



Print ISSN: 1738-3110 / Online ISSN 2093-7717
 JDS website: <http://www.accesson.kr/jds>
<http://doi.org/10.15722/jds.23.01.202501.113>

The History of Distribution Channel Theories: Current Literature Investigation

Sung-Ho RYU¹

Received: December 05, 2024. Revised: December 29, 2024. Accepted: January 05, 2025.

Abstract

Purpose: The distribution channels are important in facilitating the timely delivery of products from producers to consumers; hence, they play an important role in the efficiency of the market as well as customer satisfaction. This paper seeks to establish a historical perspective on the distribution channel theories, and it explores the following theories: Transaction Cost Economics (TCE), Behavioral-Based Theories, Resource-Based Theory (RBT), and Network Theory. **Research design, data and methodology:** The present research has selected the comprehensive data collection process in the current literature. Following PRISMA guidelines on a systematic review, this research gathers knowledge from peer-reviewed articles to understand how these theories have evolved in response to technology, markets, and consumer behavior. **Results:** The results indicate that the relational economy has been primarily succeeded by the integrative economy, which encompasses both relational and digital economies. The knowledge gaps found in the study entail the integration of behavioral and economics theories with digital business transformation **Conclusions:** Implications for the practical implementation at the practitioner level concern primarily suggestions on how best to configure and utilize offline and online intersections, build trust, and use technological instruments to increase operative professionalism. This research provides theoretical background and experience in contemporary distribution management.

Keywords : Distribution Channels, Transaction Cost Economics, Behavioral Theories, Resource-Based Theory, Network Theory, PRISMA, Digital transformation

JEL Classification Code: L84, M21, C35

1. Introduction

Distribution channels are significant components in the marketing and supply chain system, and they act as bridges that connect producers of goods and services to consumers. Such channels include in-between channels such as wholesalers, retailers, and logistic providers, which ensure that the products are delivered to their destinations on time. Distribution channels are the methods by which goods and services are channeled from the producers to the consumers to meet their needs and where these methods have changed over time (Watson et al., 2015).

Traditionally, distribution channel management research has focused on how channels were designed to provide the best possible means for channel businesses to minimize costs and simultaneously deliver high client satisfaction. An initial body of knowledge associated with distribution research is classified into economic theories like Transaction Cost Economics (TCE), which explores the costs of using intermediaries and the costs of internalizing distribution activities (Krafft et al., 2015). Information theories evolved to address relational aspects of distribution networks, such as trust, cooperation, and power (Helmold, 2022).

¹ First and Corresponding Author. Ph.D Researcher in Logistics, Graduate School of Logistics, Inha University, Korea.
 Email: rsh0621@naver.com

© Copyright: The Author(s)
 This is an Open Access article distributed under the terms of the Creative Commons Attribution Non-Commercial License (<http://creativecommons.org/licenses/by-nc/4.0/>) which permits unrestricted noncommercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

Technological enhancements and changes in e-commerce have led to the transformation of the distribution of products. Businesses employ omnichannel strategies – a combination of offline and online means to address the consumers' demands for flexibility and time efficiency (Andrejić et al., 2023). While these evolutions persist, knowledge of distribution channel theories' evolution is essential in tackling current challenges and finding future solutions.

The changes that distribution channels undergo are not unrelated to the general tendencies in the economy, society, and technologies. From direct-to-consumer channels like manufacturers selling their products directly to the client to complex connected multichannel systems that connect online and offline networks, it has evolved continuously to reflect new conditions (Affran & Asare, 2019).

The choice of the distribution channel is a strategic business decision with far-reaching consequences for cost, customers, and competitiveness. Several theories, such as Resource-Based Theory (RBT), illuminate the significance of these distribution strategies by encouraging companies to focus on resource matches, especially in technological capability and supply chain partnerships (Helmold, 2022). Meanwhile, network theory emphasizes the importance of companies regulating relationships in complex and embedded supply networks (Wei & Dong, 2022).

Studying the development of these theories is advantageous to scholars and practitioners in their fields. From the perspective of academics, history helps to analyze the shifts in business focus and the emergence of new distribution channel theories. To practitioners, these theories provide techniques for designing effective and efficient customer-oriented distribution networks.

