The Changing Relationships and their Connections in an Industrial Distribution Channel

A Study in the Distribution Channel for A4 paper in Finland

When studying a distribution channel from a holistic network perspective the development of many relationships can be simultaneously studied. We argue that both direct and indirect relationships has to be studied. By doing this we will identify connections between the different relationships that clearly has an impact on the development of single dyadic relationships. In this paper we will present results from a study in the distribution channel for A4 paper in Finland and show how the connections between relationships have lead both to opportunities and constraints for actors in the distribution channel.
1. Introduction

Research in distribution channels has been undertaken by many marketing and channel researchers (Gattorna, 1978). The behavioral aspects of actors in distribution channels have been studied with the help of concepts and assumptions from social exchange theory, social psychology, resource dependency theory, strategic contingency theory, interorganizational theory etc. (see Gaski, 1984, 1988).

When studying channels of distribution from a vertical marketing system point of view, the interorganizational relations are of major importance (Stern, 1969). Interorganizational theories have all contributed in some way to an increased understanding of industrial marketing and distribution channel research. Another field of research that has had an impact on the research of distribution channels as vertical marketing systems deals with organizational buying behavior (Gadde, 1983). The combination of organizational buying behavior and the research of studying the interaction process as a long-term relationship between a buyer and a seller led to the development of the network approach. With this approach researchers are able to study complex processes in relationships and structures of networks.

This paper will deal with complex relationships in a distribution channel and will be based on the network approach. The empirical study is conducted in the distribution channel for A4 paper. We have studied the development of different actor's relationships over a period of 29 years.

The paper will first give a short introduction to the empirical environment. We will then conduct a theoretical discussion about direct and indirect relationships, and the connections that exist between these relationships when a network perspective is used. Finally we will present our empirical findings from the A4 paper distribution channel.

Based on the above introduction we state that the specific purpose of this paper is to study:

• The differences between both direct and indirect relationships and the connections that have clearly affected the development of the different relationships in the studied distribution network

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1In our study actors are defined as organizations.
2. The structure of the distribution channel for A4 paper in Finland.

The distribution channel consists of organizations on three different levels, thus the producer, the middleman and end user level.

On the producer level there are paper producers that produce the A4 paper. In Finland there are today four paper producers that produce uncoated white A4 paper. The fifth producer that is included in this study ended producing A4 paper in June 1992.

The middleman level can be further divided in a national and local sub level. The national level consists of the primary distributors that have a national distribution system that covers the whole country. In this group there are three different types of distributors; merchants, Original Equipment Manufacturers (OEM) and stationery wholesalers. The paper merchants are focusing on sales and distribution of paper products, thus graphical papers (coated qualities) and business papers e.g. A4 paper (uncoated qualities), fax papers, envelopes etc.. The OEMs manufacture, sell, distribute and service copiers, printers and faxes but are also actively involved in the sales and distribution of A4 paper. They also sell and distribute different supplies to their machines. The stationery wholesalers are more local than the two former types of distributors. Their product portfolio consists of stationery products (office supplies), e.g. pens, pencils, folders, rubber, pads and A4 paper. On the local middleman level there are two types of secondary distributors; equipment dealers and stationary shops. They are both locally situated retailers on the street level in cities. The equipment dealers manages sales and distribution of business machines, i.e. copiers, printers and faxes. They also offer local service of these machines. Apart from this they sell and distribute supplies to the machines including A4 paper. The stationery shops are retailers that sell different stationery and paper products. They also sell A4 paper.

Important from a marketing perspective is that the A4 paper is one of the few paper products that are ready to be distributed directly from the paper mill to the end user, thus no further processing of the product is needed. Apart from this the A4 paper is a branded product and both paper producers and primary distributors have their own brands.

The end user level are all organizations and individuals that use A4 paper. This level can be divided into groups depending on the amount of A4 paper that they consume.

