
Motives for e-marketplace participation: Differences and similarities between buyers and suppliers

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Abstract

The motivation for e-marketplace participation for suppliers as well as buyers is closely linked to the perceived outcome of participation and not only in terms of the benefits of joining an e-marketplace, but also in terms of possible consequences of not joining. Hence, the central issue is why organisations decide to buy and/or sell goods or services on e-marketplaces. We develop a theoretical framework for the categorisation 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. E-marketplaces are certainly a way of making supply chain activities more efficient, but not necessarily 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. When expressing their motives for engaging in e-marketplace activities, buyers tend to be proactive and planning oriented, whereas suppliers are driven by external forces.

Introduction

More and more firms are experimenting with buying and selling goods through e-marketplaces and in many cases, these experiments are succeeded by more permanent use. As such, e-marketplaces play an increasingly important role for the organisation of procurement and sales activities and analysts predict that e-marketplaces may account for more than 50% of all on-line business trade by the end of 2005 (Zank & Vokurka, 2003). This development is related among other things to the expected benefits of using e-marketplaces and it is these expectations – or underlying motivational factors – that are the subject of this paper.

An e-marketplace can be defined as ‘an inter-organisational information system that allows the participating buyers and suppliers to exchange information about prices and product offerings’ (Bakos, 1991). Understanding supply chain management (SCM) as a set of practices for ensuring a cost-effective flow and inventory of materials and finished products throughout the value chain from point-of-origin to point-of consumption, SCM concerns the buyers’ design of supply conditions and some have made the argument that SCM is simply a

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way to help buyers exploit suppliers more efficiently (Heide, 1994; Semlinger, 1993). Along the lines of this view, much of the current research and debate on e-marketplaces focuses on how e-marketplaces may support buyers in their attempts to obtain a leaner, more efficient supply chain. It goes without saying, however, that in order to survive e-marketplaces need to attract buyers as well as suppliers and hence, knowledge is also needed on how suppliers perceive e-marketplaces and what motivates them to participate.

The purpose of this article is to understand the motives for e-marketplace participation of both buyers and suppliers and to compare the two. Based on a literature review, we develop a theoretical framework for the categorisation of motivational factors, resulting in a motives matrix containing four different types of motives. We then apply the framework to a dataset consisting of 41 case studies undertaken by eMarket Services among buyers and suppliers at e-marketplaces in the period from 2001 to 2004. The case studies cover 20 industries in 12 countries. The cases address the practical issues of using e-markets, identify concerns of buyers and suppliers and show how e-markets create international business opportunities. We match the case studies with the theoretical framework and arrive at the conclusion that there are differences as well as similarities between buyers and suppliers, when it comes to the nature of decisions as well as to whether e-marketplace participation is driven by external or internal forces. Finally, we suggest directions for future research and management.

Motives for e-marketplace participation: A theoretical framework

The motivation for e-marketplace participation for suppliers as well as buyers is closely linked to the perceived outcome of participation and not only in terms of the benefits of joining an e-marketplace, but also in terms of possible consequences of not joining. Hence, the central issue is *why* organisations decide to buy and/or sell goods or services on e-marketplaces. Below we seek to summarise and categorise the major reasons for e-marketplace participation outlined in the existing literature, thus providing the theoretical background for the empirical study.

Existing literature describes e-marketplace participation from varying backgrounds and with varying purposes. Early contributions often deal with the characteristics of electronic market systems and their general impact on market efficiency (e.g. Bakos, 1991), whereas more recent literature explicitly seeks to explain the motivation and behaviour of the firms that use electronic markets (e.g. Grewal, Comer, & Mehta, 2001). Additionally, the actor focus varies, since different studies take the point of view of either mainly the supplier (e.g. Smart & Harrison, 2003), the buyer (e.g. Stockdale & Standing, 2002) or both parties (e.g. Grewal et al., 2001). There are also numerous studies that take the point of view of the intermediary between buyer and supplier and thus view motives and expected benefits from the e-marketplace's perspective.

