

Vedel, Mette; Geersbro, Jens; Ritter, Thomas

Article

Interconnected levels of multi-stage marketing: A triadic approach

jbm - Journal of Business Market Management

Provided in Cooperation with:

jbm - Journal of Business Market Management

Suggested Citation: Vedel, Mette; Geersbro, Jens; Ritter, Thomas (2012) : Interconnected levels of multi-stage marketing: A triadic approach, jbm - Journal of Business Market Management, Freie Universität Berlin, Marketing-Department, Berlin, Vol. 5, Iss. 1, pp. 1-20, <https://nbn-resolving.de/urn:nbn:de:0114-jbm-v5i1.43>

This Version is available at:

<https://hdl.handle.net/10419/58195>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<http://creativecommons.org/licenses/by-nd/3.0/>

Interconnected Levels of Multi-Stage Marketing: A Triadic Approach

Mette Vedel · Jens Geersbro · Thomas Ritter

Abstract: Multi-stage marketing gains increasing attention as knowledge of and influence on the customer's customer become more critical for the firm's success. Despite this increasing managerial relevance, systematic approaches for analyzing multi-stage marketing are still missing. This paper conceptualizes different levels of multi-stage marketing and illustrates these stages with a case study. In addition, a triadic perspective is introduced as an analytical tool for multi-stage marketing research. The results from the case study indicate that multi-stage marketing exists on different levels. Thus, managers must not only decide in general on the merits of multi-stage marketing for their firm, but must also decide on which level they will engage in multi-stage marketing. The triadic perspective enables a rich and multi-dimensional understanding of how different business relationships influence each other in a multi-stage marketing context. This understanding assists managers in assessing and balancing different aspects of multi-stage marketing. The triadic perspective also offers avenues for further research.

Keywords: Multi-stage Marketing · Triadic Relationships · Intermediaries · Interconnections

Published online: 05.03.2012

© jbm

M. Vedel · J. Geersbro · Th. Ritter
Copenhagen Business School, Copenhagen, Denmark
e-mail: geersbro@cbs.dk

Introduction

Value creation in business relationships has become a major theme in marketing over the past two decades (Anderson & Narus 2004; Anderson et al. 2006; Ulaga & Eggert 2006; Walter et al. 2001). Beyond the value of a relationship for a supplier, this stream of literature has highlighted the importance of an exchange for the customer in terms of what the customer gains from a relationship with a supplier. Subsequently, business market management practice has adopted value as its cornerstone (Anderson & Narus 2004) and there are growing efforts among suppliers to understand their customers, and the ways in which they use the firm's goods and services in *their* value-creating processes.

Recently, knowledge about customers in general and about customers' value-creation processes in particular has become even more central in the academic discourse through the focus on the Service-Dominant (S-D) logic for marketing (Vargo & Lusch 2004; Vargo & Lusch 2008), which calls attention to customers' value-in-use. The S-D logic perspective replaces the more traditional Goods-Dominant (G-D) logic in which suppliers build value into goods and services as part of the product development and production processes. According to the S-D logic, the customer creates value through the use of suppliers' goods and services.

The central point of interest in the value and S-D literature is value creation between a supplier and a buyer, i.e., the value creation arising from a direct business relationship between two actors. However, the customers' value-in-use is often, if not always, related to the customers' customers, especially in business markets. This has created a growing movement among suppliers to understand and address the needs of their customers' customers and, sometimes, even understand the needs of customers further down the supply chain. This issue has been discussed in terms of value chains and supply networks (e.g., Choi & Wu 2009). The extension of suppliers' activities towards second tier/second-stage and third-tier/third-stage customers has been termed "multi-stage marketing" (Kleinaltenkamp & Ehret 2006). As illustrated in Figure 1, we define the adoption of multi-stage marketing as the degree to which a firm's marketing activities are targeted at downstream actors other than the firm's direct customers.

Although multi-stage channels have received some attention from the customer perspective (e.g., Fujimoto 2003), relatively little attention has been paid to the supplier's perspective. Ingredient branding, a prominent topic in multi-stage marketing, focuses on one key aspect of multi-stage marketing – branding and communication efforts aimed at customers further down the supply chain, typically consumers (Desai & Keller 2002; Norris 1992). Nutrasweet, Goretex and "Intel inside" are prime examples of ingredient branding. Likewise, a network approach is commonly applied in

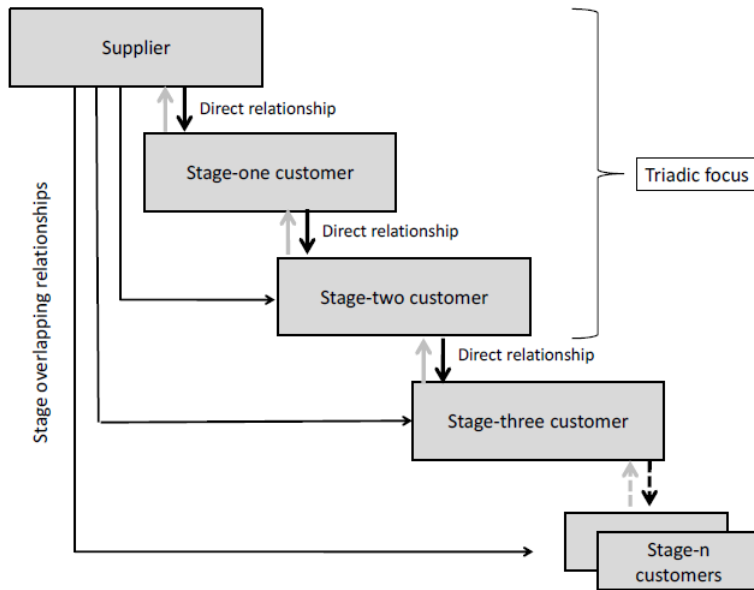


Fig. 1: The Concept of Multi-Stage Marketing

the supply chain literature in terms of first-tier suppliers, second-tier suppliers, etc. However, marketing and sales rarely take relationships beyond the focal relationship into account. Despite several contributions on interconnected relationships (Blankenburg & Johanson 1992; Ritter 2000; Hu & Tsai 2007) and markets as networks (Johanson & Mattson 1992), a systematic, operational approach to multi-stage marketing is still missing.

