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CHALLENGING THE GLOBAL, REDISCOVERING THE LOCAL: VOLUNTARY MARKET RESTRICTION IN C2C E-MARKETPLACES

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Abstract

The current age of networked information systems brings concerns that in an increasingly global world the dominance of multinational corporations overrides regional and national identities. This view is challenged by the concept of glocalisation where ideas in the global environment are adapted to take account of local cultures. Many organisations operating globally seek to adapt their business strategies to fit with local environments. However, in an increasingly glocalised world organisations may curtail their market by forming boundaries around their online presence; in essence making local what is potentially global. We have identified this strategy of boundedness as 'voluntary market restriction'. This study aims to examine voluntary market restriction in the consumer-to-consumer (C2C) space where online marketplaces are differentiating themselves by creating boundaries within which they embed communities. This paper examines three C2C e-marketplaces with strong similarities in their market mechanisms that have the potential to operate globally, although two have chosen not to do so. These two market makers have put boundaries around their markets; one by language and one by geography. They have succeeded in wresting considerable local market share from the global e-marketplace. The paper concludes by discussing the implications of the research and suggestions for future study.

Keywords: C2C e-marketplaces, glocalisation, global markets, online community

1 INTRODUCTION

Globalization is a much discussed concept in the current age of networked information systems. Castells (1999) calls it a 'new historical reality' where multinational corporations constitute the core of the world economy enabled by information and communication technologies [p.5]. The Internet, argues McMillan (2002, p 19), has 'made possible global markets for all kinds of goods that previously had only local markets.' This is reflected in the trend towards cross-border trade where by 2005 over 60% of traded goods and services occurred in countries other than the country of origin (Cortada, 2009). At the same time, the number of companies operating globally doubled in the decade to 2005 with over 70,000 deemed to be international organizations (Cortada, 2009).

This move towards globalization has also brought challenges of non-inclusion and fear of an inability to retain a local identity in a world where borders seem increasingly ephemeral (Walsham, 2001). There are many who would argue that globalization will '*inevitably lead to a decrease in cultural differences among nations, companies and/or individuals*' (Walsham, 2001, p. 20). This view is refuted by others who argue that cultural considerations will affect the way societies will appropriate global trends based on their histories, geographies and languages (Appadurai in Walsham 2001). Many organisations adopt some level of localised cultural aspects to increase the acceptability of the larger global organisation within national or regional boundaries. This adaptation, termed glocalization by Robertson (1995) is based on the Japanese idea of *dochakuka* or global localisation (Walsham 2001).

For example, McDonalds' global organisation has an underlying homogeneity, with a common structure that is enforced by standardised practices and processes. However, McDonalds overlays this by appropriating local ideas that appeal to its customers by, for example, selling McFalafels in Egypt and Kiwiburgers in New Zealand (Matusitz, 2010). In a similar vein, in the virtual world of electronic marketplaces (e-marketplaces) eBay can be seen to adapt its global online business model to local conditions by use of language (e.g. eBay.de) and geography (e.g. eBay.com.au). Nevertheless, every site retains the eBay branding and buyers and sellers can trade globally (Highfill & O'Brien, 2003).

In this increasingly glocalised world we identify two virtual organizations that are deliberately curtailing their market by forming boundaries around their online presence; in essence making local what is potentially global. We have named this strategy of boundedness 'voluntary market restriction'. The aim of this paper is to undertake an exploratory study into voluntary market restriction in the consumer-to-consumer (C2C) space where online marketplaces are differentiating themselves by creating boundaries within which they embed communities. These communities create loyalty and support the building of relationships that are uncommon in the e-marketplace environment that is characterized by one-off purchases (Stockdale, 2009). The nurturing of relationships establishes connection between buyers/sellers and the market maker to enhance loyalty and raise switching costs in a highly competitive intermediary environment (Chen, Zhang & Xu, 2009).

Drawing on the literature, including published case studies, we first address the global versus local debate before discussing the concept of boundedness within online communities. We then examine the online C2C marketplace environment with specific reference to three such marketplaces: eBay, TradeMe and TaoBao. Finally we discuss our findings and the implications for theory and practice.

2 GLOBAL V LOCAL – WHAT IS GLOCALIZATION?

Information technologies (IT) have considerably increased the ability of firms to extend their markets across the globe (McMillan, 2002). IT and the digital networks they enable are not confined by spatial or temporal boundaries. As Castells (2004) argues, any social structure based on the infrastructure of digital networks must by definition be global. Globalization, as generated and supported by IT, is therefore the concept that the world is becoming homogenous with differences between societal and organisational cultures decreasing (Walsham, 2008).

