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Anton Manfreda

University of Ljubljana, Faculty of Economics, anton.manfreda@ef.uni-lj.si

Peter Trkman

University of Ljubljana, peter.trkman@ef.uni-lj.si

Aleš Groznik

University of Ljubljana, Faculty of Economics, ales.groznik@ef.uni-lj.si

Jure Erjavec

University of Ljubljana, Faculty of Economics, jure.erjavec@ef.uni-lj.si

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Local Online Platforms – Surviving in a Global Market

ANTON MANFREDA, PETER TRKMAN, ALEŠ GROZNIK & JURE ERJAVEC

Abstract Many companies are trying to change their existing business models and start with the digital initiative. Online business will continue to grow; however, in the digital world where almost every organization is present online, the critical success factors for surviving on the market are more than needed. The purpose of the research is thus to study the factors influencing the success/failure of local online platforms' providers in competition with global providers. The fact that some local providers are even market leaders in a local environment while many others have failed implies that there exist some specific factors determining the success of global competitor in a local market. The study will present a valuable opportunity particularly for new companies or existing companies that are deciding about launching new online services in order to judge whether there is a potential for their service on the market and which factors they should consider before starting the competition with global market leaders.

Keywords: • Glocalization • Local online platforms • Global online platforms • Digitalization • Research program •

CORRESPONDENCE ADDRESS: Anton Manfreda, University of Ljubljana, Faculty of Economics, Kardeljeva ploščad 17, 1000 Ljubljana, Slovenia, e-mail: anton.manfreda@ef.uni-lj.si. Peter Trkman, University of Ljubljana, Faculty of Economics, Kardeljeva ploščad 17, 1000 Ljubljana, Slovenia, e-mail: peter.trkman@ef.uni-lj.si. Aleš Groznik, University of Ljubljana, Faculty of Economics, Kardeljeva ploščad 17, 1000 Ljubljana, Slovenia, e-mail: ales.groznik@ef.uni-lj.si. Jure Erjavec, University of Ljubljana, Faculty of Economics, Kardeljeva ploščad 17, 1000 Ljubljana, Slovenia, e-mail: jure.erjavec@ef.uni-lj.si.

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1 Introduction

Internet with its promise for lowering the cost, potential for increasing the quality of services and efficiency enabled a rapid development for e-business. Nevertheless, the possibility that anyone can have a web page with almost no investment has presented a huge opportunity for creating and advertising business online. The promise of reaching a global market no matter neither the size nor location of the organization seems to raise the hope of many companies. Therefore, in the last few decades almost every company has been trying to leave some presence in the World Wide Web. Mostly due to the promise of “no matter how small you are there is a whole world for you”.

The globalization of markets was believed to supplant the multinational commercial and corporations. The future was in offering the same things in the same way everywhere since the global corporations should operate as if the whole world is a single entity (Levitt, 1993). Technological progress made this future even more real. Nowadays, e-commerce is having a larger share of commerce in more and more regions (Barns, 2016).

Yet, the promise of internet and the possibility to reach the whole world was not equally successful for all. In the digital era there are again some global organizations dominating the world, while contrary there are several market leaders in local markets that are completely unknown outside their local region. The same applies to the providers of different online platforms offering vouchers, tourism services, auctions and web browsers or social media as well. Despite having global online platform providers like Groupon, Airbnb, e-bay, Google, and Facebook, there are several local online providers in different regions more than successfully facing with the global well known competitors within their regional borders.

The purpose of the research is thus to examine the factors that influence the success of local online platforms. The aim is to identify the reasons why some local online platform providers that have been market leaders failed, while other local providers remained successful or even a market leader in a local environment despite the existence of global well-known providers.

This research-in-progress paper will present a research program together with the methodological steps that will be performed in our research. Therefore, the paper is divided into two main parts. Firstly, a short literature review is presented followed by the methodology and a research plan. Finally, some concluding remarks and future research possibilities are outlined.

2 Literature review

2.1 Digitalization

The digitization initiative began decades ago; however, it has become more prevalent in the last years and will certainly have an important effect in the next decades (Gerth & Peppard, 2016). It is becoming the most significant technological trend with global consequences (Leviäkangas, 2016) since it is affecting individuals, organizations, communities and entire regions. It is believed that digital transformation will change business processes, customer experience and the entire business models due to the more and more information available for individuals and organizations; and therefore, enables to perform activities even more efficiently (Sganzerla, Seixas, & Conti, 2016).

It was even claimed decades ago that business models from the industrial age were not suitable anymore to deal with the (at that time) forthcoming challenges of the information age (Venkatraman & Henderson, 1998). The same may be valid today, where past business models are not suitable to deal with the challenges of the digital transformation era. Moreover, innovative business models were namely claimed to be one of the most important reasons for the success of several organizations tightly connected to the online business like Amazon, Microsoft or eBay (Afuah, 2004).

However, is it merely about the innovative business models? Are innovative models enough to penetrate to global market or to become a global leader? Digitization is spreading out in almost all industries sectors; and therefore, it is anticipated that there will be even more “online” competition in a global market. Hence, the question about important factors needed for local companies to survive in a digital world becomes more important as ever before.