This research project seeks to give an account of the existing distribution channel theories while apologizing for this exploration from the economic structural theories that were seen at the early start of theorizing to the current technological and behavioral theorizing. This synthesis activity plays the crucial role of bringing together knowledge from prior research, showing its main strengths and weaknesses, as well as the potential for further investigations.

The primary objectives of this study are:

1. To map out the growth of distribution channel theories over time.
2. To examine how these theories may be used in today's business settings.
3. To propose how this study could fill the gaps left by other published studies.

To achieve these objectives, this study aims to fill the knowledge gap between the historical past and the current issues of distribution channel management.

2. Literature Review

2.1. Overview of Prior Theories

Distribution channel analysis has taken many years to consider the challenges of linking the manufacturers of products to the end users. The initial studies mainly adopted business theories, including TCE, which posited efficiency and management of relationships based on the cost reduction paradigm (Watson et al., 2015). In some ways, TCE underpinned the prior knowledge of making or not enduring decisions, which assists the specifiable firm in deciding whether to internalize distribution guarantor functions or to complete external mediators (Krafft et al., 2015).

Behavioral theories developed as an important antidote to the centering of the economic approach, stressing factors such as trust, commitment, and power in channel relationships (Ingene & Brown, 2019). These frameworks moved the attention to the interpersonal and organizational activities affecting channel performance rather than costs. With time, the enhanced incorporation of digital technology presented new paradigms, including blended distribution strategies and physical and digital systems (Chan et al., 2020).

2.2. Key Contributions

2.2.1. Economic Theories

TCE and Agency Theory provide guidelines for coordinating channel structures to minimize transaction costs and manage outsourcing risk factors. Based on Williamson's work, TCE determines the cost consequences of contracting and governance systems while guaranteeing optimum resource utilization in supply chain management (Krafft et al., 2015). Agency Theory, in contrast, is concerned with how principal-agent relationships work and whether there are ways to avoid exploitation and misalignment (Watson et al., 2015).

2.2.2. Behavioral Theories

Behavioral theories introduce a relational perception by integrating the centrality of trust, commitment, and dependency in the interactions within a channel (Ingene & Brown, 2019). These theories seek to determine how the flow of goods and products between manufacturers, distributors, and retailers affects the various distribution channels. For example, trust-based approaches maintain that elevating respect and dependable behavior in other parties hinders self-serving actions, guaranteeing consistent business relations (Mohsen et al., 2023).

2.2.3. Technological Integration

Distribution Channels have been revolutionized with the introduction of the digital revolution. While the traditional Distribution Channel is still in use, new models of the two have been put in place. E-commerce platforms and hybrid approaches in channel management have also brought channel integration into the operational and customer-service discipline (Wei & Dong, 2022). Electronic technologies like data analytics and artificial intelligence enhance tactical channel management by providing near-real-time support for firm decision-making so that environmental changes can be addressed quickly (Affran & Asare, 2019).

2.2.4. Sustainability and Distribution

A recent stream of literature also focuses on the green or sustainable aspect of the distribution networks. Including sustainable business practices stimulates compliance with environmental laws and customer demand for environmentally friendly products (Andrejić et al., 2023). Kumar and Seek (2008) found that implementing environmental-friendly distribution practices helps decrease the environmental level and improves the firm's competitive advantage.

2.3. Major Themes in Literature

2.3.1. Channel Design and Management

An evaluation of the various communication channels used in the distribution network shows that a firm greatly influences its capacity to deliver products effectively based on channel design decisions. Decisions concerning centralized or decentralized structures are critical regarding cost and market coverage. Centralized models offer better control at higher implementation charges, whereas decentralized ones improve customer access at the cost of diminished manufacturer control (Mulky, 2013).

2.3.2. The Role of Technology

The corporate use of technological solutions, including automated inventory systems, customer relationship management, and analyzing tools such as AI, have revolutionized logistics strategies. These advancements allow firms to be more transparent, effectively manage and cheaper, and achieve scalability in the supply chain (Wei & Dong, 2022). Research on retail marketing emphasizes the trends of using physical and digital approaches to satisfy customers' multiple needs through merging physical and digital touchpoints (Affran & Asare, 2019).