Robertson (1992; 1995), a leading proponent of the counter argument to homogenisation, discusses how local cultures can adapt and assimilate ideas in a global environment. As Appadurai (in Walsham, 2001, p.21) states '*different societies appropriate the materials of modernity differently*'. Robertson (1995) captures such arguments in the term 'glocalization' where ideas become indigenized with organisations drawing ideas from the global environment and adapting them to fit with a localized culture. These adaptations appropriate ideas based on geographies, histories and languages and alter them to fit with the localized requirements (Walsham, 2001). Such adaptations accord with Walsham's view that global macroscopic aspects of contemporary life can be appropriated locally (2001). He argues that global forces can have the opposite effect of homogenization as people seek to identify with more local communities, but operate within a globalized environment. Firms of all sizes usually aim to sell to markets wherever they can and e-commerce offers many opportunities to support this (McMillan, 2002). Nevertheless, while the global market is a reality the global economy is both interdependent and asymmetrical and promotes the desire for increasing diversification within each region (Walsham, 2001).

Matusitz (2010) illustrates the advantages of glocalization with his examination of the transition of EuroDisney from a failing '*beachhead of American imperialism*' (p. 226) to Disneyland Paris, the '*premier resort and tourist destination*' in Europe (p.233). In adjusting the American Disney model to factor in French and European culture, Disney determined what was core to their operation (and therefore essential) and adapted the noncore to meet local expectations and needs. This meant accommodating French employment regulations, culinary differences and 'toning down' the brand to meet European cultural expectations.

Another facet of the networked society that underpins organisational globalization is the ability of individuals to communicate across time and space. Global connectedness, as facilitated by the Internet, supports the formation of social networks through online communities. Wellman (2001) argues that glocalization also applies to these communities in that they enable the creation of borderless, virtual relationships but also support individuals to enhance and strengthen local ties.

3 BOUNDEDNESS AND COMMUNITIES

In an age where globalization is the subject of intense debate, the importance or reality of *community* and the meaning of the term is much discussed. The online environment and the spread of IT that underpins much of the global economy add to the confusion over what can be defined as a community. In the 19th century, Durkheim (in McMillan & Chavis, 1986) observed that communities are either territorial, based on geographic proximity, or relational in that they form for professional, spiritual or other common interest reasons. In the 21st century the need for community is emphasized by Castells (2004) who argues that membership of a community generates a sense of belonging and a communal, cultural identity. In the networked world, unconstrained by location, there is more emphasis on voluntary types of community as people seek and choose togetherness in communities of their choice (Bauman in Day, 2006). There is a search for community identity as many of the constraints of historical influences within society have fallen away (Day, 2006). The seeking of identity through voluntary membership of community is particularly important in a globalized environment where identity building increases in importance as society loses many of its directions (Castells, 1999).

A common feature of all communities is the need to define their boundaries. Boundaries are relevant in identifying who belongs and who does not belong and brings an element of emotional safety to enable interaction to take place and intimacy to develop (McMillan & Chavis, 1986). This sense of belonging is echoed in Day's (2006) work, which recognizes the implicit need for humans to erect barriers to distinguish those who do and do not belong. The need to belong translates into the virtual space and is identified as a key psychological requirement for membership of online communities (Wang & Fesenmaier, 2003). Traditional boundaries of time and place are removed in the virtual world where interaction can be asynchronous and location is not necessarily relevant (Delaney, 2009). In the online environment Durkheim's territorial communities tend to be outnumbered by relational communities where people with a common interest (or symbol system) come together. Within such

online communities, traditional boundaries (such as geographic proximity) need to be replaced with others that will help to create a more evocative sense of belonging and security in the fragile environment where conventional social cues are not available (Delaney, 2009).

The development of business sponsored online communities takes the forming of virtual communities into a different sphere. The push for integrating community into e-business practices to gain benefits from sociability has been increasing since Hagel (1999) advocated the advantages of social interaction in fuelling trade. The business benefits include the nurturing of relationships between customers and organizations and between customers, reinforcement of brand recognition, more effective product development, accumulation of customer information, and testing of new products (McWilliam 2000; Preece & Maloney-Krichmar 2003; Walden 2000). Such communities overcome distance between the customer and an e-business and increase loyalty by tying customers into a community while raising switching costs by intertwining social interaction with the business imperative (Hagel & Armstrong, 1997). Increasing social interaction between customers in a C2C e-marketplace is seen as particularly apposite. The market makers are intermediaries and sit *between* the transactions that take place with buyer and seller, which hinders the forming of relationships with their customers. The formation of social networks within the marketplace therefore increases the market makers' benefits by creating loyalty and raising switching costs by increasing the customers' commitment to a community (Chen et al., 2009). Social interaction also contributes to the level of enjoyment and playful consumption that is a characteristic of e-business sites such as eBay (Molesworth & Denegri-Knott, 2008).