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22 Paper produced of pulp usually containing less than 10 % mechanical pulp and the rest chemical pulp. The main products are graphical, high quality printing and office papers.
There are high volume end users that consume large amounts of this paper product. In this group there are mainly large companies and public institutions that have over 50 copiers, printers and fax machines. The medium volume end users are mainly companies or other organizations that have less machines, between 3 and 50 and usually small copiers with a smaller and slower copying capacity. The small volume end users have a maximum of 3 copiers, printers and fax machines. These can be small firms or individuals with machines in their office or home. The high volume end users buy their A4 paper from a merchant or OEM. The medium volume end users buy their A4 paper from a merchant, OEM or stationery wholesaler. The small volume end users buy their A4 paper from a retailer like an equipment dealer or a stationery shop.

In figure 2.1 below we present the structure of the distribution channel in Finland. The arrows indicate the different possibilities how the paper is transported to the end users.

Figure 2.1: The distribution channel for A4 paper in Finland.
3. Different types of relationships

3.1 Direct and indirect relationships

Direct relationships are relationships that connect two actors together also called a dyadic relationship. This is the most visible and studied relationship. In a network perspective indirect relationships exist. They are the direct link between dyadic relationships and networks. An indirect relationship is defined as the relationship between two firms which are not directly related but which is mediated by a third firm with which they both have a relationship (Easton, 1992). Common examples of these kinds of indirect relationships are vertical, producer to distributor's end user, and horizontal, producer to competitor through mutual distributor.

Figure 3.1: Direct and indirect relationships

In networks there exists more indirect relationships than direct ones because indirect relationships exist on various distances from the focal actor. This increases the complexity of relationship management. It is however clear that the more distant the indirect relationships are the less impact they have on the focal actor. (Easton, 1992)

Mattsson (1986) identify seven dimensions that can be used to characterize indirect relationships. The dimensions are: distance from a focal firm, vertical or horizontal nature, complementary or competitive, narrow or wide connection, the strength, kind

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3 The transaction-cost, interaction and political economy approaches take this research view.
and content of the direct bonds concerned, the interdependency of the direct relationships concerned and the value added of a focal firm's direct relationship.

*Relationships other than economic ones*

Central for relationships is some sort of exchange. Easton and Araujo (1992) however argue that not all relationships include exchange. If an actor approaches another one it might be that the other one ignores responding or direct the response to a third party. For example trade advertising is a good example and has marginal impact on the competitors in an industry.

We have also underlined the existence of mutuality developing over time in relationships. However when focusing on a network perspective with existing indirect relationships the mutuality might be absent. For example if we consider an indirect relationship between two producers related by a common distributor the indirect exchange is very seldom mutually beneficial.

The final relationships without exchange are those that have a possibility of occurring although no activity exists. There is no sign of interaction between the two parties but there exists potential for exchange. The two companies may be so distant to each other or although the distance would be suitable the cultural barrier might be to high. If these relationships are established they usually start with a non-economic social or knowledge exchange.

Very important actors that influence the network as a whole is what we call institutional actors. These can be for example consultants, research institutes, universities, trade and professional associations and government institutions. They either have or don't have an economic exchange with the profit oriented economic actors but they definitely have an impact on the network.

Then there are relationships that aren't based on any economic exchange. The first example of this kind of relationship is inter competitor relationships. There are also inter-buyer relationships that don't involve any economic exchange. Suppliers that offer complementary products or services don't engage in economic exchange but exchange i.e. information, knowledge etc. variously depending on the degree of coordination that is required at the end user level.
A final relationship of non-economic character is those that link producer with end user. These two actors are usually related by an indirect relationship through a distributor consisting of two economic exchange relationships. However there is no reason why a producer couldn't establish a direct non-economic exchange relationship to the end user. Easton and Araujo (1992) specifically state that this is very common in distribution channels were a "pull through" concept is used by establishing a direct link between the producer and end user. This concept doesn't exclude the distributor instead it directs the end user to establish and use certain distributor relationships for a producers specific product.

To sum up we present a matrix classifying the types of relationships we have presented.

Figure 3.2: Relationship classification matrix (Easton and Araujo, 1992, p. 71).