Supply networks are more than sets of sequentially connected dyads of interaction among business actors. Each dyad has the potential to influence the other dyads, a phenomenon that is referred to as interconnection. Therefore, multi-stage marketing needs to be understood as a more complex system of interactive and interconnected dyadic business relationships. Multi-stage marketing needs to consider both the supplier's relationships with various customers on various levels as well as the relationships among customers on different levels. Thus, there is a need for a framework that includes both interactions *in* relationships and interconnections *between* relationships.

This paper contributes to the understanding of the network aspects of multi-stage marketing by developing an analytical framework that allows these phenomena to be described and analyzed. The paper is structured as follows. First, we argue for a focus on a three-actor constellation as the basis for analysis, and we introduce a framework of interaction and interconnection for triadic analysis. We then develop a framework describing different levels of multi-stage marketing, after which we present a case to illustrate the applicability of our framework, triadic analysis and the levels of multistage marketing. We conclude with a discussion of the managerial and research implications.

A Triadic Perspective on Multi-Stage Marketing

Despite the acclaimed advantages of triadic analysis for understanding business relationships and networks (e.g., Havila 1996; Ritter 2000), triadic approaches to business research have not been widespread (Holma 2009). Research on intermediaries, intermediation and supply chains has benefitted from looking beyond individual business relationships (e.g., Carson et al. 1997; Gentry 1996; Khurana 2002; Phillips et al. 1998; Wuyts et al. 2004). However, the exact meaning of a “triadic perspective” is often unclear, as are the consequences of adopting this perspective. In the following, therefore, we explain the triadic perspective and its consequences for business-to-business research in general and multi-stage marketing research in particular.

As a phenomenon, triads have received attention from several scientific communities. Two different approaches to triads can be identified. One approach, sometimes referred to as the *sociological approach*, focuses on the interaction among three actors as the defining feature of the triad. From this perspective, only situations in which there is a direct interaction between all three of the actors are viewed as triads:

“A triad is said to exist, when three individuals are observed to interact on successive occasions. These three are seen to come together repeatedly or to be in communication often, conversing, exchanging products, and so on” (Thibaut & Kelley 1959, p. 191).

In the alternative approach to triads, sometimes referred to as a *structural perspective*, researchers apply the term “triad” to all constellations of three actors. The term is used even when the constellation contains only two interactive relationships. These researchers typically distinguish between *closed triads*, where all actors interact with each other, and *open triads*, in which this is not the case (Blankenburg & Johanson 1992; Ritter 2000; Smith & Laage-Hellman 1992). It has been argued that the relationships are series-like in open triads and that, therefore, a dyadic approach is more appropriate than a triadic approach (Havila et al. 2004). However, in situations where the two relationships influence each other, i.e., when interconnections exist, a pure dyadic approach is not sufficient to uncover such effects.

Clearly, there are several views of what constitutes a triad. In this paper, we apply the structural view on triads. We consider a two-stage marketing system – encompassing a supplier, the direct customer, and the customer’s customer – as a triad, regardless of the intensity of the three relationships, and irrespective of whether the triad is open or closed.

Compared to a dyadic perspective, a triadic perspective enables the study of additional and more complex phenomena. Weick and Penner argue that organizational researchers should study triads because “most processes that occur in groups of three or more people can be found in triads but not in dyads. And the additional properties that emerge when three persons are put together are especially important for the investigation of organizational behavior” (1966, p. 191).

Studies of triads in the fields of sociology and conflict research are often designed as laboratory experiments in which three persons play a variety of games under

different circumstances in terms of initial power, reward structures, etc. The purpose of these studies is to obtain empirical verification of phenomena most often associated with power (Weick & Penner 1966), such as coalition formation (Caplow 1956), conflict behavior versus cooperative behavior (Hartman et al. 1976), and the importance of personality traits of group members for communication processes and performance (Lampkin 1972). It is suggested that "...generalizations developed in the three person group will be applicable to situations where the interacting units are organized groups" (Caplow 1956, p. 489). Likewise, social network analysis can benefit from the relative simplicity of the triad, relative to larger networks, for structural analyses (e.g., Wasserman & Faust 1994).

Consequently, the triad can be viewed as the smallest unit that offers the maximum potential for the simplification of inter-organizational network analysis. At the same time, the triad allows for the analysis of network effects (Smith & Laage-Hellman 1992; Ritter 2000) and supports generalizations from the micro level to a broader network level (Easton & Lundgren 1992).

The applicability of triadic analysis in a business-to-business context is made clear in a number of case studies (including Havila et al. 2004; Havila 1996; Narayandas 2002; Odorici & Corrado 2004; Pardo & Salle 1994; Wuyts 2004). Therefore, we suggest that it is not only appropriate but also very relevant to apply the triadic perspective to the analysis of key aspects of multi-stage marketing.

The most interesting consequence of adopting a triadic perspective on multi-stage marketing is that it introduces the concept of interconnectedness (Blankenburg & Johanson 1992; Ritter 2000). As the triadic perspective includes at least two relationships of dyadic interaction, it also allows for some form of interconnection between those two relationships.

"An exchange network is a set of two or more connected exchange relations. Two exchange relations are connected to the degree that exchange in one relation is contingent upon exchange (or non-exchange) in the other relation." (Cook & Emerson 1978, p. 725)

Therefore, the triadic perspective provides a conceptualization of multi-stage marketing as more than a set of dyadic relationships. From the triadic perspective, multi-stage marketing includes both *dyadic interaction* (potentially three business relationships) and *interconnection* between those relationships.

Interaction relates to ongoing exchanges between two parties and the outcomes of those interactions in terms of activity links, actor bonds and resource ties (Håkansson & Snehota 1995). The focus on the interaction of actors, activities and resources "increase the understanding of how [international] business relationships and the role of the intermediating actors within them change over time" (Havila 1996, p. 200). Interactions determine how a relationship is established and develops over time. They define what is exchanged, how activities are linked and how resources are combined. Examples of interactions include the delivery of goods, the transfer of money or information, and meetings between representatives of two firms.

Interconnection, on the other hand, defines how relationships influence each other. Interconnection exists "when a given relationship affects or is affected by what is going on in certain other relationships" (Håkansson & Snehota 1995 p. 17). Interconnections

are not only the outcomes of interactions – they also have an influence on those interactions (Ritter 2000). Furthermore, a specific “inter-organizational relationship can hinder, weaken, strengthen or enforce another relationship” (Ritter 2000, p. 321).

