Chapter V

E-Marketplace Adoption Success Factors: Challenges and Opportunities for a Small Developing Country

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Abstract

This chapter introduces e-marketplace adoption success factors as a challenge and opportunity for a small developing country. The chapter offers insights into e-marketplace definitions with e-marketplaces’ business models and business processes. Further it describes opportunities for, and threats to e-marketplaces’ use. Success factors of e-marketplace adoption are divided into three groups: organizational factors, e-marketplace factors and environmental factors. The authors argue that each of these group influences significantly an organization’s e-readiness for e-marketplace adoption. The importance of each of these factors is described on the basis of the results of research, conducted in 119 large organizations in Slovenia. Furthermore, the authors believe that by understanding these factors, organizations will be able to prepare better for successful e-marketplace adoption and successfully exploit important competitive advantages offered by new e-commerce business models.
Introduction

The use of the Internet and Electronic Commerce (EC) in the late 90s caused the disappearance of intermediaries between buyer and seller. The seller could sell products and services directly to the buyer without an intermediary in between (Shaffer & Zettlemeyer, 1999; Wigand & Benjamin, 1995; Choi et al., 1997). With advances in the development of electronic commerce technologies, new types of intermediaries were established. These new intermediaries were offering new value-adding services. New intermediaries invariably attract additional buyers and sellers with new services that support trading processes (Clarke, 2001; Chircu & Kauffman, 2000; DeSisto, 2000; Chircu & Kauffman, 1999; The Economist, 1999; Barling & Stark, 1998; Zwas, 1998). This new way of doing business describes the e-marketplace that represents one of the new business models developed in the late 90s. The e-marketplace is the result of using innovative technology in business processes.

E-marketplace might be viewed as a virtual marketplace where buyers and suppliers meet to exchange information regarding product and service offerings, and to negotiate and carry out business transactions (Archer & Gebauer, 2000). Furthermore, in the age of the Internet and with the emergence of new information and communication technologies, the e-marketplace is a Web-based information system; where multiple suppliers and multiple buyers can undertake business transactions via the Internet (Russ, 2001). The e-marketplace uses Internet technologies and standards to distribute product data and to facilitate online transactions (Segev et al., 1999).

Doing business in the e-marketplace enables sellers to enter new markets, to find new buyers, and to increase sales. Conversely, an e-marketplace gives a buyer access to a broader range of products and services offered by sellers. A buyer has the option to quickly compare various offerings by price and performance. E-marketplace services support the exchange of large amounts of data regarding supply and demand between buyers and sellers, and the implementation of the business transactions (DeSisto, 2000; Lenz, 2000).

There are different business models of e-marketplaces. In practice, we can find extensive evidence that the e-marketplace is supporting many different processes between a buyer and a seller. Some e-marketplaces support only the aggregation of supply and demand, and searching and matching of buyers or sellers. In addition, many e-marketplaces support different types of auctions and negotiations. On the other hand, few e-marketplaces support the entire trading process where business services, such as contracting, finances, logistics, insurance, legal, payments and other services are needed. Many e-marketplaces are oriented to supporting supply chains (Pucihar & Podlogar, 2003).

The appeal of doing business on the Web is clear. By bringing together large numbers of buyers and sellers and by automating transactions, e-marketplaces expand the choices available to buyers, give sellers access to new customers (buyers), and reduce transaction costs for all participants. By extracting fees for the transactions occurring within the business-to-business (B2B) marketplaces, market makers (intermediaries) can earn high revenues. Moreover, because the marketplaces are software-based — not bricks and mortar — they can gain scale with minimal additional investment, promising even more attractive margins as the markets grow (Kaplan & Sawhney, 2000).