<table>
<thead>
<tr>
<th>Involving Econ. Exchange</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Not Involving Econ. Exchange</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

The first category represent the core relationships in any industrial network. This is the direct, dyadic, buyer-seller relationships. Category two represent the relationships dealt with above where no economic exchange between two parties exist. Category three are the relationships that include economic exchange but are influenced through a third party. Thus the two parties are indirectly related to each other by an actor with whom both actors have economic exchange. For example two producers with a common distributor. Finally the fourth category are relationships that are indirect and not involving economic exchange. An example of this could be a producer influencing a competing producer in respect of a potential distributor.

4. Connections

The network model has a basic assumption that the relationships linking actors together are interconnected. The main question appears then to be the nature of this connectedness. In social exchange theory connection is defined in the following way;
Two relationships A-B and A-C are connected when exchange between A-B to some extent affects the exchange between A-C and vice versa (Yamagishi et al., 1988).

We will use in this paper a more appropriate definition for our purpose, that of Cook and Emerson (1984). They define connections between relationships as follows: "Two exchange relations are connected to the extent that exchange in one relation is contingent, positively or negatively upon exchange in the other relation". It has to be mentioned that this definition with either positive or negative effects on relationships is a simplification of the many degrees of connectedness that can exist. However it is useful if the purpose is mapping the network and observing some dependencies between actors.

In the beginning of a relationship the activity-based connections can be seen more relevant because of the need of an exchange combined with a lack of knowledge of the other party and its needs and capabilities. The actor-based connections will in the long run become more important while the actors increase knowledge of each other and adaptation in activities occur.

Empirical evidence on dependency and connections show that they are strongest in relationships which are closest to each other in the network. However there are connections between relationships where intermediate parties are involved. In these circumstances the connection is indirect and works via one or several intermediate relationships.

Smith and Laage-Hellman (1992) distinguishes between three triadic network conditions that can be used to examine the connection concept.4

- One distributor, interacting with two producers.
- One producer, interacting with two distributors.
- Producer, distributor, end user triads.

The first case illustrates two producers using the same distributor. If the producers are offering the same resources and activities they compete with each other and the connection between the two linked relationships tend to be negative. If again the two producers offer complementary resources and/or activities the connection might be positive. Thus one producer exchange relationship implies the need for the distributor to establish and/or develop a second producer exchange relationship. In parallel

4Smith and Laage-Hellman (1992) uses different terms: Customer/Intermediary=Distributor, Supplier=Producer. We have chosen other terms that fit into our distribution network perspective.
development the need for some resources may be dependent on the availability of some other resources. In sequential development the resources exchanged in one relationship on one stage is dependent upon the exchange of resources in previous exchange relationships. Synergy is a concept often used in relationships between organizations. When two actors are studied in a dyadic perspective a clear synergy between them might occur but if the scope is widened and connections to the specific dyadic relationship is taken into account the outcome of synergy might be different. Finally two firms competing for business in one sense can yet be mutually dependent in another. However it has to be mentioned that the judgment of whether a connection is positive or negative is different depending on the perspective from which the situation viewed, thus the position in the triad.

Figure 4.1: Distributor-producer/producer triad.

The second triadic situation is that of a producer having two distributors. If we look at it from a supplier-buyer perspective it might be that a supplier has only one buyer, e.g. in a monopoly situation, if the buyer is large and the supplier very small, if the supplier is a spin off from a large buyer etc.. The connections between these relationships will in various degrees affect each other. If we look at consumer markets the connections between different supplier-customer/customer relationships doesn't affect each other very much. However when considering the inter-organizational business where there are a relatively small number of actors involved in the exchange the connectedness between the relationships to two distributors can have significant impact on the outcome for the producer (Smith and Laage-Hellman, 1992).
The final triad is very relevant in both industrial and distribution networks. This is the producer, distributor, end user triad. In the industrial network different processing stages are performed by different companies. In the traditional distribution channel theory processing stages are replaced by the division of work on different levels in the channel. From a distribution perspective the exchange relationship between producer and end user is an indirect one through the distributor. The distributor has two economic exchange relationships; one to the producer and a second one to the end user. These two relationships has a connection between them.

