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Rosemary Stockdale

Faculty of Information & Communication Technologies, Swinburne University of Technology, rstockdale@swin.edu.au

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Exploring the Role of Social Community Within an E-Marketplace

Rosemary Stockdale
Faculty of Information & Communication Technologies
Swinburne University of Technology
Melbourne, Australia
Email: rstockdale@swin.edu.au

Abstract

Marketplaces have provided a meeting place for communities to socialise, exchange information and transact business for many centuries. It is perhaps a natural progression that the inclusion of social network facilities should be an intrinsic part of e-marketplace development. This exploratory study examines the concept of designing social features into an e-marketplace by considering the needs of online community members. Using TradeMe, a New Zealand horizontal intermediary e-marketplace, as an illustrative case study it was found that the use of an online community to encourage information flow, reciprocity and trust has resulted in a vibrant, successful business model. Further research is required to investigate the viability of the community model beyond the case illustrated.

Keywords *Online communities, e-marketplaces, sociability*

INTRODUCTION

There is a long tradition of marketplaces serving communities across the globe. Although marketplaces exist for the purpose of buying and selling goods, they are rarely purely commercial entities. From the ancient agora, to the souk and international exchanges, marketplaces provide facilities for meeting, socializing, and exchanging information in addition to opportunities to trade goods and services. While designed as exchange mechanisms to generate gains from trade, markets are social constructions (McMillan 2002) that exist because the act of buying and selling is of common interest to the community and serves a purpose within a society.

The development of marketplaces within the online environment can be seen as an extension of the need to adapt markets to the prevailing needs of society. The proliferation and subsequent consolidation of e-marketplaces, which was characteristic of the early years of this century has stabilised into more sustainable models. In a global business environment that advocates the importance of social networks (Murray & Greenes 2006) innovative use of sociability concepts of community within the maturing e-marketplace environment would appear to offer opportunities to create and transfer value between the marketplace stakeholders.

The inclusion of a community element into online businesses and the development of social networks has been an ongoing facet of the growth of the Internet and the development of e-business. Building social capital through the development of online community within a business context is seen as a wise strategic move by influential bodies such as McKinsey Consulting (Bughin & Hagel 2000). Business benefits are held to be in the areas of market research, relationship building and branding while customers gain rather more intangible benefits such as community esteem through knowledge, reciprocal exchange of information and a sense of belonging (Stockdale & Borovicka 2006). E-marketplaces facilitate the building of relationships between buyers and sellers, supporting embedded relationships between established trading partners and short-term relationships between buyers and sellers where there is no perceived need for social ties. However, e-marketplace providers have perhaps overlooked the benefits of wider socializing when designing online markets.

This exploratory study examines the concept of designing community into online marketplaces to support the development of social networks that transcend recognized relationship types to build a strong vibrant social marketplace that benefits all stakeholders. TradeMe, a horizontal intermediary e-marketplace based in New Zealand, is used as an illustrative case study to identify the issues of building social community features into an e-marketplace. The paper briefly discusses the two concepts of e-marketplaces and online communities before examining the constructs that are held to foster sociability in an online environment. These constructs are used to examine the use of community within the case study, which then informs the discussion of issues that may be of relevance to other types of e-marketplaces before conclusions are given.

ELECTRONIC MARKETPLACES

McMillan (2002) argues that improving the way that marketplaces work increases the gains to all stakeholders. Market design can influence the success of a marketplace by improving the flow of information thereby reducing friction and enabling buyers and sellers to function more efficiently. Technology has proved to be a great

facilitator by broadening the reach of markets and supporting increased efficiencies in information exchange. Earlier examples of technologies that have greatly influenced market change include postal services, railroads and the telephone. More recently the Internet and the growth of electronic marketplaces have had a major influence on the way businesses trade.

