

# Moving From Intermediaries To Apomediaries: A Study Of The Ongoing Changes In Marketing Channels

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## ABSTRACT

*As we get to be more comfortable with incorporating our daily routines with interactive options available on the Internet, we get to influence the shapes of the businesses we deal with and the way they operate. It is no surprise that today we feel more comfortable in placing orders online than placing them on the phone. Accordingly, recognizing this trend, many businesses are now offering online options. While some may have thought that this was good enough for those businesses, some have been noticing that most of those businesses have begun to participate in social network sites such as Facebook and other product and/or industry specific blogs. Apparently, having a simple presence on the Internet was not good enough considering the ongoing trends in the marketplace. The purpose of this paper is to examine some of those trends and explore the driving force behind some of those recent online practices. It is hoped that these issues are understood properly so that one can predict the upcoming changes in consumers' routines and the business practices to cater to them.*

**Keywords:** Web 2.0; Intermediation; Disintermediation; Apomediation

## INTRODUCTION

As Internet takes over the platform for traditional business interactions, we have been witnessing that the traditional marketing channels have no longer been as practical as they used to be over the years. Since the consumers are now able to place their orders directly on the manufacturers' websites, some of the intermediaries are not needed and they can simply be bypassed. This process of cutting out of the middleman is called disintermediation (Keenan 1999). As these intermediaries disappear, consumers can deal directly with service providers and these interactions result in a creation of an enhanced sales network (Jallat and Capek 2001). Even though these intermediaries are able to provide the manufacturers with significant support functions such as market coverage, sales contact, order processing, bulk breaking, etc., they make up an additional level in those channel structures and each level results in additional transaction costs for the rest of the participants. Benjamin and Weigand (1995) reported that it was possible to have cost savings of 28 percent in case of disintermediation in which the wholesaler and retailer are bypassed and producers deal with consumers directly. This is especially important for small producers since they can really benefit from these types of cost reductions.

## DISINTERMEDIATION VERSUS (RE)INTERMEDIATION

Other researchers have concluded that as this disintermediation process takes place and some of the traditional intermediaries disappear, one would probably see an emergence of a new type of intermediaries. The process of changing the channels by eliminating the traditional members and bringing a new breed of intermediaries is called reintermediation (Sheth and Sisodia 1999). This new breed of intermediaries is made up by facilitating agents who are in charge of performing new functions which are created by switching to online transactions. While some (eg, Sarkar, Butler and Steinfield 1998) call these parties "cybermediaries," others (for eg., Hagel and Rayport 1997) call them "infomediaries." These new participants operate in electronic markets to facilitate exchanges between producers and consumers and ultimately increase the efficiency of these markets by aggregating the

transactions to create better economies of scale and scope. They can be vendor-oriented by using consumer information to aid vendors in targeting consumers or consumer-oriented by using vendor information to aid consumers in finding the appropriate vendors.

As stated by Jallat and Capek (2001), even though the use of e-commerce in general resulted in an elimination of some of the intermediaries (that is, disintermediation), in reality they were replaced by different kind of participants called “cybermediaries” or “infomediaries” (that is, reintermediation). Therefore, it is safe to say that e-commerce practices made the channel structures different but not necessarily simplified. While this was an important assessment, it is equally important to note that this particular change in channel structures related to a specific time period at which consumers were simply starting to get more comfortable in using online options. If we were to examine the form and state of the Internet during that time period, we would realize that those consumers were mostly using static websites and provider-centered content and applications. That particular stage of the Internet is what some call Web 1.0 which refers to the early phase in the evolution of the Internet. If we were to examine the state of similar consumers and the Internet now, we would realize that the current trend is much more sophisticated due to the online comfort level of these consumers and the more interactive nature of the Internet.

## **WEB 2.0**

While initial users of Internet were content with simply surfing the static websites, the current users are much more interested in interacting with the website providers in ways that those websites end up by being more dynamic. The term Web 2.0 represents this move from static, provider-centered websites to more interactive ones. In this context, Web 1.0 is the traditional setting where consumers access a static website of a trusted source hosted by a prestigious entity (McLean, Richards, and Wardman 2007). Web 2.0 is essentially the next step in the continuum evolving from Web 1.0 since the users contribute to the content of websites and their contributions help to generate more interactions among users and ultimately expedite the knowledge base to higher levels (Alkhateeb, Clauson, Khanfar, and Latif 2008).

Web 2.0 tools and applications include wikis, blogs, podcasts, and social networking communities which have been very popular for a long while now. Let’s take a look at these tool and applications briefly.

A wiki (work in progress) is a fluid and collaborative collection of web pages where all users can add, delete or modify content (Taylor-Mendes 2007). In other words, Wikis are created collaboratively by multiple users. It is reported that there are many educational institutions that are currently using wikis to enhance group learning. One of the most successful examples of wikis is Wikipedia.

A blog (combination of web and log) is another dynamic tool that is consisted of discrete entries (i.e., posts). These posts are typically displayed in a reverse chronological order to show the recent ones first. A blog can be spearheaded by one person but it still includes others’ contributions and messages to one another. This interactivity among the participants results in an ongoing dialogue which makes the blog different than a static website (Bonetta 2007). While these dialogues make up the main body of blogs, blogs can be rather extensive by including links and other types of media.