The producer can also establish a direct relationship to the end user. If this is an economic exchange relationship then the connection to the relationship between producer and distributor will be negative. If the exchange relationship from producer to end user in of non-economic character then the connection between the above relationships might well be positive.

The different exchange relationships in a producer-distributor-end user triad and their connections are presented below.
5. The Study

The focus of this study has been on the primary distributor’s relationships in the distribution network. To be able to increase our understanding of the direct and indirect relationships and their connections we had to study their development over a longer period of time. The development of the relationships have been studied from 1964-1993. All key persons involved in the A4 paper business in Finland has been interviewed. By interviewing persons in different organizations with an average experience from the business of 11.8 years we have been able to increase the reliability of the data.

As we already mentioned the primary distributors clearly differ from each other. This affects the development of their relationships. Due to this we have studied the content and function of the various relationships.

In general one can say that all primary distributors have relationships to all other type of actors included in this study, thus paper producers, secondary distributors and end users. By the function of a relationship we mean either the actors direct dyadic relationships or in a wider network context the indirect relationships and the connectedness between relationships that will be presented in the next paragraph.
The whole distribution network for A4 paper in Finland is presented in figure 5.1 below. This illustrates all the central actors included in the study and their relationships to each other. The relationships are both still continuing and already ended ones. All brands that exist in the market are also visible in the figure. This clearly illustrates the complexity of relationships that exist in the distribution of A4 paper. We will start by presenting the content of the primary distributors direct and indirect relationships.

Figure 5.1: The total studied distribution network for A4 paper

5.1 Primary distributor's direct and indirect relationships

*Exchange of resources in product development - Primary distributors' direct relationships to paper producers.*

It is important to notice that every paper producer is unique, hence they control certain resources and they manage different activities. This might be surprising if one considers that the competence of producing high quality paper is today managed by all mills. However the differences appear when we consider the content of their relationships to the different distributors of A4 paper. For example the decision of Enso-Gutzeit Oy not to establish an OEM relationship affected its resources in developing new paper
qualities for new copiers and monitoring the quality of the current paper and its runnability. By this decision they have had to manage the product development and quality control activities entirely with their own resources, both people and machines. If they would have an established OEM relationship as for example Kymi Paper Ltd. has with Rank Xerox Ltd, they would have access and indirect control to the OEM's resources. This has direct effects on the product development process of the paper where the paper producer with an OEM relationship has access to the newest copier technology even a year before it is in the market and a paper producer without this relationship has to wait until the copier is in the market. This gives the OEM connected paper producer an advantage to develop a paper that is functional with the new technology when the copier is launched. In the relationship between the OEM and the paper producer it is of course also very important for an OEM like Xerox and Canon Corporation, that both are in the front line of developing the copier and printing technologies, to have a functioning paper when the new machines are launched. The continuous control of the paper quality by a paper producer is also different. Although all the papers produced in Finland are of very high quality in international standards there exists differences depending on the degree of control that the producer puts in the process. The quality of the paper is dependent upon how hard the quality control following certain specifications of the paper is, thus for example how often the cutting lines blades are sharpened because worn out blades makes the format of the paper wrong which creates runnability problems in the copiers. The OEM's and especially Rank Xerox Ltd. are very exact about the quality of the paper and due to this the paper producer with a relationship to Rank Xerox Ltd. is forced to continuously control the quality. Rank Xerox Oy has even had their own people visiting the mill to check that the quality meets the specifications set by them. Apart from this all the mills, Kymi Paper Ltd., Metsä-Serla Oy and Veitsiluoto Oy that cooperate with Rank Xerox Ltd. or/and Canon Corporation sends every month samples of their paper to the laboratories of these two OEMs.