For present purposes, we categorise the motives for participating in e-marketplaces along two dimensions: *drivers* and *decision nature*. The choice to categorise motivational factors along these lines is inspired by Strandkov (1995) who uses the same dimensions to outline the similarities and differences between theories about the internationalisation processes of firms. It makes sense to take inspiration from the literature on internationalisation and exporting, since the motives of firms is one of the main themes within that area (Crick & Chaudhry, 1997). Furthermore, some of the considerations of the internationalisation/exporting literature in terms of, for instance, active versus passive behaviour and the significance of different stages in the process would appear valid for the

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concept of e-marketplace participation as well, which underlines the relevance of taking internationalisation literature as a theoretical starting point.

Drivers refer to attention-evoking factors (Wiedersheim-Paul, Olson, & Welch, 1978), i.e. those factors or influences which cause a firm to consider e-marketplace participation as a possible strategy and as such represent the ‘triggers’ in relation to decisions about e-marketplace participation. Drivers can be either internal or external (Crick & Chaudhry, 1997; Strandkov, 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. As for the vertical dimension – the *nature of the decision* – it refers to the level of deliberation of e-marketplace participants. Decisions can be either planned or emerging (Strandkov, 1995). Planned decisions are taken in anticipation of future needs or problems and as such result from careful planning and analysis of alternatives, whereas emerging decisions emerge gradually as a consequence of a company reacting to opportunities or threats without necessarily having had the intention to do so at the outset. The combination of the two dimensions results in the motives matrix shown in figure 1.

Figure 1: Theoretical frame for categorising motives for e-marketplace participation

		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 taken as a consequence of 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 company's competitive position.</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>

The upper left 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 company can obtain benefits from streamlining processes. The motivational factors of these participants can be summarised under the heading *efficiency*. In the lower left square, e-marketplace participation also takes place as the result of internal considerations; however, the decision is more re-active in nature and not least the decision to continue trading on e-marketplaces after having tried it for the first time is taken only upon evaluation of actual experiences. Hence, the process of participation is incremental and a possible strong commitment to use e-marketplaces emerges over time. We label the motives in this square *exploration*. The upper right 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 are decisive for the choice to move business onto e-marketplaces. Finally, in the lower, right corner are also e-marketplace participants who are induced to trade on e-marketplaces by external drivers. Unlike the motives found under the heading of positioning, however, participation here is more re-active and is initiated because external factors put pressure on the company to join. We label the motivational factors found here *legitimacy*.

In the following we will describe the four motives in more detail, leading to the derivation of a number of indicators for each motive. The amount of literature on the different types of motives varies considerably. The motivational factors which we categorise as planned are by far the most commonly recognised and literally all existing literature deal with them in one way or the other and especially with the motives related to efficiency. As for the motives categorised as emerging, some authors deal with the legitimacy-related motives, whereas very few touch upon motives related to exploration.

Efficiency

For buyers, 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; Klein & Quelch, 1997; Steinfield, Kraut, & Plummer, 1995); an effect often referred to as the 'electronic brokerage effect' (Malone, Yates, & Benjamin, 1987). The opportunity to obtain time savings through the streamlining of processes, such as reducing the time spent on evaluating alternatives, selecting, contacting and communication with suppliers are 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 electronic markets is generally recognised as leading to increased competition between suppliers, resulting in an approximation to true market prices and decreased prices in general (e.g. Bakos, 1997; Klein & Quelch, 1997; Smart & Harrison, 2003). Hence, the prospects of obtaining lower prices often motivate buyers to join e-marketplaces.

Although the motivational factors related to efficiency are somewhat biased towards the buy-side, the sell-side, on the other hand, can also obtain efficiency gains from e-marketplace participation. It has been suggested that the cost of integrating more tightly with existing partners can be reduced on electronic markets – a benefit referred to as the 'electronic integration effect' (Malone et al., 1987). The general reduction in transaction and interaction costs can benefit suppliers by reducing contact, communication and negotiation costs due to the time savings that can be realised when, for instance, the supplier does not have to pay repeated visits to customers and prospects to get an order (e.g. Eng, 2004; Grewal et al., 2001; Smart & Harrison, 2003). In relation to selling and communication costs, it has been suggested that e-marketplaces may give the supplier access to higher levels of decision-making authority in the buying organisation (Emiliani, 2000), allowing suppliers to bypass gatekeepers more easily than usual.

