

Exploring the Impact of Dual Distribution Channels on Customer Experience (CX): A Case Study in Indonesia B2B Market

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ABSTRACT : This study provides practical insights for manufacturers seeking to improve their customer decision-making process in the dual distribution channel strategy. The dual distribution channel strategy has emerged as a viable option for companies to navigate the complex and turbulent B2B market environment. A mixed methodology approach is used, which includes customer surveys and semi-structured interviews, to collect data from the target audience.

This research suggests that a dual distribution channel can provide several benefits to manufacturers, including a seamless customer experience, a customer-centric approach, brand experience and engagement, and channel-agnostic features. The study highlights the importance of channel management for manufacturers to avoid conflicts and minimize the risk of destructive behaviour by independent channels.

The limitations of this study include its focus on the Indonesian B2B market, which may be different from other markets globally. Future research could expand the scope of the survey to other markets and explore the challenges and benefits of a dual distribution channel strategy in different contexts.

KEYWORDS dual distribution channel, customer expectation, customer satisfaction survey, customer experience (CX), Customer Journey Map (CJM)

I. INTRODUCTION

General about Industry Area

The power transmission industry caters to various sectors: manufacturing, food and beverage, agriculture, mining, and energy. The growing need for energy-efficient and sustainable power transmission solutions is one of the major factors fueling growth in the power transmission sector. As global energy demands continue to rise, there is a growing need for power transmission systems that can transfer energy more efficiently and with minimal losses. This demand has led to the developing of more advanced and efficient gearboxes and gear motors designed to improve energy efficiency and reduce environmental impact. Another factor driving growth in the power transmission industry is the rising automation in manufacturing and industrial processes. The demand for high-performance power transmission equipment has increased significantly with the increasing use of automation and robotics in industrial processes. Manufacturers require reliable, high-torque, precision power transmission systems to drive the automated equipment.

Moreover, the growing need for reliable and high-performance power transmission equipment in various industrial applications is also driving growth in the industry. Modern power transmission systems must operate reliably in harsh environments and under heavy loads. Therefore, a growing demand for high-quality and durable power transmission equipment is growing. The power transmission industry has witnessed significant technological advancements, such as Industry 4.0 and IoT, in recent years. These systems allow real-time monitoring and diagnostics, enabling predictive maintenance and reducing downtime. These advancements are expected to continue to drive growth and innovation in the power transmission industry in the coming years. Indonesia has experienced significant growth and has become one of the potential target markets for the power transmission market.

The Rising of Customer Expectation

The present-day expectation of customers, coupled with intensified global competition, has prompted sales channels to reassess their fundamental assumptions about market reach. In previous times, responding to a customer's RFQ (Request for Quotation) within 3-5 days was deemed acceptable. However, in the present scenario, the customer may easily switch to competitors if a channel adheres to the same timeline. Therefore, distribution channels must prioritize swift responsiveness and offer a seamless customer experience to gain and maintain a competitive edge in the market. Additionally, with the advent of Industry 4.0 and its rapid

technological advances, customers now require more technical solutions and system integration than just the provision of products.