The content in a relationship between a paper producer and Canon Corporation or Rank Xerox Ltd. mostly consists of product development and quality control activities and exchange of resources needed in these processes. This relationship also forces the paper producer to constantly develop and control the quality of the paper.
Investment in resources for logistics - Primary distributors direct relationships to end users

On a national level the relationship between a paper producer and an OEM consists in a large degree of developing the logistical operations. The OEM, in our case Canon Oy and Rank Xerox Oy have both invested in resources to manage the distribution of paper to high volume end users geographically spread around the country. Though it has to be pointed out that Rank Xerox Oy much earlier started to develop its resources to penetrate the high volume end user markets than Canon Oy. Amerpap did also later start to really invest in the distribution of this paper quality when they launched their own brand. Before this A4 paper had only been an extra service product mainly for the graphical industry. Time has become very crucial in distribution of A4 paper. The distributors have developed their capabilities of very fast deliveries and due to this the end users have become used to a very fast delivery and also therefore requires it today. This requires a well developed distribution network for all three distributors. In this respect a paper producer that has a relationship to any of these actors can reach the high volume end users. These distributors are usually very important for the paper producer because the producer has a continuous output of A4 paper that has to be sold. If we furthermore study the development of the mills production resources considering A4 paper qualities over time we will notice that all mills except United Paper Mills have invested in their paper machinery and increased their production capacity of A4 paper. Due to this they have increasingly needed to secure the distribution of their paper on the domestic market. In this sense the distributors; Rank Xerox Oy, Canon Oy and Amerpap don't differ very much from each other. Hence, a paper producer can theoretically use anyone of the three distributors to reach the end user but in practice this isn't possible. This will be illustrated in the next paragraph were we analyze the connectedness between relationships in the distribution network.

The two other studied primary distributors, Paperipalvelu and VHK, differ from these three. Paperipalvelu has not invested in resources that would directly or indirectly through relationships give them an opportunity to manage the distribution to high volume end users. Instead they have focused on the medium and small end users and developed their distribution to serve locally, especially in large cities, the medium end users, but also small end users on a national basis through stationary shops. VHK has by definition only focused on one specific end user segment hence the public sector. They have earlier had a clear advantage when the public end users had to order their paper through VHK. Today this advantage has disappeared although many public institutions still use VHK as their distributor of paper mainly because of financial reasons. The end users that VHK serves are usually high volume end users and due to
this they have invested in resources to be able to manage the required distribution activities.

*Investment in resources for logistics - Primary distributors indirect relationships to end users*

Although one can find similarities between the studied primary distributors in a distribution sense there are differences if we study their relationships to secondary distributors.

Rank Xerox Oy and Canon Oy started in the end of the eighties to develop an equipment dealer network with a clear intention to increase the local sales and service of their copiers nationwide. These dealers were founded by private entrepreneurs with usually an earlier good relationship to either of the OEMs. Because the dealers also sold supplies to the copiers they started to combine the sale of copiers and supplies with A4 paper by keeping some small quantities of paper in stock. By the development of the equipment dealer network and their decision to include A4 paper in their assortment both Rank Xerox Oy and Canon Oy could reach the local small and medium volume end users in the whole country. However the paper was connected to the sales or service of the machines.

Amerpap and Paperipalvelu had another sort of strategy mainly because of their product assortment. They created good relationships to local stationery shops around the country. Amerpap as a merchant, offered a complete paper assortment including A4 paper, fax paper, envelopes etc.. These are all needed products in a stationery shop. Paperipalvelu as a stationery wholesaler offered pens, rubbers, pads, A4 paper etc. which is also necessary for the stationary shops.

This difference in relationships between the studied primary distributors and the secondary distributors affects the relationships to the paper producers because they will have an indirect relationship to a different type of retail outlet, equipment dealer or stationery shop, depending on which primary distributor they use.

