What is a business actor –
How customers perceive contemporary suppliers and distributors?

Abstract

In micro-economic and business literature it is normal to use the viewpoint of a firm or a manager when referring to a business actor, sometimes a department or a buying centre may also form the unit of analysis. This paper reconsiders the concept of a business actor and attempts to illustrate how the ITC technology is transforming the actor types. We examine the characteristics of different business actors in the paper industry distribution networks by classifying them into types and discussing the differences from the customer perspective. The strategic approaches underlying the changing actor roles are discussed as they illuminate how and why new business actors, or new role configurations, are constructed. The paper presents theoretical implications towards the development of how to view and define a multi-organisational enterprise. It suggests that managers should increasingly be monitoring the changing distribution networks and their position(s) and role(s) in them.

Key words: business actors, paper distribution, strategy, multi-organisational enterprise

Introduction

In the IMP research-based ARA model (Håkansson and Snehota, 1995) business actors (i.e. firms) have a meaning beyond economic transactions as the industrial network view takes into consideration also such relational and network dimensions as interconnectedness, interdependency, and embeddedness (e.g. Thorelli 1986; Easton 1990; Håkansson and Snehota 1998). That is, the actor is to a certain extent characterized through the nature of its business relationships and network embeddedness. Although there are extensive research on the structure and dynamics of business networks (Bengtsson and Kock 1999; Håkansson and Snehota, 1995; Ritter 1999, 2000; Ghauri et al 2003; Gulati 1998; Gulati and Singh 1998) there is relatively little discussion of the form and type of actors. This paper addresses this issue and uses the relational perspective as we are interested in how customers perceive their suppliers in the business-to-business relationships and networks.

What is a business actor? Scholars tend to see the business actor as a theoretical construct, but what is the actor that the customer perceives? "Who" is representing a networked actor or a value net in eyes of the customer (Gummesson 1999)? There is a gap between the traditional organizational or economic view and the relational or network theory-based view (Hunt 1991 and Hertz and Mattsson 2003). We believe that the customer-supplier interface matters as it influences how both actors are constructing each others, which further influences their purchasing decisions and actions (cf., Gemünden et al. 1997). The ultimate competitiveness of a supplier is shaped through the actions and perception at the grass root level.

Another issue is the view of an actor as an entity. Gummesson (1999) criticized the tendency to focus on the "pure" company and not considering hybrid forms such as franchising systems and alliances. In the current network economy also other "many-headed" forms of organisation must be taken into account as new market actors. These multiorganisational "enterprise platforms" and network organisations may often have one customer interface on a local level but still have several companies behind it, such as a strategic net of interconnected companies, manifested by purchasing and supply groupings present in retailing and wholesaling and in the airline industry (de Man, 2004; Christopher, 2005). In brief, in addition to speaking of "markets as networks" we can envision "actors as networks" or "networks as actors". The traditional view of the firm as a monolithic actor is not sufficient in today's networked world where strategic alliances and business nets obtain more and more presence in markets, Möller et al. (2005).

Since the emergence of internet and e-business the methods of doing business have changed radically. This change in the way of working has had an impact on the development of organisations, firms, cooperation and particularly on the emergence of virtual actors and platforms allowing internet-based and mobile-base customer-supplier interaction. Supply networks, strategic alliances, central

purchasing organisations and other intentional forms of cooperation have become an important part of competitiveness also for many small and medium-sized business actors. How should we perceive these many-headed business actors theoretically and managerially? Where is their customer interface?

This study explores different types of organisational configurations and forms of supplier actors by using a customer viewpoint. We use the paper and paperboard business as an illustrative context and examine how the roles of suppliers and distributors have changed and what kind of new actors have entered the market. This particular field is chosen for a number of reasons. First, we are interested in the change of the roles and organizational forms of suppliers and distributors (the actors) within a traditional industry. Second, we believe that the emergence of the of internet and e-business – based methods play the major role in enabling change; as a mature industry the paper and paperboard business allows a comparison between the industry distribution structure before and after the adoption of ICT based technology. Third, the lead author has a long experience of the business practices of the focal industry. Besides this explorative industry analysis, the purpose is to try to identify such characteristics that could form a set of criteria for deriving a more general typology of business actors. The specific research questions are: what kinds of business actors are there in paper distribution when we look at the suppliers from the customer relationship perspective? Can we detect similarities or common configurations, which would indicate types of organisations? What are the strategic drivers behind the emergence of these organisations?

At this stage we believe that the task(s) that the supplier and customer (which can be single organizations or network organizations, cf. Achroll 1991) try to carry out influence both the way the customer perceives the supplier and the way their interface is, and should be, organized. The task can be characterized trough several dimensions: complexity of the task that the actors try to achieve, which is reflected by the "multifunctionality" embedded in the task, novelty of the task to the customer and supplier, relevance of the task for the customer and supplier, and perceived uncertainty of the tasks (Möller and Wilson 1995). These factors are expected to influence the hierarchical level(s) of actor involvement, the number of functions / actors involved in a relationship, and the interaction intensity required.

This is a primarily an exploratory study utilizing illustrative company examples within the paper and paperboard industry. Based on a literature analysis (industrial network theory, e-business literature, and buyer-seller literature, including key account management) and an overview of the paper and board distribution networks a tentative conceptual framework for classifying suppliers is constructed, emphasizing the view point of supplier-customer interface. Then the identified supplier types are discussed and illustrated with company examples. Theoretical implications of the identified types are considered and directions for future research suggested; managerial implications conclude the paper.