4 CHARACTERISTICS OF C2C E-MARKETPLACES

The use of the Internet for business has spawned many new business models and one of the most enduring is that of online marketplaces. The many forms of e-marketplace, with differing strategies and structures, serve a range of customers across all industry sectors (Standing et al. 2006). In the C2C space, they are seen to '*offer nothing more than a platform for transactions*' (Chen et al. 2009, p.148) although this perhaps underestimates the market makers' role in providing the right environment to develop social interaction and to encourage the more hedonistic nature of the C2C area (Molesworth & Denegri-Knott, 2008). According to Pavlou and Gefen (2004), market makers collect, process, and provide information to facilitate transactions via an e-marketplace. Their role is to maintain the technical infrastructure, set policy and standards, to provide additional services and to regulate the marketplace. Formalising control mechanisms to minimize unethical behaviour (such as price manipulation) include utilising techniques such as feedback mechanisms, registration, and monitoring transactions (Meents, 2008).

Established online C2C marketplaces such as eBay utilise such institutional based mechanisms to mitigate risk and induce trust. These do not carry the same legal standing of traditional marketplaces where strong mechanisms have become established over centuries of trading. Nevertheless, Pavlou and Gefen (2004) assert that institutional mechanisms facilitate transaction success in e-marketplaces, where their perceived effectiveness by the buyer relates to the buyers' belief that such mechanisms are enforceable, provide recourse and are cost effective. They identify four institutional based structures: feedback mechanisms, escrow, credit cards and trust in the marketplace intermediary. While trust mechanisms such as publicized and transparent feedback are found to be particularly efficacious in inducing higher levels of trust (Ba and Pavlou, 2002), it is the last of these structures that requires the market maker to develop ways to enhance and engender trust that is of interest in the social space. Trust is tightly bound not only into the context of economic transactions but also into areas such as social relationships and personal behaviour. The anonymity inherent in the virtual environment emphasized by the lack of social cues, uncertainty and fear of opportunism increase the perception of risk. Trust in an e-marketplace is therefore more important than in a traditional market (Bailey and Bakos, 1997) and the C2C environment requires new models of operation to accommodate the differences from the business environment (Jones & Leonard, 2008; Chen et al., 2007).

C2C marketplaces such as eBay are characterized as horizontal marketplaces and the nature of transactions tends towards one-off purchases where there is little incentive for buyers and sellers to

form any long-term relationship and build up a history of interaction. As in the traditional marketplace, any loyalty derived from the transaction experience adheres to the marketplace that has facilitated the trade (McMillan, 2002). Loyalty in this situation is defined as a member's intention to do more business on the C2C platform and to recommend it to other people (Chen et al., 2009). To increase loyalty and enhance engagement market makers are turning to the use of online communities. Developing social networks among customers is an ongoing facet in the development of e-business (Murray & Greene, 2006). Traditional markets are well recognized as social constructions and the development of social interaction within a C2C e-marketplace appears to offer many benefits (McMillan, 2002).

Chen et al., (2009) distinguish between the loyalty offered to the platform provider and that offered to the community. The former relates to the transaction experience while they find that loyalty from social interaction tends towards other members. But if the community is designed as an integral part of the market maker's strategy and the community becomes one with the e-marketplace then the benefits of loyalty will accrue to the marketplace provider (Stockdale, 2009). This may help to counter Pavlou and Gefen's (2005) hypothesis that one bad buying experience is blamed on the marketplace. If loyalty can be focused on the marketplace and customers identify with the 'marketplace as community' this may focus the adverse reaction of the bad buying experience back onto the seller. Support for this is seen in Bauer and Grether's (2005) identification of the desire in customers to develop a stable relationship with an organization with which they do business. In other words, customers have a predisposition to engage in bonding strategies whereby they accept temporary sacrifices to maintain a business relationship and work towards establishing a stable relationship. In contrast to Chen et al. (2009), Bauer and Grether (2005) argue for an assumption that trust placed in the community is projected onto the organization. It should be noted that the latter arguments are formed from a study of the B2C environment, whereas this study seeks to extend this argument into the C2C space.

