THE VALUE OF INTERMEDIARIES IN CHANNEL RELATIONSHIPS

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ABSTRACT
The purpose of this paper is to outline the value of intermediaries by the aid of the seven propositions based on the value concept in the current literature of marketing. The channel system including three basic actors offers the setting for the value construction. The empirical results concerning insurance intermediaries are analysed from both the intermediary and the producer perspective.

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1 INTRODUCTION

Close business relationships are not new, but the purposeful development of relationships to achieve strategic goals is a recent development (Wilson and Jantrania 1994). The IMP Group (Håkansson 1988; Ford 1993) model reflects research on firms where relationships had developed in a naturalistic way over time, but Wilson and Jantrania (1994) see that systematic and goal oriented relationship development create a satisfactory and successful relationships, and as long as both partners see their goals being met by joint actions they are motivated to maintain the relationship. Best relationships demonstrate a 'meeting of minds' with mutually identifiable objectives (Yorke 1993).

In channel relationships three different kinds of actors are involved in channel relationships, a producer, an intermediary and a final customer, although the main role is played by the intermediary. Further, the intermediary is also a customer for the producer, and therefore the producer should develop a better understanding of the intermediary. If the producer encourages co-operation, the intermediary usually responds. Stem and El-Ansary (1992) argue that power in marketing channels is increasingly shifting towards intermediaries, and thus they are playing gatekeeper roles. All this makes intermediaries not only interesting, but also important focus of the study.

Value concept is used in the different contexts with different meanings. Generally value is seen as a relation between benefits and sacrifice. The traditional thinking in the industrial economics assumes that every company occupies a position in a chain that adds value to the product and/or service before passing them to the next actor (see e.g., Normann and Ramirez 1993) The nature of value concept makes it appropriate to analyse both distribution channels as a system and/or discrete channel members. Concerning value, the interest has been mainly concentrated on the one channel actor, the customer, at the expense of the other actors. Therefore, we consider it utmost important to broaden the value concept in distribution channels accordingly.
In this paper we concentrate on the value of the intermediaries in channel context. The purpose of our paper is to increase understanding of the value of the intermediaries by the aid of the seven propositions. The outline of this paper is following. The channel as a system with different actors is discussed, the value concept is defined, and the intermediary value propositions presented. The empirical results concerning insurance intermediaries are analysed both from the intermediary perspective, and from the producer perspective. By choosing a dyadic approach we aim to broaden the perspective by examining the topic from the two different angles. In addition, the dyadic approach has recently gained more significance among the relationship and channel scholars. Finally, the results are discussed and some conclusions are made.

2 CHANNEL AND CHANNEL ACTORS

Channel as a System

Stern and El-Ansary (1992, 1) have defined that

‘marketing channels can be viewed as sets of interdependent organisations involved in the process of making a product or service available for use or consumption.’

A channel can be viewed as a system because of interdependency of its members - it is a set of interrelated and interdependent components engaged in producing an output (Stern et al 1992). We see channel as an operating system with the following formal characteristics (adapted from McCammon and Little 1965; see also Stern and El-Ansary 1992):

1. The channel consists of interrelated components that are structured to produce predetermined results, and various activities performed by various channel actors are undertaken sequentially.
2. Among channel actors mutuality of interest, however slight, is perceived. There are incompatible goals, bargaining and accommodation, but the need for co-operation is recognised.
3. Relationships are mostly a long lasting relations, where co-operation is one road to co-ordinate and control actors' different activities and purposes (see also Andersson et al 1996).
4. The channel is an open system in the sense that participation in it is voluntary. Actors enter freely, and withdraw with comparable ease.
5. Organisational size, structure and strategy give the actors basic positions from which to interact, and the structure of each organisation, specialisation and formalisation influence the relationships in many ways (IMP Group 1993).

6. The behaviour of channel actors is regulated by 'an acceptable behaviour code'.

Hardy and Magrath (1988) consider a channel as a pathway to market extending from the manufacturer or service seller of a product to its final customer. We assume the conventional perspective including several producers, limited amount of intermediaries, and nearly unlimited amount of final customers. All communication in the channel is handled via intermediaries and intermediaries do not communicate frequently or systematically with each other and the same hold for final customers. Although Stem and El-Ansary (1992) suggest that channels can be viewed also as a network, and Gadde and Håkansson (1992) recommend network approach instead of channel perspective especially in the connection with dynamic analysis, we stick ourselves into the channel systems described above because of the lacking horizontal connections.