Bakos (1997) defines an e-marketplace as an inter-organisational information system that allows participating buyers and sellers in a market to exchange information about prices and product offerings. Choudhury, Hartzel & Kosynski (1998) add that the e-marketplace should enable potential buyers and sellers to be identified and for a transaction to take place. Online marketplaces also support greatly improved information flow that in conventional markets was largely one way, using devices such as advertising, yellow pages, word of mouth, branding and intermediaries (McMillan 2002). The increase in information availability and exchange has alleviated asymmetries in the balance of power within buyer/seller relationships as both buyers and sellers have more transparency and greater choice in identifying trading partners. This increased ability for buyers and sellers to interact, with accompanying benefits such as transaction cost savings, speed and global reach, has encouraged widespread use of both vertical (industry specific) and horizontal (non-industry specific) marketplaces. Following the consolidation of marketplaces after the dot.com crash in 2000/2001, a number of industry specific e-marketplaces have been established. At the same time the growth and accessibility of horizontal consumer marketplaces has been notably swift and eBay has played a major role in this since its inception in 1995. This 'high tech flea market' (McMillan 2002, p.19) has moved from being a C2C marketplace to hosting many smaller businesses and supporting a range of transactions that transcend categorization within the normal ranges of business-to-business or business-to-consumer interaction. Such changes are evident in other marketplaces such as Alibaba where an increasing number of small to micro businesses find a market and spill over into Alibaba's C2C arm, TaoBao (Ou & Davison 2009).

The interaction between buyers and sellers in the online environment has been a focus of much research where the nature of the transactions determines the characteristics of the depth of the buyer/supplier relationship. For example, arms-length relationships tend towards the formal and impersonal, are characterised by one-off purchases that require little connection between buyer and supplier, and are without assumptions of recurring interaction or interdependence (Powell 1990). In contrast, embedded relationships develop when suppliers and buyers establish close long-standing connections, based on recurring interactions and social capital, and are highly dependent on goodwill and social/personal interaction (Schultze & Orlikowski 2004). Such relationships require commitment from both buyers and sellers who gain benefits from the deeply connected, enduring relationship. In Standing et al.'s (2007) hybrid model commitment to social interaction mirrors that of the embedded relationship but the more formal market mechanisms of the arms-length type of relationship are also evident. This hybrid approach enables organisations to achieve competitive market prices while maintaining a visible degree of corporate social responsibility and good relationships with their local suppliers, and has been identified in online marketplace behaviour (Standing et al. 2007). The structure of intermediary e-marketplaces implies that arms-length relationships will form (Schultze & Orlikowski 2004) as buyers and sellers come together through the actions of an independent market provider. However, Driedonks et al. (2005) found that social and political factors and the loss of social capital were influential in determining levels of adoption and sustainability in this type of e-marketplace participation. They also found that dysfunction in the communications channels was a factor emphasizing the importance of information flow within a marketplace environment.

SOCIABILITY AND ONLINE COMMUNITIES

The concept of sociability as a beneficial influence in online business is emerging as a topic of considerable interest in the business press. The push for integrating community aspects into e-business practice to gain benefits from sociability has been increasing since Hagel (1999) advocated the need in the late 1990s. Schubert & Ginsburg (2000) identified the benefits of community knowledge, trust and personalisation that could be gained from virtual Communities of Transaction and proposed a classification scheme to identify types of communities. The benefits of personalisation techniques developing from consumer involvement in e-businesses are now well established and firms are building on the techniques of targeted marketing to maximise benefits from customer interaction (Miller, Fabian & Lin 2009).

Much of the push towards online communities as a method of building social capital in businesses arises from developments in the open source communities. Consumers have contributed to the collective creative forces, inspiring development (Kozinets, Hemetsberger & Shau 2008) and adding value to the products (Jeppesen & Frederiksen 2006). Kozinets et al. (2008) see the intersection of creativity and consumption to be at the heart of a new social form of informational innovation. At a more prosaic level, Paterson (2009) raises awareness of the role of non-sanctioned communities, which may result from lack of action on the part of firms who ignore opportunities to build social interaction. At best, the consequences of consumers taking non-sanctioned action

may result in a loss of control and missed opportunities to build bonds, create customer loyalty and increase customer satisfaction. At worse, firms will be faced with communities based on antipathy to the organisation such as Untied.com or the now moribund but still visible McSpotlight.org.

