

Antecedents of Channel Choice in Business-To-Business Professional Services: Focus on the Insurance Sector

Tamer Asaad, D.B.A.¹

Abstract

An increasing number of companies in the professional service sector are using two or more distribution channels to market their products, multichannel strategy that has become a dominant channel design. However, research on channel choices in professional services remains limited. Thus, this study aims to examine antecedents of channel choice in services with focus on Saudi Arabia's insurance sector. The study adopts a quantitative research method and value-based framework to analyze the survey responses of 84 representatives of corporate customers on channel choice decisions when purchasing insurance. In addition, it examines the impact of three key explanatory variables—product class knowledge, perceived transaction risk, and task complexity—in relation to perceived broker channel value, and the affect of channel value on channel choice. The findings evidence that product class knowledge and perceived transaction risk influence perceived broker channel value, and that increased broker channel value leads to greater intentions of broker channel usage. This reiterates the importance of understanding factors influencing consumers in their choice of channels. Further, insurance brokers, particularly those in developing insurance markets, should go beyond the traditional “supplier” role, involving quotations soliciting and pricing negotiations, and focus on value creation. Finally, insurance companies must acknowledge that insurance brokers play a crucial role in developing the client–insurer relationship.

Keywords: multichannel strategy, channel choice, perceived broker channel value, broker channel usage intention

1. Introduction

The expanding multiplicity of channels has made it imperative for managers to understand how customers decide which channel to use for a purchase. Doing so allows managers to customize their channel strategies to enhance customer value through effective customer management. Nonetheless, channel choice has received relatively little attention in the literature on distribution channels, with researchers mainly focusing on channel design and management (Albesa, 2007). Moreover, studies on multichannel choice provide little empirical evidence on consumer characteristics and factors associated with suppliers.

The main objective of this study is to gain a better understanding of channel choices in professional services, and in particular, consumer characteristics influencing the use of indirect/intermediary channels when purchasing insurance. To achieve this objective, we conduct a quantitative study in Saudi Arabia, where recent cooperative insurance regulations have propelled the sector's development and growth. We selected insurance brokers as intermediaries because they represent the most independent of all indirect insurance channels.

¹ Grenoble School of Management, Grenoble, France.

2. Literature Review

2.1 Distribution channels

Academic research on distribution channels can be broadly divided into design and management. Distribution channel design focuses on building distribution structures that aim at creating customer value and addressing issues such as distribution intensity, channel integration, multiple channel development, and channel structure. Channel relationship management, on the other hand, focuses on, for example, channel conflict, coordination, and cooperation. In this study, we focus on multichannel strategies that are part of channel design to examine the antecedents of indirect channel usage in a B2B context with a focus on Saudi Arabia's insurance sector.

2.2 Multichannel Strategies

A growing number of companies are using multichannel strategies to market their products and services. Some strategists believe that having the best product or service alone is no longer sufficient and that failure to establish profitable distribution channels leads to the long-term decline of a company (Easingwood & Storey, 1996). Multichannel marketing research investigates two distinct strategies: first is communicating with customers through multiple channels and second is reaching a customer through internal and external distribution channels; some studies even combine both streams.

In the financial sector, including insurance distribution, multichannel strategies are becoming the norm rather than an exception. As the number of alternative strategies increases, financial institutions are beginning to view distribution as a competitive weapon (Thornton & White, 2001). It is noteworthy that the financial sector employs two types of multichannel strategies. In the first type, institutions encourage consumers to use multiple channels in a complementary fashion and in the second, consumers select one among many channels in the industry. This is visible in the insurance sector as consumers often buy insurance from insurance companies through various direct channels (e.g., online, telesales, sales staff visits) or indirect intermediaries (e.g., brokers or exclusive agents). In fact, U.S. insurance data for 2013 indicate that only 1.0% of commercial insurance was sold through direct writers, while 14.9% was through direct channels and the rest through insurance intermediaries (Flannagan & Aartrijk, 2013).

2.3 Theories on the Coexistence of Traditional Insurance Channels

In the marketing literature, researchers have proposed several theories to explain the prolonged existence of traditional distribution channels, particularly insurance broker channels, despite them costing more than direct channels. The first proposed reasoning was the *product quality hypothesis*, which argued that various channels exist because of the different services offered, thus attracting diverse clientele. Under this hypothesis, the higher costs of independent agents (brokers) are compensated by higher product quality and service intensity levels. This argument was supported by numerous studies (e.g., Berger, Cummins, & Weiss, 1997; Dumm & Hoyt, 2002).

The second hypothesis in the literature argues that exclusive and independent agents do not differ in the level of service intensity or product quality. According to the *market imperfections hypothesis*, the existence of traditional insurance channels in several markets can be attributed to market imperfections, such as information asymmetries, lack of market transparency, and pricing regulations. Information asymmetries can be attributed to the slow diffusion of information regarding insurance markets or high search costs that prevent inefficient firms from being recognized (Trigo-Gamarra, 2008).

A third, less-presented hypothesis is the *cost differential hypothesis*. As per the hypothesis, consumers with higher research costs and complex insurance lines and those requiring multiple quotations and analyses to make a decision benefit from an independent agent system, whereas others benefit from a simpler, less expensive source to purchase insurance (Park, Lee, & Kang, 2009).