2.3.3. Behavioral Dynamics

Power dependence and trust-based governance are two

important sub-categories of behavioral channel characteristics that have persistently been featured in literature. These dynamics define how consummately parties coordinate, negotiate, and coordinate their goals. For instance, a study of value co-creation emphasizes the need to nurture trust to minimize self-serving actions in multi-stakeholder arrangements (Ingene & Brown, 2019). Sustainability integration in distribution channels has become crucial in recent years as firms have been forced to address environmental and regulatory challenges. Appreciating sustainability elements like emission-less route search and green logistics allows firms to create sustainable business success, significantly decreasing ecological expenditures (Andrejić et al., 2023).

2.4. Research Gap

Despite the vast body of literature acknowledged in this study, the stream of existing knowledge reveals the absence of studies that synchronize economic and behavioral perspectives of distribution channels with the contemporary systems of digital technologies. While substantial literature is devoted to economic and behavioral theories, most research approaches them as distinct fields, focusing on integrating them into a single architecture for utilizing cost efficiency and relational aspects of hybrid and digital media systems. In addition, although sustainability is becoming important, research on how sustainability can be incorporated into digital and physical distribution strategies is limited.

The fourth significant gap pertains to the reasonable scarcity of empirical studies of real-time adaptive models. Global distribution systems are characterized by uncertainty, mainly due to fluctuations in demand, technological advancement, and customer needs. Filling these gaps will give a good account of distribution channels and how they are changing to fit the digitalized and sustainable marketplace.

Table 1: Overview of the Theories

Coeffisient	P-Value Adjusted RSquared
Overview	1 Distribution channel analysis has taken many years to consider the challenges of linking the manufacturers of products to the end users.
Key Contributions	2 Economic, Behavioral, Sustainability, and thier relationships with Distribution Channel.
Major Themes in Literature	3 Sustainability integration in distribution channels has become crucial in recent years as firms have been forced to address environmental and regulatory challenges.
Research Gap	4 The stream of existing knowledge reveals the absence of studies that synchronize economic and behavioral perspectives of distribution channels with the contemporary systems of digital technologies.

3. Methodology

3.1. Research Design and Approach

The sampling technique employed in the study was a systematic review to synthesize the emergence of distribution channel theories. Thus, systematic reviews are a process of searching for, critically evaluating, and combining different forms of research findings in a more orderly fashion. This ensures the richness of the scientific method in analyzing past and current theories on distribution. Metal analysis was done based on the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses), a widely used guideline for conducting systematic reviews in academic research (Moher et al., 2010).

3.2. Data Collection and Screening

Information was obtained using an order that existed in scientific databases like Scopus, Science Direct, and JSTOR, among others, using search terms like "Distribution Channel Theories," "Marketing Channel Evolution," and "Digital Distribution Models". First, 150 relevant articles were searched from electronic databases and sources; after two such cycles, the abstracts of the articles were obtained. First, the title and abstract were only scanned, and papers were removed if they did not consider distribution theories or failed to get through the refereeing process. Next, according to the above-mentioned criteria, all 40 articles, consisting of their title, abstract, and conclusion, were retrieved and rated concerning their methodological quality and relevance to the objectives of this study (Watson et al., 2015). The screening criteria admitted merely the empirical and theoretical papers referring to the history of the emergence or utilization of the distribution channel theories, whereas the exclusion criteria excluded the non-empirical and non-reviewed papers, the conference papers offered in the sources in the form of references only (Helmold, 2022). The selected articles were divided into four types: Evaluations based on economics, behavioral, resource-based, and network channel theories, and it is possible to discuss the evolution trend of distribution channel theories (Zhu, 2020).