Ongoing studies raise the question of how organisations can take better advantage of the new directions into social computing that IT is facilitating. Arameswaran & Whinston (2007) highlight many questions in their examination of issues in social computing including whether social interactions can be designed to promote benefits and what form these benefits may take. Perhaps more importantly in the context of online communities within a business context is identifying where social capital resides in the relationship. This is a question of altruism versus individualism - do individuals gain from the social interaction for their own ends or as a contribution to the community? And when does the network of individuals become the network as customer? Standing et al.'s (2007) example of the organisation building hybrid relationships to mitigate global market pressures and maintain local community adds relevance to the idea that corporate IT has a role to play in community building to enhance information exchange and link buyer and seller in an environment of multiple interactions (Arameswaran & Whinston 2007).

The benefits to firms from developing online communities have been identified as the fostering of relationships between customers, reinforcement of brand recognition, use of customer feedback to develop products and services more effectively, accumulate customer information, improve pre and post transaction services and the testing of new products (McWilliam 2000; Preece & Maloney-Kritchmar 2003; Walden 2000). Customers are held to contribute to business sponsored communities to gain information and to interact with others with a similar interest. They are seen to have an underlying motivation to contribute for reasons of status and prestige or reputation based rewards (Wasko & Faraj 2005). To these customer benefits, Wiertz and de Ruyter (2007) add the idea of citizen behaviour or sportsmanship and Dholai, Bagozzi and Pearo (2004) add social enhancement and entertainment. This aligns with Molesworth & Denegri-Knott's (2008) concept of consumers attaining value not for rational or utilitarian reasons, but for 'desires, thrills, competitiveness, change and meaningful identities' (p. 370). The concept of playfulness within the online consumer society is identified in a study of eBay (Molesworth & Denegri-Knott 2008), which discusses the concept of play and examines its value to the business world. While the focus of these latter studies is on the consumer rather than the business environment, the long tradition of marketplaces serving many purposes within a community may have relevance to the online environment. E-marketplaces have perhaps overlooked this need for socializing which is characterised in the embedded relationships with established trading partners. Horizontal marketplaces for business and consumer participants tend to fulfil the needs for short-term relationships with no perceived need for social ties, although it is in this latter area that this exploratory study is set.

SOCIABILITY IN VIRTUAL COMMUNTIES AND MARKETPLACES

In considering what affects the forming of social communities online, this study examines the needs of the members. Identifying the constructs that need to be designed into a virtual community or marketplace to foster sociability will enable more understanding of the benefits to be gained and how can they can be achieved. In the literature on online communities, the needs of members have been identified as functional, social, psychological and hedonic (Wang & Fesenmeier 2004). The elements of each of these four constructs, shown in Figure 1, were examined by Stockdale (2008) and are discussed within the context of both online communities as defined by the shared space (Figure 1) and of e-marketplaces as social constructs (McMillan 2002).

The Virtual Space

The shared space is the central construct of an online community. The role of a marketplace in bringing together interested parties to communicate and transact can be related to this virtual space with its recognition of interaction, accessibility and multiple membership. In addition, the concept of boundedness can be applied to design of the virtual space. Boundedness in online communities most commonly refers to the physical or geographic location of the community (Preece 2000). Despite the 'virtualness' of online communities they often reflect a geographic emphasis in that they have a dominant membership from a specific region. For example, OZMS, an online community for Australians with Multiple Sclerosis encourages membership from within Australia, although it does not preclude overseas members. In the same way e-marketplaces may restrict membership to a local or national area. Membership of any online entity may also be constrained by language. For example Taobao in aimed at Chinese speakers (although a forum has developed to attempt to open access to English speakers). Communities may also be bound by registration or membership conditions and this reflects similar bounds on e-marketplaces where buyers and sellers are required to register with the marketplace provider

