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A Taxonomy of Symbiotic tenant relationships in Web-based malls and communities.

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Abstract:

An increasingly common implementation of electronic commerce over the World Wide Web is based on the virtual mall or community concept (Gaffin, 1995). Such virtual communities operate as a assortment of individual electronic storefronts that offer a variety of goods and services to the on-line shopper. (Hoffman, Novak and Chatterjee, 1996). The most visible electronic commerce transactions are the ones between the electronic tenants and their potential customers. A less obvious type of electronic commerce relationships but also as important, is the one linking individual tenants of electronic communities. In this paper we propose a taxonomy of such symbiotic relationships and present an agenda for further research.

Body of Submission

With the explosive growth of the Web, retailers saw an opportunity to reach thousands of homes and offices by presenting their products and services on-line. This new type of electronic commerce differed radically from the more traditional EDI-based business-to-business implementations. In fact, this new breed of consumer-oriented electronic commerce became the most visible applications (Zwass,1996).

In this new age of "electronic retailing" pioneers fell back to familiar structures to promote and sell their products or services. One of such organizing structures is the concept of a virtual or cyber mall (Gaffin, 1995). This familiar metaphor parallels the concept of the neighborhood mall that most consumers are accustomed to and use it as a one stop shopping location. The idea rapidly caught on and the Web saw the emergence of a large number of virtual malls where multiple organizations operate under the same virtual "roof". Although their physical addresses could be separated by thousands of miles these ventures seem to operate out of the same location. This new electronic commerce structure seems to be well received by the consumers and tenants alike as evidenced by the number of virtual malls on the Web.

Shoppers have the opportunity to browse and perhaps even purchase an assortment of goods and services without having to undertake a lengthy and often convoluted search. The majority of the research and reports have focused on the consumer aspect of electronic commerce or the relationship between individuals and organizations selling their goods and services. In this paper we focus instead on the relationship between the organizations offering their goods and services under the same virtual roof. We develop a taxonomy of relationships between the players and differentiate between the different types of relationships, their purpose and present examples. The next phase of this study will attempt to validate the taxonomy as well as investigate the primary motivational forces behind such relationships and their nature.

In sites following the mall model, visitors are presented with a gateway to a number of commercial establishments or storefronts. The presentation is typically very professional utilizing the latest technologies and thus appealing to both the consumer as well as the vendors. In this paper we will refer to the organizations selling their products and services under the virtual mall concept as the virtual mall tenants or tenants for simplicity. The relationship between those virtual tenants and the "mall management" parallels the one in the majority of shopping centers. Tenants typically lease their "store" and agree to abide by certain conditions regarding mode of conducting business such as the types of products. In turn the mall management provides services such as the maintenance of common areas, security and the general promotion of the shopping center to potential shoppers.

In a virtual community, electronic tenants are all housed under the same electronic roof or URL address. Oftentimes, the entrance to the mall is the main gateway to all the storefronts. A directory service allows consumers to determine the particular retailer where they might find their shopping needs. Other services include mall-wide promotions or other attractions that are meant to generate additional traffic and thus hopefully more revenues to the tenants.

The International Council for Shopping centers, a major shopping centers trade group acknowledges that although there are no statistics, a portion of the tenants income is always generated by transactions amongst tenants and their employees (Baker, 1996). The shopping center food court is a prime example where tenants are catering to the needs of other tenants employees. While in the case of shopping centers these relationships are often prompted by geographical considerations, in a virtual mall such considerations are not always applicable. We propose to study similar tenant-to-tenant relationships as they take place in web-based virtual malls and communities. In this paper we develop a taxonomy for such tenant-to-tenant relationships.

We can classify the relationships between the tenants of the virtual communities in four general categories. The first category is a very straight-forward and commonly seen relationship that we will call referential. In this type of relationship tenants refer their customers/visitors to another tenant within the same virtual mall. This referral is typically done by establishing a link between the two storefronts. This link can be static i.e. that all the customers visiting a storefront are given the option of visiting the other storefront or can be dynamic whereby the shopper interests are used to determine which other tenants of the community fit the interests and/or demographics of that visitor. This is often determined by examining the keywords used in product searches within a site, by the general contents of the pages visited, the items added to a shopping cart or even the originating site. The referential relationship can be negotiated between the tenants, typically in a reciprocal arrangement or can be centrally created by the virtual mall management with the purpose of increase the visibility and hopefully the sales of other community tenants. The implementation of such referrals can be candid i.e. creating a link that admits that this link is generated by the user query or interests or less obtrusive by just showing the link without explanation.

