

Motives for e-marketplace Participation: Differences and Similarities between Buyers and Suppliers

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INTRODUCTION

A growing number of firms are experimenting with buying or selling goods through e-marketplaces and, in many cases, these experiments are succeeded by more permanent use. As such, e-marketplaces are increasingly important to the organization of procurement and sales activities and analysts predict that, by the end of 2005, e-marketplaces may account for more than 50% of all online business (Zank and Vokurka 2003). This development is related to, among other things, the expected benefits of using e-marketplaces. These expectations — or underlying motivational factors — form the subject of this paper.

An e-marketplace may be defined as 'an inter-organizational information system which allows the participating buyers and suppliers to exchange information about prices and product offerings' (Bakos 1991: 296). Understood as a set of practices intended to ensure a cost-effective flow and inventory of materials and finished products throughout the value chain from point-of-origin to point-of consumption, supply chain management (SCM) concerns the buyers' design of supply conditions, which has led some to argue that SCM is simply a way of helping buyers

increase their efficiency at exploiting suppliers (Heide 1994; Semlinger 1993). Following this view, much current research and debate on e-marketplaces focuses on how e-marketplaces may support buyers in their attempts to obtain leaner or more efficient supply chains than they have. It goes without saying, however, that, in order to survive, e-marketplaces need to attract buyers as well as suppliers; hence, knowledge is needed on how suppliers perceive e-marketplaces and on what motivates them to participate.

The purpose of this paper is to contribute to our understanding of buyers' and suppliers' motives for e-marketplace participation and to make a comparison of these. On the basis of a review of the literature, we develop a theoretical framework for the categorization of motivational factors, which leads to a motives matrix containing four different types of motives. We then apply the framework to a dataset developed by eMarket Services consisting of 41 case studies undertaken among buyers and suppliers at e-marketplaces over the period from 2001 to 2004 (Swedish Trade Council 2004a). The case studies include four types of e-marketplaces and cover 20 industries in 12 countries. The case studies address the practical issues of using

A b s t r a c t

The motivation of suppliers as well as buyers for e-marketplace participation is closely linked to the perceived outcome of participation, not only in terms of the benefits of joining an e-marketplace, but also in terms of the possible consequences of not joining. The key issue, therefore, is why organizations decide to buy and/or sell goods or services in e-marketplaces. We develop a theoretical framework for the categorization of motivational factors, resulting in four different types of motives. We then apply the framework to a dataset consisting of 41 case studies covering 20 industries in 12 countries. We conclude that buyers and suppliers have different motives for engaging in e-marketplace activities. Although e-marketplaces are a way of increasing the efficiency of supply chain activities, this is not necessarily done with the sole aim of exploiting suppliers: buyers also use e-marketplaces to find new or alternative suppliers. Similarly, even though demands from existing customers have spurred their initial decision to participate in e-marketplaces, many suppliers also use the marketplaces to search for new customers. When expressing their motives for engaging in e-marketplace activities, buyers tend to emphasize proactive and planning-oriented features, whereas suppliers are driven by external forces.

Keywords: e-business, e-marketplace, nature of decision-making, motives, case study

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e-markets; they identify the concerns of buyers and suppliers; and they show how e-markets create international business opportunities. We match the case studies with the theoretical framework and arrive at the conclusion that, in terms of the nature of decisions and the issue of whether e-marketplace participation is driven by external or internal forces, differences as well as similarities hold between buyers and suppliers. Finally, we suggest directions for future research and for management.

MOTIVES FOR E-MARKETPLACE PARTICIPATION: A THEORETICAL FRAMEWORK

The motivation of suppliers as well as buyers for e-marketplace participation is closely linked to the perceived outcome of participation, not only in terms of the benefits of joining an e-marketplace, but also in terms of the possible consequences of not joining. The key issue, therefore, is *why* organizations decide to buy and/or sell goods or services in e-marketplaces. This section summarizes and categorizes the major reasons for e-marketplace participation outlined in the existing literature, thus providing the theoretical background for the empirical study below.

The literature describes e-marketplace participation from varying perspectives and for varying purposes. Early contributions often deal with the characteristics of electronic market (e-market) systems and their general impact on market efficiency (e.g., Bakos 1991), while the recent literature explicitly seeks to explain the motivations and behaviour of firms using electronic markets (e.g., Grewal *et al.* 2001). In addition, the actor focus varies, some studies mainly adopting the point of view of the supplier (e.g., Smart and Harrison 2003), others that of the buyer (e.g., Stockdale and Standing 2002; Kaplan and Sawhney 2000), yet others considering the views of both parties (e.g., Grewal *et al.* 2001); and even numerous studies taking the point of view of the intermediary between buyers and suppliers, thus viewing the motives and expected benefits from the perspective of the e-marketplace.

For present purposes, we categorize the motives for participating in e-marketplaces along two dimensions: *drivers* and the *nature of the decision*. This categorization is inspired by Strandskov (1995), who uses the same dimensions to outline the similarities and differences between theories about the internationalization processes of firms. Drawing inspiration from the literature on internationalization and exporting makes sense as the motives of firms is one of the main themes in that area (Crick and Chaudhry 1997). Furthermore, some of the considerations of the internationalization/exporting literature in terms of, for instance, active versus passive behaviour and the significance of different stages in these processes would appear valid with respect to the concept of e-marketplace participation as well, which underlines

the relevance of taking the literature on internationalization as a theoretical starting point.

