

The Local Electronic Marketplace – a Framework for Understanding

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Abstract

This paper presents a tentative framework for understanding a particular environment of electronic commerce activities - the local electronic marketplace. This type of marketplace is Internet-based and dedicated to consumer-oriented commerce. The framework consists of two main components: marketplace functions and marketplace practice. Viewing an electronic marketplace in this way means adopting a “theory of practice” to assist in identifying and relating various actors and functions. Besides presenting this analytical tool there is a brief discussion of its application. The framework has evolved continuously throughout a qualitative study conducted in an exploratory phase and during two preceding case studies.

Keywords

Electronic Commerce, Local Electronic Commerce, Electronic marketplaces, Electronic Retailing

INTRODUCTION

Geographical location and the proposed reduced importance of distance are popular topics of discussion in electronic commerce. They have been on the agenda for some time and tend to go hand-in-hand with prophecies of the global economy (Steinfeld & Klein 1999). In this light, it is interesting to note the evolution of consumer-oriented *electronic marketplaces* with a geographically delimited target. Bakos (1991, p. 2) states that an electronic marketplace is enabled by an interorganizational information system (IOIS) that:

...allows the participating buyers and sellers to exchange information about market prices and product offerings; thus it represents an investment in *multilateral* information sharing.

It is important to stress that a particular electronic marketplace does not necessarily offer digital channels for all phases of business activity. A combination of digital and physical channels is often a prerequisite for the existence of an electronic marketplace (Bakos 1998). The *local electronic marketplace* (LEMP) is an open environment where business activities predominantly concern multi-channel actors (that is, business actors using physical as well as digital channels) practising consumer-oriented commerce (Ågerfalk et al. 2000). This category of marketplace is often enabled by an Internet-based information system, and the targeted user group shares an interest in a local geographical area.

An example is “Lokaltidningen.net” (LTN) (<http://www.lokaltidningen.net>), a locally targeted web site that originated as a web-based newspaper and expanded into an electronic marketplace. The target is a small rural district in mid-western Sweden and the company running the site is a local advertising agency. LTN provides local news produced by staff members and volunteers. The editorial content is complemented with locally focused information such as weather forecasts, sports results and information regarding organizational activities. LTN also includes a section called “Gallerian” that provides an electronic mall of “web-shops”. The mall is enabled by a shared system provided and maintained by the advertising agency. The actors behind the web-based shops are retailers who also manage physical stores located in the area. Besides the local content and shopping facilities, a vital part of LTN is its discussion forum that concerns local everyday life.

This paper presents a tentative framework for a specific setting of consumer-oriented electronic business activities. The framework is meant to shed light on an empirical phenomenon by applying existing theory and by introducing some new concepts. Application of this “analytical tool” aims at understanding this setting for the underlying purpose of designing an appropriate marketplace IOIS. The focus here though is on the presentation and discussion of the analytical tool.

An exploratory study of 30 Swedish Internet sites with an explicitly local focus was undertaken initially. The exploratory study was followed by two case studies. The exploratory study included an open site investigation followed by interviews with representatives from five of the examined sites. A qualitative analysis of the empirical material led to a categorisation of “marketplace actors” and “essential features” (Ågerfalk et al. 2000). The generation of categories was at that stage to be understood as a conceptual ordering, as referred to by Strauss and Corbin (1998). The categories has then, during the case studies, been further empirically grounded, refined, and related to existing theory into the *framework* presented in this paper. The framework has accordingly evolved

through continuous use in the two (still ongoing) case studies, why the results should be regarded as tentative. The objects of study are two locally targeted websites, “Lokaltidningen.net” and “SkaraborgOnline” (SAOL) (<http://www.skaraborgonline.com>). The latter site shares the scope and basic ideas with the described situation of LTN. SAOL is however more of a “joint venture” based on co-operating parties. Important sources of data have been interviews with representatives from site hosts and retailers as well as studies of actual site content. A major influence has been using the *notion of practice* as an illustrative theory during the casework (Yin 1994). This notion is a vital part of *a theory of practice* (Goldkuhl & Röstlinger 1999) that stems from a language action perspective on organizations and information systems (e.g. Winograd 1988). The framework presented in this paper consists of the two main themes of *marketplace practice* and *marketplace functions* (Table 1). The paper starts from the “bottom” with a discussion regarding functionality. The second section deals with marketplace practice and the third outlines the framework and shows some aspects of application. Finally there are a summing-up and reflecting remarks upon the work in progress and future research.

Table 1: The two themes of the framework

- | |
|---|
| <ul style="list-style-type: none"> • Marketplace practice • Marketplace functions |
|---|

THE FUNCTIONS OF A LOCAL ELECTRONIC MARKETPLACE

Introducing the concept of an electronic marketplace often involves stating marketplace tasks in describing some basic set of *functions* (Bakos 1998, Schmid 1993, Zimmermann 1997). An apparent issue from studying LEMP-sites is that functionality goes beyond sheer commerce. For this purpose, it is useful to relate Zimmermann’s (1997) notion of marketplace functions that regards market activity and means for communication. The first function concerns the marketplace facilitation of supply-, demand- and pricing mechanisms. The second concerns facilitating actor communication that is not aimed at doing business. Hence it is necessary to acknowledge differences in visitor intention. Zimmermann (ibid.) finds a suitable metaphor in the ancient marketplace Agora where people met to buy, sell, argue politics and socialize; a simile that can comprehend LEMP as a *meeting place*. The case studies also showed that a mere interest in retrieving information were a common visitor incentive for marketplace use. It might then be fruitful to stress that the communicative function includes an *informatory task*.