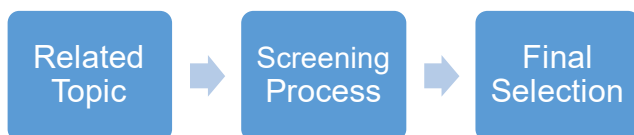


Figure 1: Data Collection Procedure

4. Findings

The analysis of distribution channel theories discloses a shift in the paradigm from historical cost-oriented economic theories to relational and network views. These theories have, hence, influenced business strategies in designing and managing supply chain networks. In this section, four major distribution channel theories—Transaction Cost Economics, Behavioral-Based Theories, Resource-Based Theories, and Network Theory—are described in detail as regards their background, concepts, and current usage.

4.1. Transaction Cost Economics (TCE)

Transaction Cost Economics (TCE) is the first theory widely employed in evaluating distribution channels. Coase (1937) formulated TCE, and Williamson, 1985 further elaborated the theory that TCE is centered on the cost of transactions in channel governance. Such costs combine searching for suppliers or buyers, bargaining the contract details, and evaluating contract compliance. In distribution, TCE provides the understanding of the 'make or buy' decision, where firms evaluate whether these functions should be carried out directly by the firm or outsourced to intermediaries (Watson et al., 2015).

The rationale for using TCE is based on the fact that it offers a theoretical context for handling supplier-distributor relations. To identify the most appropriate governance structure, TCE enables organizations to identify various attributes concerning a particular transaction, including asset specificity, uncertainty, and transaction frequency. For example, the business partners having a high level of asset specificity, for example, specialized equipment for a particular supplier, involved in the production process may choose vertical integration as a means to lessen the concept of dependency risks (Andrejić et al., 2023). Moreover, TCE was used in hybrid channel arrangements, where firms simultaneously use direct and indirect channels to achieve better cost/ control balance.

TCE is still widely valuable for channel management, significantly when critical costs or risks must be minimized. However, it has been criticized for only considering variables related to a firm's economic transactions while excluding the personal and social aspects of networks that characterize many contemporary distribution channels (Helmold, 2022).

4.2. Behavioral-Based Theories

The behavioral base theories were developed in the middle of the 20th century as a reaction to the deficiencies of purely economic approaches. These theories focus on the sociological aspect of distribution channels: trust, power,

conflict management, and collaboration. According to behavioral theories, channel performance depends on cost benefits and the nature of the channel's members' interpersonal communication (Ingene & Brown, 2019).

Behavioral theories have two essential components: power-dependence relationships and relational norms. In power-dependence theory, manufacturers, distributors, and retailers have mutual dependency, and when the balance is tilted, there may be between-party conflict and production inefficiencies. On the other hand, relational norms theory is centered on trust, adaptability, and the exchange of information, which are ways to strengthen cooperation and long-term relationships (Krafft et al., 2015).

Behavioral-based theories have significantly impacted several industries that work on the foundations of trust and cooperation. For example, manufacturers may join distributors in the retail industry to synchronize marketing and supply chain efforts to satisfy consumers' requirements (Watson et al., 2015). These theories have also been used to develop incentive schemes so that channel members are adequately motivated and well-aligned.

The key advantage of behavioral theories is that one has to operate in environments with numerous connected entities and relationships as important as economic optimization. However, using such strategies demands substantial time and effort in establishing and nurturing trust, which may sometimes be counterproductive to the financial bottom line within the short term, as Mulky (2013) establishes.

4.3. Resource-Based Theory (RBT)

Resource-based theory (RBT) was developed in the 1980s to explain how firms obtain their competitive selling proposition through valuable, rare, inimitable, and organizationally held resources. According to RBT, firm performance in distribution channels correlates with the valuable, rare, inimitable, and non-substitutable resources conceptualized by Barney (1991). This theory has been very helpful in understanding the relevance that technological innovation, selective affiliations, and unique methodologies play in defining channel initiatives (Helmold, 2022).

In distribution channels, RBT focuses on the acquisition and use of resources. For instance, companies that use superior logistics technology in their supply chain, such as robotic stocking or shipment tracing, can help cut expenses and time on schedules. Similarly, forming a closed relationship with a critical retailer or supplier leads to erecting initial hurdles to other rivals, enhancing a firm's position extensively (Andrejić et al., 2023).