The Central Actor: Intermediary

Intermediaries stand between production on the one hand and consumption on the other, because of the benefits they offer, e.g., efficiency of the process and routinisation of transactions (Stem and El-Ansary 1992).

Intermediaries are independent business organisations that do not fall under the same degree of control as employees. A great deal of the motivation and control of channels is obtained by appealing to intermediaries' self-interests, which focus on maintaining or improving their profitability. More often, intermediaries view themselves as purchasing agents for their customers rather than as sales agents for their producers, and because of this orientation, intermediaries are more likely to add product lines, rather than new customers. In addition, intermediaries have power to decide whether they will co-operate and support producer-initiated promotions forwarded to final customers. If intermediaries ignore these promotions, there is not much that a producer can do. (cf. Hardy and Magrath 1988)
Actors at the both ends

Producers and final customers form the both ends of the continuum where the intermediaries stand in the middle. The success of producers using independent intermediaries to serve their target markets is dependent upon effective and efficient performance from their intermediaries (Rosenbloom 1991). This states a tough challenge to choose the intermediaries that are capable enough. What comes to the customers, they are the biggest concern that intermediaries face, because of the fact that they are getting tougher, smarter, more experienced and demanding (Stem and El-Ansary 1992). However, producers and intermediaries should always identify what customers are trying to do with their offering before jumping to any conclusions about what is valued and why (Ballantyne 1990).

Gadde and Håkansson (1992) stress the importance of final customers as follows:

'... the role of middlemen cannot be understood without taking into consideration their relationships with consumers. Such a perspective is not new at all - but it has been rather neglected in channel models.' (p. 172)

The channel system focusing on the intermediary is illustrated in Figure 1.

![Figure 1: Intermediary as a Central Actor.](image-url)
Value concept is widely used in different disciplines and in different contexts, e.g., finance and accounting, purchasing, microeconomics, and marketing (Wilson and Jantrania 1994). Researchers in marketing have extensively examined the concept of value in the context of consumer products (e.g., Dodds et al 1991; Monroe and Chapman 1987; Zeithaml 1988). Nevertheless, Wilson and Jantrania (1994) admit that value is a problematic concept and state the question: What is value?

Anderson et al (1993) define complicated value in business markets as the perceived worth in monetary units of the sets of economic, technical, service and social benefits received by a customer in exchange for the price paid for a product offering, taking into consideration the available alternative producers’ offerings and prices. According to Christopher et al (1991) value is assigned by customers in relationship to the perceived benefits they receive matched against their expectations. Monroe (1986, 32-3) has found an evidence that actors in general tend to use price as an indicator of value. The ratio between benefits received and the total cost of acquiring the product or service is important:

\[
\text{Perceived Value} = \frac{\text{Perceived benefits}}{\text{Price}}
\]

Grönroos (1996) has introduced Customer Perceived Value (CPV), which summarises core value and added value. Added value is caused by additional services etc., and according to Grönroos it is often treated as if it should always be added to the core value, but this is not necessarily the case. Jackson's (1994) idea is close to Grönroos as he suggests that enhancing relationships involves providing extra value to customers, above and beyond what they expect in a normal interaction. Enhancements are generally little things that add up to make a big difference in the relationships.

Following from above and considering that the focus of this paper is the value of the intermediaries in the channel context, it is defined that: The value of the intermediaries is formed by all the activities which the intermediary bear the responsibility for and which are not existing without intermediaries in the distribution chain. These activities have to bring benefits to producers or to customers, or both. The
intermediary value includes also all the extra benefits offered by each intermediary, such as frequent contacts, relationship maintenance, co-operation, mutual goal setting and other relationship elements.

4 INTERMEDIARY VALUE STRUCTURE PROPOSITIONS

In order to form intermediary value propositions, we utilise the different value concepts that already exist in the literature. They are 1) customer value chain (e.g., Ballantyne 1990; Christopher et al 1991), 2) 'traditional' value chain (e.g., Norman and Ramirez 1993), 3) relationship chain (e.g., Payne et al 1994), 4) value dimensions (e.g., Wilson and Jantrania 1994) and 5) value engineering (e.g., Monroe 1986). By the aid of these concepts we form seven propositions which we consider essential parts of the intermediary value in channel relationships. This means that each value concept produces a proposition of its own (e.g., propositions 1 and 2), but the concepts are combined, when fruitful ground for such a discussion is found (e.g., proposition 3 which combines the concepts of customer value chain and traditional value chain). On the other hand, the above mentioned concepts are not separate from each other, but there are significant overlapping.