The term *drivers* refers to attention-evoking factors (Wiedersheim-Paul *et al.* 1978), i.e., the factors or influences which cause a firm to consider e-marketplace participation a possible strategy and as such represent the ‘triggers’ in relation to decisions about e-marketplace participation. Drivers are either internal or external (Crick and Chaudhry 1997; Strandskov 1995) and describe whether e-marketplace participation is initiated as the result of an internal process, where resources, competencies and skills are purposely built up and developed, or whether it is mainly determined by factors in the external environment of the focal firm. The vertical dimension — the *nature of the decision* — refers to the level of deliberation of e-marketplace participants. Decisions are either planned or emerging (Strandskov 1995). Planned decisions are made in anticipation of future needs or problems and as such result from the careful planning and analysis of alternatives, whereas emerging decisions are the gradual consequence of a company’s reacting to opportunities or threats without necessarily at the outset having had the intention of doing so. The combination of the two dimensions results in the motives matrix shown in Figure 1.

The upper left-hand square of Figure 1 contains those companies whose e-marketplace participation is a deliberate action most likely taken after careful consideration of the expected outcome in terms of how the companies may obtain benefits from streamlining their processes. The motivational factors of these participants may be summarized under the heading of *efficiency*. In the lower left-hand square, e-marketplace participation also takes place as the result of internal considerations; the nature of the decision, however, is more reactive and, in particular, the decision to continue trading on e-marketplaces, having once done so, is taken only upon evaluation of the actual experiences of the firms in this category. Hence, the process of participation is incremental and any strong commitment to using e-marketplaces emerges over time. We label the motives in this square *exploration*. The upper right-hand corner contains motivational factors related to the competitive *positioning* of the company. Careful consideration of external factors such as, for instance, market and industry developments is decisive for the choice to move business onto e-marketplaces. Finally, the lower right-hand corner consists of e-marketplace participants who are also induced to trade on e-marketplaces by external drivers; in this category, however, participation, unlike that found under the heading of positioning, is re-active and is initiated because external factors put pressure on the company to join. We label the motivational factors in this category *legitimacy*.

We now consider the four motives in some detail, which subsequently leads to the derivation of a set of indicators for each motive. The amount of literature on

		Drivers	
		Internal	External
Nature of decision	Planned	<p><i>Efficiency</i></p> <p>The decision to participate in e-marketplaces is driven by an internally generated wish to obtain company-specific advantages and is made as a consequence of the careful evaluation of expected outcome.</p>	<p><i>Positioning</i></p> <p>Industry-specific competitive conditions are the driving forces behind the decision to participate in e-marketplaces. Decisions are planned and taken with the purpose of improving the competitive position of the company.</p>
	Emerging	<p><i>Exploration</i></p> <p>Initial e-marketplace participation takes place on a trial-basis and the decision to continue or discontinue participation is a direct result of actual experiences. Decisions are internally motivated.</p>	<p><i>Legitimacy</i></p> <p>E-marketplace participation is motivated primarily by external drivers rooted in a company's relationships with other companies and happens as a consequence of ongoing political negotiations rather than careful planning.</p>

Figure 1. Theoretical frame for categorizing motives for e-marketplace participation

the different types of motives varies considerably. The motivational factors that we categorize as planned are by far the most commonly recognized: the existing literature does to some extent include them, the efficiency-related motives being particularly extensively covered. As for the categories labelled emerging, some authors discuss legitimacy-related motives but very few consider exploration-related ones.

Efficiency

For buyers, the benefits related to efficiency include the opportunity to reduce search costs considerably through e-marketplaces because of the general lowering of transaction costs created by the Internet (e.g., Bakos 1997; Kaplan and Sawhney 2000; Klein and Quelch 1997; Steinfield *et al.* 1995). This is often referred to as the 'electronic brokerage effect' (Malone *et al.* 1987). The opportunity to obtain time savings through the streamlining of processes, such as reducing the time spent on evaluating alternatives, selecting, contacting and communicating with suppliers is also often mentioned as a motivation to move purchasing activities to e-marketplaces (e.g., Grewal *et al.* 2001; Le 2002; Steinfield *et al.* 1995). Furthermore, the increased price transparency on e-markets is generally recognized as leading to increased competition among suppliers, and, in so doing, resulting in an approximation to true market prices and a decrease in prices in general (e.g., Bakos 1997; Klein and Quelch 1997; Smart and Harrison 2003). It follows that the prospect of lower prices often motivates buyers to join e-marketplaces.

Although the motivational factors related to efficiency are somewhat biased in favour of buyers, suppliers may also obtain efficiency gains from e-marketplace participation. It has been suggested that the cost of increased integration with existing partners may be reduced on

e-markets — a benefit referred to as the 'electronic integration effect' (Malone *et al.* 1987). The general reduction in transaction and interaction costs benefits suppliers by reducing contact, communication and negotiation costs as a result of the time savings realized when, for instance, suppliers do not have to pay repeated visits to customers, or prospective customers, to obtain orders from them (e.g., Eng 2004; Grewal *et al.* 2001; Kaplan and Sawhney 2000; Smart and Harrison 2003). In relation to selling and communication costs, it has been suggested that e-marketplaces may give suppliers access to higher levels of decision-making authority in buying organizations (Emiliani 2000), thus facilitating the bypassing of gatekeepers.

Positioning

Both buyers and suppliers can use e-marketplaces in their efforts to position themselves strategically relative to the competition. In the case of buyers, the motivational factors and potential benefits involved may include the gaining of access to a larger and more diversified pool of suppliers than non-electronic markets would offer, which may, in turn, allow buyers to obtain relatively lower prices, wider product assortments and better quality (e.g., Eng 2004; Kaplan and Sawhney 2000; Klein and Quelch 1997; Sashi and O'Leary 2002). E-marketplaces may also help reduce the risk of placing large orders with only one or a few local or national suppliers. In this sense, an e-marketplace may actually be used to shift bargaining power from suppliers to buyers. The fact that e-marketplaces allow buyers to assess competent suppliers which might otherwise not have been considered increases the dynamism in their choice of partners and this may ultimately contribute to better purchasing decisions (Christiaanse and Kumar 2000; Emiliani 2000).