The primary distributors relationships to end users varies. These relationships can best be studied if we divide the end users in high, medium and small volume end users. The high volume end user relationships are always direct from the primary distributor to the end user. The physical transportation, thus the exchange of goods can be direct from the mill to the high volume end user. This is done because of economic and efficiency reasons. However the invoicing is always managed through an indirect exchange
relationship between the paper producer and the end user via the primary distributor. This because the primary distributor manages all sales and other marketing activities. Based on data from distributors there exists one exception to this which is Metsä-Serlas mill that has established direct relationships to high volume end users. The content of the relationships is mainly information exchange about the mills A4 paper qualities and feedback from the end users about quality and runnability aspects. However they always direct the end user to a merchant or OEM for ordering the paper hence no direct invoicing is made. The internal organizational development in Amerpap when they connected the sales of A4 paper to the processing unit from the earlier graphical paper unit combined with the launching of their own brand lead to investments mainly in sales people which increased their capabilities to seriously participate in the marketing of A4 paper to the whole end user group and not only to the graphical industry and some offices "here and there".

The distribution of A4 paper to medium volume end users has mainly been managed by the primary distributors through direct relationships. The content of these relationships have been a total exchange of resources and activities where the paper transportation has been managed by the primary distributor. However in the end of the eighties when both Rank Xerox Oy and Canon Oy developed their dealer network they simultaneously tried to shift the marketing responsibility to the dealer, in some cases including dealers own stock and transportation of paper and in some other cases not including it depending on the local dealers resources. By this change the medium end users could be served with A4 paper from the primary distributor through an indirect relationship via a secondary distributor, thus an equipment dealer. The same type of system has been developed by Amerpap via local stationary shops. This type of indirect relationship, via a secondary distributor, always exist between a primary distributor and a small volume end user. The small end users have to be locally served because their small purchases are usually quite unplanned and made very near their office or home.

In the matrix below the content of the different relationships are presented.
Figure 5.2: Content of the primary distributors’ relationships to other actors in the network.

<table>
<thead>
<tr>
<th>Type of relationship</th>
<th>Content of direct relationships to paper producers</th>
<th>Content of direct relationships to end users</th>
<th>Content of indirect relationships to end users through:</th>
<th>Stationery or Equipment dealers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amerpap</td>
<td>• A natural distribution relationship for a paper mill, but traditionally in graphical paper.</td>
<td>• A traditional good relationship to graphical industry end users.</td>
<td>• The product portfolio makes this relationship natural.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Mill has indirect control of effective distribution resources</td>
<td>• Through investments in distribution resources increased capability to serve large A4 end users.</td>
<td>• Designed a total paper palette together</td>
<td></td>
</tr>
<tr>
<td>Canon Oy/Canon Corporation</td>
<td>• Exchange of both tangible and intangible resources in paper product development</td>
<td>• Already established relationships to Canon business machine end users - information exchange of end users problems and needs.</td>
<td>• The product portfolio makes this relationship natural</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Cooperative character - relies on mills competence in prod. paper</td>
<td>• A complete offer - machine and paper. Good distribution capability.</td>
<td>• Investments in a Canon dealer network.</td>
<td></td>
</tr>
<tr>
<td>Paperipalvelo</td>
<td>• Less intensive relationship - mainly ordering of paper from the mill.</td>
<td>• Good relationships to medium and small offices, that all the time increase in number.</td>
<td>• The product portfolio makes this relationship natural.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Use the mill’s marketing material</td>
<td>• Not invested in resources to manage distr. to large end users.</td>
<td>• Can offer A4 paper as an extra product.</td>
<td></td>
</tr>
<tr>
<td>Rank Xerox Oy/Rank Xerox Ltd.</td>
<td>• Exchange of both tangible and intangible resources in paper product development</td>
<td>• Established relationships to Xerox business machine end users - information exchange of end users problems and needs.</td>
<td>• The product portfolio makes this relationship natural.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• High degree of internal competence in producing a functioning A4 paper.</td>
<td>• A complete offer - machine and paper. Good distribution capability.</td>
<td>• Investments in a Xerox dealer network.</td>
<td></td>
</tr>
<tr>
<td>VHK</td>
<td>• Some cooperation but mainly ordering of paper from the mill. Relationship with all Finnish mills - to have a complete product palette.</td>
<td>• The business mission of VHK has made them establish relationships only to the public sector. Earlier a monopoly situation when public lost, had to buy from them - a guaranteed output! Relationships change because the strategic identity changes.</td>
<td>No relationships.</td>
<td>No relationships.</td>
</tr>
</tbody>
</table>

5.2 Connections between the relationships in the distribution network

In this paragraph we want to bring forward the specific characteristics of a network. The dyadic relationships are usually interconnected either positively or negatively, hence one relationship affects in some way another one. To be able to analyze the connectedness between the relationships we have to study the evolution of the A4 paper distribution network, thus the changes that have occurred in the network. Naturally there are many connections between relationships and also those that haven’t been identified in this study but we choose to focus on some connections that we feel relevant to understand the development of the network structure.