As the value is originally meant a customer value in marketing literature, it is also our point of departure. According to Zeithaml and Bitner (1996) many companies are confused in attempting to deliver customer value, largely because value is an amorphous concept that means different things to different customers. The first step in creating value involves understanding what value means from the customer's point of view, how value perceptions are formed, and how they can be influenced. Ballantyne (1990) emphasises that the aim is always to identify what a customer is trying to do with the firm's offering before jumping to any conclusions about what is valued and why. This leads us to our first proposition:

Proposition 1: Through their direct relationships to final customers intermediaries are key actors for deep knowledge of their preferences and values.

The customer value chain concept shows that making an unique offer may be a waste of money if that offer does not fit beneficially into the customer value chain (Ballantyne 1990; Christopher et al 1991). We define the concept of customer value chain as series of actions customers take with the aim of
producing value for themselves. The customer value chain is really a path-goal sequence of activities. Failure to meet the requirements in any part of the customer journey might be critical or relatively unimportant (Christopher et al 1991).

Proposition 2: The value of intermediaries is materialised in their capability to deliver customer that value that meets their value chain.

The traditional thinking about value is based on the assumptions of the industrial economy, which offers the view, that every company occupies a position on a value chain: upstream actors provide inputs, the current actor adds value to the inputs before passing them downstream to the next actor in the chain, and finally to customers (Normann and Ramirez 1993). The idea behind is that all work activities are eventually connected through the value chain ending up to final customers, which makes every work activity a part of a process and every process a link in the value chain (Ballantyne 1990). Therefore, the important issue is whether these activities add value of all the actors concerned including final customers (Ballantyne 1990).

Proposition 3: Intermediaries add value for total customer offering.

Channel actors can achieve excellence in various activities and performance levels by the aid of relationships in channels. Combining the relationship concept with the need for a cross-functional, coordinated, focus on customers, leads to the idea of the relationship chain, which is focused on how value is created through improved relationships (cf. Payne et al 1994). The objective is centred on securing the company's ability to act in existing and changing value systems by raising its value somehow, and these improvements proceed through relationships and their reciprocal effect (cf. Juttner and Wehrli 1994).

Proposition 4: Building and maintaining relationships towards producers and final customers increase the value of intermediaries.

Wilson and Jantrania (1994) argue that any discussion on value has to be in relation to the social, economic, political and religious systems and environments surrounding the actors concerned. Further, they
divide relationship value along three dimensions: economic, behavioural and strategic. In addition, they assume that any relationship creates some value to both actors, and how this value is shared is likely to be a major issue in the life of relationships.

Proposition 5: The value that intermediaries bring along with their relationships are formed by economic, behavioural and strategic dimensions.

Monroe (1986) suggests that actors tend to use price as an indicator of value and value engineering is a vehicle in attempting to determine methods of reducing total cost without diminishing delivered value. He assumes that it is customers' perception of total relative value that determines their willingness to pay a particular price for a given offering. Essentially, value engineering concentrates on decreasing costs while maintaining performance.

Proposition 6: The value of intermediaries can be defended by reduced total costs.

Although the above propositions are matters of interest of both producers and intermediaries, we analyse them from both perspectives.

5 CASE COMPANIES AND DATA COLLECTION

Our data covers six dyadic relationship between a service producer and a service intermediary, i.e., the relationship between two channel actors. The service producer in this case is The Pohjola Group and the intermediaries are three car dealers and three travel agencies.

The Pohjola Group

The Pohjola Group is an insurance company grouping covering the entire spectrum of insurance services: all voluntary and statutory lines of non-life insurance as well as reinsurance, statutory employment pension insurance, self-employed persons' pension insurance, and life insurance. The two parent companies of the Group have been established in 1890 and 1891. Since 1975 the Group's co-operation is based on shareholdings and agreements, and it has a joint organisation. The Pohjola Group earned
insurance premium 12.1 billion FIM in 1995, and the average number of employees was 3422. (Annual reports 1994 and 1995)

Insurance companies have during their history always used some kind of independent intermediaries. The importance of independent intermediaries, both individual agents and entities, has lately acknowledged as Pohjola has committed to the multi-channel strategy to guarantee the availability of its insurance services, and new 'external' channel members, such as banks and post offices have emerged (Järvinen and Mittilä 1995). An oligopoly exists in the insurance markets in Finland, meaning that three large companies share the major part of the markets. Out of the three, the Pohjola Group is the second largest.