2.4 Literature Review Summary

Even though numerous studies have investigated distribution channels, they mainly focus on consumer goods and manufacturing. Research on channel distribution in insurance has also focused on issues related to channel efficiency, cost, and quality and information search. In these studies, indirect intermediary channel demand is linked to client needs and capabilities (e.g., Mass, 2010), company ownership (e.g., Lamm-Tennant & Starks, 1993), market size (e.g., Cummins & Doherty, 2006), and environmental uncertainty (e.g., Regan, 1997). An exception is Black et al. (2002), who examined the determinants of direct or indirect channel usage from a consumer perspective. In addition, most insurance studies have been conducted in developed markets such as the United States, Europe, and far East, with none addressing developing insurance markets. This observation could be significant as developing markets considerably differ in terms of insurance knowledge and culture, insurance penetration, and regulations; and other factors with potential direct and indirect influences on insurance distribution and customers' channel choice.

With the increasing use of multichannel strategies in professional service marketing, particularly insurance, understanding factors driving customers' evaluations and use of alternative channels is an important first step in creating complementary synergies between channel formats that are expanding in range. This is because not only purchased products and services satisfy consumers' consumption goals but also channels consumers employ to obtain these products or services (Black, Lockett, Ennew, & Winklhofer, 2002). With this study, we attempt to contribute to the development of channel theory and management practices by analyzing the determinants of indirect/intermediary channel usage with a more consumer-centric approach. We focus on consumers rather than the channel, which is contrary to the approach previous works have adopted. The aim is to gain a better understanding of multichannel insurance mechanisms and determine the factors influencing the decision to use indirect channels (in this case, an insurance broker) over direct alternatives in a B2B context.

3 Theoretical Background and Hypotheses

In our hypotheses development, we relied on a value-intention framework. The approach assumes that consumers' willingness to demonstrate a certain behavior, in this case the choice to use an intermediary channel to purchase insurance, is a direct function of the perceived value of behavioral consequences, where consumers assess perceived value on the basis of net utility gains between received benefits and costs/sacrifices incurred (Zeithaml, 1988). In the marketing literature, perceived value is viewed as either a one-dimensional construct, where it is operationalized according to the "give vs. get" tradeoff concept and measured with indicators such as "fair price, good value, and value for money," or a multidimensional one, where four dimensions are considered to best conceptualize value (i.e., quality, emotional, social, and price). In the multidimensional construct, price is considered a sacrifice component, whereas the other three as benefit components. In this study, value is treated as a unidimensional construct, where we grouped perceived benefits into quality-related components of insurance broker services and perceived sacrifices in terms of monetary price (insurance premium).

3.1 Perceived Value and Channel Usage Intention in a B2B Context

With business relations shifting from transactional-based marketing to relationship marketing, creating customer value has become a fundamental step in maintaining successful business operations. Previous research on the relationship between perceived value and channel choice demonstrated that channel usage and switching are mainly influenced by consumer perceptions of the values a channel offers (Kwon & Jain, 2009). To the effect of insurance intermediaries, (Maas, 2010) concluded that "insurance brokers need to create benefit and value to the consumer in order to survive and be successful in comparison to direct retailing by insurance companies." According to means-end approach, individuals base their decisions on factors that will likely lead to desired consequences and minimize undesired effects. The theory is based on the assumption that consumers see product purchases as a means to important ends and explains how the selection of a product or service facilitates the achievement of desired end-state. In other words, customers constantly analyze products, seeking positive attribute "value" to rationalize their purchase decisions.

This argument has been supported by social penetration theory, which states that members will continue to deepen their relationship as long as perceived benefits exceed expected costs. In other words, a customer would invest and remain in a given relationship as long as its "value" is perceived. Drawing from the aforementioned, we argue that any insurance channel must fulfill some customer need or desired end-state to exist. As supported in the literature, insurance purchase decisions, and on a corporate level in particular, require extensive risk analysis and risk management, where customers are likely to seek broker channels to benefit from their expertise in risk placement and policy management. Accordingly, we propose the first hypothesis:

H1: Perceived broker channel value positively influences the usage intention of a broker channel.

For more insight on the subject of channel value creation, and based on additional literature review, we propose three independent consumer situational constructs (perceived risk, product class knowledge, and task/project complexity) believed to influence broker channel value, and ultimately broker channel use.

3.2 Perceived Risk and Value in a B2B Context

Consumer behavior theories suggest four major issues influencing buyer behavior: cultural, social, personal, and psychological factors. Two key psychological theories have emerged as explanations for the choice of channels from a consumer perspective: trust and perceived risk. In our analysis, we introduce perceived risk as an antecedent of perceived value.

In line with our previous argument and according to the means–end theory, when a consumer makes a purchase, one of the goals is to minimize undesired effects (sacrifices) associated with the transaction. The principle of efficiency also states that firms tend to adopt organizational models that manage to reduce both financial and non-financial transactional costs (Izquierdo-Yusta & Calderon-Monge, 2011). This principle is also in line with transaction cost theory, which recognizes that during a transaction, transaction costs are incurred in addition to production costs. Thus, the optimal organizational form is one that minimizes the sum of production and transaction costs (Regan, 1997). Thus, under the assumption that insurance brokers help mitigate risks related to insurance transactions and policy management, we hypothesize that consumers with higher perceived risks perceive greater value in broker channels than those with lower perceived risks. Accordingly, we present the following hypothesis:

H2: Consumers with higher perceived risks perceive greater value in broker channels than those with less perceived risk.