5 GLOBAL TO LOCAL: THREE CASE STUDIES

In this section we examine three C2C marketplaces using published case studies, supported by observation of the sites, to identify the strategy of voluntary market restriction and examine how the market makers are bounding their sites for global or local trading. The first case, eBay, is a global marketplace with a glocal strategy that trades across many borders. TaoBao, the second case, is owned by a global organisation but is seen to trade 'locally' within China, while TradeMe is a New Zealand marketplace that has been voluntarily bounded by its owner within national borders. In the glocalization literature, localisation refers to cultural entities within and between areas such as the example of McDonalds' localisation in Egypt by Matusitz (2010). Therefore, in the context of these case studies the term local is used to encompass regional and national.

5.1 eBay – A Glocal C2C Marketplace

Founded in 1995, eBay '*pioneered online person to person trading*' via a Web-based community that brought buyers and sellers together (Bradley & Porter, 2000 p.73). Called the world's largest hi-tech fleamarket (McMillan, 2002) eBay defines the C2C model of e-business on a glocal scale, currently listing sites in 29 countries. According to their website:

'eBay is The World's Online Marketplace, enabling trade on a local, national and international basis. With a diverse and passionate community of individuals and small businesses, eBay offers an online platform where millions of items are traded each day'. (www.ebay.com)

eBay utilizes auction, buy now or a best offer mechanisms to enable sellers to offer a range of items for sale and while ostensibly a C2C marketplace there has been an increasing emphasis on business activity. By 1999 eBay had recorded 186 million bids on 50 million items with a sales value of over \$841m (Bradley & Porter, 2000). Despite moving into the global arena at this time, eBay regarded itself very much as an American company as evidenced by the quote from the director of the venture capital company:

'eBay is in a position to give back to America what Wal-Mart took away – the notion of the Main Street merchant. Mom and pop running their little shop, doing business with other people and making a living at it, and feeling good about it.' (Bradley & Porter, 2000, p. 81)

The move to being a global organisation brought changes in the way eBay operated. Trust and safety became an issue as the organization was pressured to be more proactive in screening for illegal sales and working to combat illegal activities on their site. eBay developed a verified user programme, insurance cover for goods not received and increased their activities in the development of trust building mechanisms such as feedback forums. By 2005 eBay's trading volume had increased to \$4.5 billion. These trust building mechanisms contribute to the loyalty of customers, increasing confidence and building the organisation's reputation and involvement with the eBay community. This community has enabled eBay to create high switching costs through intertwining social activity with the marketplace. It has also increased the willingness of members to self-police and provide mutual help and support (Bradley & Porter, 2000). Denegri-Knott and Molesworth (2010) emphasise the hedonic aspects of consumers' behaviour on eBay. Activity on the site goes beyond economic gains and includes self-enterprising behaviour, the thrill of bargain hunting and a sense of fun in watching and participating in auction (Denegri-Knott & Molesworth 2010).

eBay has successfully replicated its online business model overseas, enabling buyers to cross national boundaries to bid overseas or people can trade through listed country sites where local languages and currencies are used. The choice relates to the type of item being sold. For example, Highfill and O'Brien (2003) studied overseas traders on the US eBay site in two collectables categories (Steff bears and animation art). In the first category, 30% of sellers came from 13 countries and in the second, 9% of sellers were from overseas. They found that the country of the seller had little effect on the outcome of auctions and that the market for collectables such as Steiff bears encourages more global trading in the search for rare items.

From a different perspective Maier (2005) examines price differences across European Union country sites. Interestingly, despite the transparency offered by online auctions and the claim that with the Web *'geography, borders, time zones – all are rapidly becoming irrelevant'* (Cairncross, in Maier, 2005, p. 18) Maier found that price differences are very evident. He argues that national borders are a key force driving price differentials in online markets such as eBay, with taxes and shipping conditions perhaps contributing to an unwillingness to cross boundaries. This last point is not found in Highfill and O'Brien's (2003) study where shipping costs were not considered a factor in the auction prices.