Functional Needs

While efficiency and convenience of access are essential elements for effective use of online communities and e-marketplaces it is access to information that is a key functional need. In online communities, access to and exchange of information are seen as primary reasons for joining (Hagel & Armstrong 1997), particularly in information-rich sectors such as health and travel (Stockdale, 2008; Wang & Fesenmaier 2004). In terms of e-marketplaces, information flow is a key element of market design. While information flow is never frictionless, the ability of sellers and buyers to more easily identify potential trading partners has a significant impact on search costs (McMillan,2002). Further opportunities to reduce costs relates to the ability to access a wide range of product information (Bakos, 1997).
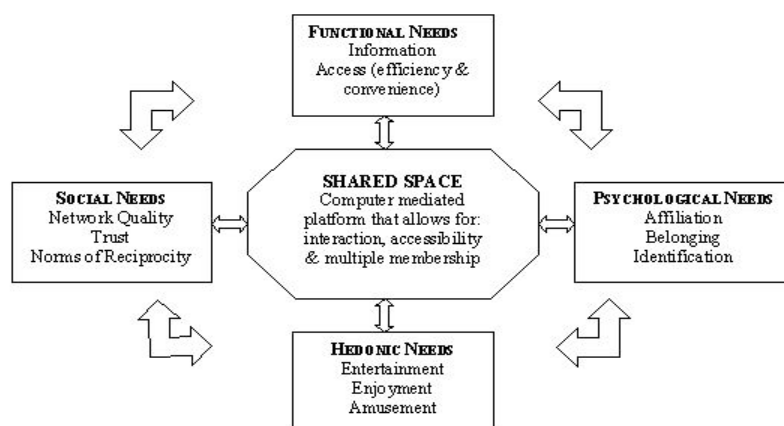

Figure 1: Framework of needs for members of online communities (adapted from Wang & Fesenmeier 2004)

Psychological Needs

Affiliation, belonging and identification are strong elements of psychological needs. In seeking to understand motivations to participate in online communities, Rheingold (1993) argues that sustained membership lies in the sense of identity and belonging that the community engenders. A strong sense of identification with the group together with gaining reputation and peer esteem encourage ongoing participation and contributions by members (Bauer & Grether 2005). Taking McMillan's (2002) view that marketplaces are a social construction and Standing et al,'s (2007) identification of sociability within long term buyer-supplier relationships, the inclusion of psychological needs in an e-marketplace community design would appear to be a valuable consideration.

Social Needs

The construct of social needs relates to the ability of stakeholders to communicate, respond and become involved with others (Wang & Fesenmaier, 2004). Bauer & Grether (2005) relate these needs to the building of social capital and the development of network quality that is determined by stakeholders' perceptions of community participation, equality, contact and homogeneity.

Trust is held to be a key concept in all forms of e-business and 'when there is trust among people, relationships flourish; without it they wither.' (Preece 2000, p 191). Schubert & Ginsburg (2000) report that the prevalence of structured and unstructured information within the community space provides a basis for the development of trust. They argue that properly managed virtual communities have the ability to increase trust within the online business environment. Continued trust is based on past experiences and expectations that future interactions will remain a positive experience (Preece 2000), although some degree of opportunism may be accepted by stakeholders (Grover, Teng & Fiedler 2002). The higher the levels of risk in the transaction the higher the levels of trust that must be maintained and be recognisable to all stakeholders in the virtual environment (Stockdale & Borovicka 2006). The rise of social networking and the use of online communities by businesses emphasises a new direction for trust where some element of control must be ceded to the customer. Peer to peer interaction is a common facet of online communities but is not always a welcome concept in many industries where it can be seen as a potential threat to managerial control (Walden 2000). A strong influence on the maintenance of trust in a virtual environment is the development of policies and procedures. Markets flourish in an environment where it pays to remain honest in transactions, which requires mechanisms to invoke sanctions as needed (McMillan 2002). Such sanctions are stipulated by laws or come within the province of the market providers, but must be recognized by the marketplace. Online communities tend to be less formalized and reputation is often the reward

for honest behaviour. Governance in such communities is by convention and is more attributable to social norms than to contractual agreements (Arameswaran & Whinston 2007). These opposing views to governance reflect the need for more control in the commercial sphere, whether from legal, financial or managerial reasons. Business sponsored communities use higher levels of oversight and social norms are replaced or complemented by paid moderators and formalized 'terms and conditions' (Stockdale & Borovicka 2006).

A third important element of social needs is that of reciprocity, which is strongly evident in online communities where members repay the community for benefits they perceive they have gained (Jeppesen & Frederiksen 2006). In an e-marketplace context, Grover et al. (2002) discuss the social component that is required in inter-organisational relationships as 'relationalism'. This refers to the idea of an implicit contract (rather than a legal statement) that has expectations of reciprocity. This is further seen in Standing et al.'s study (2007), which identified interdependence within the case organisation's embedded relationships where suppliers would commit to extra work at short notice in return for a higher level of input in the procurement process. When formalisation of processes was undertaken, it resulted in lack of trust and the withdrawal of reciprocity. In online communities identification with the group and the need to reciprocate appears strong even in situations of weak ties (Preece 2000). In contrast, Schultze & Orlikowski's (2004) study of network relations found that arms-length relationships display more evidence of opportunism and self-interest, and little evidence of reciprocity. This may signal a difference between behaviour in socially orientated online communities and e-marketplace relationships.