One example of interconnection is seen when firms enter exclusivity arrangements. In that situation, a given relationship precludes other relationships involving the same type of exchange. Exclusive distributor relationships typically prevent a producer from having other distributor relationships that involve the exchange of the same or similar products in the same region. Such constellations can be said to have a negative influence or interconnection. In contrast, an example of a positive interconnection is a reference customer. Here the existing supplier-customer relationship helps establish new relationships between the supplier and new customers.

Likewise, triadic relationships between a customer and two suppliers can display either positive or negative interconnections. A customer can choose to initiate a direct relationship between two suppliers. This occurs when two suppliers offer supplementary products or services to the customer, who can profit from their direct interaction. In this case, the interconnections between the customer’s supplier relationships are positive. In contrast, a customer can choose to pit two substituting suppliers against each other. In this case, the interconnections are negative – the customer’s relationship with one of the suppliers hinders the other supplier’s relationship with the customer.

The interplay of interconnection and interaction is illustrated in Figure 2.

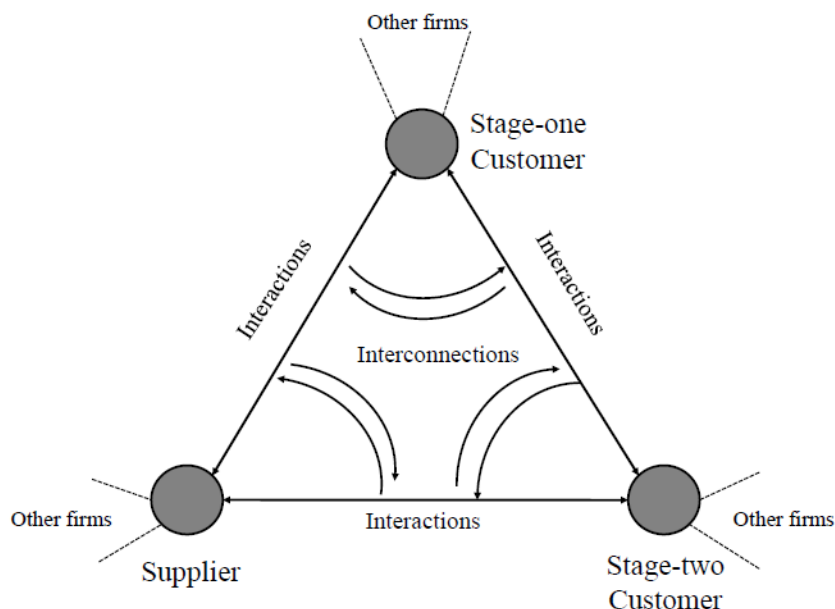


Fig. 2: Interaction and Interconnection in the Triadic Perspective

The framework shown in Figure 2 illustrates that interactions among actors may have an impact on both a relationship between actors and its interconnection with other relationships. It illustrates that interconnections condition and shape interaction. We note that this framework improves our understanding of the richness of phenomena that occurs in multi-stage marketing contexts. We also acknowledge that the triad is embedded in a wider network of actors (dotted lines in the figure), which can be broken down into a number of triadic constellations to simplify analysis (Ritter 2000).

Levels of Multi-Stage Marketing

In the traditional view of a marketing channel, suppliers are only concerned with the immediate customer. Moving beyond this view, one can consider complex constellations involving progressively higher levels of information, communication and exchange among various actors along the value chain. In this section, we identify four levels in the relationship between a supplier and a “stage-two customer”. A stage-two customer is defined as the direct customer’s customer, as seen from the perspective of the supplier. With each level, the scope and complexity of the relationship with this stage-two customer increase. We begin by assuming that there is a relationship between the supplier and the direct (stage-one) customer.

Level 0, single-stage marketing: On this level, the supplier only takes an interest in and interacts with the direct customer (a “stage-one” customer). There is no contact with actors further down the supply chain. All marketing activities are aimed at the direct customer and all market information is concerned with the direct customer.

Level 1, multi-stage awareness: On this level, the supplier becomes aware of the customer’s customer – the “stage-two” customer. The supplier receives information about the stage-two customer from either industry and market intelligence, or from the relationship with the stage-one customer. As information accumulates, the supplier establishes an understanding of different facets of the stage-two customer. At this level, the stage-one customer may be supporting the information flow about the stage-two customer and may be actively helping the supplier to obtain relevant information about the stage-two customer. As a result of this information flow, products can be supplied (through the stage-one customer) that are better suited to the needs of the stage-two customer. Those products, therefore, provide the stage-two customer with more value. This, in turn, provides the supplier and the stage-one customer with an opportunity to appropriate more value through such aspects as higher prices, higher commitment and higher sales volumes.

Level 2, multi-stage communication: On this level, the supplier communicates with the stage-two customer based on the insights gained on level 1. This communication is typically related to the provision of technical information, website support or ingredient branding. Multi-stage marketing on this level is typically comprised of such activities as advertising, trade fairs and promotion material. Level 2 marketing communication typically flows in one direction from the supplier towards the stage-two customer.

Level 3, multi-stage exchange: On this level, the supplier and the stage-two customer not only engage in communication but also in direct transactions of goods and services. In situations where the stage-one customer is a kind of mediator or agent, the flow of goods and/or services will often take place directly between the supplier and the stage-two customer. In other situations, the supplier provides additional goods and services that are not part of the main flow through the stage-one customer.

Thus far, our focus has been on the supplier and the different levels of the supplier's relationship with the stage-two customer. However, we also need to consider the relationship between the supplier and the stage-one customer. Four levels can be identified in the relationship between the supplier and the stage-one customer, just as four levels can be identified in the relationship between the supplier and the stage-two customer.

From the supplier perspective, the two relationships can be on different levels in terms of the types of communication and exchange episodes. Those combinations with at least one relationship on level 0 are considered single-stage marketing because only one relationship exists (the grey area in Figure 3). In this regard, cases in which suppliers switch from a stage-one customer to a stage-two customer and simultaneously end the relationship with the stage-one customer are referred to as disintermediation (Gulati et al. 2002). Likewise, switching from a stage-two customer to a stage-one customer is referred to as re-intermediation (Rosenbloom 2007). We denote situations in which one or both relationships are on level 1 as multi-stage awareness; situations in which one relationship is on level 2 as multi-stage communication; and situations in which both relationships are on level 3 as multi-stage exchange (Figure 3).