Intermediaries

All intermediaries in the study represent middle size or large entities in their branch in Finland with turnovers between 100-200 million FIM in the travel agencies and between 70 - 300 million FIM in the car dealers. The following criteria were used when suitable intermediaries were selected:

- Both car dealers and travel agencies are traditional and stable intermediaries with long experience in insurance sales.
- The chosen intermediaries are either large or middle size in their branch, which means that their value as intermediaries is above average.

Pohjola's relationship with the car dealer A started on the 1st of January 1935. The retail turnover of the dealer A is 300 million FIM and the number of personnel about 130. Two well known car makes are represented. The company was established in 1934. Pohjola's relationship with the car dealer B started for the first time in 1962. The unit attending to the study was however established in 1990, when B bought the whole outlet from another company. Two different car makes are represented, and as a matter of fact, B is wholly owned by the importer of the other car make. Outlet B has a turnover of 120 million FIM and the number of personnel is around 50. Pohjola's relationship with the car dealer C started in 1972, but at that time the dealer had previous owners. Due to the change in the ownership in 1994, the current relationship was re-established. The new owners have developed activities. The turnover is
around 70 million FIM with 35 employees. The dealer C represents only one, although major, car make.

Pohjola's relationship with the travel agency D started in 1976. The agency was established in 1935, and nowadays it belongs to a larger group of companies. The turnover of the studied outlet is 28 million FIM with 8 employees, and it represents several tour operators. Travel agency E was established in 1980, but the relationship with Pohjola started in 1985. The agency ownership has changed after 1985, but the new owner continued the business unchanged. The turnover of the whole agency is about 170 million FIM. The agency acts as a tour operator for themselves. The number of personnel in the studied Helsinki outlet is 16. At the beginning of 1981 travel agency F started its relationship with Pohjola. The agency F earns the turnover of around 270 million FIM with a personnel of 80 (half of them abroad as travel guides). The company was established in 1965 and it is acting as a tour operator. The personnel in the Helsinki outlet is 16.

The sample consists of individual interviews. All interviewees were among the key personnel in the relationships. The respondents were insurance contact persons taking care of the chosen intermediaries (4) and their managers (2), salesmen of the car dealers (3) and the travel agency officers (3) and their managers (6). Also managers of claims handling (2), a representative of claims inspection, and after sales managers i.e., managers responsible for accident damage repair (2; 3 in 1996) are among the respondents, as these activities are, in addition to insurance trade, an important part of the dyadic relationships in question. The number of respondents altogether was 23 persons (24 persons in 1996), and each of them was interviewed separately. The distribution of respondents was as follows:

- Car dealer A 3 persons
- Car dealer B 3 persons
- Car dealer C 2 persons (3 persons in 1996)
- Travel agency D 2 persons
- Travel agency E 2 persons
- Travel agency F 2 persons
- Pohjola: car dealer channel 6 persons
- Pohjola: travel agency channel 3 persons
The length of each interview varied from 45 minutes to 2.5 hours and they were held between 3 April 1995 and 23 May 1995. The follow-up interviews were held between 23 May and 26 November 1996 and they varied from 15 minutes to two hours, the average being 30-40 minutes. Five respondents were changed from the previous year, and providing the new-comers the background information of the study was the main reason for several long interviews in 1996. Otherwise each interview followed strictly the same form. The interview data was coded as a form of data-base files (Access) which allows searching and data sorting by using different key codes and words. According to Strauss and Corbin (1990) coding represents the operations by which data are broken down, conceptualised, and put back together in new ways. Coding can also be defined as the process of analysing qualitative data. For more details used in methodology see Järvinen (1996).

6 EMPIRICAL RESULTS

The intermediaries maintain contacts with customers on behalf of the producer. It is clear that in this mission, the VIP's are the car dealer salesmen and the travel agency officers, who are in the front line of the customer contacts. The study revealed that the salesmen and officers have tremendous amount of knowledge concerning customers preferences and values, but their managers without every day customer contacts are lacking this information. All the intermediaries in the study have conducted for years their own customer satisfaction studies regularly, and utilise the data gathered when improving their sales procedures. The dealer B even has invested for the customer registers in order to get more information, and it has the most systematic way to analyse this knowledge. Concerning insurance services, the car dealers see that customers are well aware which insurance company they choose and the price level they accept, but the real 'moment of truth' is the after-sales marketing, i.e., the car repair after any damage. The travel agencies consider that price and coverage of insurance are important for their customers, but the vital element is the service encounter, i.e., the interaction between customers and officers, either face-to-face, or through telephone service.