Like buyers, suppliers may join e-marketplaces with the explicit intention of improving their competitive position through, for instance, a wider market reach (e.g., Kaplan and Sawhney 2000; Sashi and O’Leary 2002; Smart and Harrison 2003; Zank and Vokurka 2003). The immediate access to a larger customer base thus gained may be used to increase sales without similarly increasing selling costs. Suppliers may also use e-marketplaces to unload excess inventory and reduce inventories in general (Eng 2004; Sashi and O’Leary 2002). In addition, suppliers may, just like buyers, use e-markets to shift the power balance. The access to new, possibly larger customers than the non-electronic markets would offer may decrease the dependence of suppliers on existing customers, thus reducing their risk and increasing their bargaining power. It follows that, although e-marketplaces are usually regarded as buyers’ markets, suppliers may also use them strategically.

Legitimacy

To a large extent the motivational factors categorized under the heading of legitimacy relate less to the perceived benefits of e-marketplace participation than to the perceived repercussions of non-participation. This perception may induce suppliers to follow existing buyers onto e-marketplaces for fear of losing customers if they do not (e.g., Stockdale and Standing 2002). Similarly, suppliers may join e-marketplaces known to be used by attractive, potential customers. Other motives related to legitimacy and applicable to both buyers and suppliers include the desire to appear technologically sophisticated or fear of falling behind the technological development (Grewal *et al.* 2001; Stockdale and Standing 2002). In addition, it has been suggested that companies may consider joining e-marketplaces mainly in order to mimic the behaviour of other companies (Grewal *et al.* 2001). A further motivational factor, which, to our knowledge, has not been considered in the literature on the subject,

is the marketing and sales activities carried out by e-marketplaces in order to recruit members. Through talks to representatives from one or more e-marketplaces, companies which have not previously considered buying or selling via e-marketplaces may become convinced of the potential benefits of joining.

Exploration

As mentioned above, the current literature on the subject rarely considers the motives for e-marketplace participation included under the heading of exploration, which is why such motives have not been investigated in as much detail as those in the other categories and deal with more general issues than they do. The motives in this category may be characterized as less deliberately *ex ante* on the part of the participants in that electronic markets are adopted on an experimental basis (Grewal *et al.* 2001). Motives within the exploration category concern the wish to test new buying or selling processes and include companies expending efforts to learn the particulars of doing business in an e-marketplace (Grewal *et al.* 2001). Suppliers motivated by exploration may use e-marketplaces for sporadic, yet systematic, export activities in order to test new markets without committing as many resources as in the case of traditional new market entry (Ivang *et al.* 2002). Conversely, buyers may experiment with e-marketplaces in order to test new procurement practices and may, in so doing, incrementally increase their sourcing reach.

Motive indicators

In order to make the four types of motives operational for the purposes of the subsequent case study analyses, we have derived a set of indicators for each motive. Based on the literature review above, the indicators represent the characteristics most frequently associated with each of the four motives. As can be seen from Figure 2, which

		Drivers	
		Internal	External
Nature of decision	Planned	<p><i>Efficiency</i></p> <p>PI₁: Price reduction PI₂: Process time reduction PI₃: Cost reduction</p>	<p><i>Positioning</i></p> <p>PE₁: Increased buyer/supplier reach PE₂: Avoidance of dependency PE₃: Increased bargaining power</p>
	Emerging	<p><i>Exploration</i></p> <p>EI₁: Test of new markets EI₂: Test of new processes EI₃: Explorative learning</p>	<p><i>Legitimacy</i></p> <p>EE₁: Following existing buyers/suppliers EE₂: Technological sophistication EE₃: Marketing activities of e-marketplaces EE₄: Mimicking the behaviour of competitors</p>

Figure 2. Indicators related to the four types of motives

outlines them, the motive indicators show some degree of overlap. This is evident, for instance, in the case of the efficiency-related indicators 'process time reduction' and 'cost reduction' since it may be argued that time savings automatically translate into cost savings. Because it will allow us to make a detailed analysis of the motives, we have, however, chosen to have two indicators in the cases in which we assume that the case material will be sufficiently detailed to warrant a split.

METHODOLOGY

In this study, the formal case study approach is used for matching patterns of observations with the expected indicators of the motives found in the literature. This allows the evoking and testing of mini-theories on simple causal relationships and the joining of these into complex patterns (Weick 1979). The purpose of this approach is not to generalize findings into predictions about a population but to ground the development of theory in empirical observations and further refine it through the test of reality (Mills 1959; Strauss and Corbin 1990; Yin 1994). In contrast to the traditional procedures of grounded theory (Glaser and Strauss 1967), which exclude formal theory in the development of understanding, the approach adopted here allows the formulation of indicators on the basis of theory-based pre-understanding.

The aim of the analyses is to further develop existing theory on the motivation for buyer and supplier participation in e-marketplaces. Because motivation is a phenomenon open to interpretation and because the data in this study is text-based, we apply a hermeneutic methodology to the interpretation of the data (Gummesson 2003). The hermeneutic procedure adopted here involves iterative loops between the phases of the research process. It is often referred to as the three-step process of interactive redevelopment of understanding, the steps being pre-understanding, understanding and post-understanding. The purpose of the pre-understanding phase is that of creating a common language about the phenomena under investigation. The goal of the understanding phase is the finding of essential patterns in the information considered. In the post-understanding phase, the researcher interprets what is factual and actual in the study concerned (Arbnor and Bjerke 1997). The following list describes the research process of the present study, where the three first phases focus on the building of the theoretical framework and the three subsequent ones on analysing the case studies.