RBT is also explicitly applied to human resources, as talented managers are responsible for creating and controlling intricate channel systems. The theory focuses on

the need to incorporate digitization in using tools that will enable efficiency, especially in online and offline omnichannel approaches. Affran and Asare (2019) state that firms that can regain competence in resources better than rivalry by efficiently constructing the value net outperform rivals in efficiency and customer satisfaction analyses.

Although RBT offers a rigid foundation to build on internal resources, it has a weakness that cannot explain external conditions, such as the emergence of a new competitor or technological changes. Therefore, it is better used as part of a framework and in conjunction with other theories like TCE or behavioral theories. In contrast, other studies use it to offer a comprehensive channel management perspective (Zhu, 2020).

4.4. Network Theory

Network Theory can be considered a new way of viewing the distribution channel because it involves several nodes simultaneously. It is relatively distinct from previous theories, which mostly relate to dyads only; the theory aims to explore interactions between various members of the interconnected network of collaboration/competition (Wei & Dong, 2022).

Network Theory understands and recognizes that distribution channels are indeed networks of manufacturers, distributors, retailers, logistic service providers, and customers. This view is more valuable now that e-business solution models require forming a network of interacting entities with a core entity. For example, Amazon and JD.com allow suppliers to connect to consumers directly but are intermediaries (Wei & Dong, 2022).

On this score, network theory also addresses the problem of information and technology in relation to enhancing network effectiveness. The actualization of information exchange in real-time, the use of a prediction mechanism, and the use of blockchain eliminate the repetitive processes of the individual channel members and allow them to respond effectively to market forces (Krafft et al., 2015). Furthermore, the theory implies that one has to be propane because the network architectures require change to reflect the demand shift and competitors.

Like many influential theories, Network Theory has advantages and disadvantages within distribution environments. Managing relations between networks is a sensitive and delicate task whereby stakeholders are exposed to information that may be considered taboo. Nonetheless, because it concentrates on the relations between the diverse nodes and their formal-informal structure, globalization is an important theoretical outlook that renders today's distribution networks comprehensible (Watson et al., 2015).

Table 1: Findings

Theory	Key Description	
Transaction Cost Economy	1	It provides the understanding of the 'make or buy' decision, where firms evaluate whether these functions should be carried out directly by the firm or outsourced to intermediaries.
Behavioral Theory	2	It has significantly impacted several industries that work on the foundations of trust and cooperation.
Research-Based Theory	3	Firm performance in distribution channels correlates with the valuable, rare, inimitable, and non-substitutable resources conceptualized.
Network Theory	4	Network architectures require change to reflect the demand shift and competitors

5. Implications

5.1. Practical Implications for Modern Distribution Channels

The growth and development of distribution channel theories provide critical information for practitioners who wish to optimize channel performance and customer satisfaction. Transaction Cost Economics (TCE) explains the criteria for cost reduction and efficient channel governance by focusing on make-or-buy decisions and supplier-distributor relationships. This theory enables firms that seek to design channel structures or redesign existing ones, especially in industries where costs must be kept low, like manufacturing and retailing, to do so effectively (Watson et al., 2015). For instance, integrating contract terms to reduce transaction costs addresses risk factors and ensures efficiency in supply chain value networks.

Behavioral theories like relational norms and trust-based frameworks also focus on trust, cooperation, and conflict resolution among channel members. These theories are significant in ensuring proper relations between channel members, particularly in structured channel networks. These findings are relevant to practitioners because they offer suggestions on making interfirm communication more effective and developing long-term partnerships so that the channel improves the standard of customer services it provides (Ingene & Brown, 2019). For example, utilizing trusted governance systems can limit monitoring expenses and foster cooperation.

5.2. Application of Historical Theories to Digital and Hybrid Channels

The structure of modern distribution channels is more hybrid, with more online and offline distribution elements. Theories such as the Resource-Based Theory (RBT) from the past are helpful in such environments, mainly because

they focus on using resources unique to the firm, including technology and innovation. Through RBT, practitioners can also understand how to leverage their competitive advantages, including exclusive relationships or claims, digital facilities, or supply chain tools, to beat rivals in blended contexts (Helmold, 2022).

