

## Chapter 20

# Identifying the Factors that Lead to a Successful Intermediary in Electronic Commerce

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### ABSTRACT

*The Internet has changed the way we interact with others in both our business and personal spheres. Electronic commerce has developed beyond buying and selling of goods electronically. It is now leading to new online intermediaries such as aggregators of information, peer-to-peer and social networking sites which allow sharing between individuals without the need for commercial service providers, and new on-line payment mechanisms such as BPAY in Australia, which provide additional services to those from existing credit providers. Using a case study approach, this chapter explores the factors that have led to the success of financial intermediaries and in particular, BPAY Ltd.*

### INTRODUCTION

The Internet has changed the way we interact with others in both our business and personal spheres. Electronic commerce and mobile commerce are becoming mainstream as a result of the increased use of the Internet and wireless by individuals, business and government. Electronic commerce has developed beyond buying and selling of goods electronically. It is now leading to new online intermediaries and new on-line payment mechanisms which provide additional services to those provided

by existing credit providers. These new intermediaries are adding value through providing choice to users and through increased use and acceptance of technology as a way to conduct business and to communicate.

This chapter explores the factors that have led to the success of a new financial intermediary in electronic commerce. We sought to understand where the impetus for new intermediary roles came from, whether it arose from existing roles in the process being converted, or whether it was driven by external factors such as governments seeking increased efficiencies. We were also interested in understanding whether it is possible to identify

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key factors for the success or survival of a new electronic intermediary role and whether the most successful roles are those in which an existing paper-based process is replaced by an electronic process or when an entirely new process is developed due to the availability of new technology. In particular, the case study explored the rise of one new Australian intermediary and whether the factors which led to its success could result in a model applicable to other new intermediaries in electronic commerce.

## **RESEARCH METHODS**

This research was undertaken in two stages. First, previous studies on electronic intermediaries were identified and were used to derive a model that could be used to determine the factors that lead to the success or failure of an electronic payment intermediary. Second, a case study of a new Australian intermediary, BPAY Ltd, was undertaken and mapped against the model. The case study approach was chosen for this project as it allowed the project team to 'investigate a contemporary phenomenon within its real-life context' (Yin, 1994, p. 13). The researchers were able to explore both 'how' and 'why' this intermediary succeeded, while other similar intermediaries might fail.

Data for the case study was collected through a search of publicly available material, from documents provided by BPAY and from interviews. Seven participants were interviewed. They had knowledge of BPAY's operations and activities from the beginning of 1997 onwards. The participants included the current and former General Managers, and five former and current members of the BPAY Board or Management Committee. The transcribed interview data and literature review were analysed and themes were identified, and are discussed below.

## **BACKGROUND**

Given the relatively recent development of electronic commerce and banking, there have been only a few studies on the success or otherwise of electronic banking intermediaries. A study by Kniberg in 2002 found that a payment system<sup>1</sup> will generally have eleven characteristics; security, ease of use, cost, credibility, range of payment amounts, speed, ease of joining, pervasiveness, credit, economic model and personal integrity which will determine the success or failure of the system.

The success or failure of a payment system will be influenced by the value or benefit of each of the characteristics to the consumer and or the merchant or biller (Kniberg, 2002). Kniberg concluded that a successful payment solution is more likely to have developed from building on an existing billing relationship between a company and its customers (Kniberg, 2002).

Kniberg also found that many payment solutions failed due to the fact that they focused too much on security. Trust is arguably more important to users and merchants than security. Users and merchants are more likely to use an 'insecure' (as judged by Kniberg) payment system from a trusted company, such as Visa, than a secure payment system from an untrusted or unknown company (Kniberg, 2002). Other than trust, a payment solution may succeed or fail on the basis of pervasiveness, ease of joining, ease of use, transaction costs and transaction speed (Kniberg, 2002).

Chau and Poon's (2003) case study on the Octopus smart card<sup>2</sup> found that despite lower security measures than the Visa Debit and the Mastercard Mondex cards, this electronic payment system was a success with 95 per cent of Hong Kong's population aged between 16 and 65 years using the system and 10.5 million transactions occurring via Octopus each day (Octopus Cards, n.d.). They found that the success of the system was due to four factors: an established market base with high

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