Pohjola is lacking face-to-face contacts with these customers, but the customer complaints, which are received directly from customers or via intermediaries, were considered good indicators of customer satisfaction. As Pohjola has carried out customer satisfaction studies only a couple of years now, there
are no such traditions for utilising them on the same scale as the intermediaries. In addition, there is no systematic way to deliver customer information from the intermediaries to Pohjola. As the proposition 1 suggests, the intermediaries have deep knowledge of customers, especially those employees in the front-line. The problem seems to be, that the more distance to the front-line, the more missing information, and this is a concern of both inter- and intrafirm employees.

By the aid of the customer satisfaction studies and front-line experience, especially the car dealers have developed their activities more customer-oriented. All three car dealers have started some kind of development projects in 1995 or 1996 which aim better management of their customer relationships. These projects include quality standards, customer service training, job re-descriptions, new performance criteria etc. The most active has been the dealer B, which has launched a slogan 'Full Service Dealer House', and pays special attention to customer orientation. Dealer B has also taken the initiative in more flexible insurance service alternatives. The travel agencies have not developed their activities as systematically as the car dealers, and thus after recession the increasing sales figures are rather a sign of customers' increased interest for travelling. The car dealers have taken seriously the challenge of the proposition 2, which means that they are working hard to meet the value chain of their customers, but the travel agencies seem, at least partly, to lack the systematic strategy for that.

Concerning both intermediary types, insurance is a part of their total offering. The insurance service offered is totally dependent on the sales of the core product/service, i.e., cars and travel services, and its sales follows the sale volume of the core product/service. Thus, insurance can be seen as a complementary service offered. The intermediaries build the total package they offer for their customers, including the car, accessories, insurance, and other services in the case of car dealers, and the tour, entertainment tickets, car rent and insurance in the case of travel agencies. Thus the value added is created through packaging, which makes it easier for customer to buy all necessary items by one call. For Pohjola, the existing intermediaries assure a wide availability of its insurance services, which is otherwise difficult to arrange. As a travel insurance and a tour belong together, as well as a car and a motor insurance, it is only natural to employ those intermediaries. As a consequence (proposition 3) we summarise, that the intermediaries add value for total customer offering by forming packages of core and supplementary items and by doing that they increase the availability of insurance services.
All intermediaries involved in the study invest their resources mainly towards final customer relationships. This confirms the argument of Hardy and Magrath (1988) presented before. The intermediaries consider their relationship with Pohjola as co-operative relationship with both-sided autonomy and respect, and they emphasise the importance of the social relationships. At Pohjola there are similar feelings. The study showed clearly, that Pohjola is the active actor in the relationships and it is expected to provide all insurance material, training and promotion. Therefore, the proposition 4 in this study means that the intermediaries build and maintain relationships towards final customers, but simultaneously expect the producers to be active towards them.

According to our proposition 5 relationships are formed by economic, behavioural and strategic dimensions. Below our data is summarised and marked according to the dimension they belong to (S = strategic; E = economic; B = behavioural) in Table 1:

<table>
<thead>
<tr>
<th>Intermediaries' descriptions</th>
<th>DIM</th>
<th>Producer's descriptions</th>
<th>DIM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car and motor insurance, and tour and travel insurance belong together</td>
<td>S</td>
<td>Car and motor insurance belong together</td>
<td>S</td>
</tr>
<tr>
<td>Intermediating insurance services</td>
<td>S</td>
<td>Insurance sales</td>
<td>E</td>
</tr>
<tr>
<td>Large, well-known companies work together</td>
<td>S</td>
<td>Mutual marketing activities</td>
<td>E</td>
</tr>
<tr>
<td>Final customers are the ultimate reason for the relationship</td>
<td>S, E</td>
<td>Mutual customers</td>
<td>S, E</td>
</tr>
<tr>
<td>Good experience and social relationships</td>
<td>B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual benefits</td>
<td>E</td>
<td>More business for both parties</td>
<td>E</td>
</tr>
<tr>
<td>Economical results</td>
<td>E</td>
<td>Co-operation traditions</td>
<td>B</td>
</tr>
</tbody>
</table>

Table 1: Descriptions of Relationship Value

The opinions of the both actors show that all the suggested dimensions can be identified accordingly, but the respondents of the intermediaries found more strategic aspects and Pohjola's respondents more economic aspects. The replies are partly similar and partly different. Nevertheless, it can be concluded that the proposition 5 is true.
The proposition number 6 suggests that the value of the intermediary can be defended by reduced costs. Although the relationships may not decrease the operative costs in the case of the intermediaries, the total costs are reduced in the form of sales promotion support granted by Pohjola, e.g., Pohjola's well paid advertisement in the travel prospectus. Instead, the costs at Pohjola are decreased as this channel system guarantees the availability of the insurance services without ownership of wide branch office network.