Figure 1 The rising customer expectation

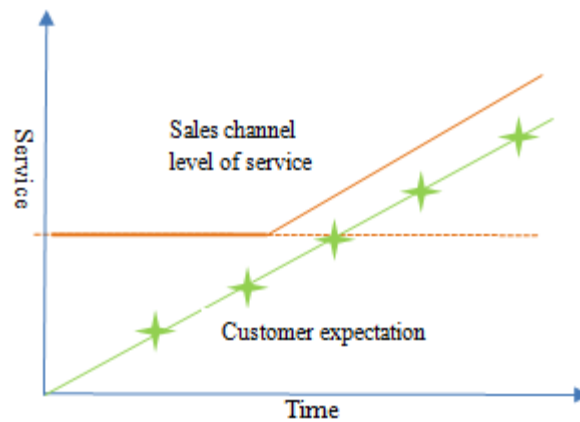


Figure 2 The rising customer expectation

Slow and Stagnant Growth of Independent Distributor

Independent distributors' growth has been a significant challenge for every manufacturer, particularly in the highly competitive gearbox and gear motor industries. Although independent distributors are essential for manufacturers' market penetration and sales growth, some challenges that slow down their growth rate include Indonesia's vast market coverage, lack of marketing and sales capabilities, and insufficient capital to invest in infrastructure and inventory. Many of these distributors are family-run companies that lack the funding for marketing and sales strategies to compete effectively in today's market. Consequently, they frequently have trouble reaching and engaging with consumers, which hinders their potential to expand their business. The lack of capital can limit their ability to increase inventory, expand their operations and exploit growth opportunities. Another challenge that independent distributors face is the need for more talented employees. Due to the limited growth potential, many employees tend to resign and start their businesses. The high employee turnover rate makes it difficult for independent distributors to build long-term relationships with their customers and maintain consistency in service quality.

Dual Distribution as A Response to Challenge

Some manufacturers have adopted a dual distribution channel system to sell their products through independent distributors and their own sales channels or direct sales teams. This approach enables manufacturers to overcome independent distributors' limitations while also supporting their independent distributors to improve their marketing and sales capabilities. Ultimately, the dual distribution channel system is designed to create a win-win situation for manufacturers and independent distributors, enabling them to achieve sustainable growth and success.

The author uses a case study of gearbox and geared motors suppliers in Indonesia. Based on the company data presented in Chart I, the sales performance of independent distributors (ID) has remained relatively stagnant over the past decade, with an average sales figure of approximately USD 5 million. It contrasts with the continuous growth trajectory of direct sales (DS), as the bar chart above the yellow line depicts. The sales doubled to USD 10 million in ten years with dual distribution channel. Notably, the proportion of sales accounted for by direct sales has steadily increased over the same period, constituting around 60% of total sales compared to the remaining 40% attributed to independent distributors. On the other hand, if direct sales improve but the distributor does not, the increase will not be significant.