3.3 Insurance Product Class Knowledge and Perceived Value in a B2B Context

The importance of consumer knowledge in purchase decisions has been well documented in the literature, as prior knowledge is believed to influence information search behavior and processing (Brucks, 1985)(Flynn & Goldsmith, 1999). According to the LIMRA insurance barometer, "being certain I understand what I am buying" was cited as the most important purchase factor for consumers. Nonetheless, in academics, authors have questioned the direction of the relationship between knowledge and information search. Some researchers have argued that a negative correlation exists between prior experience and search behavior because so-called "experienced" consumers have prior knowledge about the attributes of various alternatives and thus, do not consider it necessary to gather more information from external sources. Others have argued that prior knowledge actually encourages information searches by making it easier to process more information. They argue that knowledge of product attributes could allow consumers to formulate more questions. A third group of studies have indicated the presence of an inverted U-shaped relationship between prior knowledge and information search behavior, where prior knowledge and information search behavior are positively related at low-to-moderate levels of knowledge or experience and negatively related at moderate-to-high levels. This relationship is particularly appealing because it explains the inconsistent findings in the literature (Brucks, 1985).

In this study, we assume that external search intention increases the likelihood of an insurance advisory use. In addition, we hypothesize that product knowledge affects broker channel usage intention through perceived value.

This hypothesis is linked to both the economy of information (EI) theory and the concept of information asymmetries. EI theory maintains that a buyer would acquire additional information until the marginal costs of acquiring such information equals the marginal benefits of obtaining it (Izquierdo-Yusta & Calderon-Monge, 2011). Simply put, consumers' willingness to spend on acquiring information depends on how crucial the information is in the decision-making process. In the insurance marketing literature, researchers have already established that information asymmetries are often present in insurance, and therefore, buyers often seek reliable information sources in their insurance purchase decisions.

As for the relationship direction between knowledge and broker channel value, we believe its domain specific, that is, other environmental factors may influence the direction of the relationship between both constructs. More specifically, in evolving insurance markets where insurance penetration is comparatively low and insurance purchase behavior is mainly driven by compulsory insurance lines, customers with less insurance knowledge are less likely to purchase insurance and mostly comply with government regulations. In this case, channel preference is less relevant and insurance cost is the primary objective. On other hand, when consumers have higher insurance knowledge about other attributes when deciding to buy insurance, price is not the main factor. In this case, insurance brokers act as a facilitator in insurance transactions by bridging the knowledge gap between the client and insurance company, providing after-sales services, and reducing uncertainty and information asymmetries. Given the above rationale, we propose the following hypothesis:

H3: Consumers with greater insurance product class knowledge perceive greater value in broker channels than those with less knowledge.

3.4 Perceived Project or Task Complexity and Perceived Value in a B2B Context

Certain projects require a higher degree of commitment, teamwork, and technical expertise than others. It is, therefore, important for managers to accurately assess the complexity of a task or project to ensure better planning and execution. Many consumers consider the process of buying insurance to be complex because they are often faced with the daunting task of determining the type of coverage needed and how and where to purchase insurance, which is in addition to understanding detailed and sometimes technical policy wording and coverage (Cummins & Doherty, 2006). Studies on the relationship between insurance complexity and channel choice have argued that certain insurance product categories are better marketed through direct sales channels, while those deemed more complex and requiring higher service levels are better handled through independent agency channels. This view is theoretically based on the concept of differential services, which argues that service levels differ by distribution channel, and thus, attract various consumer types (Dumm & Hoyt, 2002).

In sum, customers subject to complex risks requiring intensive risk analysis and management would benefit from insurance brokers as they bring higher levels of expertise, market knowledge, and risk placement capabilities. Therefore, the following hypothesis is derived:

H4: Consumers with greater perceived insurance project or task complexity perceive greater value in broker channels than those with less perceived project or task complexity.

4 Methodology

4.1 Empirical Context and Sample

This study aims to gain a better understanding of consumer channel choice in relation to insurance purchase decisions in a B2B context. We test several consumer situational characteristics believed to influence channel usage intention through perceived channel value, particularly the choice between indirect and direct broker channels. We conducted a quantitative empirical investigation in Saudi Arabia given the current dynamic nature of its insurance sector. We sampled 84 companies from three of the four main private business regions in Saudi Arabia, which are adequate and representative of the target population based on managerial judgment.

Data were obtained over a period of five months using an online survey sent out to 157 company representatives; the response rate was a reasonable 53%. Since we did not have a predetermined list of all private sector companies in Saudi Arabia, we compiled a sample using several sources to collect initial company listings. Before sending out the survey, we conducted phone screenings to ensure participants fulfilled certain basic criteria. In cases where company insurance decisions were made collectively, we selected the head of the committee as a participant. We excluded individuals without prior experience in either channel alternative to avoid bias and inaccurate responses.

4.2 Operational Definitions and Construct Measures

4.2.1 Independent Variables

Similar to (Park, Mothersbaugh, & Feick, 1994), we define the first construct, product class knowledge, as “a consumer’s perception of what or how much they know about a certain product class.” We employ a five-item scale developed by (Flynn & Goldsmith, 1999) to measure perceived (subjective) knowledge. In their study, Flynn and Goldsmith applied the scale to five product categories and reported that the scale demonstrated consistent and high reliability (coefficient alpha = .93) and validity (correlations with external criterion variables). In addition, they asserted that the scale could be used to test consumer information and decision-making theories.

