The Internet is threatening the survival of intermediaries
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Traditionally, intermediaries have concentrated on covering some concrete phase of the value chain of a product or service which its producers were incapable of controlling. These agents increase the efficiency of the process thanks to the economies of distribution that permit the manufacturer to maintain only one relationship, while the intermediaries establish a multitude of contacts with the clients. Furthermore, thanks to their specialisation, they can carry out activities that the manufacturer or the client can not execute in such a successful way. Selecting a subset of complimentary products, normalising non habitual transactions for a manufacturer or customer and facilitating processes for information searches are some of the functions that intermediaries can carry out. And so they have become an indispensable intermediary between the manufacturer and the eventual customer, which brings value to the supply chain which the customer appreciates but whose cost he usually ignores. He only notices the price increase that this value brings when an alternative channel appears which allows him to acquire the same product much more cheaply.

Information and communication technologies (ICT) have reduced many of these costs, above all, those related to information transference. These costs are now almost negligible for the manufacturer, who can also adjust the information to the preferences that his customer shows. Thus, many of the inefficiencies related to the physical separation of buyers and sellers are disappearing, as the relationship between them remains limited to the transfer of physical goods but not to the transmission of information.

Paradigm

Another economic paradigm that has changed is the need to have a huge distribution network at one's disposal in order to reach all points. The evolution of global logistics companies has allowed corporations to enjoy an international distribution capacity without having to have their own installations available. This makes the customer realise that it is much more economical to buy certain products abroad than to buy them in the nearest shop and that he can even obtain a greater quantity of information from the Internet than from his usual supplier. Does this mean that the intermediaries are condemned to disappear? Those that do not bring added value will have trouble surviving. This is the case of those who limit themselves to transmitting the manufacturer's code and the customer's request.

They charge a high price for something that can be done for free on the Internet and this makes them dispensable. In order not to disappear the intermediary must analyse where
he contributes value. Perhaps the task that he performed before the arrival of the
Internet is now unnecessary and he can contribute more value by offering new services
which are inconceivable without the Internet. For example, logistics companies have
seen in the Internet the possibility of increasing the value perceived by the eventual
customer in allowing him to make a thorough search in real time for the whereabouts of
his goods. The role of these companies has gone from being mere transporters of
physical goods to being suppliers of information, which contributes to an increase in
their value to the customer.

The economy on the net also encourages the appearance of new intermediaries. As the
net contributes to an increase in the number of customers and suppliers, so too does the
need for agents to certify the quality of the supply and to guarantee payments. New
types of intermediaries are the "infomediaries", whose mission is to help the public
receive adequate information so that they can make their shopping decisions and to
supply specific knowledge. According to John Hagel III and Marc Singer, co-authors of
the book Net Worth, portals, virtual communities, transactional attaches and specialised
advertising networks are some of the "infomediaries" that the Internet has brought with
it. McKinsey estimates that some of these figures could be turning over up to 48,865
million euros in ten years.

The Question

"What impact will the new intermediaries who use the Internet have?"

The traditional channels, the big obstacle
Jaume Ribera, IESE Teacher
The impact could be very big, as by not having a territorial limitation, the economies of
scale and the savings in fixed assets could be sufficiently important to erode the entire
margin of the present intermediaries. A lot of the companies that are not using the
capacities of the Internet are not doing it for lack of attraction but for fear of the reaction
of the current channels. As for the speed of acceptance by the eventual user, this will
depend on knowledge and trust. When in a country like Spain the lack of trust in the
Internet is overcome, growth could be very quick.

Towards unstoppable growth
Pedro Gómez, Manager of e-business, PwC
The universalisation of access to the Internet will be the corner stone of the appearance
of new intermediaries. As new groups become part of the Internet and new, more
universal access appliances than the PC become available, the appearance of new
intermediaries will follow a similar evolution to that of the first few years of
development of the Internet. The new intermediaries will have to know how to compete
with the unstoppable trend towards the decline in mediation followed in many economic
sectors and to make a clearly valuable offer to their customers.