

## Chapter 9

# Merchants Competing on E-Commerce Platforms: Influencing Factors on Buying Behavior

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### ABSTRACT

*The importance of marketplaces in e-commerce has increased. More and more merchants are trying to use e-commerce platforms as a distribution channel. With the increasing competition, merchants are faced with the challenge of continuing to sell their products to consumers through marketplaces at a profit. This is especially true if the consumer has already chosen a certain product and now only decides from which merchant to buy the product. This chapter therefore examines for different customer segments which merchant-related factors — also and in particular apart from the price — influence the purchase decision. After reviewing relevant literature, various factors are identified through structured interviews. An online survey is then used to simulate a total of 3,485 purchase decisions with different factor characteristics. In addition to the price, the ratings of a merchant and the delivery time are identified as central factors influencing the purchase decision.*

### INTRODUCTION

For many years now, Internet-supported retail, including online trade or e-commerce, has been growing worldwide and at a disproportionately high rate compared to stationary retail (HDE & IfH Cologne, 2020; U.S. Department of Commerce, 2020). In the U.S., for example, e-commerce accounted for about 15.1 percent of total retail sales in the second quarter of 2020 (U.S. Department of Commerce, 2020).

In line with the growth of e-commerce in general, the importance of online marketplaces as e-commerce platforms, in particular, is growing. These marketplaces act as intermediaries between supply and demand. Thus, they offer a platform for business transactions to traders who either do not want to or cannot operate their own online store. In Switzerland, for example, 35 percent of all retailers already

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sell via these e-commerce platforms, and another 20 percent plan to do so in the future (Swiss Post & ZHAW, 2020).

The online marketplace Amazon plays a decisive role in this context. Amazon dominates the market in the western world and profits in a double sense from a network effect. For consumers, the attractiveness of the platform increases with the range of goods available. As a result, the attractiveness of the marketplace for other, additional merchants increases with every transaction. In Germany, for example, Amazon has a market share of around 38 percent in e-commerce. With a turnover of 22.23 billion euros in 2019, more than every third euro in Germany was spent on the e-commerce platform in 2019 (Amazon, 2020; HDE & IfH Cologne, 2020).

While some merchants use the marketplace primarily as an additional business to their own online store, other merchants use the marketplace to supplement their traditional stationery business. Digitization, in particular, is putting increasing pressure on the stationary retail sector. As a result, retailers are increasingly looking for opportunities to take advantage of digitization (Wohllebe, Dirrler, & Podruzsik, 2020). Retailers also seem to be focusing more and more on one or just a few marketplaces as a distribution channel. Marketplaces are also becoming increasingly relevant in the business-to-business sector: Around two-thirds of all German dealers in the B2B sector state that they also want to link their ordering systems to a marketplace or have already done so (ECC Köln & IfH Köln, 2014).

The overall increase in the number of dealers in marketplaces is also increasingly intensifying competition. Driven by high price transparency, consumers can thus benefit from low prices. Therefore, retailers who sell on e-commerce platforms face a business challenge that is particularly serious due to price transparency. On the one hand, costs must be covered and profits generated. But, on the other hand, price is a very important factor in the consumer's buying decision process. For retailers, this raises the pressing question of how to differentiate themselves from the competition in order to be able to generate sales even if they cannot offer the most favorable price. This question is particularly relevant if the (potential) customer has already made the selection for a certain product and is now only looking for the right retailer in a marketplace for the purchase decision.

## **Background**

To answer the question of differentiation of merchants in online marketplaces, it is first necessary to understand the purchasing behavior of consumers in this context. The purchasing behavior of consumers in e-commerce, in general, has been the subject of research for many years.

Various findings also exist concerning purchasing decisions on online marketplaces, although these usually consider the product and merchant together (Bart, Shankar, Sultan, & Urban, 2005; Smith & Brynjolfsson, 2001; Teo & Yeong, 2003). Given the publication date of these works, it is doubtful whether these findings are still fully valid today, sometimes almost 20 years later. However, individual research results that explicitly refer to the selection of merchants on online marketplaces do not provide any insights against the background of different socio-demographic characteristics of consumers (Adler & Wohllebe, 2020).

Before looking at the existing literature with regard to this book chapter, the concept in the sense of an online marketplace will first be examined. Marketplaces in general, are understood as platforms for and mediators between supply and demand. Electronic or online marketplaces, in particular, use the Internet as a trading space.

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