Positioning

E-marketplaces can be used by both buyers and suppliers in their efforts to position themselves strategically relative to the competition. For buyers, motivational factors and possible benefits in this regard may be the wish to gain access to a larger and perhaps more

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diversified pool of suppliers in order to obtain e.g. lower prices, wider product assortments and better quality (e.g. Eng, 2004; Klein & Quelch, 1997; Sashi & O'Leary, 2002). E-marketplaces can 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 between suppliers and buyers. The fact that e-marketplaces allow buyers to evaluate other capable suppliers than might otherwise have been considered increases the dynamism in their choice of partners, which may ultimately contribute to better purchasing decisions (Christiaanse & Kumar, 2000; Emiliani, 2000).

Suppliers may also join e-marketplaces with the explicit intention of improving their competitive position, for instance through a wider market reach (e.g. Sashi & O'Leary, 2002; Smart & Harrison, 2003; Zank & Vokurka, 2003). The immediate access to a larger customer base can be used to increase sales without increasing selling costs to the same extent. Suppliers can also use e-marketplaces to unload excess inventory and reduce inventories in general (Eng, 2004; Sashi & O'Leary, 2002). And just as buyers may use electronic markets to shift the power balance, so may suppliers. The access to new, possibly larger customers can reduce a supplier's dependence on existing customers, thus reducing the risk and increasing the bargaining power of suppliers. Hence, although e-marketplaces are usually regarded as buyers' markets, they can also be used strategically by suppliers.

Legitimacy

To a large extent the motivational factors found under the heading of legitimacy relate not so much to perceived benefits of e-marketplace participation as to the perceived repercussions of not participating. From this point of view, suppliers may follow existing buyers onto e-marketplaces simply out of fear of losing customers, if they refuse to sell this way (e.g. Stockdale & Standing, 2002). Similarly, suppliers may join e-marketplaces known to be used by attractive, potential customers. Other motives related to legitimacy applicable to both buyers and suppliers are the desire to appear technologically sophisticated or fear of falling behind the technological development (Grewal et al., 2001; Stockdale & Standing, 2002). Furthermore, it has been suggested that companies might consider joining e-marketplaces mainly in order to mimic the behaviour of other companies (Grewal et al., 2001). An additional motivational factor, which has to our knowledge not been considered in existing literature, are marketing and sales activities carried out by e-marketplaces in order to recruit members. Companies who have not previously considered buying or selling via e-marketplaces may simply be convinced of the potential benefits of doing so after having talked to representatives from one or more e-marketplaces.

Exploration

As mentioned, existing literature seldom considers the motives for e-marketplace participation included in this area and as such, motives are not as detailed as in the other categories and deal with more general issues. The motives found here can be characterised as less deliberate ex ante by the participants and thus, electronic markets are adopted on an experimental basis (Grewal et al., 2001). Motives within the exploration category evolve around the wish to test new buying or selling processes and companies expend efforts to learn the particulars of doing business in an e-marketplace (Grewal et al., 2001). In this sense, suppliers 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,

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Rask, & Christensen, 2002). Buyers may experiment with e-marketplaces in order to test new procurement practices and in the process may incrementally increase their sourcing reach.

Motive indicators

In order to make the four types of motives operational for the subsequent case analysis we have derived a number of indicators for each motive. Based on the literature review above, the indicators represent the characteristics most often associated with each of the four motives. Figure 2 outlines the indicators. In some cases, there is a certain degree of overlap between the indicators for a motive. This is the case, for instance, with the efficiency-related indicators ‘process time reduction’ and ‘cost reduction’, since it may be argued that time savings automatically translate into cost savings. We have, however, chosen to have two indicators in those cases, where we assume that the case material will be sufficiently detailed to warrant a split, since this will allow us to make a more detailed analysis of the motives.

