Chapter 6

Summary of Findings

Based on the data analysis, this chapter summarises the major findings of the research. A brief discussion on the findings of the study is also presented.

- Majority of the MSME adopters of B2B e-marketplaces are in exploratory stage. As the adoption of B2B e-marketplace in India is still in growth stage, this result is not surprising. MSMEs have registered with the B2B e-marketplaces and are exploring the possibilities of using the e-marketplace. However, it has not yet become the part of their business.

- B2B e-marketplace adoption rate is lesser in smaller firms, particularly among micro firms. Based on the adoption rates, the MSMEs can be grouped into two categories for intervention. The first category is the MSMEs with investment level less than one crore rupees (Micro and Small-Group1 together) and second category is the MSMEs that has investment level more than rupees one crore rupees (Small-Group2 and Medium together). These two categories have varying pattern of adoption of B2B e-marketplaces with first category having lower adoption rate.

**Awareness level of MSMEs about B2B e-marketplaces**

- The non-adopter MSMEs have lowest awareness in the following two aspects:
  - Recognising the opportunities and threats of B2B e-marketplaces (57 per cent of non-adopters are not aware)
  - Understanding services and business models of e-marketplaces (61 per cent of non-adopters are not aware)
Summary of Findings

- The non-adopter MSMEs are aware of the B2B e-marketplaces relevant to their business, but do not have in-depth understanding of possible opportunities that can be explored through B2B e-marketplaces.

- It is observed that micro firms have lesser awareness levels than all other MSME groups.

Factors influencing MSME adoption of B2B e-marketplace

- Based on the logistic regression analysis, it is found that organization resources, mimetic pressures and product characteristics are the significant predictors for the MSME adoption of B2B e-marketplaces. While organization resources and mimetic pressures are positively affecting the MSME adoption of B2B e-marketplace, product characteristics is negatively related to the MSME adoption of B2B e-marketplace.

- Organisation resources (conceptualized as human, financial and technical resources of the firm) is positively related to B2B e-marketplace adoption by MSMEs. This implies that MSMEs that have significant human resources, financial resources and technical resources are the adopters of B2B e-marketplaces. Even though the initial registration on B2B e-marketplace is provided free for the MSMEs, there is significant investment in time and effort to reap the benefits of the e-marketing. Therefore, the firms without these resources are less likely to adopt B2B e-marketplace. This finding is consistent with innovation adoption studies done in other contexts (Molla and Licker, 2005; Mehrtens et al., 2001).

- Mimetic pressures (conceptualized as adoption among competitors and perceived success of competitor adopters) is found to influence significantly on adoption. It is evident from this finding that MSMEs continuously monitor competitor use of B2B e-marketplace and follow their successful practices. This finding is also consistent with institutional theory and studies in other context such as organisation buyer adoption of B2B e-
marketplace (Son and Benbasat, 2007) and financial EDI adoption (Teo et al., 2003). It is found that MSMEs are currently using e-marketplaces for legitimacy motives.

- It is found that product characteristics (conceptualized as product complexity and asset specificity) has a significant negative influence on the MSME adoption of B2B e-marketplace. This indicates that firms which have products that require complex information exchange and which develop highly customized products for industrial use find B2B e-marketplace not suitable for them. There are different findings reported in the literature. This finding is consistent with the findings of prior studies by Son and Benbasat (2007) in the context of large buyer’s adoption of B2B e-marketplace and Malone et al. (1987). However, few studies such as Choudhury (1997) have reported otherwise as discussed in sub section 3.3.3. In the context of MSMEs, product characteristics influence adoption for two reasons. First, firms that develop products that are customized to their customers perceive that e-marketplaces are not suitable for them. These are MSMEs that get orders from the large organisations for customized products. Second, firms that have products that require complex information exchange for making decisions on purchase such as industrial machinery also perceive that e-marketplace is not suitable for them.

- It is found that Perceived dominance of customer adopters has marginal influence on the MSME adoption of B2B e-marketplace. This marginal influence can be due to lesser number of buyers/customers who buy from the MSMEs through the B2B e-marketplace. It also indicates that dominant customers can persuade suppliers to adopt B2B e-marketplaces.

- None of the e-marketplace related factors such as perceived relative advantage, perceived complexity and compatibility are found to influence adoption of e-marketplace. Higher influence of legitimacy factors particularly mimetic pressures is evident as most of the adopter MSMEs
are in the exploratory stage. As the motive to join is legitimacy, the influence of e-marketplace factors is found to be relatively insignificant. It is observed that there is a lack of planned use of B2B e-marketplace by MSMEs. Even though the finding contradicts several studies based on diffusion of innovation theory, similar finding was reported in few studies in Asian countries such as study by Joo and Kim (2004).

- Factors related to uncertainty in product market environment such as demand uncertainty and market volatility is found to have no significant influence on MSME adoption of B2B e-marketplace. Unless there is evidence on significant value from the B2B e-marketplace use, the MSMEs would not consider it as an alternative channel in the times of uncertainty. They would prefer to pursue with the known channels.

- The factors such as adoption among suppliers, adoption among customers and perceived dominance of supplier adopters are found to have no significant influence on MSME adoption of B2B e-marketplace. This makes it evident that several members of the value chain and trading partners have not moved online and it is found that ‘trading partners not ready’ is one of the important barrier to adopt B2B e-marketplace.