- 1 Pre-understanding: Grounding of the study in the current literature.
- 2 Understanding: Case study reading.
- 3 Post-understanding: Development of a theoretical framework for the study of motives (Figure 1) and related indicators (Figure 2).

- 4 Pre-understanding: Analysis of case studies.
- 5 Understanding: Matching of indicators with observations (Table 3).
- 6 Post-understanding: Evaluation and further generation and revision of theoretical understanding.

Among the advantages of this approach to case study analysis are the possibilities for others to better understand and follow the interpretation processes of the researcher in deriving findings from complex data material, a benefit which less structured qualitative procedures of analysis have been criticized for lacking (Miles 1979; Miles and Huberman 1984). Moreover, subsequent to this matching procedure, processes of interpretation may be supplemented with (rather than overruled by) descriptive statistics, which may help researchers in reflecting on and distancing themselves from their idiosyncratic beliefs and expectations. Below, the theory-case matches have been deepened through the inclusion of relevant examples and statements from the case studies.

Data

The empirical foundation consists of 47 case studies undertaken by eMarket Services from 2001 to 2004 (Swedish Trade Council 2004a). eMarket Services is a non-profit project funded by the trade promotion organizations of Australia, Denmark, Holland, Iceland, Italy, New Zealand, Norway, Portugal, Spain and Sweden. Out of the 47 case studies, we excluded six in which the point of view was not clearly that of a buying or selling firm. This left us with 41 case studies covering 12 countries and 20 industries (agriculture, automotive, aviation, building and construction, building materials, energy/oil/gas, food and beverages, forestry and wood, healthcare and pharmaceutical, industrial equipment and services, IT products and services/IT services, marine, metal and mining, office equipment, printing, real estate, science and engineering, telecommunication, textiles and leather, and transport and logistics). The 41 case studies include four types of e-marketplaces classified by trading function:

- 1 catalogue: this describes the products and services offered by the suppliers;
- 2 catalogue with online ordering: this allows orders to be placed online;
- 3 exchange: the supplier or buyer sends a request to sell or buy something; and
- 4 reverse auction: buyers list a product or service which they would like to buy; suppliers submit offers, lowering the selling price for each bid submitted (Swedish Trade Council, 2004b).

We do not postulate that our findings hold predictions about any company using any type of e-marketplace in

any industry or country. However, the body of case studies has a high degree of diversity and is therefore a suitable basis for generalizations when we ground the development of theory in empirical observations and further refine it through the test of reality. In terms of this purpose, the empirical foundation of the study is strong because of its broad e-marketplace types and its wide national and industry coverage. The wide national coverage of the case study material (most of the case studies were done in 2002 or 2003) can be seen from Table 1. Table 2 shows that the four types of e-marketplace include an almost equal number of buyer and supplier points of view.

When analysing the case studies, each of the authors went through all of them individually in order to match observations with indicators. Afterwards, we discussed the individual matching, making sure that we interpreted the case studies in the same way. When going through the case studies, we counted all occurrences of indicators in each case study, which means that a respondent might be assigned more than one indicator and, hence, might be seen as having more than one motive for entering an e-marketplace. This approach has some implications for the subsequent interpretation of findings as we implicitly assume that all indicators pointed to are equally

Table 1. Distribution of cases in terms of geography and time

		Year				
Countries		2001	2002	2003	2004	Total
Buyer	Australia	2			1	3
	Denmark		3	1		4
	Greece			1		1
	Holland				1	1
	Indonesia			1		1
	Italy	1				1
	New Zealand		1	1		2
	Norway		1	1		2
	Portugal		1			1
	Spain			1		1
	Sweden	2				2
Buyer Total		5	6	6	2	19
Supplier	Australia		2	2		4
	Denmark			1		1
	Holland		2	1		3
	Italy		1	1	1	3
	New Zealand		1		1	2
	Norway			1		1
	Portugal			2		2
	Sweden	1	1	2		4
	UK		2			2
	Supplier Total		1	9	10	2
Total		6	15	16	4	41

Table 2. Distribution of cases in terms of types of e-marketplaces and time

		Year				
Types of e-marketplaces		2001	2002	2003	2004	Total
Buyer	Catalogue			1		1
	Catalogue with online-order		3	1	1	5
	Exchange	2	3	3	1	9
	Reverse auction	3		1		4
Buyer Total		5	6	6	2	19
Supplier	Catalogue		2			2
	Catalogue with online-order		1	4	1	6
	Exchange		6	5		11
	Reverse auction	1		1	1	3
Supplier Total		1	9	10	2	22
Total		6	15	16	4	41

important to the case study respondent. We also assume that the presence of one indicator is as important as many indicators within the same motive. This means that, for individual respondents, indicators were not ranked or weighted. However, the fact that we included all indicators mentioned by the respondents provided us with an opportunity to obtain a broad and detailed view of what motivates buyers and suppliers to join e-marketplaces. The drawback of this decision is that the data analysis could not be supplemented with significance levels because the indicators are not mutually exclusive. In other words, any statements about descriptive statistics (percentages of data in the findings) were merely used as a practical tool for comparing buyers and suppliers and for aiding our reflection on and self-distancing from idiosyncratic beliefs and expectations. Table 3 shows an overview of the matches between observations and indicators found in the study.

Qualitative methods are frequently criticized for their lack of methodological rigour. Qualitative, as opposed to quantitative, data analysis requires clear conventions to follow when the validity of research results are to be established (Miles 1979; Miles and Huberman 1984; Strauss and Corbin 1990).

