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# Panel 2 Building Relationships in Electronic Commerce: European and North American Perspectives

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## PANEL 2

### **BUILDING RELATIONSHIPS IN ELECTRONIC COMMERCE: EUROPEAN AND NORTH AMERICAN PERSPECTIVES**

Chair: **Rolf T. Wigand**, Syracuse University

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Many businesses and researchers view the Internet and WWW as the essential tool and vehicle over which many, if not most, business transactions will be conducted in the future. Many consulting firms (e.g., Gartner Group, Forrester) expect that, by the year 2000, the Internet will be the universal dial-tone for conducting business. The aim of these efforts is to conduct business electronically with millions of small and medium-sized firms and with millions of customers. The Internet phenomenon, in this sense, is indeed becoming a paradigm shift governing both business and information technology systems. The underlying driving force seemingly is the desire to reduce transaction costs, often resulting in the disintermediation of complex industry value chains. Entire layers of this chain might be eliminated due to electronic means of by-passing that layer (Benjamin and Wigand 1995; Wigand 1997).

A common thread throughout these developments in electronic commerce is the notion of relationship. Electronic commerce as we know it today would be inconceivable without the concept of and emphasis on relationship building. These relationships are complementary, as reflected in social relationships. Moreover, relationships enable governance structures at the organizational form level (e.g., hierarchy, network, market) or in the form of customer relationships (Wigand et al. 1997). Finally, relationships enable the emergence and building of trust, an essential feature of electronic, as well as all forms, of commerce. Such relationships, in turn, enable higher level concepts: information and knowledge segmentation, commercial transactions, communication, and community building.

*Alliances and firm networks.* While the argument that EDI is rendering cooperation among firms has been challenged, electronic commerce is clearly facilitating numerous alliances among firms. Major reasons for these new alliances are the speed and dynamics of Internet business combined with intense competition. In this sense, information technology (IT) enables and requires, at the same time, closer relationships among players.

*Relationship building in market transactions.* While the salience of relationships in firm networks has long been accepted, ideal markets are seen as governed by isolated transactions. However, vendors are trying to turn market transactions into more stable customer relationships. Vendors functioning as the market place for homogeneous products (such as books or audio CDs) provide not only additional information services (like excerpts and reviews) but focus increasingly on mobilizing their customers by offering this information. Through such means, companies such as Amazon.com have succeeded in achieving a high proportion of repeat purchases.

In other product markets, companies are building relationships with their customers by offering to customize products. By asking customers to reveal their individual preferences and profiles, the foundation is laid for closer relationships between producer and customer. On the other hand, the provision of customized goods requires a well organized network of suppliers.

***Complementarity of computer mediated communication (CMC) and social relationships.*** Inquiry into the impact of CMC has revealed that its success is rooted in the quality of the underlying social relationships among the communication partners. As in traditional business, the building and management of relationships with customers and suppliers is an increasingly critical success factor in a world that is governed by cut-throat competition and CMC (Nohria and Eccles 1992).

***Role of platforms.*** Electronic commerce platforms such as electronic malls are not only bundling a plurality of offerings and economizing on generic services such as directories, payment, and logistics services. Successful platform providers are actively building communities of firms in an industry or region. They can be seen as relationship brokers (Tschanz and Klein 1997).

***Trust.*** Trust is being built through a sequence of experiences by making objects and routines to which humans are accustomed and transferring positive experiences from one realm to another (Wigand 1997). Electronic commerce, in its present form, is therefore yielding considerable uncertainty as a medium because of the way in which business transactions are conducted as well as in the unfamiliar mode of payment. Trust building functions of third parties, such as credit card organizations or platform providers who take the role of guarantors and who are actively building communities, will be addressed.

***Aims of the panel.*** Panelists will explore different dimensions of relationship building in electronic commerce and seek to understand and shape underlying theoretical concepts from a European and North American perspective. This panel—through the framework of relationships—will focus on facilitators (e.g., market makers) and alliances, as well as strategic directions that enable electronic commerce and markets. Research and applied examples in the form of national diffusion patterns, tools, and efforts resulting in the reorganization of value chains will be addressed.

More specifically, the panelists will each address and evaluate within their particular national/regional context the following core electronic commerce issues (identified by Benjamin and Wigand [1995] and Wigand [1997]):

1. What is (are) the prevailing predictive model(s) of electronic commerce in the respective national/regional context?
2. Has electronic commerce activity affected segments in the industry value chain?
3. Since the advent of electronic commerce, are there new areas of opportunity for producers, retailers, and consumers?
4. Did electronic commerce developments cause/contribute to restructuring or the redistribution of profits among stakeholders?
5. Can the evolution of a shift from single-source channels to electronic markets be observed?
6. Can lower coordination/transaction costs, as well as lower physical distribution costs, be observed?
7. Can the displacement of segments (i.e., disintermediation) in the market hierarchy (retailers, wholesalers) and the evolution of new market makers (i.e., reintermediation) be observed?
8. Can the development of trust (viewed as an essential lubricant) in electronic commerce as a means and device for firms and customers to function and perform without friction be observed?

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