In a further examination of the geography of eBay's trading, Hortaçsu, Martinez-Jerez and Douglas's (2009) study examined the trade between states within America and found that there was a substantial preference for trading within a buyer's home state. Location dependent goods (e.g. concert tickets) notwithstanding, the authors found *'an abnormally large concentration of commerce among buyers and sellers within the same city limits.'* Shipping costs were found to be only a light deterrent. Hortaçsu et al., (2009) suggest that trust is a significant contributor to the 'same-city' effect and that distance remains a negative influence on trade, albeit less influential than in non-Internet trade. They also argue that cultural considerations have a strong influence on distance trading. Where items are culturally specific to a location, such as baseball memorabilia, there is a higher 'same-city' effect than for items that are more unique or difficult to find. International trade on eBay is more focused on the exotic and rare items that previously required a specialist dealer (Ellis, 2008; McMillan, 2002; Highfill and O'Brien, 2003). In contrast, the 'same-city' effect would appear to offer some similarities to Maier's (2005) findings across European Union countries where buyers and sellers accept price differences in order to trade within their own borders.

In offering local sites across many countries while leaving all sites open to international buying and selling eBay is accommodating a range of customers. They enable customers to choose their level of trading comfort in terms of local, regional, national or international trade, although the eBay system, its websites and its regulations, rules and protocols remain recognizably eBay (Ellis, 2008). Despite the huge success in establishing eBay as the leading global C2C marketplace there are a number of challenges to the organisation's dominance. The following case studies examine the rise of two C2C marketplaces that have achieved national dominance in their own countries.

5.2 TaoBao – A Local Global Marketplace

TaoBao, a wholly owned subsidiary of Alibaba, was launched in 2003 and quickly became a dominant force in the Chinese C2C marketplace (Ou & Davison, 2009). eBay had established itself in China in 1999 as the first such marketplace in the country and acquired a local organization, Eachnet.com in 2003 (Chen et al., 2009). eBay faced two major challenges in the Chinese market; low Internet penetration and the need for localization of services. There was a perception that western organizations were not adapting to local conditions and eBay was seen to be transferring its global business strategies into the Chinese environment (Li, Li & Lin, 2008).

As the Internet became more widespread in China, TaoBao and eBay increased their market. By 2005 they 15 million registered traders between them, although TaoBao was ranked first in terms of web traffic and listed products with 70% of the transactions conducted through their marketplace (Li et al., 2008). By 2007 the landscape had changed dramatically. TaoBao dominated the market with 84% of C2C market share (Luo et al., 2009) while eBay had withdrawn their brand from China in 2006. eBay re-launched the Eachnet brand but only managed to gain an 8.7% market share in its first year (Ou & Davison, 2009).

Chen et al., (2009) relate the decline of eBay and Eachnet to the lack of an instant online communication system. The concentration on transactional activity at the expense of social interaction contrasts with the deliberate building of community by TaoBao. The latter market maker developed a real time instant messaging facility, WangWang, that enables buyers to discuss details of the trade directly with sellers (Ou & Davison, 2009; Chen et al., 2009). Ou and Davison (2009, p. 147) found in their survey that there is an *'extremely high risk of fraud in China'*. WangWang reduces uncertainty and facilitates the development of trust. TaoBao recognised the need for a cohesive community to enhance mutual trust and increase loyalty and made a deliberate shift from *'transaction first'* to *'community first'* in the development of the marketplace (Chen et al., 2009). The creation of shared mutual trust is indispensable and builds the basis for repeated economic exchange (Chen et al., 2009). This perspective is reflected in Ou and Davison's discussion on trust in an environment that has, as yet, under-developed legal infrastructures to protect consumers in the online market space. In China there is a propensity not to trust unknown others and the use of IM allows for the building of acceptance by showing preference for and even insistence on using one particular seller over another. This resonates with the concept of swift trust as identified by Meyerson (in Ou and Davison, 2009) that is built through direct communication. It is also echoed in Luo et al.'s (2009) study into information seeking strategies in Chinese C2C e-commerce which found that a consumer's ability for direct interaction with a seller contributed towards reducing uncertainty. Hence the embeddedness of WangWang is considered to be an essential element of TaoBao's success.

The ability to create ties, even in the online environment, is crucial to the Chinese culture where people are treated as strangers until social ties are established (Chen et al., 2007). By bounding their market to Chinese speakers TaoBao is concentrating on consumers who have an understanding of Chinese cultural needs. They have recommended agents to enable overseas buyers to use the market while retaining the need to understand Chinese (www.taobao.com/taobao-in-english). For expatriates living in China *'TaoBao is a world of opportunity: a chance to improve your zhongwen [Chinese] abilities and get awesome stuff.'* This *'invitation'* to become part of TaoBao's community is well phrased to encourage consumers to see themselves as enhancing their cultural learning. Ou and Davison (2009) see TaoBao as adopting a glocal perspective by learning from global standards and adapting them to the Chinese context, while remaining a *'100% indigenous platform'*. Chen et al., (2007) emphasise the ability to understand and meet the social requirements for Chinese trade as a significant success factor in TaoBao's ability to capture the C2C market in China.