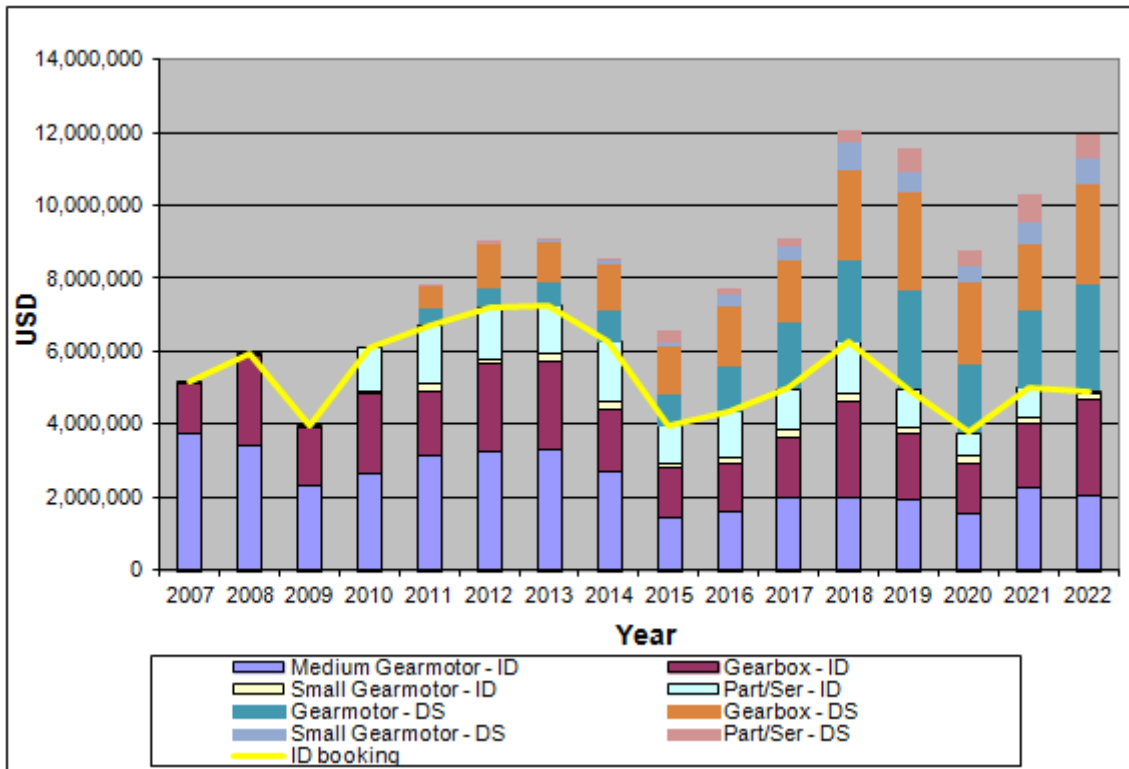


Chart 1 The sales performance of Independent Distributor (ID) and Direct Sales (DS) of Gearbox and Geared Motor Supplier in Indonesia (source: company internal data)

Effect of Dual Distribution Channel in Customer Experience (CX)

Most definitions of customer experience suggest that interactions between the customer and the firm extend beyond the purchase transaction (Brodie et al., 2011; Jaakkola & Alexander, 2014; Van Doorn et al., 2010). Customers are no longer considered passive receivers of a product or service but rather active contributors to the co-creation of value (Hollebeek et al., 2018). Engaged customers may, for instance, choose to provide feedback in the form of product reviews or provide assistance to other customers (Carlson et al., 2018). Customer satisfaction is the source of loyalty in a market with intense competition. No matter how excellent the firm's goods and services are, the company cannot make customers happy if it does not understand their experience when they contact the company.

In the past, customer journeys were often considered linear and predictable, with customers moving through a sequence of steps from awareness to purchase. However, this model is no longer valid in today's complex and interconnected market. According to the McKinsey & Company (2009), customer journeys are highly connected and non-linear. Customers no longer follow a simple path from awareness to purchase. Instead, they are taking a more complex and dynamic journey influenced by various internal and external factors. McKinsey Decision Making model suggests that customer journeys are characterized by four key moments: initial consideration, active evaluation, moment of purchase, and post-purchase experience. At each of these moments, customers are influenced by a range of touchpoints, such as advertising, online reviews, and recommendations from friends and family. The model also suggests that customers can enter and exit the journey at any point and that various emotions, such as anxiety, excitement, and confidence influence their decisions.

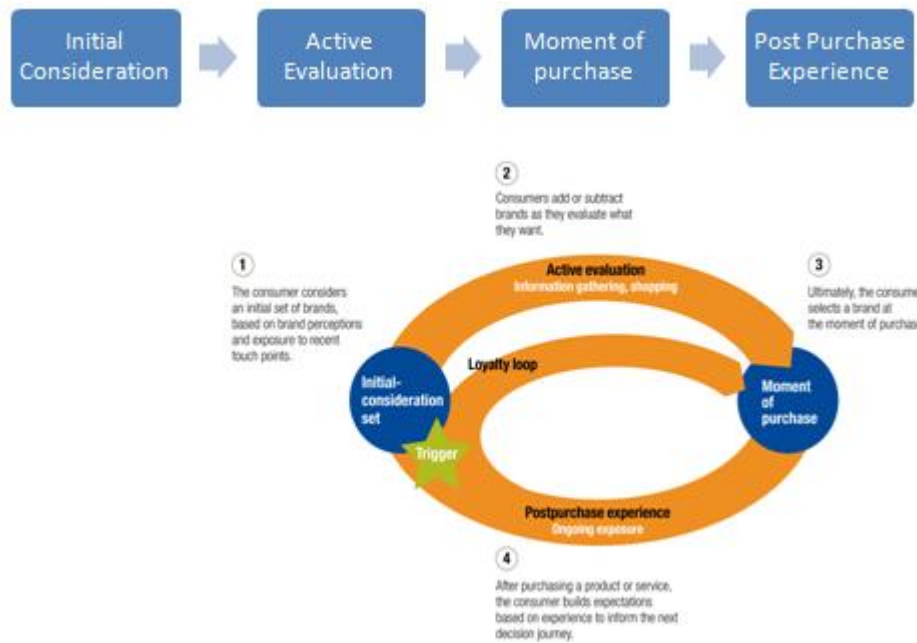


Figure 3 Linear Customer Decision Making (above) vs Non-Linear Model by McKinsey - 2009 (below)