Change in business distribution networks

Globalisation and information technology are creating a major change in the modes how business is being carried out. The availability of internet-based, www-based, and mobile technology solutions is empowering both the customers and the sellers, reducing not only the transaction costs but how the customers compare and access different vendors globally. The changes have several implications on business actors, and these changes are not located in Europe or USA alone. Dramatic shift in the way business is done has taken place in areas such as Asia, South-East Asia, Arab countries and North Africa (see e.g. www.eugropa.com; www.prima-papernetwork.org; American Forest and Paper Association). Although the most striking changes are taking place in digital products and services we will focus on such business actors whose sales activities concern physical products, i.e. suppliers of paper and board materials and products. This does not exclude services, but pure service providers have different business models and systems. The focus on paper and board business allows us to identify the changes brought by the digital technological platforms on buyer-seller relationships in a traditional industrial setting.

We discuss the change in doing business and business actors using distribution and wholesale as the starting point. According to Kotler and Amstrong (1991, p.408) wholesaling includes all activities involved in selling goods and services to those buying for resale or business use. Wholesalers buy mostly from producers and sell mostly to retailers, industrial customers and to other

wholesalers. The Kotler and Armstrong classification was chosen since it provides a good historical grounding before the launch of commercial Internet in mid 1990s and because of its influence within marketing.

Wholesalers used to have the following channel functions: Selling and promoting, buying and assortment building, bulk-breading, warehousing, transportation, financing, risk bearing, market information, management services and advice (ibid). Since the late 1990s the impact of information technology has been immense and it has greatly affected the tasks of wholesalers and suppliers. We illustrate the change in actor types by comparing the traditional distribution actors and their roles, as synthesized by Kotler and Amstrong (1991), see Table 1, with the current situation, depicted in Table 2.

Table 1. Classification of Wholesalers by Kotler and Armstrong (1991, p.408)

Merchant wholesalers	**Brokers and Agents**	**Manufacturers' and retailers' branches and offices**
Full-service wholesalers: Wholesaler merchants Industrial distributors	Brokers	Sales branches and offices
Limited-service wholesalers: Cash-and-carry wholesalers Truck wholesalers Drop shippers Rack jobbers Producers' cooperatives Mail order wholesalers	Agents	Purchasing offices

In order to understand the change we have collected a set of current representative distribution actors from paper and packaging sector and organised them into a new classification in accordance to their activities (Table 2.). The identified types are discussed in depth through illustrative cases in the section "Contemporary business actors in supply and wholesale". The identified contemporary actors are described through their business models according to the activities they carry out and the organisational structures they have, as well as to their product range and dependency on manufacturers. The dependency on certain products or manufacturers is the greatest on the right side of the Table 2, where the business model is build around a certain manufacturer and its particular products, i.e. the actor is an integral part of a manufacturer's sales channel. The manufacturers or their sales offices do not normally sell their competitors' products. Here also the ownership structure plays a significant role.

Table 2. Contemporary Classification of Supplier and Wholesaler types

Virtual platforms	**Strategic alliances and supplier networks**	**Merchant wholesalers**	**Brokers and Agents**	**Networked co-manufacturer-Supplier**	**Manufacturers' and retailers' branches and offices**
Open "market place" platforms	**Strategic alliances** Knowledge-based-groupings Purchasing and distribution-based groupings	**Full-service wholesalers:** Wholesaler merchants Industrial distributors	Brokers	Service and solution-based supplier grouping System suppliers	Sales branches and offices

Closed member platforms	**Supplier networks** International supplier networks Manufacturer- and product-based networks	**Limited-service wholesalers:** Cash-and-carry wholesalers Truck wholesalers Drop shippers Rack jobbers Producers' cooperatives Mail order wholesalers	Agents	Product-based supplier grouping	Purchasing offices

Many actors in distribution networks do have preferred suppliers or umbrella agreements, but they are not built on a static business model. They generally select their suppliers from a short list based on the value proposition negotiations and on the value that hey are able to offer to the particular supplier(s). In some cases there are also ownership configurations, but in general the business is built on a very market driven assortment.

On the left side of Table 2 the actor types, the virtual platform types of organisations, are not committed to any certain manufacturers or products, and therefore have minimal dependency from particular manufacturers. They organise a flexible and market driven supply base that consists of various regular and ad hoc offerings. In this market the suppliers do not have any ownership configuration over the platforms. The Table 2 does not, however, imply that there is no variation, overlap or synthesis between and among these models. Large multinational companies such as SCA employ several systems in parallel and enjoy a wide market presence on many levels.

There is a high degree of complexity in contemporary business actor types. Many actors overlap in activities and/or maintain parallel systems in supply and distribution. This has created a profound change in competition, since the industrial customer does not necessarily perceive any more the original manufacturer, the original brand name or the differences between the different offerings due to the multiple actors providing modified forms of the original offering. For example, StoraEnso has its own strong brand names that are marketed through StoraEnso's sales network, but in addition there are large regional/local wholesalers who purchase the same paper and re-label it with their private label brand. Similar paper type may be available through StoraEnso strategic merchant network with its own labelling. The buyer perceives only the offers that it receives and the details included in these offers, not necessarily the distribution network configuration and its implications on buyer's choices.

A significant part of the contemporary offering is the value setting of the offering. In addition to the price and technical qualities, such aspects as who is the supplier, what is the brand name, what is the service level, what are the terms of the deal and what is the general context in which the transaction will take place, are relevant. Private label activities and trade level branding are phenomena that further enhance the origin-related separation among the distribution network levels, i.e. the suppliers' attempt to differentiate themselves and strengthen their positions particularly so that the customer does not perceive the origin of the paper in cases when this is not an advantage. Marketing and its non-conflicting organisation is an essential tool for value creation within this kind of fragmented supply network. In this sense, the availability of several types of distributors presents an optimisation challenge for large manufacturers.