The longest relationship in the network is between Rank Xerox Oy and Kymi Paper Ltd. (started in 1964). This was the predominant relationship in the network in the sixties because only Kymi Paper Ltd. produced Xerographic A4 paper in these times.5

5The patents of Xerox Corporation ended gradually in the beginning of the seventies.
In the seventies when Rank Xerox Oy started to invest in resources to be able to manage the distribution and actively sell A4 paper it was natural that Kymi would be the main A4 paper producer for Rank Xerox Oy. Rank Xerox Oy managed quite quickly to acquire a market leader position in the network and due to this Kymi's volumes through Rank Xerox Oy increased and became soon the most important domestic distributor of A4 paper for Kymi. This well established relationship affected the relationship between Rank Xerox Oy and Metsä-Serla Oy when it started on the domestic market in the end of the seventies. Metsä-Serla Oy knew that their relationship only was an alternative and security for Rank Xerox Oy but couldn't in volume become larger than Kymi. One can say that there existed a negative connection between these two relationships.

Figure 5.3: Negative connection between the relationships

The relationship between Rank Xerox Oy and Kymi based on the large volumes that have been distributed through this channel has also affected other relationships. For example when Amerpap launched their own brand and searched for a producer of paper the choice Kymi wouldn't have been possible because Amerpap wanted a producer that would use Amerpap as their main distribution channel and Kymi already had a main distributor, Rank Xerox Oy. Kymi also owned their own merchant Paperi-Dahlberg which sold Kymi's mill brand KymCopy. Both Xerox Paper and KymCopy competed with Amerpap's Zoom brand in the end user market.
Metsä-Serla Oy launched and developed their own brand Lokki which was distributed in a number of ways in the end of the seventies, through merchants and stationery wholesalers. They had a traditionally good relationship to Hyppölä and Hellpap the predecessors of Amerpap and due to this it was quite natural that Amerpap would become an important distributor for Metsä-Serla Oy. But Amerpap had also another very important relationship to UPM with the distribution of UPM's mill brand Walki Copier X. For UPM, Amerpap was it's main distributor. This relationship was negatively connected to the relationship between Metsä-Serla Oy and Amerpap because both UPM and Metsä-Serla Oy used the same main channel for their mill brand. Metsä-Serla Oy needed another channel to the market and this was Canon Oy that in the middle of the eighties started to invest in resources for effective distribution and sales activities. Metsä-Serla Oy had already in the beginning of the seventies established an international relationship with Canon Corporation but in Finland the distribution of A4 paper was quite small until the middle of the eighties. UPM had made their decision not to establish an OEM relationship and due to this they cooperated with Amerpap that sold and distributed Walki Copier X. Canon Oy increased quickly it's A4 paper market share and the cooperation between Metsä-Serla Oy and Canon Oy became very intensive. Via Canon Oy, Metsä-Serla Oy got access to all the end users that use Canon Copiers but also other end users used Canon Paper, hence for Metsä-Serla Oy Canon Oy became an important distribution channel.
Competing brands in the end user market

<table>
<thead>
<tr>
<th>Walki Copier X and Lokki</th>
<th>Canon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amerpap</td>
<td>Canon Oy</td>
</tr>
<tr>
<td>Main distributor relationship</td>
<td></td>
</tr>
<tr>
<td>United Paper Mills Ltd.</td>
<td>Metsä-Serla Oy</td>
</tr>
<tr>
<td>+ No OEM relationship - strategic decision</td>
<td></td>
</tr>
</tbody>
</table>