**Services of B2B e-marketplaces used by MSME adopters**

The top four services of B2B e-marketplace used by the adopter MSMEs rank wise are

- Providing company information (100 per cent)
- Identification of new customers (77 per cent)
- Finding new business opportunities (74 per cent)
- Finding competitor information (74 per cent)

- It is observed that none of the MSMEs in the sample have conducted buy/sell transactions and participated in auctions. MSMEs are primarily using B2B e-marketplace for marketing their products rather than conduct
transactions. It is observed that most of the MSMEs (95 per cent) are registered with horizontal B2B e-marketplaces. This may be also due to the fact that there are very few vertical e-marketplaces available in India. The B2B e-marketplaces used by the adopter MSMEs are shown in Table A5.1 in the Appendix 5.

- The motive of MSMEs use of B2B e-marketplace is to have an online presence and use multiple online channels to increase visibility of their company/products in search engines and web in general. Many MSMEs adopters had their own websites apart from electronic catalogues in the B2B e-marketplace websites. Among the 66 adopter MSMEs, 65 per cent of the MSMEs also had a website. As the switching costs for MSMEs are low, adopter MSMEs have also found to have registered in multiple B2B e-marketplace websites. On an average, adopter MSMEs have registered with at least two B2B e-marketplaces.

- Few MSMEs (42 per cent) have used B2B e-marketplaces for identifying suppliers for items such as packaging materials and for items that are not available locally. Few MSMEs (29 per cent) were found to use services such as buy and sell offers, to fulfill their urgent requirements.

- A small percentage of MSMEs have used services such as credit rating (17 per cent) and update on industry news and trade fairs (14 per cent). Majority of the MSMEs have their own industry associations and industry publications which they perceive are more useful for information updates.

- It is found that MSMEs from the groups Small-Group2 and Medium are the users of services such as identifying new customers, finding new business opportunities, finding competitor information. There is lesser usage of these services among micro and Small-Group1. This might be due to the fact that more usage also means more commitment of resources such as marketing expenses and dedicated staff to be deployed to identify leads, follow up to convert the enquiries into sales.
Benefits of B2B e-marketplace use for MSME adopters

- Majority of the adopter MSMEs (68 per cent) agree that the e-marketplace has enabled them to improve their brand image. However, adopter MSMEs are not able to confirm any quantifiable benefits from the use of B2B e-marketplace.

- Only a few MSMEs have agreed on realization of benefits such as ‘ability to update product information instantly and cost effectively’ (44 per cent). Forty one per cent of adopter MSMEs have agreed that they are able to identify new customers through the B2B e-marketplace. However, MSMEs opined that the volume of sales through the e-marketplace is very low and many a time they are unable to process the small orders due to overhead costs. Since e-marketplace gives a lot of choice to buyers, not all MSMEs are able to convert their enquiries into sales. The MSMEs also have to invest considerable amount of resources to undertake marketing through e-marketplaces and follow up the enquiries.

- Thirty three percent of the MSMEs have agreed that it has helped them in finding suppliers. The MSMEs that used e-marketplace for identifying suppliers agreed that they use B2B e-marketplace to identify suppliers for indirect goods such as packaging material or for a component that is not available in the local market. However, none of the MSMEs used B2B e-marketplaces for identifying suppliers for their raw materials. These are sourced through trusted suppliers with whom the firm has long term relationships.

- Majority of the MSMEs have disagreed that B2B e-marketplace provides benefits such as ‘flexibility in administration and communication’, ‘improve customer services’, ‘information on competitors at single source’, and ‘ability to enter supply chains of large companies’. This disagreement with benefits may be due to the reason that B2B e-marketplace is yet to become a part of supply chains of many industries. This finding is
consistent with the following two characteristics of B2B e-marketplace identified by Bakos (1991).

- Potential participants in electronic marketplaces face substantial uncertainty regarding the actual benefits of joining such a system. Occasionally, this uncertainty remains even after an organization joins the system (Bakos, 1991).
- The benefits realized by individual participants in an electronic marketplace increase as more organisations join the system (Bakos, 1991).

**Barriers to B2B e-marketplace adoption and use**

- The three most significant barriers among both adopters and non-adopters are found to be ‘Service providers do not understand our needs’, ‘Dependent on traditional intermediaries in trading’ and ‘Business partners are not ready’. MSMEs perceive that B2B e-marketplace service providers do not understand their product, industry requirements and individual needs of the firm. Most of the MSMEs have established traditional channels and intermediaries and they are dependent on them. They are comfortable doing business through traditional intermediaries and MSMEs they perceive that the several members in their supply chain are not ready for online transactions.

- Among non-adopters, apart from the first two barriers, ‘Business partners are not ready’, ‘Not suitable for our product as they have to be customized’, ‘do not trust transactions’ and ‘complex to use’ are found as the most significant barriers. MSMEs that had highly specialized industrial products or OEM manufacturers had large buyers as their regular customers and they worked closely with them to develop customized solutions.

- It is found that three barriers specific to micro firms are ‘complex to use’, ‘not aware’ and ‘expensive’. There were significant differences between micro firms and other groups of MSMEs for these barriers.