Hedonic Needs

There are several terms that encompass the recognition of hedonic needs in the market. These include social enhancement and entertainment from participation (Dholakia, Bagozzi & Pearo 2004) and sportsmanship, which includes the devotion to certain modes of behaviour within commercial online communities (Wiertz and de Ruyter 2007). Wang and Fesenmeier (2004) identify fun, amusement and enjoyment as needs related to the travel market and Molesworth & Denegri-Knott (2008) examine playful consumption in terms of the 'business as the game maker' such as FaceBook, 2nd Life and eBay. The term sportsmanship is adopted here to reflect the range of hedonic activities derived from online social communications and the growing recognition of the role of 'playful consumption' in a business environment.

THE CASE STUDY

This research takes an ethnographic approach to the case study, which involved the researcher being immersed in the social group under study for a prolonged period of time (Myers 1999). The researcher was an active member of the TradeMe marketplace from mid 2006 to the beginning of 2009, participating in trading, reading postings and auction feedback, and observing the community. Data were collected through participant observation, from documentary sources such as newspaper articles, books and postings and through informal social contact with participants. A key advantage of an ethnographic approach is the depth of involvement in the case and the ability to take a holistic perspective of identification within the social group. Analysis of a large amount of data required that some structure be identified to form the basis of some anticipated explanations, and a conceptual framework of needs (see Figure 1) was identified from concurrent work into aspects of online community (Stockdale 2008). A hermeneutic approach then supported the unfolding of levels of meaning to find sense in the whole using the rich sources of data and the reviewed literature (Myers 1999). There are limitations in this form of research, reliant as it is on one researcher and one case study and these are discussed in the final section, together with implications for generalisability.

TradeMe provides an interesting case in this study context as it has established a strong community identity while operating as a commercial entity since its beginnings in 1999. The e-marketplace is similar to eBay's C2C model, offering an auction facility for the general public. The founder, Sam Morgan, attributes his recognition of community in his marketplace model to his early background knowledge of the community spirit that exists among traders in auction and salesrooms (Ross & Holland 2007). He replicated this sense of community from the beginnings of the TradeMe site, recognizing that the '*Internet is a community*' (p. 183). Morgan combined his experience of traders with his view of the Internet as a community to form a place where '*New Zealanders wanted to hang out, grab a bargain and connect with other Kiwis*' (p. 184). An interesting aspect of TradeMe's development has been its low-key approach to marketing. Although the reluctance to advertise began for financial reasons in the start up period, the e-marketplace does not advertise and relies on word of mouth. Morgan believes that the '*brand was defined by the community*' (Ross & Holland 2007) and this perception remains with the current CEO who maintains that the quality of the e-marketplace encourages extensive blogging about the site by the general public that keeps the brand visible. He argues that once a successful community is established, it will succeed by the '*dynamic of viral uptake*' and '*if you build a great site people won't be shy about blogging about it for you*' (Kepes 2008). Fairfax Media bought TradeMe in 2006 for NZ$700 million. TradeMe has expanded its range of services and facilities, which began with classified advertisements

but soon moved into online auctions. There is a strong focus on community elements such as FindSomeone (dating), FlatMate and OldFriends. Profits were in excess of $40million in 2006 and TradeMe accounts for nearly 70% of all Website traffic in New Zealand (MacManus 2006). The website offers over a million items for sale in more than 25 categories from antiques to pottery, glass and toys to property, cars and jobs pages. There are also business categories and a thriving livestock and farm equipment trade that might normally be associated with more conventional B2B marketplaces. Additional links to other services include a NZ news site, postings for lost pets and a travel site. The link to the community services displays newsletters, discussion forums and site statistics that indicate what sells and the best timing for setting auctions. There is even a webcam of the company offices. TradeMe is very easy to use and sign-on requires a $10 deposit to set up an account that enables members to begin offering items for auction. There are multiple methods of payment and extensive instructions, fee scales and guidance on buying and selling. There are also TradeMe books (e.g. Saarinen 2005) that break down the different processes into easy to understand language. Users of TradeMe vary from individuals to small and medium sized traders, farmers, car dealers and in the case of property all the real estate agents in NZ.

