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A Brief History of Sales Channels

By George Logan, Senior VP, Klopotek North America

One definition I've seen and like of a "sales channel" is "a method of distribution used by a business to sell its product." The digital age we are currently in has certainly spawned a multitude of new sales channels, yet they still fall into two basic categories, whether you're doing B2B or B2C: direct and indirect. It's how we understand customer behavior and apply marketing strategy to these channels, though, that I believe makes the difference in being successful. And I think it's important to understand how we got here, so I'd like to go back in time roughly 20 years.

The information not-so-super highway was just starting to flourish, and the primary mechanisms for processing orders were telephone, mail and fax. The early versions of order processing systems (nobody said "order to cash" then) were not very efficient. The notions of upselling and cross-selling were in their infancy.

In 1992, three Harvard professors, B. P. Shapiro, V. K. Rangan and J. J. Sviokla, wrote an article called "Staple Yourself to an Order." The premise was that you could better understand your customer's experience with your order management system if you simply stapled yourself to the purchase order and followed it through all steps of the process. There were many who embraced this philosophy of understanding the customer experience. Two years later, in fact, Jeff Bezos started Amazon. I think it's a good bet that he read that article, because he certainly got it.

And in 1993, Microsoft introduced Windows NT, which, according to Bill Gates, represented "nothing less than a fundamental change in the way companies can address their business computing requirements."

Moving forward, call centers began to migrate to multimedia in the late 1990s. Companies started to invest in computer telephony integration (CTI) with interactive voice response (IVR) systems. IVR became critical for call centers deploying universal queuing and routing solutions and acted as an agent that collected customer data to enable intelligent routing decisions. This solution was created when the telecom providers and the computer software companies merged their technology.

No tale about sales channels is complete, however, without mentioning the social media companies and their crater-sized impact, especially Facebook, which launched in 2004.

In 1995, eBay launched from Pierre Omidyar's living room, and in 1998, he and his co-founder, Jeff Skoll, brought in Meg Whitman to sustain their success. By moving into the area of upscale markets, eBay eventually becomes a sales channel for other companies.

So, as we know, new technologies have enabled the creation of new types of sales channels, including the now antiquated term "internets," as well as extranets, social media, telemarketers, EDI (electronic data interchange), eBay, LinkedIn and the "appliances" used to communicate with these channels.

Has having more types of channels led to increased sales? I don't necessarily think so, as technology is merely an enabler, and having more options to place orders is just part of the story. And we must remember that even though there are more types of sales channels, within some categories we have seen many entities go bankrupt, be sold to larger ones or merged with competitors. This is especially true in publishing, where there are less wholesalers, distributors and retailers. So we have more options available to us, but perhaps not in the numbers of total demand that we would like.

It's not just about the sales channels, though. Much like in that study, the companies that are successful today understand customer behavior. They recognize that individuals want instant and reliable access to an ordering platform via any device they choose at any hour of the day. They want simple-to-understand terms and DRM-free content. They want to trust that when a company ships the product to them, it will be delivered timely; that when they download content, it will be a pleasurable experience.

And B2B customers want efficiency. They want good discounts, and they want a trusted business partner.

"If you make it easier for your customers to do business with you, they'll do more business with you." I don't remember who said this to me, but these words certainly ring true.

Given how far technology has come in just the last 20 or so years, I wonder what the heading of the article would be for those three professors today. "Nestle Yourself in a Search Engine?"