Customer Journey Map (CJM)

Customer Journey Mapping (CJM) is a valuable tool that helps companies to visualize and understand the complete customer experience across all touchpoints and interactions with their products or services. CJM helps businesses to discover gaps, pain points, and issues that may cause customers to despair or loss by outlining every stage of the customer journey, including pre-purchase, purchase, and post-buy. This comprehensive view of the customer experience can help companies to prioritize areas for improvement and investment based on the insights gained from the mapping exercise. Customer satisfaction surveys can gather data and insights on the customer journey.

For example, based on the survey, a company identifies customers experiencing difficulties reaching customer service representatives during the post-purchase stage. In that case, CJM can help the company address these issues and improve the customer experience. Furthermore, CJM may also be used to find possibilities to upsell or cross-sell goods or services and provide clients with a more individualized experience. By using CJM, companies can better understand their customers' needs, preferences, behaviours and make data-driven decisions that enhance customer satisfaction, loyalty, and retention.

II. METHOD

A descriptive study will be conducted to gain insights into the effect of dual distribution channels on customer experience. The study will rely on survey data collected using tools developed internally by the company tools to ensure the survey questions are relevant to the company's objectives and provide relevant information to improve the dual distribution channels. The survey will be administered to 42 customers who have purchased products from independent distributors and direct sales channels. The sample size was determined based on the availability of customers who met the criteria and were willing to participate in the study. The survey will contain questions designed to elicit information about customers' experiences with both distribution channels, including the ease of purchase, product quality, delivery times, and overall satisfaction.

The next step is to interview and do observation to create a Customer Journey Map (CJM). The results will identify areas where improvements are needed, such as communication between the sales team and the independent distributors and to develop strategies to enhance customer experiences in both distribution channels. The survey findings will pinpoint areas in both distribution channels that need improvement and create plans to improve customer experiences.

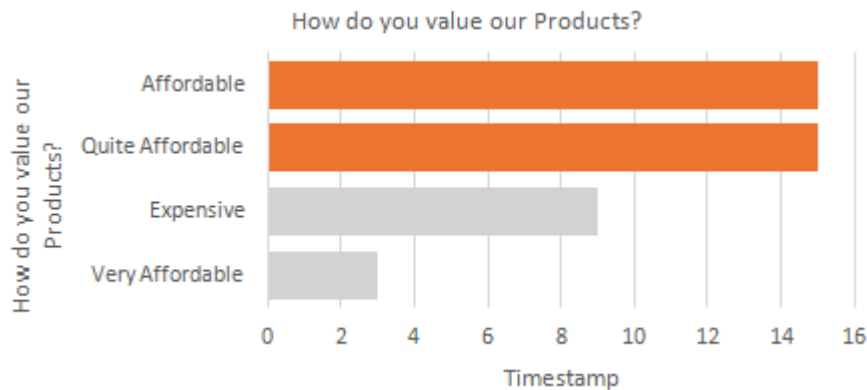
III. RESULT

Customer Satisfaction Survey

1. How the customer value our product

Customer satisfaction measures how satisfied customers are with your product or service. It provides insight into how well the product meets the customer's needs and expectations. This information can be used to identify improvement areas and develop strategies to increase customer satisfaction and loyalty.

Additionally, you can use this information to identify your most valuable customers and develop strategies to retain and grow their business. The follow-up question asks whether the prices are in accordance with the quality you get. 100% of customer answer is YES. In conclusion, with dual distribution channel, the price is still within customer's pocket.



2. How satisfied are you with our product quality and feature?

This question is commonly used in customer satisfaction surveys to gauge how customers perceive the quality and features of the products offered by a company. It aims to understand whether customers are happy with the product they purchased or if they have any concerns about the quality or features of the product. Customers may rate their satisfaction numerically or provide qualitative feedback on their experience with the product. Companies may find areas for product quality and feature improvement as well as strengths to build on and leverage with the aid of the replies to this question. Ultimately, high satisfaction with product quality and features can lead to increased customer loyalty and positive word-of-mouth marketing.