COMMUNITY WITHIN THE TRADEME MARKETPLACE

Over the decade of building up the marketplace a number of community features were incorporated into site. TradeMe meets the criteria of the virtual space required of an online community in that it is interactive, accessible and has multiple memberships. In terms of boundedness the community is limited to residents of NZ (or Australians with a NZ bank account). This boundary was drawn in 2005 and removed a number of members from the marketplace. The reason given was for security, but a key outcome has been an intensifying of the strong cultural identity of the site, which is enhanced by its trademark of a cartoon kiwi bird. Traders are required to register and pay a $10 deposit to open an account but, beyond the geographical boundary, there are few other elements of boundedness or restrictions visible to membership.

Functional and Psychological Needs

The functional features of the TradeMe site are easy to use and well supported, meeting the functional needs of accessibility and convenience. The marketplace offers information on over a million items for sale online. It also offers ease of purchase for virtually everything that can be legally sold in New Zealand, from cows to houses, toys and antiques. The ability to easily access extensive information on goods and services and to connect with sellers is a major benefit in New Zealand, which has a small, relatively isolated and predominantly agricultural population. Further information exchange is encouraged through the email mechanism for completing transactions. On joining the marketplace, participants link an email account to their membership, which is then used to exchange information on specific purchases directly with the seller. Queries on purchases appear on a member's MyTradeMe link on the website but are also sent to their email address. On completion of an auction, buyer and seller emails are automatically sent to the other party to enable the transaction to take place without reference to the market provider. TradeMe also provides message boards where further information exchange is encouraged through discussions on a range of subjects not necessarily related to buying and selling. The discussions are conducted in a manner more familiar to online communities than commercial marketplaces and postings indicate a sense of belonging to the TradeMe community and affiliation to the membership group.

Social Needs

The sense of community in the TradeMe marketplace is strong. The psychological needs of identification and affiliation with the group merge into the social needs of network quality. As described by Bauer & Grether (2005) network quality relates to community participation, equality, contact and homogeneity. These features are perhaps more evident offsite where references to TradeMe as a New Zealand entity are commonplace in conversation and the press. For example, community participation is exemplified by the story of the 'scary washing machine' that attracted over 700,000 views after the owner posted a '*harrowing description of life with a washing machine that could apparently open wormholes to other dimensions*' (Scoop, 2009). The auction and additional funds from the sale of t-shirts raised over $5000 for children's charities (Keall, 2009).

An essential element of the construct of social needs is that of trust. The market provider shows awareness of the need to project the perception of privacy through protection of personal information. TradeMe retains a high reputation within NZ and although a few adverse comments appear in the press, the company will take action to minimise any bad publicity. Onsite, trust indicators for members are through a rating and feedback system that is taken very seriously by buyers and sellers. Failure to rate by either party in a transaction can result in acerbic emails and a bad rating can escalate discussions to outside blogs and forums. Any seller can elect to bar another member from bidding on their auctions, which gives a level of control to the seller that enhances trust that auctions will run well. Both buyers and sellers have access to previous ratings during a current transaction process to further establish trust. Other forms of trust building include address verification and a star rating

system recording multiple successful trades. Although there are indications that the market maker does monitor the site closely, the generation of trust on the marketplace is strongly attributable to the activities of the members. This reflects more closely the type of activity visible on socially constructed communities rather than business sponsored sites (Stockdale 2008).