FINDINGS FROM THE CASE STUDIES

Not surprisingly, the motives of buyers and suppliers for e-marketplace participation differ, which can be seen from Figure 3, which shows the overall distribution of the case studies across the four types of buyer and supplier motives. In the case of buyers, the prospect of

Table 3. Matching of case study observations with indicators

Source	Country	Point of view	Efficiency			Positioning			Legitimacy				Exploration		
			PI ₁	PI ₂	PI ₃	PE ₁	PE ₂	PE ₃	EE ₁	EE ₂	EE ₃	EE ₄	EI ₁	EI ₂	EI ₃
Lassen (2003b)	Australia	Supplier							x						
Lassen (2003b)	Australia	Supplier		x					x						
Lassen (2002a)	Australia	Supplier								x					x
Lassen (2001a)	Australia	Buyer	x					x							
Lassen (2001b)	Australia	Buyer	x	x	x	x									
Lassen (2002b)	Australia	Supplier			x	x			x						
Kuller (2004)	Australia	Buyer		x		x			x						
Jacobsen (2003b)	Denmark	Buyer	x	x	x					x					
Bierregaard (2002c)	Denmark	Buyer	x	x	x	x	x	x							
Bierregaard (2002b)	Denmark	Buyer	x	x	x						x				
Jacobsen (2003a)	Denmark	Supplier			x	x			x				x		
Bierregaard (2002a)	Denmark	Buyer		x	x									x	
Prevete (2003)	Greece	Buyer	x	x		x									x
Sluis (2004)	Holland	Buyer	x	x	x										
Sluis (2003)	Holland	Supplier		x		x			x					x	x
Sluis (2002a)	Holland	Supplier				x				x					
Sluis (2002b)	Holland	Supplier				x				x					x
Lassen (2003a)	Indonesia	Buyer		x											
Atena (2003)	Italy	Supplier				x				x				x	
Giaccio (2002)	Italy	Supplier			x	x				x			x		
Barzan (2001)	Italy	Buyer	x								x				x
Giaccio (2004)	Italy	Supplier				x									
Niven (2004)	New Zealand	Supplier				x			x				x		
Niven (2003)	New Zealand	Buyer		x		x				x					
Reed (2002a)	New Zealand	Buyer	x	x		x									
Reed (2002b)	New Zealand	Supplier				x									x
Geyer (2003)	Norway	Supplier				x			x						
Kjølseth (2003)	Norway	Buyer				x									
Kjølseth (2002)	Norway	Buyer	x	x											
Morais (2003b)	Portugal	Supplier		x	x					x					
Morais (2003a)	Portugal	Supplier		x	x	x				x					
Morais (2002)	Portugal	Buyer		x	x	x								x	
Gallardo (2003)	Spain	Buyer				x				x	x			x	
Vahlquist (2003b)	Sweden	Supplier				x									x
Bygdeson (2002)	Sweden	Supplier		x	x	x							x	x	
Lassen (2001d)	Sweden	Buyer	x	x	x	x	x	x							
Gunnarsson (2001)	Sweden	Buyer	x	x		x									x
Vahlquist (2003a)	Sweden	Supplier		x	x				x						
Lassen (2001c)	Sweden	Supplier				x			x						
Lauren (2002)	UK	Supplier		x		x							x	x	
Vahlquist (2002)	UK	Supplier		x		x									
Total			12	23	15	28	2	3	10	10	3	0	5	7	8

obtaining efficiency gains is the most cited reason for e-marketplace participation: 89% of all buyers point to one or more of the efficiency indicators as a motivational factor. The second most cited reason (63% of buyers) is positioning while legitimacy (32%) and exploration (32%) are the least cited. As regards suppliers, the

most cited reasons for e-marketplace participation are positioning and legitimacy (77% and 73% of suppliers, respectively), but half of all suppliers also mention efficiency and exploration as reasons for deciding to join an e-marketplace. Thus, the motives of suppliers are spread more evenly across the four categories than are those