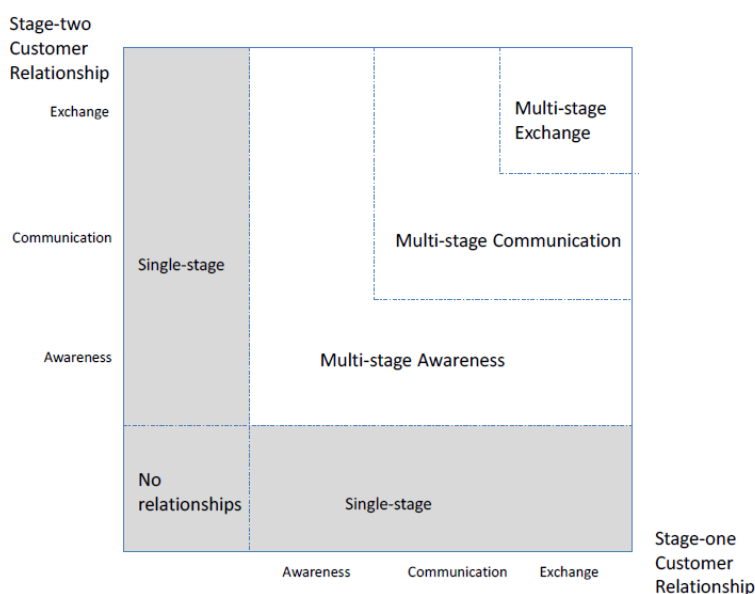


Fig. 3: Different Levels of Single- and Multi-Stage Marketing

An Empirical Illustration of Triadic Interaction and Interconnection

General data collection process

The case presented here is part of a wider study of intermediation and value creation in the Danish building materials industry. This study considered, among other elements, the disintermediation of merchants. As intermediation takes place between at least two other actors, intermediation involves a minimum of three actors. This inspired the choice of a triadic framework for the study. The primary data is qualitative and was collected through interviews with the supplier, the merchant and the customer involved in exchanges with each other. Given the access to data from all three actors, this study can illustrate the applicability of the triadic framework.

In order to identify respondents in the first-stage and second-stage customer, the sales director of a supplier, WinDoor, was asked to suggest potential respondents suitable for interviewing. WinDoor was asked to select customers that differed in size (number of employees), location and annual purchases from the supplier.

Based on these suggestions, the researchers selected the respondents. The criterion used in the selection of respondents was diversity, as the purpose was learning rather than replication. WinDoor made the initial contacts, asking the stage-two customers if they would be willing to participate in the research project. All stage-two customers agreed, after which all further contact with respondents was handled by the researchers. After the interviews, each stage-two customer was asked whether he would provide the interviewer with the name of the merchant company (WinDoor's stage-one customer) and the name of a specific contact person at that company. All respondents provided this information and agreed that these contacts could be approached with interview requests. All of the merchants (stage-one customers) also agreed to be interviewed. The interview process concluded with interviews of the sales representatives involved in business interactions on behalf of WinDoor. This procedure ensured that the respondents were actually involved in the triad.

The data was collected through semi-structured interviews based on an interview guide. Respondents were encouraged to take the narrative lead in order to enrich the data and facilitate the collection of unanticipated findings. In other words, the interview guide functioned as a checklist to make sure that all focal issues were touched upon during the interviews. All interviews were recorded and subsequently transcribed. The data collection focused on activities in the relationships as indicators of interaction, and the relationships and the parties' assessment of these relationships as indicators of interconnection. Therefore, the data on activities and relationships creates the foundation for the description, analysis and interpretation of the interactions in the relationships and the interconnections between the relationships.

Case details

The case comprises three companies: a supplier, WinDoor – a manufacturer of wooden components for house construction and renovation; a retailer, HouseDepot – a building materials merchant primarily focused on B2B customers; and a customer OldNewbridge – a construction company focused on renovation and new building projects. This triadic relationship was selected because disintermediation had not taken place. As such, this case offers a sustained multi-stage setting in which all parties create value.

The respondent from WinDoor, a sales representative in the project department, has more than 20 years of experience from various positions in the building materials industry and has been employed by WinDoor for 10 years. The respondent from HouseDepot, a sales manager, has many years of experience in the business and has been in his present position for five years. The respondent from OldNewbridge, the managing director, is a carpenter by training and has extensive experience in this industry. He has been the managing director of OldNewbridge for the past 10 years (Table 1).

Name	Function	Respondent
WinDoor	Supplier; a manufacturer of wooden components for house construction and renovation	Sales rep. in project department. More than 20 years of experience from various positions in the building materials industry. Has been employed by WinDoor for 10 years
HouseDepot	Stage-one customer; a merchant of building materials primarily focused on B2B customers	Sales manager. Long experience in the business. Has been employed in his present position for five years.
OldNewbridge	Stage-two customer; a construction company focused on renovation projects and new housing projects	The managing director is a carpenter with extensive experience with this industry. He has been the managing director of OldNewbridge for the past 10 years.

Table 1: The Case Companies and Respondents

Over the past 50 years, technological developments have changed the production of wooden building materials. Craftsmanship was replaced with standardized industrial products, which later gave way to customized solutions made possible by highly flexible industrial technologies. Today, all three product solutions – crafted, standardized and customized – are available in the market.

WinDoor, a major European supplier of building materials, offers both standardized and customized solutions, so the regional sales division is organized into two departments. One department handles off-the-shelf standardized goods, while the

other is responsible for customized goods. HouseDepot is an outlet in a privately owned merchant chain. The outlet has approximately 70 employees, five of whom are involved in the specialized B2B project department. The merchant, HouseDepot, is a member of a purchasing group that organizes supplies for 10 merchants. OldNewbridge is one of the 25 largest builders in the region. It specializes in wooden constructions and the mounting of wooden building parts, such as windows, doors, floors and staircases. OldNewbridge has 60 employees, seven of whom are administrative staff. The company focuses on tender-based B2B projects. Only a small share of its turnover comes from B2C activities, such as the construction and renovation of private homes.

Interaction in Relationships

In the following interaction analysis, the framework presented in Figure 3 is used to illustrate the different levels of multi-stage marketing in the supplier's customer relationships.