5.3 TradeMe – A Local Marketplace

TradeMe is a C2C e-marketplace founded by New Zealander, Sam Morgan and from its first conception in 1999 it was designed to establish a strong community identity. In 2005, TradeMe set boundaries in the marketplace by restricting membership to New Zealand residents or Australian residents with a NZ bank account (to encompass the many New Zealanders resident in Australia). The

move was reportedly to increase security for members and simplify trading in terms of currencies and shipping, but the effect was to create a local marketplace with a strong sense of identity (Stockdale, 2009). Morgan sold the company to Fairfax Media in 2006 for NZ\$700 million. As an Australian company with global interests, Fairfax might be expected to change the format of the site, but they have retained the local focus and continued to trade in a New Zealand context.

In the ten years of its existence TradeMe has expanded its range of services and facilities, which began with the idea of classified advertisements but soon moved into online auctions. Profits were in excess of \$40million in 2006 and TradeMe accounts for nearly 70% of all Website traffic in New Zealand (MacManus, 2006). In a country of 4 million people, over two million people are reputedly listed as active members with an average five million visits to the site per month (TradeMe.com). Regular reports on TradeMe events and activities in the national press (dominated by Fairfax Media) keep the marketplace at the forefront of instantly recognised companies in a way that eBay has never achieved in New Zealand. As with eBay and TaoBao there is a huge range of items for sale: over a million items in more than 25 categories. TradeMe has complemented its C2C auctions by offering a range of classified listings that now encompass real estate, cars and jobs pages. TradeMe has extended its C2C focus with the launch of business categories and a thriving livestock and equipment trade between farmers that one might normally associate with more conventional B2B marketplaces. In this it mirrors changes in many C2C sites led by eBay, which has developed a strong focus on attracting B2C and B2B trade to their site.

The strong focus on community elements was derived from Morgan's view of the Internet as a community. TradeMe was to form a place where *'New Zealanders wanted to hang out, grab a bargain and connect with other Kiwis'* (Ross & Holland, 2007 p. 184). Another 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 idea that the *'brand was defined by the community'* (Ross & Holland, 2007) has persisted and the current CEO 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).

The perception of TradeMe as a local marketplace plays an important role in engendering trust. Members of the site express a positive attitude towards the company through their perception of it representing *'New Zealand values'* (Abdul-Ghani, 2009). In interviews with TradeMe users Abdul-Ghani (2009) found that members:

'feel that TradeMe is a safe place to buy goods, because it is New Zealand based. Buyers feel that New Zealand is a small community, every seller lives only a short distance away, and sellers can be located if a deal goes wrong.' (p113)

This low perception of risk is not extended to eBay NZ which consumers *'perceived to be a less safe marketplace from which to buy'* (p113). Nevertheless, buyers and sellers are keen on the feedback mechanism and failure to rate following a transaction can result in acerbic emails and a bad rating may escalate into outside blogs and forums (Stockdale, 2009). By contracting the boundaries of the market and restricting membership to New Zealand, TradeMe has created a local marketplace that has a very strong sense of identity. The market makers have developed and supported the needs of members and created a community that in turn, supports the marketplace.

6 COMPARING THE LOCAL AND THE GLOBAL

In terms of the functional business model the three cases bear significant similarity and we speculate that TaoBao and TradeMe have drawn inspiration for their organizational structures and mechanisms from the original model of eBay. They are all intermediary C2C marketplaces that offer auction and classified (buy now) transaction mechanisms. While the two large marketplaces, eBay and Taobao promote customised payment methods (Paypal and Alipay), they also provide for other methods of payment. Consumers on TradeMe make their own arrangements (simplified by the requirement for a NZ bank account). In terms of revenue streams, eBay and TradeMe charge final value fees on

transactions, which are currently free on TaoBao. However, all three marketplaces have a range of revenue raising mechanisms that include listing costs, fixed fees, and advertising. Community is an important feature of the marketplace in all three cases and although they have been developed in different ways there is an element of interactivity in all of them. Interestingly, we have not found mention that participation in the aspects of community is voluntary and that some buyers or sellers trade without connecting on any social basis. All the published case studies emphasise the value of the community to the marketplace although it is TradeMe that appears to generate a high level of sociability beyond the transaction focus of the markets (Stockdale, 2009). It is beyond the functional model of the market space that the differences in these marketplaces are found. Using a strategy of voluntary market restriction, TaoBao and TradeMe have emphasised the value of the community using language and geography respectively. This has enabled a level of intimacy between members of the community to develop based on shared interests and recognition of belonging (McMillan & Chavis, 1986) that is not evident in eBay.