'On a scale of 0 to 5, How satisfied are you with our product quality and feature?'



3. How satisfied are you with the response of our staff answering your inquiry?

This question is aimed at measuring customers' satisfaction with the responsiveness and helpfulness of the company's staff when they have inquiries or questions about the product or service. It is essential for customers to feel that their concerns are heard and addressed promptly by knowledgeable and friendly staff. A positive response to this question indicates that the staff provides satisfactory customer service. In contrast, a negative response could suggest areas for improvement regarding the staff's training, communication skills, or availability to respond to customer inquiries.

'On a scale 0 to 5, how satisfied are you with the response of our staff answering your inquiry?'



4. How much will you recommend our product to your colleague?

The question is often used to assess the likelihood of customers recommending the product to others, an essential measure of customer satisfaction and loyalty. Customers who are highly satisfied with a product are more likely to recommend it to others. The question asks the customer to rate their willingness to recommend the product to their colleagues or others they know. This information can be used to assess the effectiveness of the product and customer service and identify improvement areas. The result is 60% at scale 5 and 40% at scale 4.

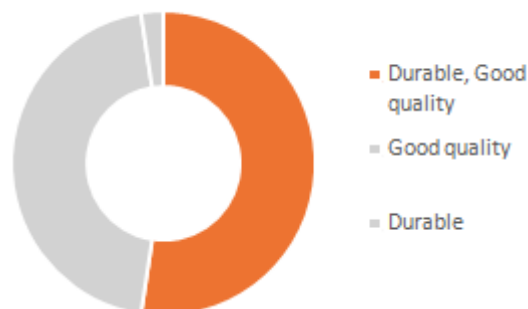
How much will you recommend our product to your colleague?



5. Describe our product

It provides a detailed overview of the product's features, benefits, and value proposition. It could include any other relevant information that potential customers might need to make an informed purchase decision. Overall, describing a product aims to provide a comprehensive and compelling picture of what it does, how it works, and why it is worth the investment.

Describe our product.



Customer Journey Map







Stage of Journey	Looking for information		Active Evaluation					Moment of Purchase	Post Purchase Experience		
Activity	Lead from a cold call, website, customer reference, or exhibition.		Lead converted as account and contact customer list		Created opportunities with customers: meeting, following up on inquiries, and building a relationship					Opportunity Close Won (100%) Or Lost (0%) due to: Price, Delivery, Project Cancelled.	Maintenance Training, Installation, Commissioning Warranty, Service, and Troubleshooting
	Disqualified	Still Working	Qualification 20%	Quotation 40%	Realization 60%	Negotiation 80%	Commitment 90%				
Feeling and Needs	Nervous, unsure, and hopeful my search will work 		Encourage but need clarity 	Hope this channel has what I need 	Overwhelm by the issues need to respond and answer 	Reassurance 	Satisfaction with the support 				
Potential Opportunities for Improvement	<ul style="list-style-type: none"> - Salespersons need to be skilled in negotiation and communication. - It is recommended that the quotation and datasheet are submitted in a single file to be more clear to the customer - Order acknowledgement should be sent max 1 week after PO to confirm the customer PO already proceed - Delivery for special or breakdown unit should be expedited to help customer. - There is a reminder via email for a salesperson if the customer is not active or dormant for one year - Send thank you letters to customers for their contribution end of the year with a customer survey - Independent Distributor needs improve customer experience and review their touchpoint 										

Figure 4 Customer Journey Map

IV. DISCUSSION

The customer satisfaction survey results show that most customers are satisfied with opening alternative direct sales in the B2B market. These channels allow customers to gain more knowledge about the product and access application references, which were previously difficult to obtain through independent channels. Direct sales channels provide a more personalized and interactive experience, allowing customers to engage with the company and receive tailored information based on their needs. It enhances the overall customer experience and increases their satisfaction with the company's offerings. Additionally, the availability of direct sales channels may also improve the company's reputation in the market. Customers are more likely to recommend the company to others due to their positive experience and brand image. Overall, the results suggest that using alternative direct sales channels is a valuable strategy for enhancing customer satisfaction and improving the overall customer experience in the B2B market.