The second type of relationship can be referred to as preferential. In such situations the customers and sometimes the employees of the tenants of the virtual mall/community are given some added incentive to purchase items from fellow tenants. Such arrangements provide an incentive for customers to shop more. An example would be to make available certain "exclusive" products or pricing to shoppers belonging to other "affiliated" buying clubs. Such practices are common in health and golf clubs and are starting to emerge in web-based electronic commerce ventures. This type of relationship is oftentimes emphasized in the promotional literature as an added benefit for members. Again such relationships tend to be reciprocal.

The third type of tenant relationship is the traditional inter-organizational commercial relationship between the tenants. By the virtue of sharing some virtual real estate the tenants get exposed to the offerings of other tenants in the virtual mall. If such products and services are needed, traditional inter-organizational relationships might emerge. A direct effect of the establishment of such relationships is that the parties can bypass the traditional intermediaries (Sarkar, Butler and Steinfield,1996).

Such commercial relationships can take several forms. The most simple form is a straight Buyer-Seller relationship whereby a tenant purchases products and/or services from a fellow tenant. This exchange can take place using the web-based electronic transaction tools that permit exchange of goods/ services and payments or can more follow traditional methods such as purchase orders and corresponding payment.

The fourth type of tenant-to-tenant relationship that we can identify is the one where there is no actual product exchange but rather some type of collaborative agreement. In such situations, two or more tenants share some resources. Some examples are splitting development costs for a Web application that can benefit each of the tenants. Maybe even share the web server hardware or more mundane resources such as sharing warehousing space. Other examples of collaboration could be based on sharing customer's mailing lists (or e-mail). More complex types of collaborative tenant relationships involve the packaging of two or more tenants products/services into a single offering and thus offer shoppers one stop shopping

convenience and integration. Again these relationships can be tenant-initiated or virtual mall management-initiated and implemented. While from the customer standpoint it results in a substantial reduction in the transaction cost, as measured in terms of product search as well as shipping and integration costs. A popular implementation is to offer to include an accessory of a product ordered by the customer. While this marketing technique is very common in all types of transactions, the primary difference is that the seller does not actually carry or stock that accessory but an affiliated storefront does.

These type of symbiotic relationships can be seen as fragile. While developing and nurturing a symbiotic relationship seems to be a sound decision, it also has some pitfalls. A classic problem is when the cost of maintaining such a relationship exceeds the benefits. This issue typically arises in advanced forms of relationships such as the classical inter-organizational and the collaborative types. If the coordination costs increases over time and the benefits do not materialize, this relationship becomes a burden and one of the parties would seek to terminate it.

Another way these relationships could collapse is in situation where the relationships, either gradually or suddenly, move from being symbiotic to becoming parasitical. This can take several forms: An tenant can start carrying new product and services that directly compete with their "partner", or can establish a similar relationship with a competitor within or outside the virtual mall. Finally, even though the parties to the relationship do not compete directly in terms of products they are, in a way, competing for the consumer's dollar. If a party starts detecting signs that the relationship is either distracting or even worse detracting their on-line shoppers from making purchases, it is time to sever the relationship. Recent court cases (Ticketmaster vs. The Microsoft Network) indicate that on-line vendors are not only interested in protecting their on-line presence but also how their customers get to their sites.

A Research Agenda:

The taxonomy of tenant relationships is very important for several reasons. Researchers have been accustomed to look at electronic transactions in the electronic markets vs. hierarchies paradigm (Malone, Yates and Benjamin, 1987). These new types of relationships are in fact implementations of hierarchies *within* electronic markets.

The taxonomy is a necessary first step for us to study, develop and test theories of the new electronic commerce forms. At the same time, it seems that the requirements for such tenant-to-tenant-relationships to emerge and prosper might differ considerably depending on the type of relationship sought. How much of these relationships are the result of sharing an identical or at least similar technological structure and how much is due to a sharing of a similar electronic commerce vision?

It is also imperative to get the perception of individual consumers of these types of symbiotic relationships. Finally it is important to determine which relationships virtual-mall management will tolerate or encourage and which ones they will try to discourage or prevent.

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