eBay is a large global corporation that operates glocally (Ou & Davison, 2009). They have several national sites, using different languages where appropriate, and which give indications of being locally focused (for example the NZ site's Kiwi cartoon character that bears some resemblance to TradeMe's logo). However, in comparison with the other cases, eBay operates as a global entity, using its primary functions such as the feedback mechanisms, Paypal and transaction methods as a template for each of its sites. The underlying structure of eBay remains unchanged in these sites and eBay's attempt at glocalisation appears to be surface deep, and not well embedded into each localized site, particularly when the site is not one of eBay's listed global sites. Beyond the Kiwi cartoon on www.eBay.co.nz lies the US site with lawnmowers from Iowa and cameras from New York for sale. In the listed global sites (see www.eBay.com) sales are more regionally focused although there are links to all of eBay's sites. eBay's glocal strategy has allowed it to capture a vast international market and the organisation is a multi-billion dollar business. In several areas it enables its customers to trade both regionally and internationally according to needs, where rarity of a product appears to promote more international trade (Highfill & O'Brien, 2003). Challenges from more locally focused competitors have made some headway in specific countries where the overlay of localisation has not met the needs of its customers. An example is eBay's failure to recognise the need and to facilitate real-time communication between buyer and seller, seen as a major contributor to TaoBao's success in China (Chen et al, 2007).

In contrast, despite its size of market and ownership by a global company, TaoBao is '*perceived to be a typically Chinese product, designed by and for Chinese people*' with a full understanding of the Chinese market (Ou & Davison, 2009 p.146). Just as Disney only adjusted to the European culture after appointing a French born and based CEO (Matusitz, 2010), so TaoBao manages to sense the needs and understand the culture of its customers in a way that eBay failed to do. This perception of a local marketplace notwithstanding, TaoBao is part of a global organization. Its parent company, Alibaba, is a publicly listed company that attracts more than 3 million international buyers to its B2B marketplace, which is organized into five geographical markets including the USA, UK and India (Fannin, 2008). Alibaba also purchased Yahoo China in 2006. This raises questions as to the future of TaoBao and whether the parent company will seek to take it to a more international level as it evolves. TaoBao has the largest potential domestic market in the world with over 1 billion people (geohive.com) and a strategy of global expansion, via for example an English language site, would not appear to be necessary for growth. Nevertheless, there is increasing competition in the C2C e-market space and TaoBao will be challenged by new entrants to the Chinese e-market environment that may affect its strategy of voluntary market restriction.

In a similar vein, TradeMe is owned by Fairfax Media, a multibillion dollar company based in Australia (Bloomberg, 2010). Despite its Australian ownership, TradeMe is still regarded as a 'kiwi icon' from its New Zealand origins where it was developed specifically for the market it serves. The boundedness of TradeMe has limitations for buyers and seller; for example in the trading of rare collectables that encourage international trade in eBay (Highfill & O'Brien, 2003), but appears to offer major compensations in other areas. The 'same-city' effect (Hortaçsu et al. 2009) has some relevance to TradeMe but the nature of the NZ economy (small, geographically remote, limited

buying choices with an ethic of ‘making do’) encourages trade across the length and breadth of the country; a ‘same-country effect’. The spirit of sustainability is evident in the finding that buyers feel that by purchasing second-hand goods they are demonstrating sustainable consumption practices (Abdul- Ghani, 2009). There is also a high level of trust evident in its customer base that arises from TradeMe’s local position as a ‘kiwi’ marketplace (Abdul-Ghani, 2009). It is very likely that this would be adversely impacted by an expansion of the marketplace beyond its current borders. Unlike Taobao, TradeMe does not have a large domestic market and has few opportunities for growth in its current form. The basis of TradeMe’s success as a local e-marketplace lies in the sense of allegiance from its community and in the members’ trust and while this has enabled the e-marketplace to oust eBay from its territory, it also presents a considerable challenge to growing the business.