Governance by the company is less identifiable from a participation perspective. As noted by Stockdale & Borovicka (2006) in their study of Lonely Planet, uncovering the way an online community is managed by its business owner is not an easy exercise. TradeMe is subject to NZ law and has advice areas online to explain what cannot be sold through the marketplace. Beyond this, there are similarities in the appearance of governance through social convention familiar to online communities (Arameswaran & Whinston 2007). The message boards are not overtly moderated and buyer/seller feedback can be robust at times with little evidence of censorship. This apparent low level of oversight gives the marketplace a greater sense of community than might otherwise be the case as members trade with little apparent input from the market maker. The nature of relationships in an e-marketplace such as TradeMe is of an arms-length model. There is no requirement for long-term relationships in the buying or selling of items within such a marketplace. However, the identification of Schultze & Orlikowski's (2004) features of embedded relationships such as assumption of recurring interaction, norms of trust and goodwill and high expectations of interdependence and reciprocity are evident in the relationships between members, and between members and the marketplace. In the former case, buyer and sellers that trade items are known to continue communicating and sharing feedback on the success of a purchase. In the latter case, members appear to transfer the identification of relational partner to the marketplace and there are proportionally few overt examples of opportunistic or self-interested behaviour. As to whether this identification with the marketplace is a result of community influences and a sense of social belonging is not clear, but such behaviour is often seen within socially constructed online communities (Stockdale 2008).

Hedonic or Sportsmanship Needs

There is an intangible feeling of playfulness and sportsmanship evident in the site and between members of the community. People get great pleasure from perusing the site and indeed access is banned in a number of businesses during working hours and the popularity of major sporting and political events are measurable in the slow down of auction trade (Saarinen 2005). There is a flavour of the hobby about TradeMe, searching for goods to list, browsing the items for sale, emailing questions and 'joining in' around the discussion boards or commenting on buyers or sellers from recent transactions. This 'play' does not appear to be confined to C2C transaction in the site with business transactions indistinguishable from those of the flea market genre. As mentioned by the founder, the site is a place '*to hang out, grab a bargain and connect with other Kiwis*' (Ross & Holland, 2007, p. 184). This is an important feature of TradeMe and there have been concerns that the flavour of the site will change with the acquisition of the marketplace by an international company (Dye 2006) although to date the e-marketplace continues to maintain its membership levels.

DISCUSSION

TradeMe has a vibrant and active online community embedded in its e-marketplace. The value of the community has been identified from the beginning of the company's existence and it has always acknowledged that social activity is an inherent part of its trading. Successful social interaction has enabled TradeMe to establish critical mass, with over two million people (half of the country's population) reputedly listed as active members and five million visits to the site per month (TradeMe.com). The established customer base offers great loyalty to the marketplace, which has attained iconic status across New Zealand. In return, the value proposition to the members includes a high level of enjoyment and the ability to buy and sell with greater facility in a remote, largely rural country. Payment and delivery mechanisms are selected between the buyer and seller in each transaction and not complicated by overseas shipping and currency requirements. Additionally the strong community profile supports social interaction not directly related to transactions and creates a sense of belonging and of being part of a 'kiwi icon'. For buyers and sellers there is access to information about types of purchases and an indication of market price as well as the ability to locate hard to find or replacement goods.

TradeMe sets a geographical boundary to the marketplace that contributes strongly to the community identity that it has built. Culture is not identified as an element of boundedness, but in this case it has a significant influence on members' identification with the marketplace. Further support for considering cultural preferences in the boundedness of a community is indicated in the success of the TaoBao marketplace which has ousted eBay from the Chinese market by identifying and providing facilities that are highly valued by their customer base (Ou & Davison 2009). However, further research is required into the effect of boundedness and social capital within global e-marketplaces to determine a more generalisable relevance. The social features of trading within a horizontal marketplace such as TradeMe have a strong influence on the relationships of its participants. Community was designed into the original marketplace and has therefore grown with the membership and

formed the identity of the business. The mechanisms of the e-marketplace are socially orientated and the elements of trust and governance reflect this. The features of the former are more closely aligned with the way trust is developed and nurtured in socially constructed online communities in that participants have a measure of input to trust mechanisms, contributing to the ratings of both buyers and sellers. The discussion board also displays little evidence of moderation by the market provider and there are some robust exchanges between members. Moderation is less formalised than in more established communities such as Slashdot, and TradeMe does not have paid moderators as those found on other commercial communities (Stockdale & Borovicka 2006). Control of finalising the transaction is ceded to the buyer and seller when an auction is concluded and email addresses are released by the auction mechanism. This inclusive environment works well within the bounds of this horizontal marketplace and promotes the concept of sportsmanship or enjoyment from trading. It is not possible to determine what proportion of the members on TradeMe is small or medium sized firms, but there is no identifiable change in the sense of hedonic gains from the different types of members.