The discussion of marketplace functions is to be considered as generic in the sense that the concepts used claim validity for an arbitrary type of electronic marketplace (Bakos 1998). A specific setting however leads to a situation-specific execution. Hence, it is fruitful to introduce the concept of marketplace *features* as the *applied fulfilment* of functions.

In the case of LEMP, a feature of *local commerce* can describe the execution of market activity. Most activities are consumer-oriented and the common business segment is retailing. Local merchants exploit electronic channels as an extension of their physical appearance i.e. storefront holders (Saarinen & Tuunainen 1998). The close proximity of physical establishments provides opportunities for the two channels to complement each other (Steinfeld et al. 1999). The commercial section of LEMP is often organized according to a *mall model* (Timmers 1998, Turban et al. 2000).

There are two features for fulfilment of the communicative function: *community of local interest* and *informatory content* (Table 2). The marketplace provides means for digital discussion forums to build an *online community* (Preece 2000). The shared purpose of the online community is an interest in the local physical community. Accordingly, this feature is named *community of local interest*. The marketplace provider often manages the community feature by raising different issues and themes for discussions to which visitors can contribute. Above all, the local marketplace community is an open environment shaped by its users. *Informatory content* is on a different level than the preceding two features. Besides commercially targeted content and user contributions, there are other kinds of information crucial for vitality. Examples are local news, weather forecasts and upcoming events.

Table 2: Marketplace functions and their related features

- | |
|---|
| <ul style="list-style-type: none"> • Market activity <ul style="list-style-type: none"> ▪ Local commerce • Communication <ul style="list-style-type: none"> ▪ Community of local interests ▪ Informatory content |
|---|

THE PRACTISE OF A LOCAL ELECTRONIC MARKETPLACE

Marketplace functions would be insignificant if they were detached from the interested parties. Besides looking at marketplace functions, there is a need to identify and characterize the various marketplace actors. The empirical studies undertaken have identified four primary (ideal) categories of actors (Table 3).

Table 3: Categories of actors

<ul style="list-style-type: none">• Host• Habitant• Visitor• Content supplier
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A *host* co-ordinates and provides different services in LEMP. This includes providing access to, developing and maintaining the IOIS. The host is also the owner and manager of the shared marketplace structure. The *habitant* is the “tenant” of the marketplace, either as commercial or as a non-profit actor. The most frequent commercial habitant is the storefront holder described above. From the host’s point of view, this kind of habitant is also the main source of revenue. The non-profit habitant might be a sports club or another local organization with a need for disseminating information. The *visitor* category consists of site users. The category contains the habitant actors’ customers (and prospective customers). The motive for using the marketplace is local interest, and a visitor may well be seeking information not at all related to commercial activities. *Content supplier* is an external actor that together with hosts, habitants and visitors provides site-content. E.g. services delivering weather forecasts or news. The other actors control the contributions from content suppliers by assignment.

The understanding of actor relationships is another element that is essential here. The diversity of tasks discussed above implies a perspective that is not limited to buyer-seller relationships. A marketplace of this kind cannot be understood as phenomenon possible to delimit by organizational borders (Ågerfalk et al. 2000). *The notion of practice* is therefore introduced as a possible base for understanding an electronic marketplace context. This is done by applying the *model of generic practice* (the ToP model) that is a generic model for analysing business activities introduced by Goldkuhl and Röstlinger (1998, 1999). The model is intended for applied situations of diagnosing and designing business. The models’ different roles and relationships can be used for “establishing a fundamental understanding of a particular practice” (Goldkuhl & Röstlinger 1999, p. 6).

The model stems from the so-called language action perspective that acknowledge business communication as social actions in line with the works of Searle (1969), Austin (1979) and Habermas (1984). A “practice” is considered to be a “doing”, a performance of actions, that is not necessarily limited by company borders (Goldkuhl & Röstlinger 1999, p. 5):

A practice means that some actor(s)-based on assignment from some actor(s)-makes something in favour of some actor(s), and something against some actor(s), and this action is based on values, rules, knowledge and competence, which are established and continuously changed.

A practise can be explained in different actor roles and the core is the *producers* and their actions. The performance of “producer-actions” is, however, dependent on different prerequisites. *Conditioner actors* and their actions shape these prerequisites. The result of a practice is the *products* (goods and/or services) aimed at different *clients*. *Transformation* and *assignments* are two main aspects when looking at production from a practice-perspective. The process could be seen as a mere production of output based on some kind of input-as a process of transformation. Acknowledging assignments as an important prerequisite also sheds light on vital aspects of production. A practice is always governed by assignments. This brief description covers the main aspects, whereas the graphic illustration in Figure 1 shows more of the relationships within a “generic practice”.