= positive connection
→ ← = negative connection

When Enso-Gutzeit Oy in the middle of the eighties started to develop their A4 paper, first Enso Copier and then Karelia, their primary distributor relationships were actors on the secondary distributor level. These distributors volumes were much smaller than the merchant's and OEM's volumes on the primary distributor level. However Enso's capacity had increased and they needed increased market share. This could only be achieved by an established OEM or merchant relationship. There were four primary distributor possibilities; Amerpap, Dahlberg, Canon Oy and Rank Xerox Oy. However, the problem was that in practice none of these were available for Enso. Amerpap had already three mill brands in stock, Lokki, Walki Copier X and KymCopy. Furthermore Amerpap's relationship to Kymi with KymCopy ended in 1985 which was in line with the strategy of Amerpap to decrease the number of different brands in stock. The already well established relationships by UPM and Metsä-Serla Oy to Amerpap hindered Enso to establish a relationship to Amerpap. Dahlberg which was not yet owned by Kymi had however a very good relationship to this mill and distributed most of Kymi's own branded A4 paper which made them reluctant to establish a new mill relationship. Canon Oy and Rank Xerox Oy as possible distributors of Enso's A4 paper was impossible first because Enso had made a decision not to establish an OEM relationship and second because these two OEMs already had well established mill relationships in Finland, Canon Oy with Metsä-Serla Oy and Rank Xerox Oy with Kymi. Furthermore Rank Xerox Oy had also a relationship with Metsä-Serla Oy. The above indicates how established relationships can decrease the opportunities for an actor to establish new relationships and thereby get access to high volume end users.
Figure 5.6: Established producer-distributor relationships prevents a producer from establishing a relationship to a primary distributor.

Competing brands in the small end user market.
- All brands

Competing brands in the large end user market
- Lokki
- Walki Copier X
- KymCopy
- Canon
- Xerox
- KymCopy

Secondary distributors

Karelia

Enso-Gutzeit Oy
- No OEM relationship - strategic decision

Secondary distributors

Amerpap

Canon Oy

Rank Xerox Oy

Paperi-Dahliberg

United Paper Mills Ltd.

Metsä-Serla Oy

Kymi Paper Ltd.

- not possible relationships due to negative connections with other relationships

← → = ended relationship in 1985

However the constellation of the established relationships between Amerpap and the other paper producers did create a positive connection to the relationship between Amerpap and Enso when Amerpap needed a second producer for their other brand Zeta in 1989. It lead to the decision to let Enso produce paper for Zeta and thereby Enso got access to Amerpap's logistical and sales resources and most importantly to Amerpap's increasing end user base. The decision to use Enso was made because Kymi, Metsä-Serla Oy and UPM all had strong interests in their own brand and/or other primary distributors brands. Mainly because of the Kymi - Rank Xerox Oy relationship, Metsä-Serla Oy - Canon Oy relationship and UPM's investments in their own brand. Veitsiluoto Oy had also made a later entry in the A4 paper market than Kymi, UPM and Metsä-Serla Oy. However they managed to establish a relationship with Amerpap that already earlier had sold their graphical qualities.
6. Conclusions

As the findings clearly indicated the primary distributors are quite different. They have invested in and thereby control different resources which will affect their activities. The heterogeneity clearly influence the content of the primary distributor's relationships both to paper producers, secondary distributors and end users. Based on this the paper producers, secondary distributors and even the end users will have different exchange relationships with different primary distributors. These findings indicate that an organization might have to evaluate the importance of different resources that can be gained through long-term exchange relationships with different primary distributors. The actor can through well established and developed distributor relationships get access to vital resources that can increase the actor's opportunities to acquire a favorable position in the distribution network.

The connections between relationships that appeared in the study showed that actors can have considerable trouble in establishing new relationships with other actors. However it is important to notice that the connections develop together with the relationships. One can say that the continuously developing processes of exchange and adaptation directly affect the connection between relationships. This leads to changes in connections and due to this negative connections might well become positive and vice versa.
REFERENCES


