Determinants of Marketer Satisfaction with the Choice of Electronic Marketplace Type

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ABSTRACT

An empirically testable model is suggested which improves understanding of supplier motivations for participating in various types of electronic marketplace structures and also how suppliers evaluate the performance of their electronic marketplace choice. Performance is considered as a multi dimensional construct. The theories of behavioural psychology, relational exchange, strategic networks, political economy, population ecology and transaction cost are synthesized to develop the proposed model.

Keywords: electronic marketplace, transaction cost theory, strategic network theory, relational exchange theory, performance as a multi-dimensional construct, asset specificity, market fragmentation.

INTRODUCTION

Electronic marketplaces are increasingly important to the organization of procurement and sales activities and analysts predict that, by the end of 2005, electronic marketplaces may account for more than 50% of all online B2B ecommerce, perhaps over 4 trillion USD volume worldwide (Zank and Vokurka 2003).

The growth of B2B marketplaces has also driven the evolution of a variety of newer market structures for conducting business through electronic markets. Le, Rao and Troung (2004) found that though 54% of 286 firms surveyed had utilized an electronic marketplace that only 31% of those users found them as having lived up well to their expectations. How do we then answer the crucial question of when and how to exploit electronic markets to maximally take advantage of their inherent value propositions?

The focus of this proposal is to suggest an empirically testable framework which significantly improves our ability to understand supplier motivations for participating in various types of electronic marketplace structures and also how suppliers evaluate the performance of their electronic marketplace choice. The extant literature indicates that ability to fit the electronic marketplace type with existing market structure, company size, prior experience, role (buyer or seller) all impact expectations for performance in electronic marketplaces.

Much of the research in this realm of study to date, however, has relied upon a transaction cost theory explanation (Malone et al. 1987, Bakos, 1991, Mahadevan 2003). In the spirit of the "blended" models of Barringer and Harrison (2000) and Christianaase and Markus (2003), the proposed model also allows consideration of the perspectives of behavioural psychology, relational exchange theory, strategic network theory and political economy perspectives as well as those of transaction cost theory. Mahadevan's (2003) proposed typology of market, competitive and product/service characteristics which favor various electronic marketplace types is used to provide a transaction cost perspective.

This model is also the first that in this area of research study that considers that marketers evaluate performance as a multi-dimensional construct, building on the work of Clark (2000). The sizeable body of literature on consumer and employee satisfaction is also employed to extend Clark's (2000) work to incorporate the relationship between the performance of and satisfaction with participation in electronic marketplaces.

In sum an empirically testable and comprehensive model is suggested which incorporates the rather diverse, embryonic and limited research in this area of study. The complete research model is shown in Figure 1.

SAMPLING AND DATA COLLECTION

The survey instrument to test the model has 80 questions including indicator questions . To achieve a desired return rate of at least 500 questionnaires required for structural equation modeling, an email list of 7654 Canadian B2B marketers has been compiled via Scott's directory and additional online verification.

I am currently collecting data by means of an electronic questionnaire. It offers some considerable advantages compared to mail surveys as it eliminates data re-entry errors while reducing the costs and the response cycle time (Dillman, 2000).

METHODOLOGY

Structural Equation Modeling will be used and Lisrel will be the software of choice given the criterion for analysis. Most variables will be measured by 4 to 6 questions or indicators based on both previously validated questions (Clark 2000, Arnemann, 1994) and newly constructed ones derived from an extensive review of constructs proposed by others (Mahadevan 2003, Rask and Krogh, 2004, Christianaase and Markus 2003). The proposed model, though complex is recursive and over identified. Though the model is complex, a piece wise approach (Garson, 2006) will be employed. Should overall model fit be poor, partial models which assess marketing performance evaluations as a multi-dimensional construct, the importance of market structure factors in satisfaction with electronic marketplace choice, and the effect of the specificity of expectations on the performance/satisfaction all can potentially make a contribution to electronic commerce and marketing literature.

Hypothesis 18 requires the use of a moderating latent variable (depth and specificity of prior expectations) An interaction exists when the direction and/or strength of association between predictor (perceived performance) and outcome (satisfaction) variables are modified at different levels of interaction variables (moderators in this case high and low depth and specificity).

Data is currently being collected and data analysis and model verification should be complete by the date of the 2007 IRMA conference.

IMPORTANCE OF THE RESEARCH

Firstly this research makes a rather significant and unique contribution to the study of how marketers judge marketing performance. Clark (2000) found marketers use multiple performance measures. He found a mean number of 2.68 measures and with just 21% of respondents reporting one measure. I could find no paper since the publication of Clark's (2000) paper that incorporated more measures. It is surprising, to say the least, that a science such as marketing that is so strongly grounded in a plethora of underlying psychological and sociological constructs such as brand performance, consumer satisfaction and buyer expectations has not paid greater attention to similar determinants of its own practitioner's perceptions of these constructs. .