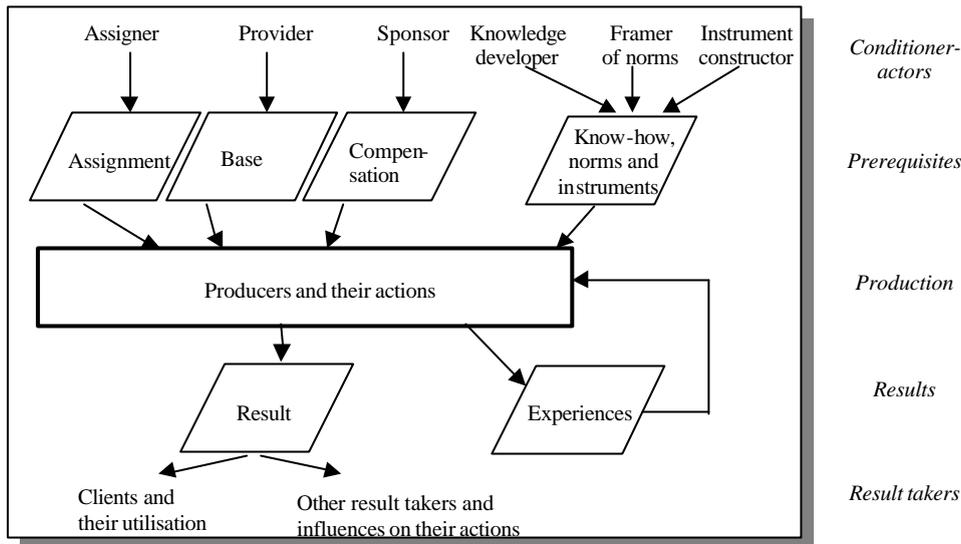


Figure 1: The model of generic practices (ToP model) (Goldkuhl & Röstlinger 1999)

CONSOLIDATING AND APPLYING THE FRAMEWORK

The two themes of practise and functions constitute the building blocks of a possible framework for understanding a LEMP setting (Table 4). The clients of a marketplace practise have a need that the marketplace functions are intended to satisfy. Using the result of a marketplace practice then means utilizing the features of a particular marketplace.

Table 4: A framework for understanding LEMP

- Marketplace practice
 - Categories of actors
 - Roles and relationships
- Marketplace functions
 - Market activity
 - Communication

The notion of practice implies that the same actor can assume several roles in a practice. That means for instance that visitors as well as habitant retailer is considered as both client and producer here. The habitants operate their individual marketplace space and the visitors shape and contribute to discussion forums. This notion of co-production carries the “control” of production to its extremes. The questions raised concern *how to assign* the different co-producers of a practice like this. A host co-worker is obviously easier to direct than a casual user when it comes to assignment. Here the key is the identification of different kinds of assignment (steering methods) along with a continuous drive to understand the variation in clients’ needs.

The framework has been used for directing questions and interpreting answers. A fruitful undertaking was a joint workshop in which the LTN marketplace was discussed in relation to the ToP model (described above). The workshop was held with four representatives from the host company and resulted in a documented “practise definition” (Goldkuhl & Röstlinger 1999) that was subsequently used as a functional tool for communication. The SAOL case resulted in formulation of similar documentation that was used for comparison between the two cases.

One interesting issue was then the construction of “hostship”. The two marketplaces studied differ in this respect. In the case of SAOL the central host-role is shared between two actors whereas a single actor runs LTN (see above). The market activities and the communicative functions of SAOL are thus controlled separately and connected through an actor alliance. Applying the framework reveals that many of the stated problems are related to an inability to achieve functional integration. A major problem at SAOL is that marketplace visitors adhere to their initial intentions (e.g. visitors using information services rarely go shopping).

CONCLUSIONS

The paper presents a framework for understanding a particular class of electronic commerce activities. This is done by regarding the setting for those activities, LEMP, as a practise with a purpose of satisfying its clients.

Applying the framework sheds light on the following aspects: (i) a marketplace actor can possess several roles in a practise and (ii) the marketplace should be considered as a co-production, and (iii) assigning the production is an essential but nevertheless delicate task. Assignment is a key aspect when it comes to controlling and steering marketplace development. The objective of client satisfaction can be expressed in terms of marketplace functions. Use of the framework stresses the need for a holistic approach where the *market activity* and the *communicative* functions should be considered as intertwined. The two functions can be outlined in situation specific features that focus the following aspects: (iv) market activities in LEMP are stamped by their multi-channel nature and (v) an important subset of marketplace communication is not commercial.

The framework has evolved during use as an analytical tool throughout a qualitative study. Its merits so far concern interpreting and contextualizing the activities of an electronic marketplace subtype. The framework has provided means for communicating with various informants during the empirical studies. Further theoretical as well as empirical grounding would however be needed for this tool to be applicable and valid in a wider context. Except for more work of reconstructive character a future idea of interest would be testing the framework concepts in an early marketplace design phase.

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