discussion of accepted papers and the issues they generated for future research agendas. Additionally, in the heart of the conference, over 70 leading Irish business practitioners working in, or with, the wholesale sector came together to hear presentations on wholesale distribution by three leading international academics (Dawson, Rosenbloom, Quinn) and a response by the chairman of Ireland's most successful wholesale business (Musgraves). Lively debate on the future shape and form of the sector and of possible academic-practitioner linkages engaged both practitioners and academics.

This Special Issue arises from this conference. It contains eight papers selected from those presented in Dublin. The papers have been amended in the light of both conference and journal refereeing and shaped by the comments and the discussion during the conference. They include papers from various academic backgrounds and traditions, and cover different approaches to wholesale distribution and wholesaling. Research by academics in Europe, the USA and Japan is represented in the papers selected. From the business side, the presentation by Hugh McKeown, the Chairman of Musgraves is included, together with a brief introduction to Musgraves developed for this Special Issue by Leigh Sparks. The Special Issue thus provides a statement of the position in research and practice in wholesale distribution.

The conference however was more than the presentation of papers, as it set out to achieve three main aims:

- to bring together a significant group of academics from a variety of disciplines and approaches;
- to determine the status of research in the area and to identify future research avenues;
- to promote the formation of research partnerships to carry forward the research agenda.

In this Special Issue therefore we wish not only to publish the papers but to provide a flavour of the discussion, debate and possible research directions for the future. The remainder of this introduction is divided into three main parts. First, the papers are introduced in turn, outlining their key messages, but also providing a summary of the issues and discussion each generated, including for the papers by Dawson, Rosenbloom and Quinn the issues they raised for practitioners. Secondly, the key elements of the discussion and debate over the three days are identified and from this a research agenda is developed. Finally some concluding thoughts about the future and an invitation to a follow-up conference are presented.

The Papers

The paper by John Dawson (Edinburgh, ESADE (Barcelona), UMDS (Kobe) and Stirling) confronts the shifting patterns of wholesaling and wholesale distribution practice. Dawson argues that the practical development of ‘new commerce’ has not yet been fully conceptualised and this has major implications for the understanding and study of wholesale distribution. Though an examination of both general trends and specific activities of

organisations such as Metro, Euromadi and Mitsubishi Shoji he points to the changed realities of distribution in many countries. Driving these changes, he argues, are issues of globalisation, the development and integration of ICT, the rise of ‘boundary spanning’ opportunities and the management skill to exploit and manage these opportunities. For Dawson, the rise of ‘new commerce’ focused on consumers and marketing, means that traditional wholesalers are found only in countries where producers still hold power and/or where the retail sector is not yet organised.

Bert Rosenbloom (Drexel) picks up on the changing nature of wholesalers by considering the underlying paradigm that explains the wholesaler’s role. Arguing that institutions emerge and then evolve to perform a set of needed functions, Rosenbloom questions what the essential functions of wholesaling are in today’s changed market. He points out that an economic view of the functions involves questions of efficiency and effectiveness, but that this alone, at an organisational level, may be insufficient to maintain activity, due to the enhanced and combinatory performance of new competitors. As a result, wholesalers need to focus on where they provide a necessary and distinct service and where this can be valued in terms of monetary reward. The key point is that whilst the activities may contain value, the wholesale business itself is not a fixed point and has no guarantee of success. For Rosenbloom therefore, understanding how and why wholesalers survive and prosper means understanding how, why and where they perform a useful, valuable and remunerable set of activities.

In a change of level, Steven Williamson (North Florida) and co-authors Cheryl Van Deusen (North Florida) and Alexa Perryman (Florida State University) focus on a particular industry (the paper industry) to explore aspects of maintaining relevance and creating value. Echoing

Dawson's and Rosenbloom's broader comments, Williamson et al point to the way in which the National Paper Trade Alliance (NPTA) has developed from an organisation purely representing wholesale distribution members to one where it is a loose coalition or network with common interests, altered through evolution, integration and mergers of organisations and changes in scope. Using a variety of methodologies to investigate the distribution activities in the paper market they note that wholesalers are not always used, but that wholesale functions are still necessary. In eliminating the 'middleman' the costs and profits are not eliminated but are simply redistributed, perhaps in different forms.