The types of activities that contemporary business actors carry out in comparison to traditional wholesalers are much more complex (cf. Table 1 and Table 2). Based on a careful analysis of trade journals and magazines and on on-line sources we identified numerous activities, some of which are rather far from the traditional. The activities identified are: Selling and promoting, buying and assortment building, management services and advice, bulk-bearing, product innovation, quality, IT-services and systems, electronic databases and catalogues, warehousing, transporting, logistic systems, marketing and branding, advertising, communication, financing and credit arrangements, risk bearing, market information, maintenance, technical support, hotlines, customisation, stability creation, standardisation, lobbying, education, research, knowledge sharing, corporate responsibility,

internationalisation strategy, legal counselling, complete system selling, and leasing systems. In the next section we provide structure for this fragmented distribution network by analysing the basic actor types.

Contemporary business actors in the paper industry distribution networks

Our exploratory analysis suggested that the development of the ICT technologies has considerably fragmented the traditional distribution network structure within the paper and board industry. Multiple levels and parallel distribution alternatives, involving cooperative arrangements and other structurally novel systems, like virtual platforms, create situations where an industrial customer does not actually perceive the real differences between choices. It is possible that it will be offered the same product from three different actors with three different brand names. One industrial buyer can have several indirect relationships to the same manufacturer without even knowing it.

The purchasing decision making situation today has a lot more to do with a holistic perception of the customer in each particular transaction episode than in comparing relevant technical differences. Which supplier is the best for the specific task is evaluated on the task-supplier-matching basis that consists of a multitude of factors.

We have collected a set of supplier and distributor mini-cases to illustrate the characteristics differences of the basic actor types in the contemporary distribution network. The selection does not aim to provide saturated information but indicates the existence of novel forms. It can be noted that the variety of tasks and their character has changed radically since the early 1990s. The information has been collected from the internet in January-March 2007, from written company documents and presentations, and from industry specialist interviews and discussions (Elo 2005) and from respective literature (Elo 2005, Siitonen 2003).

Agent, broker or representative type of an actor

Fein SA represents a classical paper agency type of a company concentrating on sales and import and export business. It is a Belgian company established in 1978 and has 7 employees. Its product range includes packaging paper and packaging boards, printing and writing paper and board as well as publication papers.

Heinzel Sales is another type of a trader specialised in global sales and marketing. They have a more diversified approach as part of the Heinzel Group. They see themselves as a turntable in worldwide trade with commodities like pulp, paper, board and chemicals. They enable global marketing and sales from their suppliers and their own integrated industry in the international pulp and paper markets. Heinzel Sales concentrates on East European markets, southern hemisphere and Russia. The main customer groups are the paper and packaging industry, converters, publishers, printers and wholesalers. Their sales value in 2006 was € 599,81 million. They had 92 employees in 2006.

Tepa SA is a typical family company which is an exclusive agent in Greece for papers, paperboards for graphic arts and packaging. It was established in 1995 and has now 14 employees. The company has several paper and board types in its assortment.

The Agencies typically have given contact persons for their customers.

Merchant wholesaler type of an actor

Angelidis-Georgakopoulos SA is a large Greek wholesaler-merchant with a full assortment of paper and board types both in sheets and in reels. Its turnover in 2004 was 56,9 Mio. EUR. The company is a client of the principal European paper producers, it imports paper and cardboard for printing and packaging in rolls and sheets and supplies newspaper and magazine publishers, lithographic printing firms and manufacturers of packaging materials. It has five warehousing units with almost 70 000 ton storage capacities. This full service merchant covers the whole Greece and also exports to neighbouring countries.

M6 Papers in the UK was established in 1972. It is both a merchant and a converter with a good range of products and a full converting service.

Colombier UK and Colombier Group are also paper and board merchants with a converting services. Colombier UK was established in 1976. They sell over 300 000 tons of paper per year and their specialisation is in conversion sales, joblot sales, prime sales, trading and agency sales in various

paper and board types. They offer full conversion service and even provide a mobile conversion option for their customers.

These kinds of merchants have a direct relationship with their customers since their tasks require intense communication and need-matching as well as higher degree of coordination due to higher service complexity and customisation. Trust and confidentially are pre-requisites for customer relationships concerning conversion.

Sales office or Manufacturer-seller type of an actor

UPM Group is one of the leading forest companies, which has the following divisions: Magazine Paper Division, Newsprint Division, Fine and Speciality Paper Division, Converting Division, Wood Products Division. It has an extensive sales network of its own. The group consists of:

- 15 countries make UPM quality products - paper, converted products, wood
- 68 production units in 15 countries
- 21 paper mills in eight countries: Austria, Canada, China, Finland, France, Germany, the UK and the USA
- 55 countries have UPM sales representation, but some 107 countries have an organised sales system directly from UPM
- 10 countries have a UPM Logistics organization
- 3,200 customers in 120 countries

UPM considers efficient, reliable technology and long-standing production know-how as the backbone of their production units' operations. The company has a broad product range and its business is built to a great extent on regular customer relationships with large or medium-sized customers to whom such aspects as reliability, high standard quality, regular deliveries, just-in-time thinking and competitive overall sales deals are important.

In brief, UPM's customer buys certainty in the form of brand names and has a direct relationship with the manufacturer or its sales office. The actor relationship is rather dyadic, as there is a specific contact person who takes care of the customer's needs and transactions.