Interaction Level 0: Single-stage marketing

The marketing of wooden building materials on this level traditionally concerns large volumes of a variety of standardized components delivered to the stage-one customer. These components are often sold as commodities and no branding is involved. The supplier has no awareness of the customer's customer. WinDoor almost never engages in activities on this basic level of multi-stage marketing. In fact, if WinDoor wishes to enter into level 0 customer arrangements, it must have board approval.

Interaction Level 1: Multi-stage awareness

WinDoor offers a line of standard assortment building materials. The line encompasses two levels of quality to accommodate differing demands and needs among the merchants' customers (i.e., the stage-two customers). The marketing of this line relies on displays and stocks, and customers are able to buy these types of articles directly from the merchants on a cash-and-carry basis. WinDoor delivers its products and some display items to HouseDepot. Sales representatives from WinDoor's department for standard goods pay regular visits to the merchants every two to three weeks. During these visits, the sales people inform the merchant about new products and resolve problems related to faulty deliveries with the merchant. They therefore discuss stage-two customers but those customers are not directly involved.

Interaction Level 2: Multi-stage communication

WinDoor regularly participates in trade shows, at which the company presents and markets its products directly to stage-two customers. These shows provide good opportunities for WinDoor to establish direct communication with stage-two customers and to collect information important for product development, quality control and cooperation with the stage-one customer. However, the market for building material is changing from a commodity market, where only product features and price determine

exchange preferences, to a lifestyle-oriented market, where design and branding drive differentiation. Therefore, WinDoor has initiated the branding of its product line towards B2B and B2C customers by advertising in selected B2B and consumer periodicals on interior design. The advertising focuses on high-value articles in WinDoor's standardized goods assortment.

Interaction Level 3: Multi-stage exchange

WinDoor's business relationships in customized solutions are organized as multi-stage exchange. This case represents an advanced level of this type of exchange. OldNewbridge involves WinDoor at the early stage of a project. On the basis of the material OldNewbridge receives in conjunction with a quotation request or a tender, WinDoor is asked to assist OldNewbridge in specifying the details of the building materials to be used. In this respect, WinDoor provides information on the technical specifications and designs of each item, including the required add-ons in terms of various types of fittings and the like. The joint preparation of offers between OldNewbridge and WinDoor is not an unusual practice in customized building material. Rather, customized goods require direct interaction between manufacturers and builders in order to ensure efficient communication and avoid communication mistakes.

When OldNewbridge wins a tender, the second step in WinDoor's involvement is the planning of the logistics. In the trade of customized building articles, goods are normally delivered to the customer's building site directly from the supplier's production unit. Detailed and well-planned logistics increase the efficiency at the building site. As the building materials are delivered directly to the building site, logistical aspects must be coordinated to avoid untimely delivery of goods for several reasons. First, deliveries that are too early are problematic. Typically, storage facilities are not available, except for random space at the building site or inside the building under reconstruction. Therefore, the delivered building materials may be damaged if they arrive too soon. Second, delayed delivery can leave OldNewbridge's builders idle, which is an unacceptable cost for OldNewbridge. Consequently, logistics often need to be detailed and precise – deliveries for different floors are planned for different days in different weeks and, in some situations, deliveries are planned so precisely that they arrive within a window of a couple of hours. All problems relating to defect or otherwise faulty deliveries are handled by WinDoor and OldNewbridge without the involvement of HouseDepot.

The business relationship between OldNewbridge and WinDoor is notable in one regard. WinDoor, rather than HouseDepot, provides price quotes to OldNewbridge, but all invoices to OldNewbridge are handled by HouseDepot. As such, financial exchanges between WinDoor and OldNewbridge are intermediated by HouseDepot. HouseDepot receives a commission, which is agreed in advance with WinDoor.

In summary, WinDoor is OldNewbridge's preferred supplier and OldNewbridge is one of WinDoor's largest customers. WinDoor is responsible for the products (e.g., price, quality, time of delivery); for logistics; for providing information on specifications, designs, and solutions; and for administrative support in pre-calculations for tenders. Formally, HouseDepot carries the risk related to products and guarantees but, in this case, all problems are handled directly by WinDoor and OldNewbridge.

Interconnections of Relationships

From OldNewbridge's perspective, the involvement of HouseDepot in deliveries from WinDoor is not really justified. However, OldNewbridge accepts it because WinDoor is its preferred supplier, and WinDoor is unwilling to remove HouseDepot from the picture. In other words, OldNewbridge accepts HouseDepot as part of the triad for customized solutions as long as HouseDepot does not affect the direct relationship between WinDoor and OldNewbridge negatively and as long as it does not impose an unreasonable commission on WinDoor products. In addition, HouseDepot provides OldNewbridge with standardized products and a wide range of items from other suppliers. Overall, OldNewbridge is satisfied with HouseDepot – they find their services and offerings in other lines of building materials fully satisfactory.

HouseDepot is mostly concerned with its direct relationships with WinDoor and OldNewbridge, but the company also values WinDoor and OldNewbridge as important references for potential future suppliers and customers. Even so, HouseDepot's primary interest is maintaining the relationship with OldNewbridge. As long as HouseDepot can gain a small percentage of the value of the goods delivered directly from WinDoor to OldNewbridge, it will continue to do so. However, the real value of OldNewbridge for HouseDepot is the large turnover volume of standard building materials that does not involve WinDoor.

From WinDoor's perspective, HouseDepot is valuable because it assumes the financial risk associated with WinDoor's deliveries of customized items to OldNewbridge. HouseDepot also handles all minor B2B customers and B2C customers interested in customized solutions on behalf of WinDoor.

“The merchants handle a lot of small and medium-sized customers for us. So you have to take care. Because if you establish direct channels to a number of large customers in a region, then it may happen that the merchants get angry and go looking for alternatives, because then they would lose their earning on the sales of customized goods to large customers” (WinDoor informant).

Finally, HouseDepot is important to WinDoor because the former is part of a purchasing group of ten timber merchants. WinDoor fears that disintermediating HouseDepot could exclude it from important future business with the other members of the purchasing group. Therefore, the fact that HouseDepot assumes the financial risk associated with WinDoor's deliveries of customized items to OldNewbridge, although valuable in itself, is of minor importance for the present constellation of the triad. As such, this triad appears to be very stable:

“This is where it has landed – and we all feel comfortable about it” (HouseDepot informant).

