

Chapter 21

A Framework for Identifying B2B E–Marketplace Strategies

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ABSTRACT

Different types of Electronic Marketplace (EM) strategies have been articulated in the literature. EM strategies vary from public exchanges to private extranets. This chapter reviews existing literature and provides a parsimonious framework for classifying EMs. The proposed framework utilizes two dimensions: relationship and product's level of value addition. Based on the framework, the research theoretically derives five dominant EM strategies. The authors also highlight the applicability of their framework by providing illustrative examples of current industry practices in the realm of B2B EM.

INTRODUCTION

Business-to-Business (B2B) e-commerce has been in existence ever since GM introduced Electronic Data Interchange in the 1980's as a technology to do business with its suppliers (Premkumar, 2003). The utilization of the Internet for business paved the way for web-based B2B. The arena in which B2B commerce takes place is called an Electronic Marketplace (EM). B2B is a more significant component of e-commerce than B2C and correspondingly of more interest. While there are different perspectives of interest in this area, such as technological

innovations, information visibility etc., this research focuses on EM strategies or approaches by B2B companies towards E-commerce business. We define this as selection of parameters of an EM such as participants, market-mechanisms, fee-structure etc. For most practical purposes, it boils down to the selection of a market mechanism. The failure of many B2B companies following the dot.com bust underscores the need for such study. There must be a framework for practitioners to identify successful B2B strategies and to position their organizations effectively within the full range of strategies (Chatterjee & Ravichandran, 2004). The topic is thus of importance to IS researchers. While literature in the area is still relatively sparse, a number of research-

DOI: 10.4018/978-1-61520-611-7.ch021

ers have introduced classifications of strategies, the earliest of which is one by Malone, Yates, & Benjamin (1987) who developed theirs based on research of others. According to them, there are two forces controlling the flow of products and services in an economy: *markets* which regulate flow of goods through supply and demand and *hierarchies* or managerial structures that regulate steps of the value chain (essentially a captive supplier). Their hypothesis is that products supplied by markets are cheaper (because they are efficient), but have higher co-ordination costs (due to large number of sellers) while the case is reversed for hierarchies i.e. high production costs and low co-ordination costs and because of this they successfully predicted the proliferation of electronic markets. In their words, “Some firms will be able to benefit directly from this shift by becoming “market makers” for the new electronic markets.” Over the years, additional frameworks have been proposed. This research reviews existing classifications of B2B/Electronic marketplaces and synthesizes a typology that can be used for selecting a suitable B2B strategy. The result is a strategic grid that organizations can utilize to select a particular strategy based on their unique requirement.

BACKGROUND

A number of B2B classifications have been introduced in the literature, but there is little consensus among researchers (please refer to Table 1), allowing room for additional classifications. Pavlou & El Sawy (2002) classify marketplaces based on number of buyers and sellers. They place within their classification, exchanges (many to many), monopolies (few to many), dyads (few to few) and monopsonies (many to few). A similar approach is followed by Barnes-Vieyra & Claycomb (2001) who classify marketplaces by number of participants. In their classification they considered one seller to many buyers, many

sellers to one buyer, and many sellers to many buyers. Additionally, they also consider the presence of intermediary such as aggregator or broker in situations where there are many buyers. Wise & Morrison (2000) do not classify marketplaces, but provide the following categorization of EM strategies: “Mega-exchange,” “Specialist Originator,” “E-speculator,” “Sell-side asset exchange,” and “Solution provider.” This appears in various forms in the literature as “market mechanisms.” Kaplan & Sawhney (2000) classify E-marketplaces based on what businesses buy and how they buy. These are now classified as “product” and “buyer behavior” dimensions respectively (see table 1). Clarke & Flaherty (2003) utilize a three dimensional scheme to classify portals: horizontal-vertical (“industry focus”), public-private (“ownership”) and informational-transactional (“functionality”). They recommend portal development strategies and link design steps with e-commerce objectives.

Chatterjee & Ravichandran (2004) classify inter-organizational systems (IOS) based on control (“ownership”), technology specificity, integration with internal systems and relational support i.e. arm’s length vs. partnerships. They hypothesize that product characteristics and relationship characteristics determine the nature of an IOS. Richard & Devinney (2005) provide a typology synthesized from the literature that consists of the following dimensions: users, ownership, owner transaction participation, focus, functionality and other features. The emphasis of their study was on IT strategies followed by B2B firms. Petersen, Ogden, & Carter (2007) provide the following typology of B2B strategies (“market mechanisms”): project specification managers, supply consolidators, liquidity creators, aggregators and transaction facilitators. They point out, in a prescriptive fashion, the potential impact of these strategies on the value chain. Walters (2008) identifies three strategies followed by intermediaries in supply chains – information rich, relational and joint learning and illustrates these with a case study of

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