Since we focus on exploring the relationship between project or task complexity and broker channel choice, the second construct is *project complexity*, also known as *task complexity*. Building on existing definitions, we define complex insurance projects as “consisting of several interrelated parts that make it difficult to implement, manage, and foresee/project outcomes.” We applied a cognitive approach to measuring project complexity, as adopted in (Remington, Zolin, & Turner, 2009), to assess the severity factors associated with a complex project. Drawn from our proposed definition, we measure project complexity by assessing three severity factors (consequences of a project being complex): the extent to which a project is difficult to implement, the degree of management difficulty, and the extent to which project outcomes can be projected. The final score of project complexity is an average or summation of all three scores.

The final independent variable *perceived risk* is defined as an “individual’s personal subjective assessment of the risk associated with the purchase.” The definition is similar to that proposed by (Schoenbachler & Gordon, 2002). Perceived risk is considered a multidimensional construct and measured as an overall average of six-risk dimension averages. Here, *overall average* = $\sum_{i=1}^N \frac{\bar{x}_i}{N}$, where N is perceived risk facets and \bar{x}_i is the average of each risk type defined as $\bar{x}_i = \sum_{i=1}^n \frac{x_i}{n}$, with n denoting the number of items measuring each risk. Similar to (Murphy & Enis, 1986), we defined risk types as follows:

1. Financial risk: The risk of consumers losing their money because the product does not satisfy their expectations; thus, instead of gaining more benefits, they invest more money in acquiring the product.
2. Social risk: Here, by choosing a given product, consumers’ status could change among friends, family, and/or colleagues.
3. Time loss: In this case, time spent in searching for a product will be lost if a product does not perform as per consumer expectations
4. Performance loss: The risk of products not working or performing as per consumer expectations
5. Psychological loss: The risk of choosing the wrong product negatively affecting a consumer’s ego

This measure scale was adapted from (Stone & Gronhaug, 1993), who reported high reliability (0.686–.810).

4.2.2 Mediating Variable

In this study, *perceived value*, one of the most important determinants of behavioral intentions, is believed to mediate the relationship among product class knowledge, project complexity, perceived risk, and outcome variable *usage intention of broker channel*.

Here, value is conceptualized as a unidimensional higher-level construct determined by consumers' perception of service utility defined as a "consumer's overall assessment of the utility of a service based on the perceptions of what is received and what is given." In this study, we measure perceived value by adopting earlier questionnaires (Gallarza & Saura, 2006) (Hellier, Geursen, Carr, & Richard, 2003) to assess consumers' overall channel value perception (items 5–7) and then employing functional value items from the PERVAL scale (Sweeney & Soutar, 2001) to assess the "give" and "get" components of the relationship. In particular, we measure the "get" component in terms of provided service quality and the "give" component in the context of consumer perceived monetary price assessment (items 1–4). This approach is in line with Zeithaml's means–end model, suggesting that consumers' value perceptions are determined by their quality and price perceptions (Sweeney & Soutar, 2001). PERVAL scale has been tested for reliability and constructs validity. The reliabilities of the scale's quality components were .91 and .80 and the total scale reliability was .96. Discriminant validity was also evident in both stages of the scale development.

4.2.3 Outcome Variable

Similar to (Yu, Hiehm, & Russell, 2011), we defined usage intention of broker channels as a "consumer's intention to buy insurance through a broker channel." As in (Kleijnen, de Ruyter, & Wetzels, 2007), we measured channel usage intention in a direct, simple manner rather than using multiple items. Here, we consider the concept to be a monolithic judgment variable, where we simply ask whether the respondent intends to use a broker channel to purchase insurance. Thus, the measure question was worded as follows:

Evaluate your future intention to use or continue using a broker to purchase insurance.

The question reported a reliability of .95 and an average variance of 0.78, both of which are significantly higher than the minimum cut-off value for CR (.70) and AVE (.50). We used a seven-point Likert scale for the responses to determine how likely or unlikely it is for respondents to purchase insurance through broker channels.

4.3 Questionnaire

Data were collected using an online questionnaire; the questions were marginally refined to best fit the context of the study. Appendix A highlights the model constructs and each one's measure scale. Given the significance of the questionnaire in meeting the study's objectives, we conducted a pilot test with 15 participants resembling the target population. The questionnaire was divided into three main sections. The first section was based on basic demographic information: respondent's company name, sector, and region and respondent's name and job title. The second section collected company-related insurance information and included questions based on key demographic information to be controlled for and tested to determine their impact on the final results. The third section was designed to measure the model variables: product class knowledge, project or task complexity, perceived risk, perceived channel value, and usage intention of broker channel.

5 Research Results

5.1 Descriptive Statistics

Eighty-four companies from 19 industries participated in the survey, representing three major business regions in Saudi Arabia. A majority of the responses (72.6%) were collected from the western region, followed by the central (22.6%) and southern (4.8%) regions. Eighty-one percent of the participants were either managers or CEOs and few were owners. This finding demonstrates that proper feedback was received from "decision makers." In addition, 75 out of the 84 participating companies provided information on the number of insurance products they held. As expected, all participating companies held at least one insurance product, mainly health or auto insurance because of their compulsory nature, while 56 had three or more insurance products. About 42.9% of the respondents indicated that their company employed full-time insurance personnel and 57.1% did not have full-time insurance staff. The means and correlations for key variables are reported in Table 1 and confirm the face validity of the hypotheses.