Networked co-manufacturer type of an actor

Stenqvist Finland, Flexographiki OE, Metron Ltd and Ypap Oy are all specialised manufacturers in packaging. They produce and co-produce with their manufacturing facilities both semi-ready and/or ready products which are then sold directly to industrial user-customers or concerning some products to wholesalers and retailers. Typical products in this category are special wrapping papers, food industry packaging solutions, particularly packaging for bakeries and meat industry, fast food packaging, construction industry solutions. They concentrate on direct regular relationships where the products are often customised according to customers' specifications concerning material, size, print, package, quality and so on. This type of manufacturers has often both horizontal cooperation to create a finished product as well as vertical cooperation to secure the flow of raw material and sales. The relationships with industrial customers are generally direct, and are often built on a long-term cooperation due to the complexity of "fitting" the product and the respective need.

Strategic alliance type of an actor

Papyrus is the wholesale organisation of StoraEnso paper group. Papyrus bought a large part of another wholesale organisation Schneidersöhne. Schneidersöhne (Ettlingen, Germany) had 2.100 employees and its turnover was 1,1 billion euros, it had 15 sales offices jn Germany and daughter companies in 10 countries. The assortment covers more than 8.000 different products in writing/printing paper and office paper. After the takeover their turnover totals approximately 1,8 million tons of paper and board which makes them to the second biggest paper wholesalers in Europe.

Paperlinx is a global trading group which has built a strategic alliance type of an affiliate network across Europe. It is a leading independent merchant of paper and related products to the commercial print, office and display markets. It has headquarters in Amsterdam where the network if paper merchants in 18 European countries are managed. Paperlinx Europe sells annually almost 3 000 000 tons of paper and related products to a variety of printers, publishers, sign makers and offices. It has some 80 000 customers in Europe and it runs a very competitive brand portfolio. The Paperlinx

Group trades on a global level and its sells over 500 000 tons annually in 65 countries. It trades with packaging papers, board, woodfree reels and it provides suppliers and their customers access to the global paper market.

INAPA is paper wholesale company consisting of wholesalers in various countries in Europe. It is the fifth largest paper wholesaler in Europe with a market share of 11%. The group has app. 1600 employees and it sells about 1,1 million tons of paper with a turnover of app. 1,07 billion Euros. The Group is listed in the Stock exchange in Portugal. In Germany INAPA Group runs under the name of Papier Union.

IGEPA Group is a German-origin strategic alliance in paper wholesale which is represented in 17 countries. It is the second biggest European paper wholesale strategic alliance with some 40 000 customers. It employs 2 350 people and coordinates a network of strategic partners. Its turnover is above 2 billion Euros and its sales volume is about 1,8 million tons of paper.

Virtual platform type of an actor

There are an increasing number of virtual market place-actors. Virtual here refers to the way the customer relationship and communication is enabled and organised. Virtual platform actors have strong similarities to the activities of an agency, putting sellers and buyers together, however, with no limitation to a place. Alibaba, Indiamart, Kenfair, E-Bay and many others, more regionally oriented virtual platforms deal with international business today. A part of the traders are specialised in stock lot type of business, not competing directly with regular standard business.

Alibaba International (www.alibaba.com) is an English-language website primarily serving small and medium-sized enterprises (SME's) in the international trade community, with more than 3 million registered users from over 200 countries and territories. More than 500,000 people visit the site every day, most of them global buyers and importers looking to find and trade with sellers in China and other major manufacturing countries. Alibaba has achieved a serious platform position due to its good administration and system. It has also attracted partners that support its activities which gives an additional positive note to its competitiveness. Due to Alibaba's position the customer relationship is linked through Alibaba to the final seller, such as Zhejiang Feima Paper Co., Ltd. Therefore the "ownership" of the customer relationship is shared though this platform and Zhejiang Feima Paper Co., Ltd. In several transactions it is usual that the supply side is approached again using Alibaba, particularly in cases of commodity type of a product.

The virtual platform carries out a pre-selection and organisation of offerings on behalf of the customer. The customer does not have to search for numerous possible suppliers or carry out multiple preliminary purchasing negotiations with them which is often time- and resource consuming. These are particularly valuable services for SME customers which often are not willing invest their limited personnel to this kind of tasks. In addition, in some geographical areas there still is a seller's market therefore some buyers may find it difficult to purchase the required products due to their limited attractiveness as customer.

Actors' value creating roles and positions

We suggest that it is useful to compare the discussed distribution actors according the number and degree of the complexity of the tasks they are carrying out and the degree of their strategic importance and added value provided for customers. By utilising these two dimensions, which also reflect the underlying business models, we can tentatively categorize the examined distribution actors in into business based on their strategic positioning, see Figure 1.