Analysis of Interconnections

All actors have their own individual perceptions of the interconnections in the triad. However, we focus on the interconnections perceived by the supplier, WinDoor, as we are interesting in WinDoors multi-stage marketing. In the following, we highlight the consequences of some of these interconnections. Figure 4 presents a graphical illustration of the case on level 3 of multi-stage marketing. Note that the letters “a”, “b” and “c” refer to the relationships of interaction, while the numbers 1 through 6 refer to the interconnections.

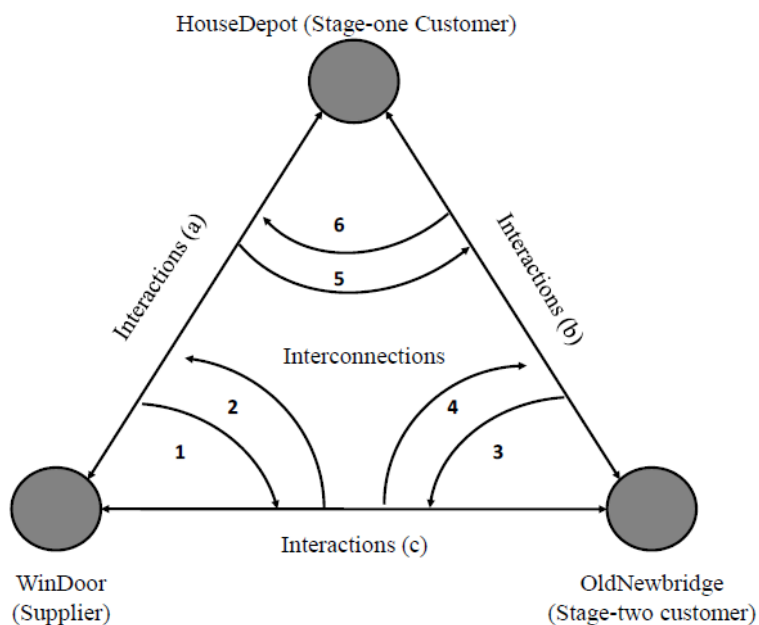


Fig. 4: The Case at Level 3

Interconnections (1 and 2) of WinDoor’s relationships (a and c)

WinDoor’s relationship with OldNewbridge (relationship c) depends on the relationship between WinDoor and HouseDepot (a). From WinDoor’s perspective, its relationship with HouseDepot (a) supports (1) the relationship with OldNewbridge (c) because HouseDepot assumes the financial risk and handles the invoicing. More importantly, WinDoor has agreed to involve HouseDepot in all exchanges of customized goods. Therefore, (a) is a precondition (1) for (c).

At the same time, WinDoor’s relationship with OldNewbridge (c) strengthens (2) the relationship with HouseDepot (a) because WinDoor offers services to HouseDepot’s customers. HouseDepot is unable to offer to offer these services itself because of the high level of specific knowledge needed to provide these services.

Interconnections (3 and 4) of OldNewbridge's relationships (b and c)

OldNewbridge's relationship with WinDoor (c) is connected to its relationship with HouseDepot (b). WinDoor could not service OldNewbridge if OldNewbridge did not accept the involvement of HouseDepot:

“Essentially it is the supplier who chooses the channel” (OldNewbridge informant).

As WinDoor has agreed to involve HouseDepot in all exchanges, the HouseDepot-OldNewbridge relationship (b) is a precondition (3) for OldNewbridge's relationship with WinDoor (c). As WinDoor's relationship with OldNewbridge (c) expands in terms of activities and resources connected to customized articles, there is a decrease (4) in the activities in the OldNewbridge-HouseDepot relationship (b). HouseDepot is not in a position to have sufficient knowledge about the wide variety of building materials that it intermediates. Consequently, HouseDepot and OldNewbridge depend on WinDoor to provide OldNewbridge with the knowledge needed for specifications. Moreover, HouseDepot is not involved in the logistics of the OldNewbridge-WinDoor relationship. Deliveries are handled by WinDoor and they typically occur directly on site. The only activity left (in the relationship between HouseDepot and OldNewbridge) is invoicing.

Interconnections (5 and 6) of HouseDepot's relationships (a and b)

OldNewbridge feels that HouseDepot's involvement in the exchange of customized building articles is unjustified. Therefore, the relationship between WinDoor and HouseDepot (a) has a negative influence (5) on the relationship between HouseDepot and OldNewbridge (b). However, despite the customer's dissatisfaction with the involvement of the merchant (b), the relationship does not negatively affect (6) the relationship between the supplier and the merchant (c). This is because the WinDoor-HouseDepot relationship is important for WinDoor's sales of standardized solutions, which makes HouseDepot a valued partner. Therefore, the customer's dissatisfaction with the involvement of HouseDepot (b) does not result in the disintermediation of HouseDepot (a).

This case illustrates the importance of the relationship between a supplier and the customer's customer in a multi-stage marketing model. Customization and specialization mean that HouseDepot must depend on WinDoor's capability and willingness to serve OldNewbridge directly. By applying a triadic approach instead of analyzing multi-stage marketing as a series of dyads, the division of labor among the parties and the interconnections between the relationships are clear. HouseDepot is not disintermediated, as might be expected, but remains in the triad because it assumes the financial risk for customized products and remains an important merchant for WinDoor in terms of providing standard building articles to OldNewbridge.

Discussion

The case highlights the following:

- Multi-stage marketing is not restricted to ingredient branding,
- Different levels of multi-stage marketing are not necessarily reached over time – rather, they can co-exist, and
- A supplier's relationships with stage-one and stage-two customers is not a zero-sum game in which one customer wins and the other loses.

The case presented here is concerned with basic components used in construction, which are often offered in several varieties. Therefore, multi-stage marketing is not a phenomenon specific to ingredient branding. It is of relevance for finished and semi-finished products as well. Moreover, there are different levels of multi-stage marketing and these levels progressively increase the involvement of a supplier with a stage-two customer. The WinDoor-HouseDepot-OldNewbridge relationship illustrates how various degrees of standardization and customization influence interactions among a supplier and its stage-one and stage-two customers.