Figure 2: Indicators related to the four types of motives

		Drivers	
		Internal	External
Nature of decision	Planned	<i>Efficiency</i> PI ₁ : Price reduction PI ₂ : Process time reduction PI ₃ : Cost reduction	<i>Positioning</i> PE ₁ : Increased buyer/supplier reach PE ₂ : Avoidance of dependency PE ₃ : Increased bargaining power
	Emerging	<i>Exploration</i> EI ₁ : Test of new markets EI ₂ : Test of new processes EI ₃ : Explorative learning	<i>Legitimacy</i> EE ₁ : Follow existing buyers/suppliers EE ₂ : Technological sophistication EE ₃ : Marketing activities of e-marketplaces EE ₄ : Mimic the behavior of competitors

Methodology

The formal case study approach is used in this study for matching patterns of observations with expected indicators of the motives found in the literature, allowing the researcher to evoke and test mini-theories on simple causal relationships and let these form into more complex patterns (Weick, 1997). The purpose of this approach is not to generalise findings into predictions about a population, but to ground theory development in empirical observations and further refine it through the test of reality (Mills, 1959; Strauss & Corbin, 1990; Yin, 1994). In contrast to the traditional procedures of grounded theory (Glaser & Strauss, 1967), which exclude formal theory in the development of understanding, we allow formulation of indicators based on our theoretical pre-understanding.

The aim of the analysis is to further develop theory concerning the motivation for buyer and supplier participation at e-marketplaces further. We apply a hermeneutic procedure that involves several iterative loops between phases of the research process. This is often referred to as the three-step process of interactive redevelopment of understanding: pre-understanding,

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understanding and post-understanding. The purpose of pre-understanding is to create a common language about the phenomena under investigation. The goal in the understanding phase is to find essential patterns in the information. In the post-understanding phase we interpret what is factual and actual in the current study (Arbnor & Bjerke, 1997). The following list describes the research process of the present study, where the three first phases focus on building the theoretical framework and the three following phases on analysing the cases.

1. Pre-understanding
 - Grounding study in existing literature
2. Understanding
 - Case reading
3. Post-understanding
 - Developing of theoretical framework for the study of motives (figure 1) and related indicators (figure 2)
4. Pre-understanding
 - Analysing cases
5. Understanding
 - Matching indicators with observations (table 2)
6. Post-understanding
 - Evaluation and further generation and revision of theoretical understanding

Among the advantages of this approach to case analysis are the possibilities for others to better understand and follow the interpretation processes of the researcher in deriving findings from complex data material, something which less structured qualitative analysis procedures have been criticised for lacking (Miles, 1979; Miles & Huberman, 1984).

Data

The empirical foundation is 47 case studies undertaken by eMarket Services from 2001-2004 (Swedish Trade Council, 2004). eMarket Services is a non-profit project funded by the trade promotion organisations of Australia, Denmark, Holland, Iceland, Italy, New Zealand, Norway, Portugal, Spain and Sweden. Of the 47 case studies we excluded 6 where the point of view was not clearly that of a buying or a selling firm. That left us with 41 case studies covering 12 countries and 20 industries (agriculture, automotive, aviation, building & construction, building materials, energy/oil/gas, food & beverage, forestry & wood, healthcare & pharmaceutical, industrial equipment & services, IT products & services/IT services, marine, metal & mining, office equipment, printing, real estate, science and engineering, telecommunication, textiles & leather and transport & logistics). As such, the empirical foundation of the study is strong in terms of its broad national and industry coverage. As can be seen in table 1, the case material contains an almost equal number of buying and selling points of view. Most of the case studies were done in 2002 and 2003.

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

	Countries	Year				Grand Total
		2001	2002	2003	2004	
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	22
Grand Total		6	15	16	4	41

When analyzing the cases, each of the authors went through all cases individually in order to match observations with indicators. Afterwards, we discussed the individual matchings, making sure that we interpreted the case studies in the same way. When going

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through the cases, we counted all appearances of indicators in each case, which means that a respondent may be assigned more than one indicator and hence may be seen as having more than one motive for entering an e-marketplace. In terms of the subsequent interpretation of findings this approach has some implications, since we implicitly assume that all indicators pointed to are equally important to the case respondent. This means that indicators for individual respondents will not be ranked or weighted. On the other hand, the fact that we have included all indicators mentioned by the respondents provides us with the opportunity to get a broader, more detailed view of what motivates buyers and suppliers to join e-marketplaces. Table 2 shows an overview of the matches between observations and indicators found in the study.