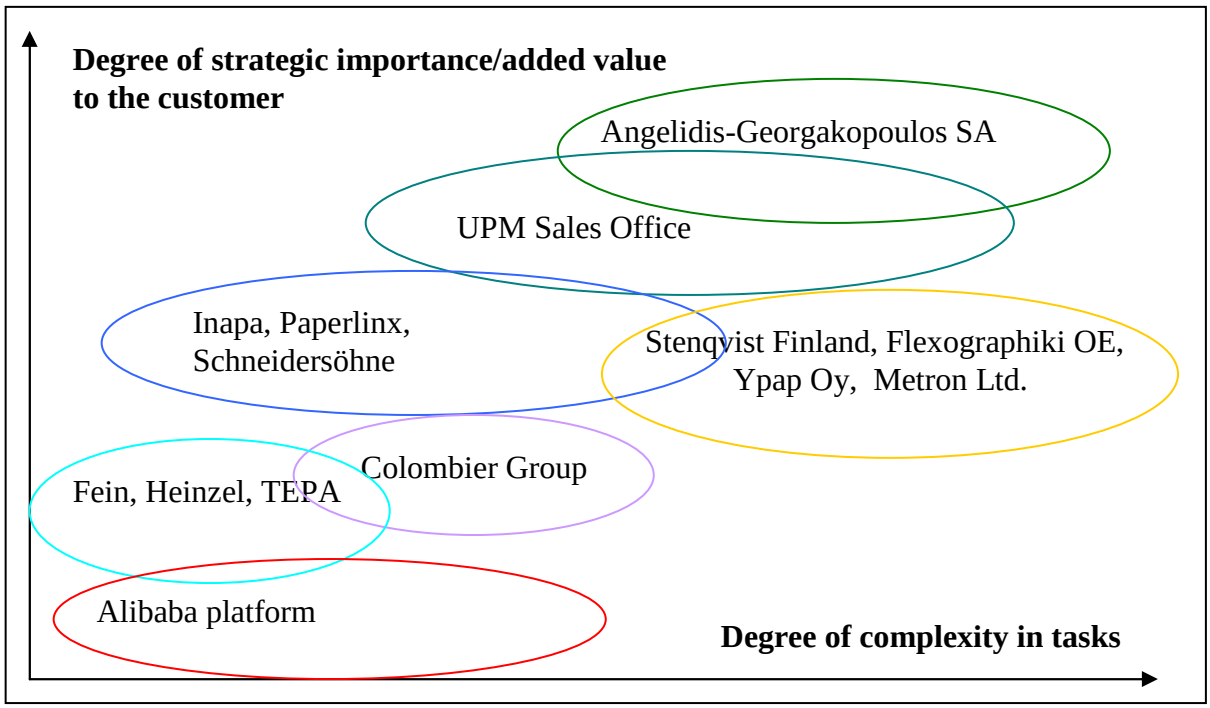


Figure 1. Tentative categorisation of suppliers from customers' perspective

The main difference comes from the way the organisations build on value adding activities, such as sales and technical expert consultation, branding, services, customisation, finance and integration/intensity of the customer relationship. The different types of actors use the three customer relationship value levels; contact level, relationship level and general level (Rapp, Storbacka, Kaario, 2002) in various ways in accordance to their business model. The more complex services the actor is providing (upper right hand corner) the more intensive the interaction, including all the mentioned relational levels. An important aspect to note is that the different roles require different skills and resources and consequently put varying requirements on the capability profiles of distributor organisations.

Factors influencing the supplier-customer interface

One way to try to gain understanding of how and why the distribution networks are changing is to examine the supplier-customer relationship from the customer's perspective. The change in paper distribution networks naturally has many root causes, one of these being the way how customers buy and relate themselves with their suppliers in contemporary paper business.

We have to note that there are single supplier-kind of cooperations, but mainly the customer has several suppliers that may be competitive and complementary regarding their offerings. When the asymmetry is high the small customers attempt to hold a competitive supplier relationship to reduce the degree of dependency. Even small family company based business customers tend to hold a portfolio of suppliers and partners so that the functions of their company are secured also in the case of a sudden change. Economic benefit weights often more than the risk aspect and the balance between profit and uncertainty are vital criteria for management in purchasing related decision making.

In this section we identify and discuss factors and phenomena influencing the supplier-customer interface.

The situational factor

One of the key issues influencing the nature of a supplier-customer relationship and the selection of a specific supplying actor is the context and the specific buying situation in question. If the purchasing organisation is acting independently, fully autonomously, it has theoretically a free

selection situation. However, many purchasers are either a part of a large group of companies or part of a strategic organisation which means that they do follow, at least partially, a kind of frame set by umbrella agreements (Mouzas, 2006; Mouzas and Ford, 2007). The selection of preferred or associated suppliers or other such limitations on choice affect the scope of possibilities.

On the other hand, the novelty of the task plays a significant role. If the company has experience from the particular purchase procedure its risks are perceived and understood. If the individual transaction is a direct re-buy the choice of a supplier is given. Therefore we concentrate on a situation where a company considers the purchase of a raw-material or a semi-ready product, such as paper bags or wrapping paper reels, from a wide variety of suppliers across different types of actors.

The geographical and cultural factor

Another interesting element of supplier selection and relationship is the geographical and business distance. There are many types of products which are not worth it to be shipped very far due to the over-proportionally high transportation costs. In addition, there are numerous culturally-based reasons why a certain supplier origin is preferred over another. These preferences are based on multiple factors, such as on the way business is done and how they match between the two companies and on the way actors perceive the value coming from a certain relationship. Reputation and stereotypes still influence the decision making process in addition to technical specifications and rated quality. For example, in paper business China is still suffering from a low-quality image, whereas Finland and Sweden enjoy a high quality image. Not only technical and service image matter, but also the reputation of the company in terms of environmental issues is starting to influence customer preferences.

Relationship-based factor

For SMEs it is often particularly difficult to change or to test a new supplier due to the high impact of one order on the company's processes. Many SMEs operate with a limited range of rather stable suppliers due to organisational factors: easiness, trust, reliability, credit arrangements, location, closer relationships, etc. That is, not all critical elements are product- or price-based when make purchasing decisions. A successful existing supplier-buyer relationship is likely to continue until a notably better alternative in terms of perceived value comes into picture. A new unknown supplier-candidate has to work hard to get a chance to sell unless it can offer a visibly superior economic benefit.

On the other hand many SMEs have a limited choice in terms of suppliers, since the sales volume they provide and the way they do business is not attractive to all suppliers. Therefore a good working relationship with a reasonable and flexible supplier is often a realistic choice in comparison with the "best price" or the leading supplier.

The strategic importance of the deal

The strategic importance of an individual transaction impacts the choice radically. Therefore it is rare that a new unknown supplier would be chosen in a case of high strategic importance. Industrial references, strong brand names and a good track record in the industry are often "musts". The importance can be strategic on many dimensions, for example, a certain incremental innovation in one product or raw material may require modifications on the existing system. A company as a part of larger business actor network may have selected strategic partners for important supplies, therefore these kinds of decisions are not easily changed.

