

The B2B Market Place: A Review and a Typology

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INTRODUCTION

Business-to-Business ecommerce 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 introduction of the worldwide web has spurred the growth of B2B e-commerce. 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., and this research focuses on EM strategies or approaches by B2B companies towards E-commerce business. These strategies they follow revolve around various dimensions such as industry focus, market mechanisms, product, relationship etc. Existing research on B2B electronic marketplace has provided various classifications of these marketplaces. In our earlier paper, we reviewed this literature and provided a parsimonious framework for classifying the marketplace strategies (Mangalaraj & Amaravadi, 2010). In this chapter we further examine the proposed framework and discuss developments since then.

The volatility of B2B companies underscores the need for such study. During our earlier research we reviewed a directory of 75 B2B companies that was developed by the American University in 2000 (Management of Global Information Technology, 2000). Of the 75 listed businesses in 2010 only 37 were functional. In 2015, when we further reviewed the directory, we found only 21 were still in existence to provide B2B services. The immense mortality of these B2B marketplaces itself warrants closer examination of the strategies used by B2B organizations. 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.

Over the years, there is a growing body of research in classifying the B2B marketplace strategies. Malone, Yates, and Benjamin (1987) who developed theirs based on research of others is one of the earliest of such classifications. 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 (i.e. production decisions are internal). Their hypothesis is that products supplied by markets are cheaper (because markets are efficient), but have higher co-ordination costs (due to large number of sellers) while the case is reversed for hierarchies i.e. production costs will be higher (due to a lack of scale economies) but co-ordination costs will be lower (because of internal or captive supplier). Based on this framework, 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." Moreover, de-

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velopments in information technologies also allowed organizations to take a middle path wherein they deal with fewer number of stable suppliers through outsourcing contracts due to the reduced transaction costs, coordination costs, and operations risk (Clemons, Reddi, & Row, 1993). In this “move to the middle” space where logic and modalities of markets and hierarchies intermingle and all in one electronic markets help in resolving the various conflicts that arise in the middle space (Koch & Schultze, 2011).

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. These classifications rely on many underlying dimensions. Table 1 presents some of these dimensions that were proposed in the literature. One of the very first classification is by Kaplan and Sawhney (2000) who classify e-marketplaces based on what businesses buy and how they buy. Hence the dimensions used in their classification namely “product” and “buyer behavior” are shown in table 1. Since then many other studies have aimed at arriving at classification of e-marketplaces through various dimensions (e.g., Barnes-Vieyra & Claycomb, 2001; Pavlou & El Sawy, 2002; Richard & Devinney, 2005).

Wang and Archer (2007) present a detailed literature review of EMs and identify commonly used dimensions: number of participants, relationship dimension, participant behavior, ownership, industry scope, market mechanism, products, power asymmetries and fee structure. Likewise, Matook and Vessey (2008) reviewed the extant research on B2B e-marketplaces and used different views such as business, transaction, market service, and infrastructure views to classify the marketplaces. This review builds on their work and extends it to include findings from studies since then.

Framework for EM Strategies

As discussed, over the years a number of E-market classifications have been introduced. Mangalaraj and Amaravadi (2010) introduced a parsimonious framework to classify EM strategies adopted by organizations. At that time, we reviewed past research extensively to arrive at an e-marketplace framework that relied on two dimensions namely *relationship* and level of *value addition*.

The EM can be fundamentally visualized as a relationship between the buyer and seller - a buyer has a product/service which the seller purchases; hence it is necessary to have *relationship* as one of the dimensions of the framework. As pointed out in the introduction, this has historically been a characteristic of electronic markets (Malone et al., 1987), with relationships ranging from a pure exchange (a “market”) with many buyers and sellers to a captive relationship between the buyer and seller (a “hierarchy”).

The second major dimension that is important to the nature of a B2B company is the nature of the product offered: are they operational (also known as MRO or raw materials), manufactured goods (sub-assemblies) or services? Porter’s value chain concept is a useful way to capture this dimension, thus the *level of value addition* is our second dimension. This characteristic is echoed in Kaplan and Sawhney (2002) and Chatterjee and Ravichandran (2004) classifications. Lending support to our classification, Chatterjee and Ravichandran (2004) claim that product and relationship characteristics are largely responsible for determining the structure of B2B systems.

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