An intermediating merchant can offer superior value-in-use to a supplier's stage-two customer by offering assortments of related goods, which facilitate the stage-two customer's purchase operations. In such situations, level 1 and level 2 marketing efforts are sufficient to fulfill the customers' needs. For customized solutions, which demand specialized knowledge, the supplier may have to involve himself in the servicing of customers in order to provide sufficient support in terms of detailed knowledge of specifications, solutions and logistics. In such situations, a level 3 marketing effort is appropriate. However, these levels are not reached over time – they co-exist. WinDoor is simultaneously engaged in an interaction relationship with HouseDepot on interaction levels 1 and 2 for standardized goods, and with HouseDepot and OldNewbridge on level 3 for customized goods. As such, our model (Figure 3) can be used to map different, simultaneous levels of interaction in the triad.

WinDoor's relationship with HouseDepot and OldNewbridge is not a zero-sum game in which one actor wins and the others lose. Instead, the co-existence of sound relationships with stage-one and stage-two customers is evident. The merchant HouseDepot is not disintermediated. Instead the parties find a way of working together that is valuable to each of them. Thus, multi-stage marketing is not merely a state of transition from one stage of customer to another. Rather, multi-stage settings exist that involve complex multi-level relationships, and they develop over time as interactions take place and interconnections shape them, as illustrated by the interaction-interconnection model in Figure 2. The inclusion of interconnections in the analysis of the triad improves our understanding of how the multi-stage setting is jointly shaped by the supplier, the stage-one customer and the stage-two customer.

Managerial Implications

An increasing number of companies are realizing that they need to cope with the complexities of multi-stage marketing. Supplier companies need to understand not only the set of relationships involved but also the important interconnections among those relationships. Companies need to consider both interaction and interconnection to understand the challenges and opportunities in their multi-stage marketing contexts, and to better take advantage of them to actively shape and manage their positions. As such, the evaluation and strategizing of a firm's multi-stage marketing is at the top of the executive agenda.

With its proposed levels of multi-stage marketing, this paper offers executives a guidance tool for analysis, discussion and decision making. Firms are advised to consider the different options, as well as their costs and benefits. As relationships are connected, it is important for firms to have a clear understanding of that interconnectedness and a specific strategy for "going to market". Otherwise, confusion will hinder the firm's development.

As illustrated above, multi-stage marketing can be much more than awareness of the customer's customer (level 1) and brand communication (level 2). As information starts to flow in both directions, and products are exchanged directly between the supplier and the customer's customer (level 3), managers need to consider more dimensions and aspects when dealing with the challenges of increasing complexity.

Furthermore, establishing and developing a direct relationship with the customer's customer does not necessarily result in disintermediation, i.e., an abundance of stage-one customers. The triadic framework allows managers to analyze and define various scenarios, as well as types and levels of relationships with more or less indirect customers. Each of the different levels of multi-stage marketing that we have identified entails different requirements or challenges, and each offers different advantages to the involved firms. When managing these trade-offs, compromises, questions and decisions, managers can benefit greatly from the use of our framework.

The triadic approach is a first step in analyzing and coping with the complexity of interactive as well as interconnected relationships. It enables the analysis of interactions among actors and interconnections between relationships at successive stages of the value chain, as those successive stages can be decomposed into triads. An analysis of the levels of multi-stage marketing on the one hand and the interconnections between the relationships on the other offers managerial insights into the complexity of multi-stage marketing. It is a way to map the ways in which the parties' resources combine into activities that create the foundation for the customers' value-in-use.

Research Implications and Avenues for Further Research

At the beginning of this paper, we argued for the applicability of triads as the level of analysis. The case highlights the usability and richness of triadic analysis. As such, the paper contributes with a research tool for investigating triads.

While our approach proves appropriate in this case, different triadic studies are needed to provide an overall picture of a firm's downstream network. For this convergence of triadic analysis to be successful, tools for structuring and integration are needed. As interaction and interconnection are two fundamental properties of the triadic perspective, we suggest that such research could focus on the importance and interrelatedness of these concepts.

Further research is warranted into the embeddedness of the triad in the wider network. Also, subsequent customers (i.e., beyond stage two) within the chain of customers need to be considered, and interactions as well as interconnections beyond the triad need to be researched. As argued above, triads are the smallest entity of analysis. The question at this point is how to integrate several triadic studies into a network study. Doing so will significantly increase the complexity, as the number of possible interactions and interconnections will increase exponentially. Conceptual and practical research tools must therefore be developed to cope with this complexity.

The case shows a development path that is not deterministic, as we have no assumptions related to sequence and timing. Therefore, further research may address different development paths. In addition, an understanding of the drivers for change and key success factors for the change process would add to our understanding of multi-stage marketing development. Such research could investigate the changes between different levels of multi-stage marketing and provide insights into areas such as disintermediation and re-intermediation. Other topics that could be of interest for further research include power, interdependence and the various roles of actors.

Conclusion

The application of a triadic perspective to multi-stage marketing enables us to understand and cope with the complexity resulting from successive levels of actors and to deconstruct this complex structure into manageable entities. Whereas the multi-stage-marketing model illustrates the complexity of supply networks, the triadic approach addresses this complexity and increases the depth of analysis for a focal set of actors compared to a dyadic perspective. Consequently, the triadic perspective offers a systematic approach to the analysis of multi-stage marketing. The proposed four levels of marketing support this analysis and constitute a first step in a systematic categorization of appropriate levels of multi-stage marketing.

References

- Anderson, J. C. & Narus, J. A. (2004). *Business Market Management* 2.ed. Upper Saddle River, New Jersey: Prentice Hall.
- Anderson, J. C. & Narus, J. A. & van Rossum, W. (2006). Customer Value Propositions in Business Markets, *Harvard Business Review*, 84 (3), 90-9.
- Anderson, J. C. & Narus, J. A. (1998). Business Marketing: Understand What Customers Value, *Harvard Business Review*, vol. 76, no. 6, pp. 53-65.

