

CASE 2-1

CARDINAL CONNECTORS, INC.

E-Commerce and a Multiple Sales Channel Strategy

Ms. Sarah Miko, a sales manager for Cardinal Connectors Inc., is suddenly frightened about losing her job! She just stepped out of a meeting with her company's president, Mr. Bill Evans. In the meeting, Mr. Evans outlined a revolutionary e-commerce strategy that would dramatically alter Cardinal's distribution channel in the name of enhanced efficiency and overall productivity. That is, Mr. Evans has begun to believe that Cardinal's customers might be better-served through a company Web site that actually replaces its current sales force, as well as its network of intermediary wholesalers.

With 100 employees and \$10 million in annual sales, Cardinal Connectors Inc. is a relatively small manufacturer of custom-design circuit-board connectors. Cardinal has a loyal base of customers, which consist of firms in the telecom, networking, and auto industries. Currently, these customers are serviced through a multiple sales channel strategy. The bigger customers, which represent about 60 percent of total revenue, are dealt with directly through Cardinal's 15-person full-time sales force. The remaining 40 percent of revenue is generated from smaller customers, which buy the product indirectly through one of five intermediary electronics wholesaler firms.

Ms. Sarah Miko has been a loyal and successful sales executive for Cardinal Connectors for over 20 years. She began as a sales representative with Cardinal right out of college, and eventually came to be one of Cardinal's most consistent sales performers. Seven years ago, Ms. Miko was promoted to sales manager and has received consistently high evaluations from Mr. Evans, the company president.

Ms. Miko prides herself on her ability to train and coach young sales reps into being professional, consultative salespeople. Above all, Ms. Miko preaches about the importance of relationship selling, and says that Cardinal sales reps are not doing their job unless they are adding value to the interfirm relationship be-

tween buyer and seller. For a Cardinal sales rep, most of the creative selling effort involves showing existing customers how they can solve their problems through the purchase of more Cardinal products. Thus, the emphasis is on increasing customer share—as opposed to market share.

Cardinal's sales force, however, does not service all customers. As stated above, a significant portion of revenue is generated from smaller customers who buy Cardinal products through intermediaries. But again, Ms. Miko believes that these intermediaries provide end-user customers with a host of valuable services that Cardinal could never offer itself through any Web site. These services include access to inventory, parts delivery, engineering support, and chip programming.

Mr. Evans is not so sure that either the direct sales force or the intermediaries are truly adding value. Evans believes that Cardinal circuit-board connectors are unmatched in quality and performance, and, thus, current customers will remain loyal to Cardinal as the sales function is moved to the Internet. Evans says this will be especially true since the e-commerce strategy will result in cost savings that can be passed on to the customer. The savings will stem from two sources. First, Cardinal can eliminate the high costs of paying for salesperson compensation and benefits; and, second, it will no longer have to offer margins to intermediaries. In addition, Mr. Evans thinks that customers will prefer dealing with a well-designed, interactive Web site, which (unlike salespeople and intermediaries) can be reached from anywhere at any time! And because a Web site is a great way to organize information, customers can find out all they want about Cardinal products simply by surfing and clicking.

Further, Cardinal Connectors' competitors have started to move toward selling product through their company Web site. However, Mr. Evans is convinced that it is just a matter of time before that happens, and he wants to be the first in the industry to capitalize on the