Table 2: 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													
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
Bygdson (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							
Lassen (2001c)	Sweden	Supplier				x								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	

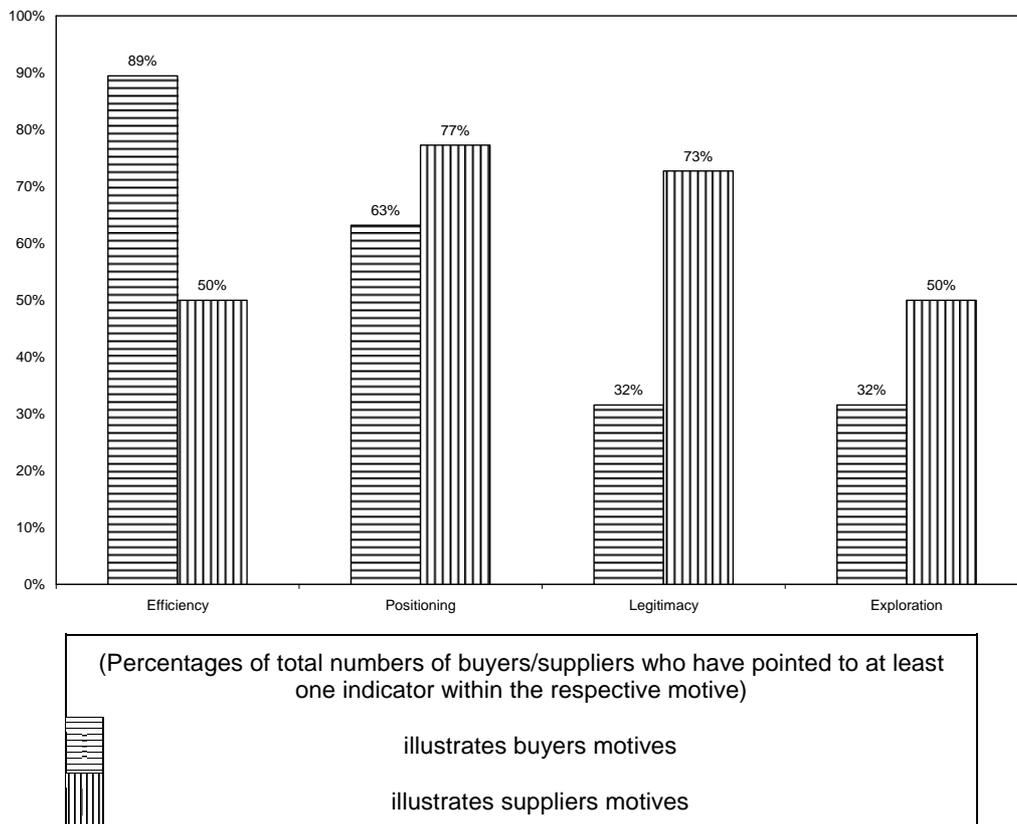
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Findings from the case studies

Not surprisingly, the motives for e-marketplace participation differ between buyers and suppliers as can be seen in figure 3 that shows the overall distribution of cases among the four types of motives for buyers and suppliers. For buyers, the prospect of obtaining efficiency gains is the most cited reason for e-marketplace participation in that 89 per cent of all buyers point to one or more of the efficiency indicators as a motivational factor. The second most cited reason (63 per cent of buyers) is positioning, whereas few buyers join e-marketplaces for reasons of legitimacy (32 per cent) or exploration (32 per cent). On the sell-side, the motives positioning and legitimacy are the most cited reasons for e-marketplace participation (77 per cent and 73 per cent of suppliers, respectively), but at the same time half of all suppliers also mention efficiency and exploration as a reason for deciding to join an e-marketplace. Thus, the motives of suppliers are spread out over the four categories more evenly than is the case for buyers whose motives are more clearly ranked and concentrated first and foremost on efficiency.

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



There is a difference in the distribution of the motives of buyers and suppliers along the two dimensions *drivers* and *decision nature*, respectively. Buyer motives fall largely along the planned end of the decision nature dimension, indicating that whether initiated by internal or external drivers, the decision to move procurement activities to e-marketplaces is a pro-active one taken upon careful evaluation and consideration of the implications of that decision.