On the product-, commodity- and raw material level also the supplement or the existence of an alternative solution plays a significant role for the selection process, since strategically important deals can not be too uncertain. An interesting notion in the strategy is the asymmetry in the seller-buyer relationship, since small buyers are generally concerned about becoming too dependent on large suppliers and therefore increasing their risk potential. On the other hand, the asymmetry works also the other way, customer perceives high risk if the supplier is seen to be too small to guarantee a smooth functioning of the relationship.

The intensity and multiplicity of the task

Important aspects shaping the supplier-customer relationship are the perceived complexity and strategic relevance of the purchasing task for the customer (Wilson and Möller 1995; Möller and

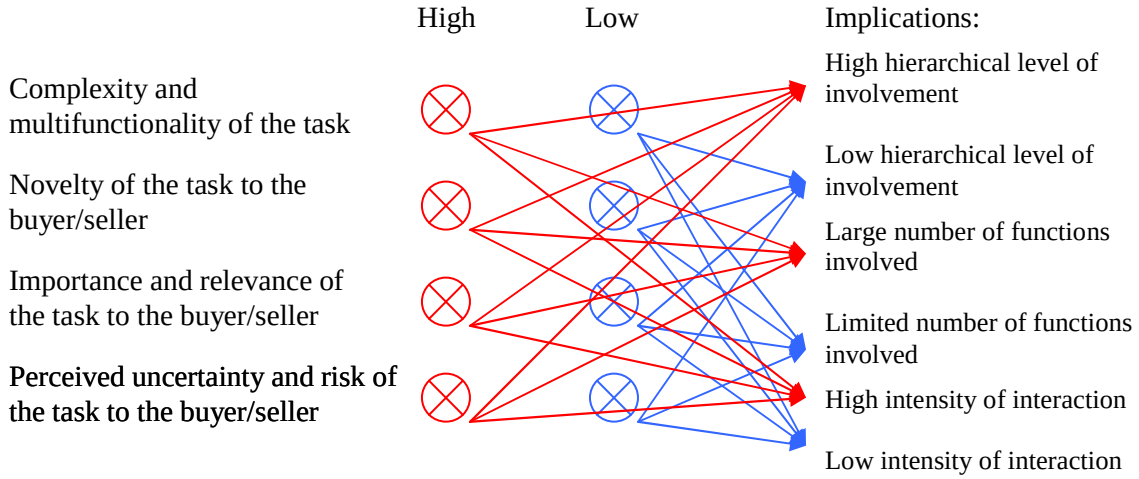
Laaksonen 1987). Generally high complexity involves customization of the offer, which may require interaction from persons representing various functional expertises leading to higher interaction and interdependency. The importance and relevance of such purchases increase the intensity of cooperation within the seller-buyer relationship. Complex customized purchases require also more mutual actor involvement in terms of organizational hierarchy, business functions and coordination.

The intensity of cooperation is an investment which tends to lead to more long-term relationships than is the case in raw materials and commodities. However, similar type of investment is required when the financial and production process stake of the purchase is high, for example, when it concerns large and continuous quantities of materials.

Especially smaller industrial companies consider carefully the selection of hardware suppliers as they have to get along with the purchased product for a specific time period. When uncertainty is high and the purchase is either a material that binds the company for a certain process or a piece of hardware that sets up a significant functional part in the manufacturing process the level of deliberation of the decision making process is remarkable.

We summarise the influence of these contextual and situational factors on the purchasing decision making and on the supplier-customer relationship by drafting a tentative contingency framework, see Figure 2.

Figure 2. Contingency model for understanding the task related strategic elements between supplier and customer



The contingency model assists in understanding the supplier portfolio structure of a buyer, since it is often not possible to get a “holistic” offering for the needs of the company from one supplier only. The more “high” levels the purchasing elements are the higher the expected intensity of supplier-customer interaction, implying high interdependency and interconnectedness.

Changing value system: Reconfiguration of paper distribution

It seems that the way value production and especially its distribution is organised in paper and board networks is under considerable change. We believe that the contemporary complexity in business actor types in distribution is so high that a part of the customers, particularly locally based SMEs, have difficulties in analysing their alternatives and the implications of their supplier choices. They do not necessarily get information about the original producer of the paper any more. Larger buying organisations and companies that can achieve the status as “key accounts, national accounts, or global accounts” generally benefit from the centralised trade discussions and umbrella agreements (Mouzas, 2006; Mouzas and Ford 2007) where they may use their accumulated market power and economies of scale. In some aspects the business between very large corporate groups has become more oligopolistic.

The value that the supplier-customer relationship provides to its parties is constructed differently in different situations and contexts. An underlying reason of the existence for distribution actors is that these organisations may take care of sales, marketing, distribution and logistics-related activities better and more cost-effectively than the manufacturer or customer alone. They can construct and complement a vital part of a manufacturer's value creating activities in the value system by specializing on such tasks that are not perceived to be within the core competences of either the manufacturer or the customer. This is the underlying economic rationale of their network positions. In other words, the distributors not only serve their industrial customers but also their suppliers.

Important phenomena in the changing distribution network are the emergence of what Gummesson (1991) calls "many-headed" organizations, and the symbiotic relationships between "internal" customers and suppliers (Mouzas and Ford 2007). Also Forsström (2005) points out the increase in cooperative aspect in value co-creation. The partnerships and cooperative thinking has been a significant tool for many kinds of paper wholesalers, and has lead to the establishment of horizontal value nets (e.g., Paperlinx, INAPA, and IGEPA).