The arguments put forward by Dawson and Rosenbloom in their broad papers are also picked up by Josh Samli and Adel El-Ansary (North Florida) in their discussion of the role of wholesaling in developing countries. They emphasise that market structures and channel coordinators are not neutral entities but are instead both a consequence, and a leader of development stages and infrastructure in a country. In many developing countries, there is simply no alternative to the traditional wholesaler, as these provide a critical role in accommodating both demand and supply issues. Samli and El-Ansary point to the vital need many countries have for wholesaling, noting that the market they service would be unavailable and/or unattractive to other organisational forms, even if they existed. In that sense, wholesaling in developing countries meets Rosenbloom's tests of performing necessary functions and making a profit at the same time. For Samli and El-Ansary, the abiding lesson is that the emphasis on helping commercial and supply development in such countries needs to focus more on such traditional formats than on imposed structures such as modern (western) retail concepts. However, for development agencies and governments with limited knowledge of such traditional structures, the temptation is to view them as historic legacies, not worth consideration.

The next two papers focus on Japan, but take differing levels of investigations and subjects of study. Masayoshi Maruyama and Mitsunori Hirogaki (Kobe) examine the fresh produce supply chain. They show how the increasing concentration of retailing in Japan has increased buying power and realigned supply contracts as the nature of supply, purchasing and contracting has changed. As a consequence the role of wholesalers has reduced. They argue that legal changes, as well as competitive changes and other operational practices have combined to make wholesale markets less efficient in the totality of the supply system. They show through economic modelling that the contracted markets provide a better solution than the spot (auction) markets. Producers, retailers and consumers are all seen to benefit from the changes, though of course this is not the case for the traditional wholesalers themselves.

Reflecting the theme of change in the Japanese system, Roy Larke (Rikkyo) and Keri Davies (Stirling) consider the importance of the Soga Shosha in Japan. Soga Shosha (or general trading companies) have a long history, but have recently gone through large changes. These businesses have specialised in market-making intermediation and been effectively both product and information brokers facilitating activities, relationships and introductions, increasingly on an international level. Recently however the Soga Shosha have expanded their involvement in domestic distribution including both food wholesaling and retailing. They now act as marketing companies extending their interests down to the consumer and exploiting their international supply chains to provide intermediary logistics services to other retailers. The embeddedness of the Soga Shosha places them in a position to influence and instigate change across the system. The role they play has imposed practices and disciplines on Japanese wholesaling that mirror those of large supply businesses in other countries. As

such they reflect the need for, and the management of, change in the Japanese distribution sector.

The final academic paper is by Jim Quinn (Trinity College, Dublin) and Leigh Sparks (Stirling). Using a seventy-year longitudinal study of institutional change in grocery retailing in Ireland and Britain they attempt to answer a deceptively simple question, why do industries turn out as they do? Two different outcomes in the two countries are identified, despite the basic starting points and developments being broadly similar. Explanations for these different outcomes include the intended and unintended consequences of government action. Furthermore, a lack of action can also be seen to have had surprising consequences. A second explanation derives from the abilities and willingness in Ireland of new wholesaler management and new wholesaler thinking to develop solutions to problems and to actively engage in a process of non-market competition and influence to alter perceptions, thinking and actions of regulatory bodies. Such explanations however pose questions for our conceptualisation and modelling of evolutionary and other organisational and institutional change. They argue that new ways of conceptualising long-term industry change are needed.

The final contribution to this Special Issue is an invited paper by Hugh McKeown, Chairman of the Musgrave Group, Ireland's leading wholesaler and now also a leading actor in British grocery wholesaling. McKeown was the main strategist behind the expansion of the Musgrave Group in the 1970-2000 period and as such is one of the 'leading lights' identified by Quinn and Sparks. McKeown engaged in market and non-market activities, in order to drive, develop and protect the sector and allow for business expansion. Details of the Musgrave Group's business activities and performance have been provided by Sparks as a preamble to the paper. McKeown's presentation was in response to brief presentations to the

practitioner audience by Quinn, Rosenbloom and Dawson that captured a selection of issues from their academic papers. These included

- The strategic challenge to wholesalers of a world of changing relationships (Quinn)
- The role for strategic co-ordination rather than for transacting activities. This involved internationalisation, customer relationship management, technology and control of brand strategy (Dawson)
- The role of strategic sourcing and ICT investment in achieving survival and prosperity (Rosenbloom).