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As for the motives of suppliers to incorporate e-marketplaces as a selling tool, these fall along the external end of the drivers dimension indicating that suppliers need external stimuli in order for them to consider using e-marketplaces. These differences in the distribution of motives along the dimensions are in line with the debate and research on e-marketplaces that has taken place in recent years and where focus to a large extent is on the benefits that buyers can obtain from e-marketplaces. Since the debate often does not consider suppliers to the same extent it does buyers, potential benefits for buyers can be assumed to be much more common knowledge than the benefits that suppliers may gain from moving activities online. This in turn means that e-marketplaces as a channel for buying and selling probably has a higher level of awareness with buyers than with suppliers. This is further emphasised by the fact that the two motives where decisions are ‘emerging’ in nature (legitimacy and exploration) are dominated by the sell-side, indicating that suppliers are less deliberate and need to be pulled into participation to a larger extent. Below, we will look at the four motives in more detail.

Efficiency

Overall, efficiency as a motive for e-marketplace participation is more important for buyers than for suppliers. Looking at table 3, which shows the distribution of cases among the three indicators for efficiency (price reduction, process time reduction and cost reduction), it can be seen that the indicator price is one of the reasons for this.

Table 3: Importance of efficiency indicators to buyers and suppliers

	Pl ₁ : Price reduction	Pl ₂ : Process time reduction	Pl ₃ : Cost reduction	n
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

More than 70 per cent of buyers point to possible price reductions as a motivational factor, whereas, quite naturally, the opportunity to reach price reductions is of no interest to suppliers. As one buyer puts it, ‘By doing so 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 with this speed. In my opinion it would take us minimum two years to negotiate the prices we pay today.’ (Jacobsen, 2003b) The possibility to obtain reductions in process time and costs is relevant to both buyers and suppliers. Of those who have pointed to at least one of the efficiency indicators as a motivational factor, 88 per cent of buyers and 73 per cent of suppliers point to process time reduction, making this the single most important efficiency motive for both parties. Almost as many suppliers are motivated by the opportunity to reach process cost reductions, whereas this is the efficiency indicator ranking lowest with buyers, although still important to many. 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). To sum up, efficiency is the main priority for buyers when entering e-marketplaces, whereas it is a less important motive for suppliers. Within the motive, buyers and suppliers have a common interest in the opportunity to realise time and cost savings.

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Positioning

Positioning is the motive for e-marketplace participation mentioned most often by suppliers (77 per cent of all suppliers), but it is also important to buyers (mentioned by 63 per cent of all buyers). Focusing on those buyers and suppliers who have 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 to increase the number of potential suppliers and customers, respectively. In fact, as can be seen in table 4, this reason is given by all suppliers and by all but one buyer.

Table 4 : Importance of positioning indicators to buyers and suppliers

	PE ₁ : Increased buyer/supplier reach	PE ₂ : Avoidance of dependency	PE ₃ : Increased bargaining power	n
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

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). Additionally, a few buyers are motivated by the possibility to increase their bargaining power over existing suppliers (3 buyers) and/or to reduce their dependency of suppliers (2 buyers). Hence, when joining e-marketplaces for reasons related to positioning, there is a well-marked resemblance between buyers and suppliers in that focus for both groups is clearly on obtaining improved market reach. E-marketplaces may help buyers identify and contact new suppliers, increase variety in the supplier portfolio or in products purchased. Suppliers, on the other hand, use e-marketplaces to identify new customers.

Legitimacy

Joining an e-marketplace in order to obtain legitimacy, i.e. because it is considered reasonable or maybe even expected of you, is relevant mainly for suppliers who have a predominant representation within this motive, as can be seen in table 5.

Table 5: Importance of legitimacy indicators to buyers and suppliers

	EE ₁ : Follow existing buyers/suppliers	EE ₂ : Technological sophistication	EE ₃ : Marketing activities of e-marketplaces	EE ₄ : Mimic the of behaviour of competitors	n
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

Just over half of those suppliers who have pointed to at least one of the indicators within the legitimacy motive joined an e-marketplace upon the wish of an existing customer. Hence, suppliers may not join out of free will, but more out of fear of what might happen if they don't join, i.e. they might lose their customers. An Australian supplier puts 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

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all suppliers (44 per cent) joined after having been contacted by the e-marketplace, again indicating that suppliers need stimuli from the outside in order to become aware that e-marketplaces may have benefits for them as well as for buyers. The few buyers who joined an e-marketplace for reasons related to legitimacy did so out of a wish to be technologically sophisticated and/or upon having been contacted by an e-marketplace. To sum up, it can be concluded that this motive is considered almost solely by suppliers, who are either forced by existing customers or induced by an e-marketplace’s marketing activities.