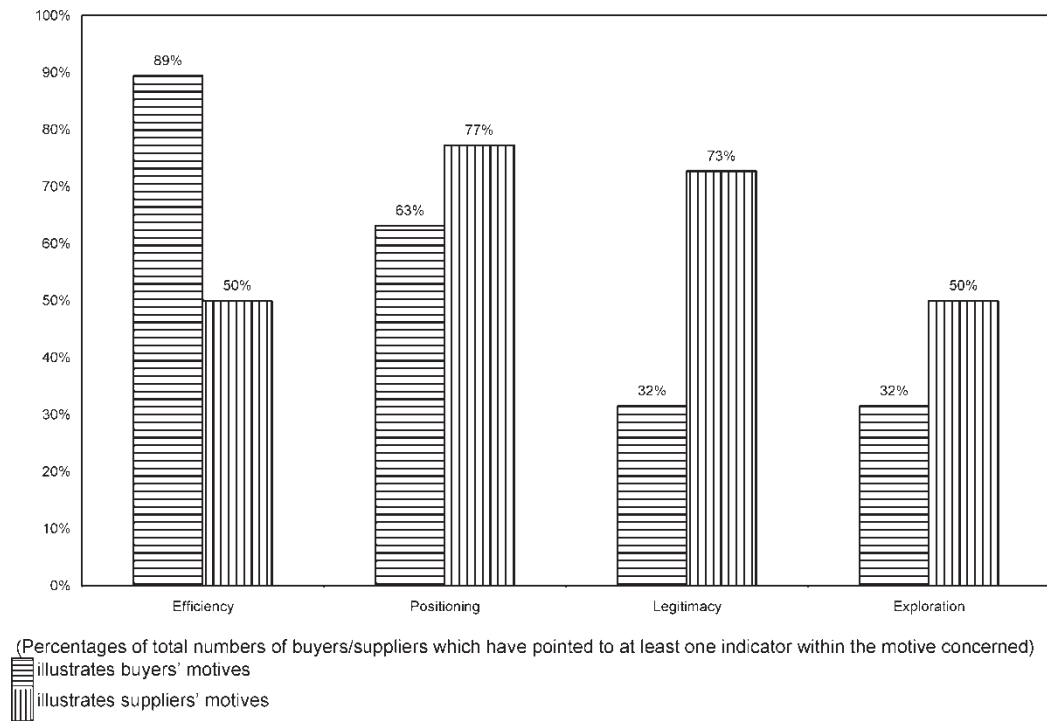


Figure 3. Buyer and supplier motives for e-marketplace participation

of buyers, which are more clearly ranked and first and foremost focus on efficiency.

Buyer and supplier motives also differ from each other in their distribution along the dimensions of *drivers* and the *nature of the decision*, respectively. Buyer motives largely occur at the planned end of the dimension of the nature of the decision, indicating that, whether initiated by internal or external drivers, the decision to move procurement activities to e-marketplaces is a proactive one taken upon careful evaluation and consideration of the implications of that decision.

Supplier motives for incorporating e-marketplaces as a sales tool occur at the external end of the dimension of drivers, indicating that suppliers need external stimuli in order for them to consider joining e-marketplaces. These differences in the distribution of motives along the two dimensions are consistent with the debate and research on e-marketplaces which has taken place in recent years and which largely focuses on the benefits available to buyers from e-marketplaces. As the debate only infrequently considers suppliers as much as it does buyers, potential benefits for buyers may be assumed to be common knowledge to a larger extent than the benefits for suppliers of moving activities online. This, in turn, means that buyers probably have a higher level of awareness of e-marketplaces as channels for buying and selling than do suppliers. This is further emphasized by the fact that the two motives characterized by the ‘emerging’ nature of the decision to enter e-marketplaces, i.e., legitimacy and exploration, are predominantly supplier motives, indicating that suppliers are less deliberate than buyers

and need to be pulled into participation more than buyers do. Below, we consider the four motives in some detail.

Efficiency

As a motive for e-marketplace participation, efficiency is generally more important to buyers than to suppliers. As can be seen from Table 4, which shows the distribution of the case studies considered among the three indicators of efficiency, i.e., price reduction, process time reduction and cost reduction, the price indicator is one of the reasons for the marked differences between suppliers and buyers.

More than 70% of buyers point to potential price reductions as a motivational factor, whereas, as might be expected, the possibility of price reductions is of no interest to suppliers. As one buyer puts it, ‘In doing so,

Table 4. Importance of efficiency indicators to buyers and suppliers

	<i>PI</i> ₁ : Price reduction	<i>PI</i> ₂ : Process time reduction	<i>PI</i> ₃ : Cost reduction	<i>n</i>
Buyers	12 (71%)	15 (88%)	8 (47%)	17 (100%)
Suppliers	0	8 (73%)	7 (64%)	11 (100%)

n = The number of respondents having pointed to at least one indicator within the motive.

we believed we would gain a reduction in our purchasing costs ... We might be able to achieve this reduction by traditional trade, too, but not at this speed. In my opinion, it would take us a minimum of two years to negotiate the prices we pay today' (Jacobsen 2003b). However, the opportunity for process time and cost reductions are relevant to both buyers and suppliers. Out of those who gave at least one of the efficiency indicators as a motivational factor, 88% of the buyers and 73% of the suppliers pointed to process time reduction, making this the single most important efficiency motive of both parties. While almost as many suppliers are motivated by the opportunity to reach process cost reductions, this is the efficiency indicator ranking lowest with buyers although still it is important to many of them. In the words of a Portuguese supplier, 'The main reason was the expectation that we would have almost all of our customers' orders processed through this e-marketplace and that this would be more practical, faster and cheaper' (Morais 2003b). In sum, while efficiency is the main priority for buyers when entering e-marketplaces, it is a less important motive for suppliers. Within the motive, buyers and suppliers have a common interest in the prospect of realizing time and cost savings.

Positioning

Positioning is the motive for e-marketplace participation most often mentioned by suppliers (77% of all the suppliers); it is, however, also important to buyers (it was mentioned by 63% of all the buyers). As regards the

Table 5. Importance of positioning indicators to buyers and suppliers

	<i>PE₁: Increased buyer/supplier reach</i>	<i>PE₂: Avoidance of dependency</i>	<i>PE₃: Increased bargaining power</i>	<i>n</i>
Buyers	11 (92%)	2 (17%)	3 (25%)	12 (100%)
Suppliers	17 (100%)	0	0	17 (100%)

n = The number of respondents having pointed to at least one indicator within the motive.

buyers and suppliers who pointed to at least one of the positioning-related motives, there is almost complete agreement between the two groups that the main reason for positioning-related e-marketplace participation is the opportunity for increasing the number of potential suppliers and customers, respectively. As can be seen from Table 5, this reason is given by all the suppliers and by all but one buyer.

One buyer puts it this way, 'We basically wanted to scout for new potential suppliers on the Italian market and, once having found them, to put them in competition with each other through the Request For Offer trading tool ...' (Prevete 2003). In addition, a few buyers are motivated by the possibility of increasing their bargaining power over existing suppliers (three buyers) and/or of reducing their dependency on their suppliers (two buyers). As a result, there is a marked resemblance between buyers and suppliers who join e-marketplaces for positioning-related reasons in that both groups focus clearly on obtaining improved market reach. E-marketplaces may help buyers identify and contact new suppliers, increase variety in their supplier portfolio or in products purchased, and they may help suppliers identify new customers.