The customer journey mapping process has provided valuable insights into the customer experience, highlighting seven critical recommendations for improving the overall customer experience:

1. Salespersons must be skilled in negotiation and communication to effectively engage with customers and meet their needs.
2. Submitting quotations and datasheets in a single file would make it more straightforward for customers to understand product specifications and pricing.
3. It is recommended that order acknowledgments are sent within one week of receiving a purchase order to confirm that the customer's order is being processed.
4. Delivery of special or breakdown units should be expedited to help customers in urgent situations.
5. Email reminders for salespersons to follow up with customers who have been inactive or dormant for one year would help maintain customer relationships.
6. Sending thank you letters to customers at the end of the year, along with a customer survey, would show appreciation for their business and help identify areas for improvement.
7. Independent distributors must improve the customer experience and review their touchpoints to meet customer expectations.

By implementing these recommendations, companies can enhance the customer experience, strengthen customer relationships, and improve their overall competitiveness in the market. It is important to remember that the customer experience is dynamic and requires ongoing evaluation and improvement to meet customer needs

effectively. Companies that prioritize customer experience and implement customer-focused strategies will be better positioned to succeed in today's highly competitive business environment.

The business relationship does not rely on a transactional marketing approach that stresses cost efficiency. Besides transactional marketing, scholars also classify relationship marketing. Hunt and Morgan (1994) suggest that manufacturers must develop their relationship marketing strategies because it will guarantee them long-term benefits. Relationship marketing is the future of the marketing paradigm. Gronroos (1994) defines *relationship marketing* as establishing, maintaining, and enhancing relationships with channel partners and customers at a profit to meet the parties' objectives. Mutual exchange and fulfillment of promises achieve this. Business relationship in Indonesia is naturally more focused on relationship marketing (Setyawan et al., 2016). *Relationship marketing* aims to build and maintain long-term customer relationships by providing personalized experiences and adding value beyond the initial sale. One of the main objectives of dual distribution channels is to improve customer experience. A positive customer experience is essential for customer retention, loyalty, and advocacy, and relationship marketing can effectively achieve these outcomes.

Although dual distribution channels are costly, both channels should focus on effective relationship marketing involves identifying customer needs, preferences, and behaviors through various sources such as customer feedback, social media, and customer data. This information is then used to tailor marketing strategies and customer interactions to create a more personalized experience. Personalization can take many forms, such as offering relevant product recommendations, providing customized offers, or tailoring communication channels to match customer preferences.

V. CONCLUSION

Dual distribution occurs when a manufacturer uses integrated (owned and regulated by the manufacturer) and independent (owned and managed by an independent business) channels to offer a product line/service to the same market within a specific territory. Several studies have found that this strategy is shared and used in various industries (Sa Vinhas & Anderson, 2005). There are some indicators that the dual distribution technique is becoming more popular in recent years. According to a recent poll (Kabadayi, 2011; Takata, 2019), 54% of US and 72% of Japanese industrial manufacturers utilize this method to promote their products, indicating that dual channel systems are becoming the standard rather than the exception in the industrial industry. Dual distribution is a very appealing strategy; by increasing the number of channels used to serve customers, i.e., by concurrently using integrated and independent channels, the manufacturer achieves excellent sales performance, market coverage, better customer experience, and customer loyalty.

As suggested by previous research (Frazier, 1999), channel conflict and competition may become significant problems, leading to lowered levels of support in the firm's integrated and independent channels. Some level of conflict between the two channels, as they compete for the same customers, may be beneficial, as a certain level of competition between channels motivates them to be efficient. Therefore, further study needs to be done on how the company can effectively manage channel conflict, such as clear communication channels, identifying common goals, and providing incentives for cooperation rather than competition. By doing so, the company can maintain strong relationships with both channels and improve overall customer experience.

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