Exploration

Of the four motives for why companies join e-marketplaces exploration is the least cited. At the same time, exploration is mentioned more often by suppliers than by buyers, as can be seen in table 6.

Table 6: Importance of exploration indicators to buyers and suppliers

	El ₁ : Test of new markets	El ₂ : Test of new processes	El ₃ : Explorative learning	n
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

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, those buyers and suppliers who have pointed to at least one exploration indicator attach the same relative importance to ‘new processes test’ and ‘explorative learning’, respectively, indicating that both buyers and suppliers with 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 suppliers says, ‘People in our industry talked about Printoffer and I decided to try it out’ (Bygdesson, 2002). Companies with the exploration motive can be characterised as having a somewhat hesitant approach to the use of e-marketplaces.

Discussion, conclusion and implications

The article started out with pointing to the fact that e-marketplaces are often seen as a tool to help buyers exploit their suppliers and hence, focus is more often than not on the motives and benefits of buyers. However, the motivations of suppliers need to be taken into consideration as well. As a result of the theoretical review of existing literature on motives for participating in e-marketplace activities, we developed a motives matrix with four types of motives; efficiency, positioning, exploration and legitimacy based upon the dimensions of *drivers* (internal versus external) and *decision nature* (planned versus emerging). Each of the motives has a number of supporting indicators. The 41 cases were evaluated and further generation and revision of the theoretical understanding is presented below.

On the basis of the study we conclude that buyers and suppliers have different motives for taking up e-marketplace activities. Hence, e-marketplaces are certainly a way of making supply chain activities more efficient, but not necessarily 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

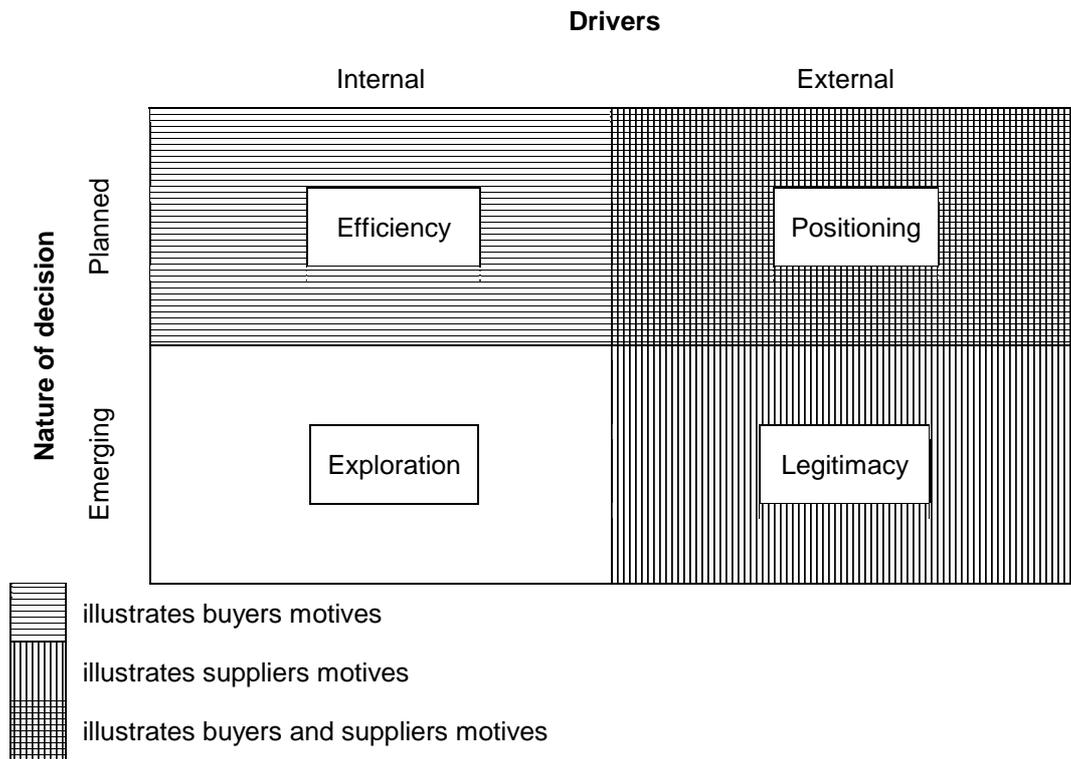
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to do so by existing customers, they also use e-marketplaces to look for new customers. Thus, suppliers also have more pro-active motives.