Another one of these Web 2.0 tools, also popular for educational purposes, is podcasting. Podcast (combination of broadcast and pod) is a digital media that is available for on-demand downloading from the Internet. This audio or video (vodcast) content can later be played on personal audio/media players and/or personal computers (Alkhateeb, Clauson, Khanfar, and Latif 2008). Since podcasting is done when these devices are offline, it is different and more convenient than Internet streaming.

A social networking community is an online service or site that focuses on building social networks or relations among people who share similar interests, activities, and/or backgrounds. It provides a platform for an individual-centered service by facilitating its users share their ideas, activities, events, interests, etc. within their individual networks. Users have their individual profiles (along with their social links) and they interact with one another via e-mail or instant messaging. It is also common at times for some users to find other users with similar problems and/or interests (niche networking) and they end up meeting offline. In those cases, relationships are

formed online and eventually carried to offline/in person settings. Facebook and LinkedIn are some of the most popular social network sites at the moment.

## **APOMEDIATION**

As a result of some of these Web 2.0 applications, it is suggested that there is an alternate form of marketing channels. In this particular scenario, users bypass traditional intermediaries (i.e., disintermediation) and “interact” with a group of networked collaborative filtering processes called “apomediaries.” While this form resembles reintermediation discussed above, it is significantly different due to the difference between apomediaries and infomediaries/cybermediaries. As mentioned before, infomediaries and cybermediaries are parties which are specialized in IT aspect of the online transactions and, by using their unique expertise in this IT field, they still act as intermediaries. On the other hand, apomediaries are basically Web 2.0 approaches that users incorporate to guide themselves to the proper solutions. While intermediaries are *in between* those users and the solutions (latin: “inter” means “in between”), apomediaries refer to tools that *stand by* the same users (latin: “apo” means “detached”). These apomediaries appear in the form of second-generation Internet-based services that allow users collaborate on a massive scale and share information online in new ways such as wikis, blogs, and social networking sites.

As stated by Eysenbach (2008), the Web 2.0 environment is an “apomediated environment” that is autonomous, as opposed to “intermediation environment” that is managed. In this apomediated environment, power is decentralized (as opposed to centralized by intermediaries) and information seekers are empowered. Similarly, participants of an apomediated environment are emancipated from intermediaries and the learning in the environment is more informal and achieved by participation and information production since consumers act as *prosumers* (i.e., co-producers of information). On the other hand, participants of an intermediation environment are dependent on intermediaries and the learning is more formal and achieved by information consumption (that is, consumers are passive receivers of information). Interactions in an apomediated environment are complex individual- and group-based ones in networked settings while the ones in an intermediation environment are traditional 1:1 interactions between intermediaries and users in isolated settings. Based on these characteristics, one could see that the users in an apomediated environment are more experienced and information literate whereas the users in an intermediation environment are inexperienced and less information literate. Accordingly, one would expect that the transactions in an apomediated environment are more in-depth and elaborate than the ones in intermediation environment (which is the reason for the presence of intermediaries).

Eysenbach (2008) also states that consumers may prefer a traditional channel structure with intermediaries at the beginning but as they gain more autonomy, self-efficacy, and knowledge, they feel more confident and prefer to use Web 2.0 applications themselves. This is the reasoning behind the dynamic intermediation-disintermediation-apomediation model (DIDA). Based on the DIDA model, users initially take advantage of the intermediaries to educate themselves about the overall process but once they get a good handle on it, they chose to develop their own solutions by using the Web 2.0 tool and applications.

Apomediation is important not only to the consumers but also to producers. In the past, producers have been using intermediaries to reach to their consumers. They used to count on those intermediaries when it came to explaining the products to consumers. Today, the same producers accomplish the same objective by participating in blogs and social network sites such as Facebook. They take more of an active role and interact with their consumers directly. By this way, they have first-hand knowledge about the consumers’ perception of their products and they make sure that their consumers are given the proper information to assure the accurate understanding of those products. Many of them even offer vodcasts so that their consumers can see the products in action which is better than simply looking at the pictures and reading the descriptions in the static websites. Therefore, it is safe to assume that as long as Web 2.0 tools continue to offer informative interactive applications and the participants of marketing channels sustain their knowledge base which gives them the feeling of self-efficacy and the will of autonomy, an apomediated environment will continue to be the standard background for marketing channels.

## CONCLUDING REMARKS

Marketing channels have been changing to accommodate to the evolution of the marketplace and the consumers' consumption patterns. As channel participants have become more comfortable in incorporating the options on the Internet into their business practices and shopping preferences, marketing channels have been adjusted accordingly. This paper focused on the current state of the Internet and the online options that have been popular by the majority of the consumers today. Based on the issues reviewed in this paper, one can expect an apomediated environment to continue being the most practical one in marketing channels. On the other hand, it is equally important to realize that this assessment is based on the current state of the Internet and the consumers' preferences. In case of a significant change in either one of those conditions, one may see a move back to a dynamic intermediation as stated in the DIDA model. That is why we have to monitor these conditions and track how they change over time. By that way, we can make sure that marketing channels are indeed practical.

## AUTHOR INFORMATION

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