- Blankenburg, D. & Johanson, J. (1992). Managing Network Connections in International Business, *Scandinavian International Business Review*, vol. 1, no. 1, pp. 5-19.
- Caplow, T. (1956). A Theory of Coalitions in the Triad, *American Sociological Review*, vol. 21, no. 4, pp. 489-493.
- Carson, P. P., Carson, K. D., Knouse, S. B. & Roe, C. W. (1997). Balance theory applied to service quality a focus on the organization, provider, and consumer triad. *Journal of Business & Psychology*, 12(2), 99-120.
- Choi, T. Y. & Wu, Z. (2009). Triads in Supply Networks: Theorizing Buyer–supplier–supplier relationships. *Journal of Supply Chain Management: A Global Review of Purchasing & Supply*, 45(1), 8-25.
- Cook, K. S. & Emerson, R. M. (1978). Power, Equity and Commitment in Exchange Networks, *American Sociological Review*, vol. 43, no. 5, pp. 721-739.
- Desai, K. K. & Keller, K. L. (2002). The effects of ingredient branding strategies on host brand extendibility. *Journal of Marketing*, 66(1), 73-93.
- Easton, G. & Lundgren, A. (1992). Changes in Industrial Networks as Flow through Nodes in: *Industrial networks: A new view of reality*, eds. B. Axelsson & G. Easton, London and New York, Routledge, pp. 89-104.
- Fujimoto, H. (2003). Collaborative Networking in a Multi-stage Industrial Channel, *International Journal of Physical Distribution & Logistics*, vol. 33, no. 3, pp. 229-235
- Gentry, J. (1996). Carrier involvement in buyer-supplier strategic partnerships. Bradford, West Yorkshire, England: Emerald Group Publishing, Ltd.
- Gulati, R., Bristow, D. & Dou, W. (2002). A Three-Tier Model Representing the Impact of Internet use and Other Environmental and Relationship-Specific Factors on a Sales Agent's Fear of Disintermediation due to the Internet Medium, *Journal of Marketing Channels*, 9 (3), 49.
- Hartman, E. A., Phillips, J. L. & Cole, S. G. (1976). Conflict and Survival in Triads, *Journal of Conflict Resolution*, vol. 20, no. 4, pp. 589-608.
- Havila, V. (1996). *International Business-Relationship Triads - A Study of the Changing Role of the Intermediating Actor*, Uppsala University, Department of Business Studies.
- Havila, V., Johanson, J. & Thilenius, P. (2004). International Business - Relationship Triads, *International Marketing Review*, vol. 21, no. 2, pp. 172-186.
- Holma, A. (2009). Adaptations in triadic relationship settings - case studies in business travel management. Hanken School of Economics).
- Hu, J. & Tsai, Y. (2007). Paradigms of Derived Exchange Value Effects in Market Network, *Industrial Marketing Management*, vol. 36, no. 5, pp. 636-650.
- Håkansson, H. & Snehota, I. (1995). Analysing Business Relationships in Developing Relationships in: *Business Networks*, eds. H. Håkansson & I. Snehota, Routledge, London, pp. 24 - 49.
- Johanson, J. & Mattsson, L. G. (1992). Network Positions and Strategic Action – an Analytical Framework in: *Industrial Network. A New View of Reality*, eds. B. Axelsson & G. Easton, Routledge, London, pp. 205-217.
- Khurana, R. (2002). Market triads: A theoretical and empirical analysis of market intermediation. *Journal for the Theory of Social Behaviour*, 32(2), 239.

- Kleinaltenkamp, M. & Ehret, M. (2006). The Value Added by Specific Investments: A Framework for Managing Relationships in the Context of Value Networks, *Journal of Business & Industrial Marketing*, 21 (2), pp. 65-71.
- Lampkin, E. C. (1972). Effects of n-Dominance and Group Composition on Task Efficiency in Laboratory Triads, *Organizational Behavior & Human Performance*, vol. 7, no. 2, pp. 189-202.
- Madhavan, R., Gnyawali, D. R. & Jinyu He (2004). Two's Company, Three's a Crowd? Triads in Cooperative-Competitive Networks, *Academy of Management Journal*, vol. 47, no. 6, pp. 918-927.
- Narayandas, D. (2002). The Impact of Internet Exchanges on Business-to-Business Distribution, *Journal of the Academy of Marketing Science*, vol. 30, no. 4, pp. 500-505.
- Norris, D. G. (1992). Ingredient Branding: A Strategy Option with Multiple Beneficiaries, *Journal of Consumer Marketing*, vol. 9, no. 3, pp. 19-31.
- Odorici, V. & Corrado, R. (2004). Between Supply and Demand: Intermediaries, Social Networks and the Construction of Quality in the Italian Wine Industry, *Journal of Management and Governance*, vol. 8, no. 2, pp. 149-171.
- Pardo, C. & Salle, R. (1994). Strategic Interplays of an Actor in a Relationship with a Distributor, *Industrial Marketing Management*, 23 (5), 403-18.
- Phillips, J. M., & Liu, B. S. (1998). A balance theory perspective of triadic supply chain relationships. *Journal of Marketing Theory & Practice*, 6(4), 78.
- Ritter, T. (2000). A Framework for Analyzing Interconnectedness of Relationships, *Industrial Marketing Management*, vol. 29, no. 4, pp. 317-326.
- Rosenbloom, B. (2007). The Wholesaler's Role in the Marketing Channel: Disintermediation Vs. Reintermediation, *International Review of Retail, Distribution & Consumer Research*, 17 (4), 327-39.
- Smith, P.C. & Laage-Hellman, J. (1992). Small Group Analysis in Industrial Networks in: *Industrial networks: A New View of Reality*, eds. B. Axelsson & G. Easton, London and New York, Routledge, , pp. 37-61.
- Thibaut, J. W. & Kelley, H. H. (1959). *The social psychology of groups*. New York: John Wiley & Sons.
- Ulaga, W. & Eggert, A. (2006). Relationship Value and Relationship Quality, *European Journal of Marketing*, 40 (3/4), 311-27.
- Vargo, S. L. & Lusch, R. F. (2004). Evolving to a New Dominant Logic for Marketing, *Journal of Marketing*, 68 (1), pp. 1-17.
- (2008). Service-Dominant Logic: Continuing the Evolution, *Journal of the Academy of Marketing Science*, 36 (1), pp. 1-10.
- Walter, A., Ritter, T., & Gemünden, H. G. (2001). Value Creation in Buyer - Seller Relationships, *Industrial Marketing Management*, 30 (4), 365-77.
- Wasserman, S. & Faust, K. (1994). *Triads in: Social Network Analysis: Methods and Applications*, Cambridge University Press, pp. 556-602.
- Weick, K. E. & Penner, D. D. (1966). Triads: A Laboratory Analogue, *Organizational Behavior & Human Performance*, vol. 1, no. 2, pp. 191-211.
- Wuyts, S., Stremersch, S., Van, d. B. & Franses, P. H. (2004). Vertical marketing systems for complex products: A triadic perspective. *Journal of Marketing Research (JMR)*, 41(4), 479-487.