McKeown's response, inevitably and rightly, focuses on his own broad experiences in the development of Musgraves. Drawing on this extensive experience and success he points to a number of key dimensions to wholesaler success. These include a focus on customers and consumers, the need not to be conservative and tied to old models and practices of operations and the importance of delivering high quality of service (in his terms more profit and less hassle for the independent retail customer). McKeown also draws a contrast between, on the one hand, a sector that has for some time been portrayed by government, the media, civil servants, competitors and indeed academics, as out-dated, old-fashioned, inefficient and in decline, and on the other, his business experiences which show an organisation and a sector that is dynamic, entrepreneurial, successful and providing valuable and valued services. The contrast, in his eyes, is exacerbated by governments that ignore these commercial realities and favour large retailers and by large manufacturers who also privilege large retailers through their supply systems and pricing practices. The true value of successful wholesaling, McKeown claims, is thus difficult to get across to outsiders, but the failure to gain this recognition and legitimacy can have dire sectoral as well as corporate consequences.

Discussion

There are a number of common themes running across and between the papers. These themes formed the basis of much of the discussion and debate at the conference and in the preparation of this Special Issue. This section attempts to capture the flavour of the discussion by considering a number of these themes, before presenting a possible research agenda in the area of wholesale distribution.

The first theme is that of change. It is clear that the market has changed and the businesses operating in the wholesaling space now do so very differently than before. Some of the businesses have moved into this space, whereas other existing businesses have adapted their behaviours to meet changed conditions. Not all countries or sectors have experienced the same degree of change, but there is recognition that in most situations new practices are in place. To some this is the development of ‘new commerce’ whereas to others the changes simply reflect aspects of competition. It would appear though that to understand wholesale distribution requires a different consideration than before, driven by the nature and pace of change, not only in wholesale distribution but in the wider market.

Secondly, the dimensions and directions of these changes provide a further theme. Whilst the papers contribute a detailed examination of certain circumstances, the overall theme is one of altered roles and remits of wholesale businesses and the situation of wholesaling activities themselves. The traditional activities of wholesalers are now mainly seen as just one of the functions that may or may not be undertaken in the supply channel. The boundaries and nature of wholesale distribution have changed in terms of activities, scope eg.

internationalisation and governance. Wholesale distribution is now about the management of aspects of scale, internationalisation, customer relationships, technologies and branding both within and across organisations. The functions themselves have to be carried out, but the framework of activity has altered. This may be at the heart of some of the issues in the perceived lack of research into wholesalers and wholesaling. The traditional focus of the research has been the wholesaler, but this is now problematic as the role and remit of the wholesale activity has often been incorporated into wider supply chain activities. This perhaps means that our research focus has to be altered as well in a number of directions.

Thirdly, it is possible to consider the degree of changes and the nature of research needed to understand these changes as a paradigm shift. It would appear that the focus has moved from transactions to relationships, from creators to co-ordinators of activities and from single functions to integrated processes, often on a global/regional rather than a local or national scale. As such, research perhaps has to focus more on dimensions such as supply chain analysis in a vertical sense or industry wide studies in a horizontal sense. Similarly, if the operating paradigm is based on relationships, then issues such as governance come to the fore. A paradigmatic shift in operation requires a suitable change in research focus.

Finally, despite the broad themes pursued above, there is a pressing concern for wholesale businesses themselves. Whilst it is the case that many have struggled or closed as the changes have swept through sectors, others have survived and in some cases have adapted and prospered. In some countries and situations wholesalers are persistent and indeed arguably essential. A final theme is thus concerned with the nature of success in wholesale distribution. What are the circumstances required for wholesalers to make money and remain successful?