Table 1: Descriptive statistics: means and correlations

	Mean (SD)	Min-Max	PR	PCK	PTC	BCV	BCUI
Perceived risk (PR)	4.70 (.76)	2.75-6.42	1	0.072	.446**	.255*	.217*
Product class knowledge (PCK)	5.29 (.73)	3.25-7.00		1	-0.092	.347**	.419**
Project/task complexity (PTC)	3.33 (1.04)	1.33-5.67			1	-0.004	0.049
Perceived broker channel value (BCV)	5.27 (1.14)	1.50-7.00				1	.705**
Broker channel usage intention (BCUI)	5.76 (1.18)	2.00-7.00					1

** : correlation is significant at the 0.01 level (two tailed).

* : correlation is significant at the 0.05 level (two tailed).

5.2 Purification of Measure Scales

We used Cronbach's alpha to assess reliability, results are reported in Table 2 and indicate that all four variable items produced significant coefficients (.644–.941). Reliability is particularly true among items measuring perceived risk ($\alpha = .790$) and perceived broker channel value ($\alpha = .94$). These results were somewhat expected given that we used previously validated scales.

Table 2: Reliability statistics

Variable	Cronbach's Alpha	Cronbach's Alpha based on Standardized Items	No. of Items
Product class knowledge	.644	.658	4
Project/task complexity	.692	.694	3
Perceived risk	.790	.775	12
Perceived broker channel value	.941	.941	6

Furthermore, we conducted a principle component factor analysis with varimax rotation to identify the underlying dimensions of the model variables, results of which are reported in Appendix A. Finally, we examined inter-item correlation. We found strong correlation coefficients for theoretically similar scale items, indicating convergent validity, and weak correlation with scale items of dissimilar constructs, indicating discriminant validity.

5.3 Perceived Broker Channel Value and Usage Intention

We conducted a multiple regression analysis to assess the relationship between perceived broker channel value and the outcome variable and usage intention of broker channel. The results in Table 3 demonstrate a positive significant relationship between both variables with an $R^2 = .536$, $F(4, 79) = 22.80$, and $p < .001$, indicating that 53.6% of the variance in usage intention of broker channel is explained by perceived broker channel value after controlling for other variables in the model. The *standardized beta coefficient* value for perceived broker channel value is .630, rendering it the variable with the strongest unique contribution to explaining the dependent or outcome variable. The above results validate our first hypothesis that perceived broker channel value positively influences usage intention of broker channel and is consistent with the marketing literature. This is also in line with means–end and value-based theory, that is, consumers' willingness to demonstrate certain behavior is a direct function of the perceived value of the behavior's consequence. In agreement with (Maas, 2010), insurance brokers must create consumer benefit and value to survive and be successful in comparison to direct retailing by insurance companies.

5.4 Perceived Broker Value Antecedents and Broker Channel Value

The second regression equation tests for H2–H4 while controlling for six demographic variables—industry, job post, region, number of insurance products, insurance expenditure perception, and insurance capabilities—measured as per the availability of full-time insurance personnel.

In model 2 (Table 4), $R^2 = .295$, $F(9, 65) = 3.019$, and $p < .05$, indicating that 29.5% of the variance in perceived broker channel value is explained by the model variables and is statistically significant. In relation to the hypotheses validation, the *standardized beta coefficient* value for perceived risk is .335 ($p < .05$), and thus, it makes the strongest unique contribution to explaining the dependent or outcome variable. This validates our second hypothesis that perceived risk has a significant positive influence on perceived broker channel value. The result is consistent with several previous studies and in line with transaction cost theory, which recognizes that in addition to production costs, transaction costs are incurred and the optimal organizational form minimizes the sum of production and transaction costs.

Furthermore, the *standardized beta coefficient* value for product class knowledge is .314 ($p < .01$), and thus, makes the second strongest unique contribution to explaining the dependent or outcome variable. This result validates our third hypothesis that increased product class knowledge has a significant positive influence on perceived broker channel value, which is in line with previous research. However, we maintain that this relationship is domain specific.

Third, the *standardized beta coefficient* value for project or task channel value is $-.006$, meaning we cannot conclude that an increase in insurance complexity leads to greater perceived broker channel value. This finding is contrary to those in the literature on insurance channel distribution, which shows that customers with complex insurance products require higher levels of services and personal interactions and are better suited for independent agency channels than exclusive agents who market more standardized products.

Table 3: Regression results: perceived value and usage intention of broker channel

Dependent variable	Independent variable	R^2	Adjusted R^2	R^2 change	Beta	T	Significance	F
BC usage intention	1. Product class knowledge	.211	.181	.211	.406	4.036	.000	7.122
	2. Project complexity				.002	.022	.983	
	3. Perceived risk				.187	1.671	.099	
	Perceived broker channel value (controlling for PCK, PTC, and PR)				.630	7.439	.000	
BC usage intention		.536	.512	.325				22.804

Table 4: Regression results: perceived broker channel value antecedents and broker channel value

Dependent variable	Independent variable	R^2	Adjusted R^2	R^2 change	Beta	T	Significance	F
Perceived broker channel value	1. Product class knowledge	.295	.197	.185	.314	2.831	.006	3.019
	2. Project complexity				-.006	-.051	.960	
	3. Perceived risk				.335	2.458	.017	

All values were obtained controlling for respondents' demographic variables

5.5 Additional Analysis: Mediating Role of Perceived Broker Channel Value

We conducted a mediation analysis using the bootstrapping method with bias-corrected confidence estimates, as recommended by (Preacher & Hayes, 2008). In the present study, a 95% confidence interval for indirect effects was obtained with 5,000 bootstrap resamples. The mediation analysis confirms that perceived broker channel value is significantly related (CI = .0569–.4807) to perceived risk and broker channel usage intention ($\beta = .2714$) as well as product class knowledge and usage intention of broker channel ($\beta = .3256$; CI = .0465–.5870).