The ability of TaoBao and TradeMe market makers to create a local feel to the marketplaces through establishing boundedness and deliberately curtailing the market space has currently given them competitive advantage although they have addressed this boundedness in different ways. TaoBao has limited its potentially global market, achieved by its parent B2B marketplace AliBaba, by restricting the language and trade to Chinese. It has created a local feel by understanding and meeting the needs of its customers with such market mechanisms as a real time messaging service. This contributes to overcoming low levels of trust and a relatively immature and unstable online environment by providing buyers with the opportunity to replicate some of the traditional market signals that build social ties necessary to trade in China. In the case of TradeMe a planned outcome of bounding the marketplace is the creation of a vibrant online community within the market space. Restricting the site to New Zealand has supported the ability to create and maintain a community that goes well beyond that found in eBay sites. It could be argued that TradeMe has only ever been a local e-marketplace, although it was voluntarily bounded to its current state in 2005. It is not a global firm that trades at a national level, but is a local firm that has stayed local. Despite this it should be recognised that the marketplace is built on a global business model that bears many similarities to the eBay marketplace format. However, the decision to voluntarily contract the marketplace to NZ in 2005 has, to date, been a successful and profitable strategy. For both marketplaces, a major challenge may be to grow the business without adversely impacting on the benefits they have gained from creating community in their established environments.

7 CONCLUSIONS

This paper has examined three C2C marketplaces that have strong similarities in their market mechanisms and the functionalities that underlie their business platforms such as revenue streams and trading mechanisms. They all have the potential to operate globally. One does so, while the other two have chosen to put boundaries around their markets; one by language and one by geography thereby recognising that global range may not be the same as global reach. While the global marketplace, eBay, has a glocal strategy it has lost market dominance within the bounded areas of the two ‘local’ marketplaces. TaoBao has curtailed its market reach by language and despite its global appeal, trades on its ability to understand the needs of Chinese traders and create a community around them. It offers agents to support and enable non-Chinese speakers to trade, but presents this as an opportunity for these consumers to widen their knowledge of Chinese and China. TaoBao’s recognition of the need to discuss trade in real time as a traditional Chinese trading behaviour is key to their capture of a high proportion of the C2C trade in China. In contrast, TradeMe has bounded its market by geography and while this curtails the potential for broader trade in the marketplace it increases trust and encourages its community to identify with its ‘kiwiness’ and role as a national icon. A strategy of voluntary market restriction to take advantage of local benefits while using global techniques for creating a C2C e-marketplace has enabled TradeMe and TaoBao to wrest considerable market share from eBay within their marketplace boundaries.

8 IMPLICATIONS, LIMITATIONS & FUTURE RESEARCH

From a theoretical perspective this paper contributes to the growing literature into the area of C2C commerce and e-marketplace development. It is an exploratory study and therefore the implications

are limited, but we believe it offers insights into the debate on global versus local trading in the online environment. The implications from a market maker's perspective relate to the discussion on boundedness and glocalisation and enforce previous findings on the need to fully understand the local environment in a glocalisation strategy. In essence, that global is not always better or more profitable than local in the online environment and that market makers may seek to voluntarily restrict their market to take advantage of a localised focus. Alternatively, a glocal strategy requires a full understanding of how to take advantage of the global and the local within the context of the marketplace. Without a full understanding of the local environment, a global organization is unlikely to succeed in the e-market space, where there are strong indications that trust and the perception of community contribute to a more engaged customer base. This, we believe, is particularly relevant in the C2C space where the market maker is an intermediary and transactions tend towards one-off purchases that are normally characterised by arms-length relationships between buyers and sellers.

In terms of the value of embedding online communities to enhance trust and engagement within the C2C environment we would re-iterate the truism that 'the closer you get to your customers the better'. While not all traders will respond to the opportunities to engage in a social network, the benefits of encouraging the perception of the 'marketplace as community' appear to be substantial and worthy of more research.

The exploration and development of globalisation theories in the e-marketplace environment requires a great deal of further research. The more long-term benefits of taking a global or local strategy are yet to be recognised. From a global perspective, eBay continues to dominate in several regions, but may yet be challenged by new market entrants. TradeMe risks its strong customer relationships if it develops strategies to expand beyond its local boundaries and the implications for growth are considerable. TaoBao is beginning to be challenged by more Chinese e-marketplaces and this requires longitudinal research to see how these competitive forces develop. As eBay evolves further into the B2C area and encourages small businesses into their marketplaces, it raises many questions as to the applicability of these findings in the B2C space. The tendency for more businesses to move between the B2C and C2C arena requires further research into the effect on establishing communities, the impact on trust levels and the need for more governance and regulation. There are several more C2C marketplaces that operate at local and regional levels that would bear examination to further explore the concepts of global, glocal and local trading in the online environment. Such research will help to overcome the limitations of this exploratory study, which relies on the use of established case studies.

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