Legitimacy

As can be seen from Table 6, in which suppliers are predominantly represented, joining an e-marketplace in order to obtain legitimacy, i.e., because it is considered reasonable or possibly even in order to conform to expectations, is mainly relevant for suppliers.

Just over half of the suppliers who pointed to at least one of the indicators within the legitimacy motive joined an e-marketplace upon the wish of an existing customer. Hence, it may be the case that suppliers do not join out of free will but rather out of fear of the potential consequences of the alternative, i.e., loss of customers. An Australian supplier put it very simply, 'because our customer said this was a pre-requisite to bid for and win the contract' (Lassen 2003b); or, in the words of a Norwegian buyer: 'As a supplier we had to be a member of the marketplace if our offers were to be considered' (Geyer 2003). Furthermore, close to half of all the suppliers (44%) joined after being contacted by the

Table 6. Importance of legitimacy indicators to buyers and suppliers

	<i>EE₁: Following existing buyers/suppliers</i>	<i>EE₂: Technological sophistication</i>	<i>EE₃: Marketing activities of e-marketplaces</i>	<i>EE₄: Mimicking the behaviour of competitors</i>	<i>n</i>
Buyers	1 (17%)	3 (50%)	3 (50%)	0	6 (100%)
Suppliers	9 (56%)	0	7 (44%)	0	16 (100%)

n = The number of respondents having pointed to at least one indicator within the motive.

Table 7. Importance of exploration indicators to buyers and suppliers

	<i>El₁: Test of new markets</i>	<i>El₂: Test of new processes</i>	<i>El₃: Explorative learning</i>	<i>n</i>
Buyers	0	3 (50%)	3 (50%)	6 (100%)
Suppliers	5 (45%)	4 (36%)	5 (45%)	11 (100%)

n = The number of respondents having pointed to at least one indicator within the motive.

e-marketplace, which indicates that suppliers need external stimuli to become aware that e-marketplaces may hold benefits for them as well as for buyers. The few buyers who joined e-marketplaces for legitimacy-related reasons did so to appear technologically sophisticated and/or upon having been contacted by an e-marketplace. In sum, this motive is considered almost exclusively by suppliers who are either driven by existing customers or induced by the marketing activities of an e-marketplace.

Exploration

Out of the four motives which companies may have for joining e-marketplaces, exploration is the least cited. Nevertheless, exploration is mentioned more often by suppliers than buyers, as can be seen from Table 7.

Except for the fact that the indicator ‘new market test’ is only mentioned by suppliers, which is not surprising as it is hardly relevant to buyers, the buyers and suppliers who pointed to at least one exploration indicator attach the same relative importance to ‘new processes test’ and ‘explorative learning’, respectively, which indicates that both buyers and suppliers who had this motive initially joined e-marketplaces to simply ‘test the waters’ and learn more about a new way of buying and selling. Motivated by industry talk, a Swedish supplier says, ‘People in our industry talked about Printoffer and I decided to try it out’ (Bygdeson 2002). Companies with

the exploration motive may be characterized as having a somewhat hesitant approach to the use of e-marketplaces.

DISCUSSION, CONCLUSION AND IMPLICATIONS

At the beginning of this paper, we pointed out that e-marketplaces are often seen as a tool for helping buyers exploit their suppliers, which is why research and debate on the subject frequently focus on the motives and benefits of buyers. However, the motivations of suppliers need to be considered as well. Having reviewed the current literature on motives for participating in e-marketplace activities from a theoretical perspective, we developed a matrix with four types of motives — efficiency, positioning, exploration and legitimacy — which were based upon the dimensions of *drivers* (internal versus external) and the *nature of the decision* (planned versus emerging). Each of the motives has a number of supporting indicators. The 41 case studies were evaluated and, below, we present further generation and revision of our theoretical understanding of the subject.

On the basis of the study, we conclude that buyers and suppliers have different motives for taking up e-marketplace activities. Hence, although joining e-marketplaces is a way of increasing the efficiency of supply chain activities, it is not necessarily done with the sole aim of exploiting suppliers. Buyers also use e-marketplaces to find new and alternative suppliers and, even though many suppliers initially decide to participate in e-marketplaces because they are asked to do so by existing customers, they also use e-marketplaces to look for new customers. Thus, suppliers also have proactive motives.

When expressing their motives for engaging in e-marketplace activities, buyers tend to be proactive and planning-oriented, while suppliers are driven by external forces. This means that there is also some common ground among buyers and suppliers. In Figure 4, the horizontal lines illustrate the motives of buyers and the

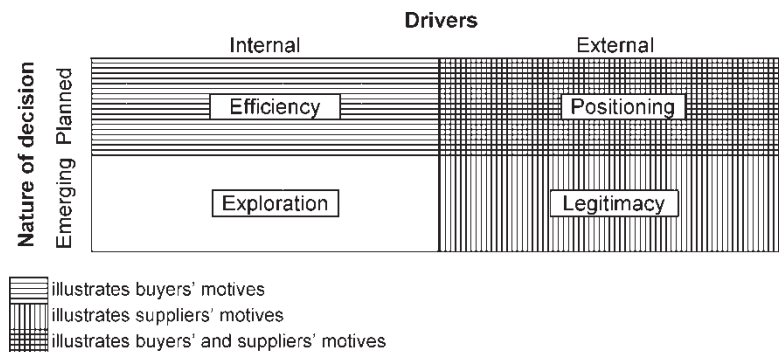


Figure 4. Grouping of buyer and supplier motives for e-marketplace participation

vertical lines those of suppliers. The grid resulting from the overlap between the lines illustrates motives shared by buyers and suppliers.