2.2 Local versus global providers

The debate about local and global providers has its roots in the glocalization concept. It has been denoted as a mixture of globalization and localization (Robertson, 1995) balancing the universal of globalization and the particular of localization.

Ideas of glocalization are mainly associated with the international contexts; however, glocalization can be also related to the understanding of cultural differences within regional and national boundaries (Breuch, 2015). Several key areas were distinguished in relation to when and how different cultures access information or use the technologies, including literacy, linguistic difference, physical environment, cultural norms and technological infrastructure (Best & Smyth, 2011). All these areas and specifics should be considered when launching new web services or online platform in local market.

Although there are significant cultural differences among nations, some providers succeeded in becoming a global platform provider. As it evident from Figure 1 presenting the market share of leading search engines from January 2010 to October 2016, there is almost no place for competing providers. However, examining the state in different regions suggests that despite having a global market leader, there are local market champion like Baidu in China, Naver in South Korea or Yandex in Russia (ReturnOnNow, 2015). Even in Japan the second strongest provider (Yahoo Japan) is with 40% share much above the global average, while Google with its 57% much below the average.

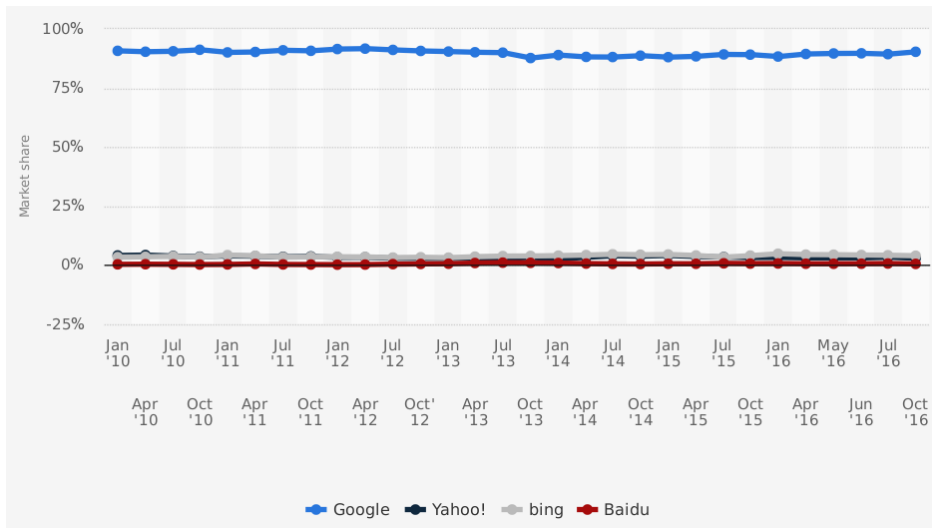


Figure 1: Global market share of search engines 2010-2016 (StatCounter, 2016)

At the moment there is an increasing pressure on global services providers to grow along with the needs of their customers in order to offer classier range of services both in terms of extent and geographic coverage (Pollock, 2017).

3 Research Program

We decided to delve into this issue with a research program that will identify and validate the factors that influence the likelihood of the success of a local online platform and build a framework for successful deployment of local online platforms when competing with global online platforms. Different research methods will be used in several steps.

The first step of our research will be a focus group by which we will be able to clearly define the outline of our further research. The focus groups are restricted to early, exploratory stages of research (Lunt & Livingstone, 1996). They offer an insight to the discussed topic (Grudens-Schuck, Allen, & Larson, 2004). The focus group will consist

of providers/founders of online platforms and will thus provide an insight into reasons for (lack of) success of local online platforms.

The second step will be based on the literature review and results from focus groups. We will conduct a Delphi study with the goal to identify the factors for success of local online platform providers when competing with global online platform providers. Delphi study is a group iterative method that uses controlled opinion feedback group of respondents (Dalkey & Helmer, 1963). It can be used in management disciplines to shape a group consensus of relative importance of issues by using a ranking system (Schmidt, 1997). It can also be used as a method for concept or framework development (Okoli & Pawlowski, 2004).

The Delphi study will include two separate groups. One group will be practitioners from the field of online platforms while the other group will be the experts/researchers. This split panel approach is advocated because of the ability to create a joint reality shared by both groups (Linstone & Turoff, 1975). The number of steps in the Delphi study will depend on how fast the consensus will be reached. While some authors suggest that a certain percentage of participants in the study need to reach consensus (the percentages differ), other authors suggest a more qualitative approach to estimate when consensus is reached (Hasson, Keeney, & McKenna, 2000). The Delphi study will be designed based on the principles presented in (Linstone & Turoff, 1975).

After identifying the factors for success of local online platform providers, we will conduct several in-depth case studies of local online platforms. Case studies are used in research which is still in the process of understanding, detection and characterization (Stuart, McCutcheon, Handfield, McLachlin, & Samson, 2002). The case studies will be used to verify the identified factors for success of local online platforms by analysing real companies.

4 Conclusion

The companies that are offering local online platforms often have to compete with global online platform providers. The purpose of the research is to identify and examine the factors that influence the success of local online platforms when competing with global online platforms. Contrary, the research will also ease the understanding when creating local online platforms has no potential. Our research will include several steps that will help us rigorously identify the factors and verify them.

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