6. Summaries and Discussion

This study aims to explore channel choice in B2B professional services with focus on the insurance sector. By conducting a literature review and relying on a value-intention framework, we identified three constructs as antecedents of broker channel value: product class knowledge, perceived insurance risk, and insurance project or task complexity. In addition, we found that broker channel value creation has a direct positive influence on broker channel usage.

The results confirmed that higher levels of insurance product class knowledge lead to greater broker value perceptions. Second, greater perceived risks associated with insurance transactions lead to increased broker channel value, as consumers attempt to mitigate negative consequences by seeking advice from insurance experts, that is, insurance brokers. Third, perceived value was found to partially mediate the relationship between PCK and PR and broker channel choice. However, no empirical evidence was found on the relationship between insurance task complexity and perceived broker channel value. In this study, we measured insurance complexity by assessing the degree of difficulty in project or task implementation that in project or task management, and the ability to predict outcomes in terms of service quality. However, it is possible that these items did not properly measure the construct or respondents may have exhibited a bias when admitting the true degree of task complexity. Alternatively, the correlation results might have also improved with a larger sample size.

6.1 Practical Implications

From a business standpoint, this study's results reassert the importance of gaining knowledge on the factors influencing consumers' choice of channels. The findings have several business implications for insurance companies and intermediaries. Gaining a better understanding of consumer channel choices will assist insurance companies with market segmentation, enabling them to better align their resources and expertise to serve various corporate customer needs. This will also lead to better strategizing and channel management, potentially reducing channel conflict with intermediaries, as insurance companies continue to realize that certain insurance products that require higher levels of interaction and advisory are more suited for intermediaries, while other less complex lines can be marketed and distributed directly or indirectly. On the other hand, insurance brokers and agents should choose customers more diligently and realize that not all establishments represent "potential customers." The findings also suggest that even corporate consumers with greater insurance knowledge seek advice from insurance brokers, but on a different level. Finally, it is vital for all parties to realize that incomplete knowledge regarding the factors driving customers in their choice of channel can lead to the loss of direction, production, market share, and profits and even jeopardize the organization's existence.

6.2 Research Implications

From a theoretical perspective, this research adopted Zeithaml's (1988) value-based model and built on Black et al. (2002), who studied consumer choice regarding distribution channels in financial services and developed a model identifying the several factors influencing consumers' choice of channels. There are, however, certain key differences between this study and Black's model. More specifically, Black et al. (2002) employed semi-structured interviews about household financial services in the United Kingdom, while this study specifically focused on insurance purchase decisions in a B2B context. Furthermore, in contrast to Black's qualitative methodology, this study used a quantitative approach. Black et al.'s model also included a different set of variables with a more holistic approach, whereas our study aimed to provide initial exploration and insight into the subject; therefore, it should not be treated as a comprehensive view or analysis. Nonetheless, our model retains its importance given that most existing studies on distribution channels focus on multi and single channel strategies and channel efficiency, management, and design. Moreover, there is little research on consumers' choice of channel, especially in the insurance sector and from a consumer perspective.

Furthermore, this study's findings empirically support the *product quality hypothesis* and *concept of differential services*, both of which argue that services levels differ by insurance channel and those exclusive insurance intermediaries (i.e., insurance brokers) provide higher and more customized service levels than direct insurance channels, which are more suited for standard retail insurance solutions.

Finally, most empirical investigations on insurance channels, including those focused on brokers and intermediaries, have been conducted in developed insurance markets, mainly the United States and Japan and throughout Europe. Focusing on Saudi Arabia, a developing and fast-growing insurance market, allowed us to compare our findings with those on more developed insurance markets and draw more generalized conclusions on channel choices in the insurance sector.

6.3 Limitations and Future Research

Although this study offers valuable insight into channel choices in the insurance sector from a consumer perspective, it is not free from limitations. First, in relation to measure scales, we were unable to detect any validated measure scale in the marketing literature for *complexity*, as most related research focus on engineering and manufacturing processes. Therefore, we used our best judgment in selecting measure scale questions from the literature, which might have contributed to the inability to confirm H4. The second limitation relates to the research model. Although our model received significant empirical support, it is beyond the capacity of the current research to build a comprehensive model in relation to channel choice decisions in insurance. Nevertheless, our model serves as a promising early step in this direction. Additional constructs are needed in relation to factors affecting perceived broker channel value. Moreover, the possibility of direct relationships among the various value antecedents and the variables directly affecting channel choice need further consideration.