The empirical results of the study are collected into Table 2 and they reveal some differences between the producer and intermediaries.

<table>
<thead>
<tr>
<th>VALUE STRUCTURE PROPOSITIONS</th>
<th>OPINIONS OF INTERMEDIARIES</th>
<th>OPINIONS OF PRODUCER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Intermediaries are key actors for knowledge of final customers</td>
<td>Front-line personnel: YES Other personnel: NO</td>
<td>YES; but do not utilise the knowledge of intermediaries</td>
</tr>
<tr>
<td>2. Intermediaries are capable to meet final customers' value chain</td>
<td>Car dealers: YES Travel agencies: PARTLY</td>
<td>PARTLY</td>
</tr>
<tr>
<td>3. Intermediaries add value for total customer offering</td>
<td>YES; by total package</td>
<td>YES; by increasing availability</td>
</tr>
<tr>
<td>4. Intermediaries build and maintain relationships towards final customers and producers</td>
<td>Final customers: YES Producers: NO</td>
<td>Producer is active towards intermediaries</td>
</tr>
<tr>
<td>5. Relationships are formed by strategic, economic and behavioural dimensions</td>
<td>YES; all three dimensions are identified</td>
<td>YES; all three dimensions are identified</td>
</tr>
<tr>
<td>6. Intermediaries reduce total costs</td>
<td>Decreasing costs: YES</td>
<td>Decreasing costs: YES</td>
</tr>
</tbody>
</table>

Table 2: The intermediary value structure propositions: the opinions of intermediaries and producer

Table 2 shows that the propositions which turned to be 'true' are numbers 3, 5 and 6, whereas the others realised only partly. The problem with proposition 1 seems to be, that those employees who do not work on the front-line, lack the deep knowledge of the customers. The result of the proposition 2 suggests that depending on the intermediary capability, final customer expectations are either met or not. Therefore, it is one of the most important duties of the producer to choose the best available intermediaries. The results of the proposition 4 defend the old thinking of the channel where the upstream actor serves best the next actor towards downstream: the intermediaries are active only towards the end customers and expect the producers serve them as well as they serve the end customers.
7 CONCLUSIONS

In this paper our aim has been to discuss the value of the intermediaries by the aid of seven propositions. We have first presented the channel as a system, then discussed the value concept and formulated the value of the intermediaries by the aid of the seven propositions based on the current marketing literature. The propositions were analysed by using the empirical data of the insurance producer and its intermediaries. Based on the empirical results, a conclusion can be drawn that the propositions are realised only partly. The deviations are presented in the connection of the results, but the reasons for deviations are discussed next.

The intermediaries are heterogeneous, and as such, they match the expectations of their value propositions differently. Our data confirms that the information backwards from the intermediaries to the producer is not well managed. The valuable information and knowledge of final customers are there, but nobody except front-line personnel utilises it. Therefore, the systematic return flow has to be established. The intermediaries do not see themselves as the central actor towards both ends as we suggested in this paper, but they see themselves as a stopping point towards final customers. This is the reason that they do not build relationships towards the producers, but instead expect the producers to do so. Intermediaries add value for total offering by packaging various elements. Both actors benefit from the channel system in a form of decreased costs.

Value is such a complex concept. Wilson and Jantrania (1994) have acknowledged that in most cases, value to producers means something different from value to final customers. It is suggested that value is in the eye of the beholder, i.e., value for either a producer, an intermediary or a final customer, and therefore even the similar value propositions mean different contents to each actor involved. In this paper we haveanalysed the value of the intermediaries from the two perspectives: intermediaries own perceptions and the producer's perceptions. However, our three first propositions are a concern of final customers, which we in this case decided to look from the other channel actors' perspectives, i.e., how producers and intermediaries understand the value for customers. Namely, this understanding is the underlying ground of the actions and activities carried in channels. This is not to say that opinions of final customers are less important, on the contrary, we consider it utmost important to study that angle too.
Finally, it may well be that our empirical data is one reason for the results of the study. The generalisability of the results may be limited because there are only 24 respondents and the study concerns the marketing channel of the insurance services, that may behave differently from that of the channels for manufactured goods. Therefore, it would be necessary to carry out studies in the product channels, but also re-define the propositions accordingly.

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