Editorial: Web Services

For the second issue of our 2003 volume, EM – Electronic Markets has decided to focus on developments in the area of Web services. This is an area where the standards that are slowly becoming accepted promise to bring very concrete and specific benefits in the shape of truly distributed computing, within or even between companies, available at minimal customization costs. Nevertheless, the devil remains in the details, with questions of security assurance and service quality, and, therefore, also of acceptance and critical mass still to be answered. For an excellent summary of the key issues in the area of Web services, as well as a clear and well-contexted introduction to the focus theme articles, please see the preface by our guest editor Heiko Ludwig and his co-editor Roland Klüber.

This issue’s research section opens with an article by Ravi Sen and Ruth C. King, entitled ‘Revisit the Debate on Intermediation, Disintermediation and Reintermediation Due to E-commerce’. The authors analyse the various questions surrounding the trade-offs between intermediation and disintermediation by using a game-theoretic approach. The approach is modelled using a two-stage extensive form game, where the manufacturer and existing offline intermediary determine the channel structure in Stage I, and the consumers decide whether or not to purchase the product in Stage II. The model is solved for the Nash equilibrium, indicating the optimal balance between buyer and manufacturer utility in using disintermediated online vs. intermediated offline distribution, and taking into account such factors as buyer discomfort. The paper concludes that complete disintermediation due to web-based e-commerce is never a possibility, even using the definition adopted by supporters of disintermediation.

In the next paper, ‘Controlling Sourcing Risk in Electronic Marketplaces’, Khawaja Saeed and Robert A. Letch draw on transaction cost economics, agency theory, resource dependence theory and channel risk literature to investigate the sourcing risks associated with Internet-based electronic marketplaces. They identify transaction risk, security risk and privacy risk as the three dimensions of sourcing risk for buyers in these marketplaces. To address the risks, the authors propose a risk-control framework that links individual sourcing risks with control systems, which may mitigate these risks. The framework is proposed as a useful tool for the development of strategies to counter sourcing risk, and thereby improve the odds of buyer participation in electronic marketplaces.

In ‘Exploring SME Internet Adoption: Towards a Contingent Model’ by Margi Levy and Philip Powell, the authors question the widely held assumption that small and medium-sized enterprises move towards full e-business adoption in naturally progressive stages, beginning with email use and the creation of a ‘brochureware’ website, and moving towards back-office integration and the reengineering of business processes to optimize utilization of e-business capabilities. The investigation of 12 SME firms presented in the paper finds that SME’s can be mapped on a four quadrant matrix, according to the criteria of high or low business value of the Internet, and planned or unplanned business growth. Internet and e-business adoption within these sectors is expected to diverge, with those companies in the high Internet business value, planned business growth sector anticipating strategic benefits to greater e-business integration, and planning greater investment accordingly, while those in the low Internet business value, unplanned business growth sector see very limited potential, and therefore do not expect to expand their Internet activities at this point. The authors conclude that overall, Internet development is likely to be slow in SMEs, reflecting the owner’s strategy for business growth.

The final section of this issue is devoted to book reviews. In this issue, our book review section is split into two subsections. In the first book review, Hans-Dieter Zimmermann reviews Making Markets: How Firms Can Design and Profit from Online Auctions and Exchanges by Ajit Kambil and Eric Van Heck. The remaining book reviews, edited by Robert Kauffman of the Carlson School of Management, University of Minnesota and Baba Prasad, of the University of North Carolina Charlotte, are grouped around the topic of market models and marketplaces in the digital economy. The books reviewed are Understanding the Digital Economy: Data, Tools, and Research edited by Erik Brynjolfsson and Brian Kahin, reviewed by Ednilson Santos Bernardes, The emarketplace: Strategies for Success in B2B eCommerce by Warren D. Raisch, reviewed by Hui Peng, Place-to-Space – Migrating to eBusiness Models by Peter Weill and Michael Vitale, reviewed by Asoke Dey, and The Internet Economy: Access, Taxes, and Market Structure by Alan E. Wiseman, reviewed by Naren B. Peddibhotla.

We hope you enjoy the papers, and read them with interest. Finally, we would like to express our warmest thanks to our guest editor Heiko Ludwig, and co-editor Roland Klüber for their invaluable help and support in producing this issue of EM – Electronic Markets.

Best regards

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