Figure 4 illustrates the expected finding that buyers have efficiency motives and suppliers legitimacy motives. In addition, Figure 4 shows the uniqueness of this study in two areas. First, positioning seems to be a motive shared by buyers and suppliers. Second, the figure allows a given buyer or supplier to have more than one type of motive.

The *efficiency* motive refers to a decision to participate in e-marketplaces which is driven by an internally generated wish to obtain company-specific advantages and is made as a result of careful evaluation of the expected outcome. Buyers are generally highly motivated by efficiency, particularly in terms of reducing process time but also in terms of achieving lower prices. Many suppliers also show interest in reducing process time and costs. For those motivated by *legitimacy*, e-marketplace participation is primarily driven by external factors rooted in the relationship of a company with other companies and occurs as the result of ongoing political negotiations rather than careful planning. The legitimacy motive is very real for many suppliers, especially in terms of their eagerness to follow existing customers and their willingness to respond to the marketing activities of e-marketplaces; the impact of such activities was not possible to locate in the literature, however.

While efficiency is the primary motive for buyers and legitimacy the second most important motive for suppliers, *positioning* is the primary reason for suppliers to participate in e-marketplaces and the second most important one for buyers. In such cases, industry-specific competitive conditions are the driving forces behind the decision to participate in e-marketplaces, and the decisions are planned and made for the purpose of improving the company's competitive position. The positioning-related indicator most important to both buyers and suppliers is the wish to increase their market reach — buyers want access to more suppliers, and suppliers want to reach more potential customers. Hence, both parties participate in e-marketplace activities because of the possibility of meeting new trading partners.

Exploration, the fourth motive, is low on the agenda of buyers and suppliers. We found, however, that, to some extent, suppliers, in particular, base initial e-marketplace participation on trial and error and that the decision to continue participation is a direct result of actual experiences. Such decisions are internally motivated.

Managerial implications

The results of this study have a number of implications for buyers, suppliers and owners of e-marketplaces. For buyers, e-marketplace participation relates to developing

analysis and planning skills and competencies in order to obtain efficiency but, given the above results, one of the challenges which they face is also that of realizing that e-marketplaces may serve as a useful tool for increasing the number of potential suppliers. Similarly, buyers need to realize that suppliers also use e-marketplaces actively to look for potential customers and broaden their own reach. Therefore, buyers have to think in terms of marketing themselves as attractive, potential customers.

For suppliers, the main managerial implication of the study is that of realizing that buyers on e-marketplaces do not necessarily give top priority to a reduction of the price level but may give it to gaining efficiency improvements in terms of reduced process time — a goal which suppliers may actively support. Finally, as regards suppliers who want to participate in e-marketplaces, the study implies a need for a new type of marketing, suppliers having to, on the one hand, build up their proactive presence in e-marketplaces in order to improve the opportunity for being contacted by potential customers and, on the other hand, maintain a reactive capacity in order to know which buyers to follow into which e-marketplaces.

With respect to owners of e-marketplaces, a marketing message to be sent to both buyers and suppliers might be that an e-marketplace is a market where buyers and suppliers meet to conduct 'traditional' business but in a more efficient way than other marketplaces offer and one that allows both parties to save time and money. When marketing themselves specifically to buyers, e-marketplaces should stress the possibility of obtaining lower prices. This may be a deterrent to suppliers, however, even if they are considering following existing customers onto e-marketplaces. Therefore, when approaching suppliers, e-marketplaces should stress the opportunity for reaching an increased number of customers and thus convince suppliers of the value of testing e-marketplaces.

Implications for further research

Some of the implications of this study are that further research is needed on the consequences to the area of the degree of internationalization of a company, its nationality and industry membership, and its traded products as well as of the type of e-marketplace in relation to the motives for e-marketplace participation. This study contains a high level of variation in these context-specific variables; we have not, however, analysed the case study material in relation to each of these variables. As regards internationalization and nationality, Zaheer and Manrakhan (2001) may offer a starting point with their discussion of motivations for locating activities internationally. The different types of e-marketplaces may also offer perspectives from which buyer and supplier motives

may be understood. Kaplan and Sawhney (2000) relate this to the process and product of the trade, and Grieger (2003) adds further e-marketplace categories that are important for supply chain management. Furthermore, different types of e-marketplaces may cover different types of relationship-oriented or transaction-oriented activities (Stockdale and Standing 2002). Trying to understand buyer and supplier motives from this perspective may contribute to the understanding of the initiation and maintenance of buyer-supplier relations. Both the importance of the cross-cultural context and the issues relating to any difficulties in joining e-marketplaces may deepen the understanding of buyer and supplier motives (Allen *et al.* 2000; Hart and Saunders 1997; Kumar *et al.* 1998). Such analyses should form part of the future studies needed to improve our understanding of the adequacy, completeness and exhaustiveness of the buyer and supplier motives matrix shown in Figure 4.

This study has identified four types of motives that may be further refined through research on the ways in which these motives may inhibit or enable e-marketplace participation. The study does not deal with the relationships among the individual motives. It would be interesting, however, on the basis of the reflections of companies on their experiences, to concentrate future research on the investigation of which motives are predominant in the early beginning of e-marketplace participation and which motives represent a more mature type of participation. In this respect, the questions still remain unanswered whether and how companies move from motive to motive. In other words, research is needed to determine whether, in the case of both buyers and suppliers, positioning is the predominant long-term motive for participation in e-marketplace activities.

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