In addition, Network Theory provides a systematic approach to managing integrated systems such as digital and physical systems. This framework can help practitioners construct plans to help them utilize the positive network effects, namely the expanded customer base and shared resources. For instance, using Amazon or JD.com can increase market coverage and improve physical distribution sales and exposure (Wei & Dong, 2022). Network-centric approaches offer better scalability and the ability to handle different forms of organizational hazards.

5.3. Enhancing Sustainability and Efficiency

Sustainability is gradually turning into an important element of the contemporary distribution processes. The increasing interest from customers in sustainable practices adopted by companies makes the adoption of sustainability into the general distribution practices of products a noble cause. From historical theories, the practitioners can make eco-friendly channel designs to minimize wastage, efficient transport, and encourage circular supply channels (Andrejić et al., 2023). For example, analyzing the advantages and disadvantages of implementing green logistics systems through TCE will lead to better distribution networks.

Addressing behavior indicators may also add more value in relativity to sustainability plans and interventions. Trust and commitment with channel partners to sustainability imperatives provide motivation and foster creativity in conformity with green initiatives. Establishing a good rapport with environmentally oriented suppliers and distributors enhances a firm's ability to meet environmental standards, customer requirements, and expectations (Affran & Asare, 2019).

5.4. Recommendations for Future Practices

In order to become most effective, practitioners should embrace both antiquity and modernity by endorsing both history and the present concepts. Integrating the two theories of TCE and RBT will assist firms in acquiring valuable information about low-cost yet resource-based strategies to remain profitable and competitive. More so, implementing innovative technologies like big data and AI will improve decision-making and enable near real-time optimization of the distribution processes (Zhu, 2020). Practitioners are also encouraged to seek blended schemes since they incorporate the merits of the web and the traditional media. Integrating

Network Theory into these models can enhance stakeholder interactions in constructing robust systems that effectively address various market shifts. Last of all, sustainability should be considered, with the firms using environmentally friendly practices to implement logistics.

References

- Affran, S., & Asare, R. K. (2019). Emergence of New Marketing Distribution Strategies: A Call for A Paradigm Shift. *European Journal of Business and Management Research*, 4(6), 1–10.
- Andrejić, M., Pajić, V., & Kilibarda, M. (2023). Distribution Channel Selection Using FUCOM-ADAM: A Novel Approach. *Sustainability*, 15(19), 14527.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 99-120.
- Helmold, M. (2022). Supply chain management and distribution channels. In *Performance Excellence in Marketing, Sales and Pricing: Leveraging Change, Lean and Innovation Management* (pp. 185-198). Cham: Springer International Publishing.
- Ingene, C. A., & Brown, J. R. (2019). *Conceptualizing a Comprehensive Theory of Distribution Channels*. Edward Elgar Publishing eBooks.
- Krafft, M., Goetz, O., Mantrala, M., Sotgiu, F., & Tillmanns, S. (2015). The Evolution of Marketing Channel Research Domains and Methodologies: An Integrative Review and Future Directions. *Journal of Retailing*, 91(4), 569–585.
- Moher, D., Liberati, A., Tetzlaff, J., Altman, D. G., & Prisma Group. (2010). Preferred reporting items for systematic reviews and meta-analyses: the PRISMA statement. *International journal of surgery*, 8(5), 336-341.
- Mohsen, A., Yousif, R. I., Yasser, I., & Wally, F. (2023). The Effect of Distribution Channels' Strategies and Types on Consumers' Buying Behavior of Convenience Products. *MSA-Management Sciences Journal*, 2(2), 102–125.
- Mulky, A. G. (2013). Distribution challenges and workable solutions. *IIMB Management Review*, 25(3), 179–195.
- Watson, G. F., Worm, S., Palmatier, R. W., & Ganesan, S. (2015). The Evolution of Marketing Channels: Trends and Research Directions. *Journal of Retailing*, 91(4), 546–568.
- Wei, Y., & Dong, Y. (2022). Product distribution strategy in response to the platform retailer's marketplace introduction. *European Journal of Operational Research*, 303(2), 986-996.
- Zhu, L. (2020). Supply chain product quality control strategy in three types of distribution channels. *PLOS ONE*, 15(4), e0231699.