Arising from these broad cross-cutting themes is an agenda for future research into the sector. If one aim of the conference was to kick-start a fuller conceptualisation of wholesale distribution and to provoke research into the subject broadly, then what topics and frames might be potentially useful? In designing the agenda, the debate and discussion was not intended to be prescriptive but reflected the aims, interests, backgrounds and enthusiasms of those present. If new research is to be generated then new topics are needed and these might well come from ‘new people’ to the area, as well as from within the existing cadre. As might be expected, there are many ideas about this research agenda, but through discussion the areas of interest appeared to coalesce around six broad topics:

1. What are the cost structures and metrics of wholesaler/wholesaling performance and how are these changing?
2. What are the external and internal perceptions of the risks, values and functions of wholesalers and wholesaling and how are these changing?
3. To what extent are wholesaling institutions and activities similar or different in cross-country and industry evolutionary contexts?
4. What are the economic and social development roles of wholesaling in a globalised world and where are these leading?
5. Which are the international wholesalers, what activities are they undertaking and how do these relate to dimensions of internationalisation practice and research? Does this differ from domestic wholesalers and what are the implications of this changed scale?
6. How does the wholesaling of services differ from the wholesaling of goods?

These broad questions are capable of being researched in a number of ways and at a number of levels. There are likely to be similarities and differences amongst countries; cross-country

comparative studies may thus be one significant dimension of study. At the same time different intellectual backgrounds and approaches offer up the potential for inter-disciplinary work on particular research questions. Considerations of sectors of study also need to be taken into account. Much work has tended to be on consumer goods wholesaling, but there are many other sectors that might be the focus of research. Likewise, the level of study offers potential in terms of macro studies of industry changes and detailed studies of very specific wholesaling activities. Put together, there is a considerable range of topics and research possibilities that could be undertaken and that have intellectual coherence and significance as well as in some cases practical importance.

Concluding Thoughts

The conference in Dublin was, for those who participated, a rousing success which stimulated interaction, thought and debate. This Special Issue provides tangible evidence of the meeting and the activity generated. But, this is not enough, and indeed in terms of the aims of the meeting, would call into question its lasting impact. The conference was as much about looking forward as it was in recording research, views and positions. To be judged a success in the long term, it has to lead to a renewed upsurge in interest in research in wholesale distribution. The participants, their papers and this Special Issue represent a basis of research interest and a network of those interested in looking forward to a research agenda. This is fine, but more is needed. We conclude therefore with an open invitation.

Those present in Dublin represented a core group of researchers identified after a wide dissemination of notice about the conference. They are a mix of the self-selecting and the nominated. At Dublin they agreed to form a virtual network and a research initiator group, based around the hub of the IIIS at Trinity College, Dublin and the form of Jim Quinn. It is

anticipated and hoped that there will be a loose clearing house and contact network for those interested in taking forward research on wholesale distribution. This is not intended to be a closed shop. Bilateral, multi-lateral and indeed any combinations of researchers are encouraged simply to 'get on with it' to tackle the research questions presented above, or indeed any others which make more sense. For Dublin to be a success, much more needs to be attempted by a larger group of researchers. The invitation is to be part of the new wave of research into wholesale distribution and to build a community of scholars worldwide that are interested in the issues presented here.

Some joint work post-Dublin is already underway. In February 2007, Adel El Ansary organised a paper track and panel session at the 7th International Business Conference held in the Coggin College of Business at the University of North Florida. Bert Rosenbloom will lead a panel session entitled "The Wholesaler's Role in Global Marketing" at the International Conference on Global Business Innovation and Development to be held in Rio de Janeiro, Brazil, January 16-19, 2008.

To continue the work started in Dublin and being taken on by the network we are also announcing the second '*Research Frontiers in Wholesale Distribution*' conference. This will again be hosted by the Institute for International Integration Studies (IIIS) at Trinity College Dublin and take place on the 18th and 19th September 2008. In the first instance a 2-page abstract of proposed papers is required by 31st March 2008. This should be sent electronically as a Word Document to Dr. Jim Quinn at james.quinn@tcd.ie. We hope to hear from you and see you in Dublin.

Jim Quinn and Leigh Sparks, May 2007

Acknowledgements and Thanks

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The Institute for International Integration Studies (IIIS) at Trinity College Dublin was launched in 2002. The goal of the IIIS is to conduct rigorous academic research on the global and regional dimensions of international economic, political and cultural integration. By developing new theoretical and empirical perspectives, it seeks to improve understanding about the many dimensions of the integration process (<http://www.tcd.ie/iiis/>)



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