Future research may also consider other variables and their possible relationships in the current model or propose new models altogether. For example, in the relationship marketing literature, the concept of trust has been linked to perceived risk, with the latter shown to directly affect purchase intentions. Customer satisfaction has also been argued to mediate the relationship between perceived value and usage intentions (e.g., Hellier et al., 2003). The direct relationship between customer satisfaction and purchase behavior has also been supported by many social science studies (e.g., Saaty, 2011), warranting its inclusion in future research on the use of broker channels. In addition, the regression results indicated the presence of a direct relationship between product class knowledge and usage intention of broker channel (outcome variable); therefore, this relationship must be further explored. Although we use three situational characteristics —product class knowledge, perceived risk, project or task complexity—to measure our dependent variable (i.e., broker channel value) in a B2B context, these characteristics may also be pertinent to B2C transactions, and thus, further analysis can lead to more generalized findings.

Finally, our study applied a functional approach to value, focusing on utility derived from broker channels in terms of their ability to deliver better pricing and service quality. Other value dimensions such as emotional and social value, both proposed by Sweeney and Soutar (2001), can also be considered. Their inclusion would provide a more holistic view of perceived value, yielding greater insight into value dimensions and their respective relationships with channel choice. Similarly, distribution channel characteristics such as convenience, channel risk, and perceived channel cost may be included, as in Black et al. (2002) study on the financial services industry. Further, some scholars argued that channel preferences and the decision-making process regarding customer channel choices evolve over time; thus, studying value perception at different stages of the purchase and utilization processes may provide more insight into the subject area. Finally, the Saudi Arabian insurance market remains underdeveloped; therefore, it is possible that this study will produce slightly different results in more developed insurance markets such as those in the United States and United Kingdom.

Appendix A

Model constructs, scale items. and factors

Construct	Item code	Measure question	Response format	scale source	Factor loading
<u>Product class knowledge</u>	PCK1	<i>I am familiar with insurance</i>	7-point Likert scale: 7=Strongly agree; 4=Neither agree nor disagree; 1=Strongly disagree	Flynn and Goldsmith (1999)	0.772
	PCK2	<i>When it comes to insurance, I am quite knowledgeable</i>			0.800
	PCK3	<i>Among business colleagues, I'm one of the "experts" in insurance</i>			0.634
	PCK4	<i>Compared to most business people, I know more about insurance</i>			0.595
<u>Project/task complexity</u>	PTC1	<i>To what extent is your insurance difficult to implement?</i>	7-point Likert scale: 7=Very difficult; 4=Neither difficult or not difficult; 1=Not difficult at all	Remington et al. (2009)	0.801
	PTC2	<i>To what extent is your insurance difficult to manage?</i>			0.790
	PTC3	<i>How difficult is it to predict insurance outcomes in terms of service?</i>			0.771
<u>Perceived risk</u>	PR1	<i>Proper purchase of insurance would be held in higher esteem by my associates at work</i>	7-point Likert scale: 7=Strongly agree; 4=Neither agree nor disagree; 1=Strongly disagree	Stone and Gronhaug (1993)	0.790
	PR2	<i>Improper purchase of insurance would cause people whose opinion I value to think I am unwise</i>			0.730
	PR3	<i>Independently purchasing insurance concerns me because it would create more time pressure, which I do not need</i>			0.719
	PR4	<i>Independently purchasing insurance would lead to the inefficient use of my time</i>			0.715
	PR5	<i>I would be concerned that the purchased insurance product would not provide the expected level of benefits</i>			0.682
	PR6	<i>In my insurance purchase, I would be concerned about the level of dependability and reliability of the product</i>			0.678
	PR7	<i>In buying insurance, I would be concerned that the financial investment made would not be wise</i>			0.654
	PR8	<i>In my insurance purchase, I would be concerned with not receiving my money's worth from the product</i>			0.872
	PR9	<i>The thought of buying insurance gives me a feeling of unwanted anxiety</i>			0.694
	PR10	<i>The thought of buying insurance causes me to experience unnecessary tension</i>			0.649
	PR11	<i>Overall, the thought of buying insurance causes me to be concerned with experiencing some kind of loss if I went ahead with the purchase</i>			0.912
	PR12	<i>When all is said and done, I really feel that the purchase of insurance poses problems for me, which I just do not need</i>			0.867

<u>Perceived broker channel value</u>	BCV1	<i>I believe insurance brokers provide higher standards of service quality than direct sales channels</i>	7-point Likert scale: 7=Strongly agree; 4=Neither agree nor disagree;	Sweeney and Soutar (2001);	0.926
	BCV2	<i>I believe service quality is more consistent and reliable when provided through insurance brokers than direct sales channels</i>	1=Strongly disagree	Hellier et al. (2003); Gallarza and Saura(2006	0.906
	BCV3	<i>Insurance brokers provide insurance services in a timely manner compared to direct sales channels</i>			0.848
	BCV4	<i>Insurance bought through brokers is reasonably priced compared to direct sales channels</i>			0.820
	BCV5	<i>Overall, I believe that insurance brokers provide more "value for money" than direct sales channels</i>			0.852
	BCV6	<i>I consider insurance transactions through brokers to be a "good buy" compared to direct sales channels</i>			0.922
<u>Channel usage intention</u>	BCUI	<i>Evaluate your future intention to use or continue using a broker to purchase insurance</i>	7-point Likert scale: 7=Very likely; 4=Neither likely nor unlikely; 1=Very likely	Kleijnenet al.(2007)	