In regard to the use of TradeMe by businesses, there is perhaps a danger that should the site be developed into a more commercial entity that the 'retail mall' will overtake the play element and the site will lose its community appeal. There are early indications that this could happen in TradeMe as information flows from the community members back to the management are no longer easily available. Contact with the market provider is through an expensive phone link or an online form. This lack of ease in communication has the potential to damage the community as evidenced by the experiences of eBay. Molesworth & Denegri-Knott's (2008) study into eBay found that changes that were seen to favour larger sellers, pressure to use paypal and other non-community friendly moves were having an adverse effect amongst their members. They report that eBay is moving from a 'community of likeminded users' to more closely resemble a retail mall (p. 372). The change towards a retail marketplace environment appears to affect the community adversely and raises the question of whether successful marketplaces can maintain a high level of social interaction over the longer term. It also highlights the question of whether an element of 'playfulness' is an overlooked element of business that goes beyond a marketplace such as TradeMe.

An important element of an e-marketplace is Grover et al.'s (2002) social component of relationalism and the implicit trust in reciprocity. The interdependence of an embedded buyer-supplier relationship is based on the idea of give and take that is not usually evident in arms-length, short-term relationships. There is a dichotomy in the TradeMe case where the built-in community element requires reciprocity from members, while the horizontal e-marketplace model services a one-off, no ties, buyer-seller relationship. In this study, the members develop an affinity and loyalty to TradeMe that reflect the psychological needs of community members. In a business context they could be said to be developing an embedded relationship with the marketplace rather than with buyers/sellers. While community membership is not analogous with a trading relationship, marketplace participants appear to gain reciprocal value from TradeMe. By building and facilitating community the market provider gains a healthy business with a sustained membership base. In return, market members gain social interaction, a sense of community, sportsmanship and a place to buy and sell an extensive range of goods.

CONCLUSIONS, LIMITATIONS AND FURTHER RESEARCH

TradeMe's success as a horizontal, intermediary marketplace has come from designing and establishing community within its marketspace. It has set the bounds for participation and recognized members' needs and wants in both terms of commerce and social interaction. It has taken opportunities to benefit from social capital within its largely C2C market sector, although there is some evidence of B2B and B2C involvement. The outcomes for TradeMe are in establishing long-term loyalty in an area traditionally characterised by weak ties and arms-length relationships. Whether loyalty can be maintained in the longer term as the marketplace develops under corporate ownership is not yet known. There is a challenge for the market provider in maintaining community and continuing to be responsive to members' needs while evolving the marketplace in order to remain continuously profitable. In terms of members' needs, the framework presented in Figure 1 displays some relevance to the concepts of community within an e-marketplace. The constructs of psychological and functional needs are well identified and hedonic needs are evident in the playfulness and evident pleasure that people gain from membership. Social needs are perhaps not so well addressed in the framework and further work is required to identify more socialising constructs within an e-marketplace environment. Further work is also required to assess the construct of boundedness and its relevance to culture and the shared space. Another limitation of the framework is the lack of constructs that relate to embedded and hybrid relationship theories. While the findings have drawn on the literature in this area, there is evidence that more consideration of relationship models within the framework would be beneficial to theoretical contributions in this research area.

Further limitations of this research lie in the generalisability of the single case study beyond its own context. This case may be influenced by the uniqueness of the NZ context where businesses are generally very small by western standards, the population is small and relatively isolated from other markets and reputation is important

within the trading environment. TradeMe's huge market share, with little domestic competition, may affect buyer/seller behaviour and discourage unethical trading that may be less noticeable in a larger, more dispersed, marketplace. These limitations have implications for making practical recommendations from this study, although early findings suggest that building community into an e-marketplace may result in the development of hybrid relationships, which are characterised by social interaction within a market setting. This raises several interesting avenues for further research into recognizing the value of sociability in e-marketplaces as a valid and important concept that influences and informs governance and allows for information to flow more freely. The TradeMe case illustrates that information flow, so important to market design (McMillan 2002), is more fluid when participants have an interest in maintaining membership of a marketplace.

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