This strategic aspect in the value creation in distribution is often neglected. It is not only the value from the customer's point of view which matters, but also the value that the distributor offers for the suppliers. In practise there are several customer-supplier interfaces in the value network, and these are competing to add value to the next trade level. We agree with Christopher (2005, p.288) that contemporary business models are more market driven, they build more on mass customisation and one-to-one marketing, they use virtual networks, information capabilities and focus more often on the customer value creation, although we approach this more holistically in the network context (cf. Henneberg and Mouzas, 2004). The main point is that the various distributing actors vary considerably in their strategy for providing value for both their end customers and suppliers. The success and failure of this internet and www –enabled competition drives the changes of the distribution network.

In general, such aspects as logistics & warehousing, IT systems and electronic databases/catalogues, distribution channel and service locations, common branding, coordinated management activities, system compatibilities, scope of services and competitive future-oriented image are emphasised in the contemporary distributors' cooperative arrangements or value nets. In the case of full service distributors, manufacturers and networked manufacturers, the service level, high customisation and close customer relationships are perceived as key value creating elements which are often designed in cooperation with the customer. In the case of more commodity oriented trader-wholesalers and virtual platforms the value has a different meaning and it is more based on opportunity matching, pricing and customers' workload-reduction.

It seems that the large manufacturing groups such as International paper, Georgia Pacific, AbitibiBowater Inc, StoraEnso, UPM Group, SCA, Mondi and other large multinational groups in paper business develop their distribution strategy by having a significant central role in various supplier and distribution networks and often also in vertical production and channel networks in such a way that the less resourceful competitors are not able to follow. They have invested heavily on their distribution systems, even on multiple overlapping systems, in order to secure good market coverage. These actors are able to monitor the industry wide distribution network development. The large business actors have tried not to compete as "strategic copies"; there are differences in their product emphasis, geographical areas, customer types and business models. They have variations in their value creation systems and they have at least to some extent succeeded in making it perceivable to the customers.

Representatives and agents, together with many wholesalers and merchants, have become more and more the sales satellites of their principals. Their role is squeezed between the costs and need to remain present in markets and regions where manufacturers' sales offices are not economically viable. In many markets the development of strategic groups and the strengthening of merchants' position have reduced the importance of agents.

The idea of the strategic supply-, distribution- and purchasing networks is not new as such, it stems from the principle of cooperation and economies of scale, but its applications in the paper and packaging business have created new variants to the competition. The mobilisers of these strategic nets (like PaperlinX, INAPA, etc) attempt to orchestrate companies into a horizontal cooperation on an international level. These business actors are rather homogenous being all wholesalers. Strategic supply and distribution networks build on organisational knowledge and capabilities, specialization and service aspects; often they have a background in wholesale which assists them to create customer-

oriented value systems. The common purchasing activity allows them to be more competitive also in pricing. The strategic nets have more an international character, whereas the co-production network type of groupings are mainly national or local. They are rather limited as networks and often focus on a certain activity or a product category. The involved actors tend to be heterogeneous in character.

The virtual platform type business actors have reintroduced the idea of a market place into a global context by becoming central coordinators serving numerous customers and suppliers. In this context, the dimensions of the customer interface should be reconsidered. They are multiple, but there is no key account manager or a dedicated sales person. This kind of business is done less on the relational level than on the transaction level. The buyer has an interface with the "branded" platform, like Alibaba, after which it has a customer interface to the individual supplier and its various personnel or departments. The relational aspects of a sales transaction with such a platform differ radically from the monolithic company sales, since here the "ownership" of the customer is not in the hands of a certain sales person, but of a virtual branded platform. For example, when a customer considers a rebuy, it contacts Alibaba again, not the original seller/supplier. The virtual platforms run a very diversified and fragmented assortment, but despite the sometimes perplexed appearance of the access, simplicity and price level have made a difference, particularly in semi-finished and finished products and commodities. For customers who do not purchase branded products and who are price sensitive this business actor type has become a serious alternative, not to the mention the fact that there are many regions which are not well served by suppliers or traditional distributors.

Basic strategies driving the distribution network change

Next, we try to identify the potential strategies and change logics driving the restructuring of the paper and paperboard distribution and supply network. As mentioned, we believe that main change force is the introduction of the Internet and e-commerce technologies. It is suggested that the restructuring can be captured through the following change strategies pursued by the actors: disaggregation, reaggregation, disintermediation, reintermediation, and resistance.

Disaggregation

Paperlinx and many other strategic paper merchant nets have successfully used disaggregation as a tool. They sell a wide range of products and qualities, often branded with a private label system, and this assortment is sourced from several manufacturers who make their supply basis. The strategic nets build their value proposition on comprehensive and high quality assortment, competitive prices, close customer relationships, and good market presence. They have strong logistic and IT systems that keep this value system going. It is interesting that as suppliers they have large manufacturers that maintain their own competing networks and sales offices, i.e. these relationships are co-opetitive.

Reaggregation

When complex industrial semi-finished products or solutions are required then either the buyer has to orchestrate the completion of such a solution by having several suppliers that may have to cooperate in order to produce this solution or it can operate directly with a distributor who can provide this kind of reaggregation service by compiling and integrating the required products, components and services. For example, in packaging industry there are many small material producers who can only provide the early part of this value-adding process and the next one takes over. The coordination services are generally provided by still other actors who then form the customer interface. This is the case in food packaging products, where Flexographiki OE and Metron Ltd produce, partly co-produce and then coordinate the value-adding converting processes on behalf of their customers. These solution-arrangements are generally relatively customised and cannot be easily reproduced. On the other hand, this protects the network position of these integrators.