Bibliography

- Albesa, J. (2007). Interaction channel choice in a multichannel environment, and empirical study. *International Journal of Bank Marketing*, 25(7), 490-506.
- Beloucif, A., Donaldson, B., & Kazanci, U. (2004). Insurance broker-client relationships: An assessment of quality and duration. *Journal of Financial Services Marketing*, 8(4), 327-342.
- Berger, A., Cummins, J., & Weiss, M. (1997, October). The coexistence of multiple distribution systems for financial services: The case of property-liability insurance. *Journal of Business*, 70(4), 515-546.
- Black, N., Lockett, A., Ennew, C., & Winklhofer, S. (2002). Modelling consumer choice of distribution channels: an illustration from financial services. *International Journal of Bank Marketing*, 20(4), 161-173.
- Brucks, M. (1985, June). The effects of product class knowledge on information search behavior. *Journal of Consumer Research*, 12, 1-16.
- Cummins, J., & Doherty, N. (2006). The economics of insurance intermediaries. *The Journal of Risk and Insurance*, 73(3), 359-396.
- Denley, N. (2012). Bridging the life insurance knowledge gap. *LIMRA's Market Facts Quarterly*, 2, pp. 64-68.
- Dumm, R., & Hoyt, R. (2002). Insurance distribution channels: Markets in transition. 1-12.
- Easingwood, C., & Storey, C. (1996). The value of multi-channel distribution systems in the financial services sector. *The Service Industry Journal*, 16(2), 223-241.
- Flannagan, M., & Aartrijk, P. (2013). *Property and Casualty insurance market opportunities and competitive challenges for independent agents and brokers 2013*. USA: A.M. Best.
- Flynn, L., & Goldsmith, R. (1999). A short, reliable measure of subjective knowledge. *Journal of Business Research*, 46, 57-66.
- Gallarza, M., & Saura, I. (2006). Value dimensions, perceived value, satisfaction and loyalty: An investigation of university students' travel behaviour. *Tourism Management*, 27, 437-452.
- Hellier, P., Geursen, G., Carr, R., & Richard, J. (2003). Customer repurchase intention A general structural equation model. *European Journal of Marketing*, 37(11/12), 1762-1800.

- Izquierdo-Yusta, A., & Calderon-Monge, E. (2011). Internet as a distribution channel ? Empirical evidence from the service sector and managerial opportunities. *Journal of Internet Commerce*, 10(2), 106-127.
- Kleijnen, M., de Ruyter, K., & Wetzels, M. (2007). An assessment of value creation in mobile service delivery and the moderating role of time consciousness. *Journal of Retailing*, 33-46.
- Kwon, K.-N., & Jain, D. (2009). Multichannel shopping through nontraditional retail formats: Variety-seeking behavior with hedonic utilitarian motivations. *Journal of Marketing Channels*, 16(2), 149-168.
- Lamm-Tennant, J., & Starks, L. (1993). Stock versus mutual ownership structures: The risk implications. *The Journal of Business*, 66(1), 29-46.
- Maas, P. (2010). How insurance brokers create value - A functional approach . *Risk Management and Insurance Review*, 13, 1-20.
- Murphy, P., & Enis, B. (1986, July). Classifying products strategically . *Journal of Marketing*, 50, 24-42.
- Park, C., Mothersbaugh, D., & Feick, L. (1994, June). Consumer knowledge assessment. *Journal of Consumer Research*, 21, 71-82.
- Park, J., Lee, S., & Kang, H. (2009). The insurance distribution systems and efficiency in the property-casualty insurance industry. *Managerial Finance*, 35(8), 670-681.
- Preacher, K., & Hayes, A. (2008). Asymptotic and resampling strategies for assessing and comparing indirect effects in multiple mediator models. *Behavior Research Methods*, 40(3), 879-891.
- Regan, L. (1997). Vertical integration in the property-liability insurance industry: a transaction cost approach. *The Journal of Risk and Insurance*, 64(1), 41-62.
- Remington, K., Zolin, R., & Turner, R. (2009). A model of project complexity: Distinguishing dimensions of complexity from severity.
- Saaty, A. (2011). Assessing the satisfaction of insurance customers and its impact with reference to Saudi Arabia. *Journal of Contemporary Reserach in Business*, 2(12), 290-305.
- Schoenbachler, D., & Gordon, G. (2002). Multi-channel shopping: Understanding what drives channel choice. *Journal of Consumer Marketing*, 19(1), 42-53.
- Stone, R., & Gronhaug, K. (1993). Perceive risk: Further considerations for the marketing discipline . *European Journal of Marketing*, 27(3), 39-50.
- Sweeney, J., & Soutar, G. (2001). Consumer perceived value: The development of a multiple item scale. *Journal of Retailing*, 203-220.
- Thornton, J., & White, L. (2001). Cusotmer orientations and usage of financial distribution channels . *Journal of Service Marketing*, 15(3), 168-185.
- Trigo-Gamarra, L. (2008). Reasons for the coexistence of difference distribution channels: An empirical test for the German insurance market. *The Geneva Papers on Risk and Insurance - Issues and Practice*, 33, 389-407.
- Yu, U.-J., Hiehm, L., & Russell , D. (2011). Exploring perceived channel price, quality, and value as antecedents of channel choice and usage in multichannel shopping. *Journal of Marketing Channels*, 18, 79-102.
- Zeithaml, V. (1988, July). Consumer perceptions of price, quality, and value: A means-end model and synthesis of evidence. *Journal of Marketing*, 52, 2-22.