

## DETERMINANTS OF DUAL DISTRIBUTION CHANNELS

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### ABSTRACT

**Purpose-** This study is intended to investigate dual distribution channels and the incentives they offer to consumer-goods manufacturers from several perspectives. Recently, more and more firms tend to own direct (or integrated) and indirect (or independent) channels simultaneously. In this study, we theoretically and empirically examine the determinants of dual distribution channels from the perspective of transaction cost theory, other corporate internal factors such as corporate ambidexterity strategy and external environmental factors.

**Design/methodology/approach-** The model of this study is developed and tested with data from Japanese consumer-goods manufacturers. We use multiple regression analysis and logistic regression analysis to strengthen the robustness of empirical validity of the model.

**Findings-** The adoption of dual distribution channels are related to transaction cost factors such as production of both customized and standard products, irreplaceability of distributors, behavioral uncertainty, and transaction frequency. They are also influenced by corporate ambidexterity strategy and variability of customers' purchasing patterns.

**Academic implications-** This study contributes to the discussion about the determinants of dual distribution channels in two respects. First, we empirically examined specific antecedents of dual channels from the perspective of transaction cost theory. Specifically, we empirically tested three hypotheses regarding transaction-specific assets, and two hypotheses were supported. Therefore, our study contributes to the transaction cost explanation of dual channels. Second, this study is the first to examine the determinants of dual channels in the distribution of Japanese manufacturers. Therefore, our study represents a milestone in its research examining the Japanese market.

**Practical implications-** This study carries three managerial implications relevant to manufacturers. First, we offer a type of index to manufacturers related to the adoption of dual distribution channels. Because we focused on concrete business situations, our

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study may assist in the decision-making processes of manufacturers. Second, we found that many manufacturers who adopt an ambidexterity strategy introduce direct channels to test exploratory products and use indirect channels to distribute exploitative products. Third, our study indicates that manufacturers can control the opportunistic behaviors of distributors by supplementing indirect with direct channels. When distributors engage in opportunistic behaviors, manufacturers should introduce several direct channels into only parts of channels in an attempt to ameliorate these behaviors.

**Keywords:** Dual distribution channels, Asset specificity, Behavioral uncertainty, Transaction frequency, Ambidexterity strategy, External environment

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