When expressing their motives for engaging in e-marketplace activities, buyers tend to be pro-active and planning oriented, whereas suppliers are driven by external forces. This means that there is also some common ground among buyers and sellers. In figure 4, the horizontal lines illustrate the motives of buyers and the vertical lines illustrate the motives of suppliers. The grid resulting from the overlap between the lines illustrates those motives that are common for buyers and suppliers.

Figure 4: Grouping of buyer and suppliers motives for e-marketplace participation



The *efficiency* motive refers to the decision to participate in e-marketplaces that is driven by an internally generated wish to obtain company-specific advantages and is taken as a consequence of careful evaluation of the expected outcome. Buyers are generally very motivated by efficiency, primarily in terms of reducing process times and secondarily 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 driven primarily by external factors rooted in a company’s relationships with other companies and it happens as a consequence of ongoing political negotiations rather than careful planning. The legitimacy motive is very real for many suppliers, especially when it comes to the eagerness to follow existing customers and the willingness to respond to the marketing activities of e-marketplaces.

Where efficiency is the primary motive for buyers and legitimacy the second most important motive for suppliers, *positioning* is the primary reason for e-marketplace

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participation for suppliers and the second most important motive for buyers. Here, industry-specific competitive conditions are the driving forces behind the decision to participate in e-marketplaces and decisions are planned and made to improve the company's competitive position. The paramount positioning-related indicator for both buyers and suppliers is the wish for a greater 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 to meet potential, new trading partners.

Exploration as the last motive is not high on the agenda of neither buyers nor suppliers. However, we have found that especially suppliers to some extent base initial e-marketplace participation on trial and error and the decision to continue participation is a direct result of actual experiences. These 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 skills and competencies within analysis and planning in order to obtain efficiency, but in light of the results the challenge is also to realise that e-marketplaces can be a useful tool to reach more potential suppliers. Equally important, buyers need to realise that suppliers also use e-marketplaces actively to look for potential customers and broaden their own reach. Therefore, buyers must also think in terms of marketing themselves as attractive, potential customers.

For suppliers the main managerial implication of the study is that the first priority of buyers on e-marketplaces is not necessarily a reduction of the price level, but just as much the wish to obtain efficiency improvements in terms of reduced process time – a goal which suppliers may actively support. Last but not least, for suppliers who want to participate in e-marketplaces, the study implies the need for a new type of marketing, where suppliers must on the one hand build up their pro-active presence at e-marketplaces in order to improve the opportunity to be contacted by potential customers and on the other hand must maintain a reactive capacity in order to know which buyers to follow into which e-marketplaces.

For owners of e-marketplaces, a marketing message to both buyers and suppliers could be that an e-marketplace is a market where buyers and suppliers meet to conduct 'traditional' business, but in a more efficient way and where both parties can save time and money. When marketing themselves specifically to buyers, e-marketplaces should stress the possibility to obtain lower prices. This could 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 to reach more customers and in this way convince suppliers to give it a try.

Implications for further research

For academia, the study implies that further research is needed on the company's degree of internationalization, its country- and industry-belonging, its traded products as well as on 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; however, we have not analysed the case material in relation to each of the variables. Such analysis should be part of future studies.

The study does not deal with the relationships among the individual motives. It would be interesting to concentrate future research on the investigation of which motives are

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dominant in the early start of e-marketplace participation and which motives represent a more mature type of e-marketplace participation based upon the company's reflection of experiences. In this relation, it is still an unanswered question if and how companies move from motive to motive. Could it be that all firms initially start with exploration as a motive? Do buyers then turn to focus on efficiency and finally also use e-marketplaces to reach new potential suppliers? Do suppliers also start with exploration motives and are then triggered by invitations from current customers or e-marketplaces and even later realise the opportunities provided for reaching new customers? In other words: Is positioning the long-term main motive for participation in e-marketplace activities for both suppliers and buyers?

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