Disintermediation

In paper industry the trend has been towards higher integration and fewer middlemen in the distributor network (see e.g. Stora Enso, UPM Group). Traditionally the mills had numerous agents and representatives which used to be granted exclusive rights on certain geographical regions. In cases where the cooperation with customers and agents was not successful the paper companies had

difficulties to shortcut the relationships due to the contractual limitations. In some cases they lost the customers to the competitors due to such agency problems. Since the applications of IT technology have become normality across the main markets the paper mills have started to shortcut agents and representatives by establishing a direct relationships with the larger customers, a big newspaper for example, whereas the agent/representative has remained the sales channel for the smaller and more fragmented customers. This has improved the quality of customer-supplier relationship and simplified the communication. It has also enabled a deeper cooperation on product development and innovations among the key actors. Also the small customers get better service because they do not have to compete with the big customers for the attention of the manufacturer's sales force.

Reintermediation

Virtual platforms, such as Alibaba and Indiamart, are examples of distribution actors that use reintermediation as a way to develop new strategic roles and value creation-systems. These actors have recognized the architectural opportunities in the existing markets and have created a system that exploits gaps and niches. A traditional supply and distribution network was not efficient for many of the products and commodities that these virtual actors offer due to the relatively high service costs in relation to the value of the end products. The regional emphasis is also on markets where many American and European business actors do not have very strong presence. Virtual platform operators have integrated the more transactional side of suppliers, such as stock lots and job lots suppliers, but are also connecting waste product- and left over product suppliers to the international trade. As such they provide higher value for their suppliers than the traditional distributors.

Resistance to change

A part of the smaller business actors, particularly those who are agents and representatives encounter problems in the changing distribution network. These actors have not been able to modify their role and position in the network in a way that would allow them to maintain their competitiveness. Some actors feel that the situation is only temporary, based on the down turn economic fluctuation of the paper business. These actors resist strategic change and attempt to keep their strategy as it was, suffering from a high lateral rigidity (cf. Luostarinen 1979). Some family-based businesses, governed by highly tradition-oriented attitudes, see their business to diminish but do not have the will to change.

Theoretical and managerial implications

By comparing the new paper industry distribution network and its value creation logics to the situation before the e-commerce, we can see that not only the business actor formats have changed but also the way the new actors do business and how they organise themselves (cf. also Christopher, 2005). The paper provides several insights on how the different actors create and capture value in the paper distribution networks. The emergence of many-headed business actors and various hybrid forms have created customer confusion on one side and on the other side the development has enabled more direct relationships and better symmetry in supplier-customer relationships.

One of the striking features of the fragmented distribution field is the differences in the supplier-customer interfaces. This is partly driven by the specialization of the actors ranging from simple offering mediating service (virtual platforms) to integrated "full service" offerings. We suggest that it is useful to categorize the suppliers and distributors according to two dimensions: (i) the degree of complexity of the tasks that they can provide for the customer, and (ii) their degree of strategic importance for the customer (framework in Figure 1). These are the key factors influencing also the supplier-customer interface.

What makes matters complex is that also other situational factors, such as relative novelty of the purchasing situation, cultural distance and other factors influencing the perceived risk influence the relationship. The paper contributes to dissolve this complexity by proposing an exploratory contingency framework which identifies how these antecedent factors are related to the intensity and complexity of supplier-customer interface (framework in Figure 2).

We suggest that the changes in the supply and distribution networks in the paper, board and packaging business can be traced to four different actor-level strategic approaches: disaggregation,

reaggregation, disintermediation, and reintermediation. The identified fifth approach, resistance is not really a strategy; it reflects lack of strategy and adaptability.

Our analysis of the distribution actors supports the need to reconsider the general view of a business actor as a monolithic firm. In addition to comparing firms according to their size (small, medium, large) or nationality (local, international, transnational, multinational) we should understand and categorise the actors according to their organisational forms (horizontal nets, vertical nets, multidimensional nets, virtual vs. traditional nets) and network positions and roles.

On the basis of our findings we suggest that more research should be directed towards development of the theory of multi-organisational enterprise. A profound definition and articulation of a multi-organisational enterprise calls for more in-depth research, but it seems that the key novel characteristics will include: collusion of autonomous actors forming different types of entity, which can cover multiple network layers and/or cooperative teams, multiple level of customer relationships, offering bundling, multiple markets, pooling of resources and capabilities, common activities and projects/research & development, possibility to act as one or as many. In short, multi-organisational enterprise can take many shapes in competing about the opportunities offered by the changing supply and network structure (cf. Verbundgruppen, see http://www.zgv-online.de/Aktuelles/E3282.htm?b=1.)

At the moment we have only vague tools and terms to offer for the management interested in creating and operating with many-headed entities. Their operation logics, resource bases, internal structure and functions are very different from a single enterprise. In general, the development of different actor types and forms call for theory development, particularly in strategic marketing and other theories which relate to distribution, supply and purchasing networks. They need to incorporate the novelties of the actors and perhaps revisit the way they treats multiorganisational or aggregate actors.

The reconfiguration and changes in the paper distribution networks represent just one industry, but these changes may have more generic value for examining the transformation of other traditional and well established industrial fields. Managers need to understand that the way they organize their value creating offerings directly influences their potential for value capture. There is no safe zone in the globalising business world, all recognized customer needs and markets niches will become highly competed. The tempo of development is also different in various geographical areas, which implies that managers cannot just copy a business model without customising it for the particular market. Macro-monitoring, orchestrating and managing capabilities and close relationships to the market seem to be key topics for contemporary management. The managers need to be able to monitor, understand and use their macronetwork perspective and knowledge. Without that the business actors are unable to compete and position themselves in the market in the long run. However, aligning value constellations requests well functioning cooperation in the business network, that might be the hardest task for managers.

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