Figure 1. Determinants of marketer satisfaction with the choice of electronic marketplace type (Knight, 2005)
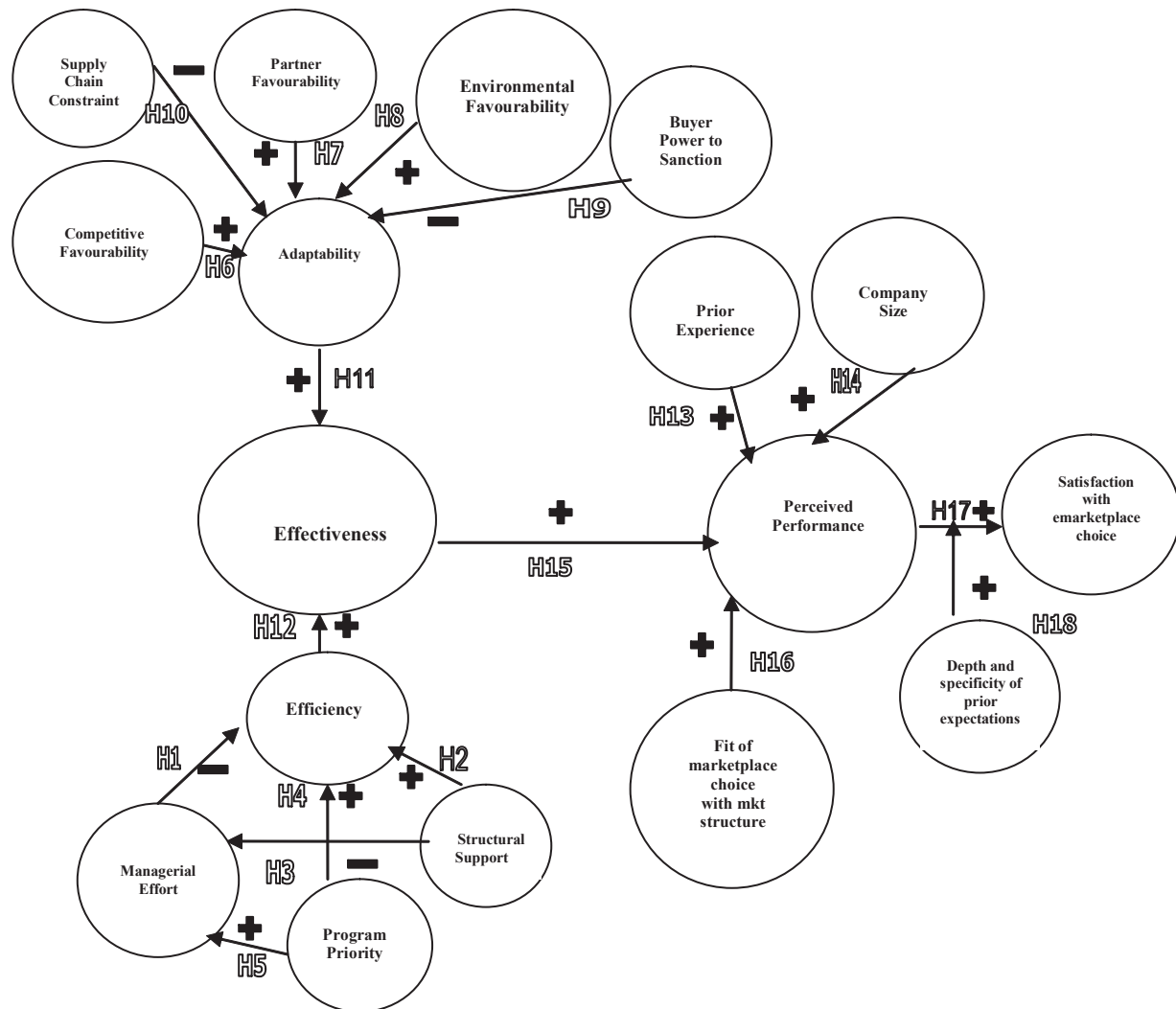
Academically Clark (2000) suggests that understanding how perceptions of performance are developed should be useful in two senses. First it is relevant to know what performance measures marketers attempt to maximize. Second, as marketing performance evaluation moves to multi-dimensional techniques such as balanced scorecards and executive support systems these systems should use measures that are reflective of how marketers judge performance in reality. Clark (2000) has provided a strong research framework by demonstrating that marketers judgments of performance are multidimensional but how do we begin to operationalize those dimensions to improve our understanding of specific marketing activities are judged?

The proposed research can perhaps provide a significant step in this regard. B2B transactions are often incredibly complex and to compound this effect electronic marketplaces are rapidly evolving in terms of structure and application (Mahadevan 2003). Participation in electronic marketplaces is fraught with uncertainty and risk and marketers would seem to make decisions about the type of participation based on a great deal of uncertainty in a highly dynamic environment. To operationalize Clark's (2000) typology of a generalized model of marketer's perceptions of success a setting is chosen which has few established norms. The often conflicting goals of market integration and brokerage, the risk of market power effects and

the growth of complex interfirm networks (Christianaase and Markus, 2003) typify the environment of firms participating in electronic marketplaces. Though a variety of perspectives have just recently been posited as being explanatory of electronic marketplace formation and participation, the dominant explanatory theory has been that of transaction cost economics. This research topic and proposed model therefore provides fertile ground for greater understanding of how given bounded rationality (Simon, 1976), marketers set expectations, judge performance and achieve satisfaction in this dynamic environment. By providing a multidisciplinary and multidimensional operationalization of marketer's satisfaction in this environment, important research footprints could be laid down to further understand the construct of marketer satisfaction.

A second and less ambitious contribution, but one perhaps of more immediate interest to researchers of electronic marketplaces is also made by this research. This is the first research that I am aware that attempts to integrate transaction cost theory as well as other recently posited theories concerning the formation and adoption of electronic markets such as strategic networks theory, relational exchange theory, principal-agency theory, population ecology theory and behavioral psychology into an integrative and empirically testable model.

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