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The Social Dimension of eCommerce

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Abstract

To study the social dimension of business-to-customer electronic commerce (B2C eCommerce) we propose a critical social-theoretic approach where commercial transactions are seen as social actions undertaken by buyers and sellers conceived of as social actors. The critical social-theoretic approach serves to analyze and interpret empirical evidence from automobile sellers’ and buyers’ case studies. By comparing social actions by actors in traditional, face-to-face automobile sales versus eCommerce sales we demonstrate how eCommerce tends to affect social conditions of trade and buyers’ and sellers’ behaviour. Grounded in the empirical and theoretical argument we provide an explanation of some unintended and unexpected consequences including decreasing prices, power redistribution between sellers and buyers towards empowerment of buyers, and increasing fairness of trade practices.

Keywords: Social implications of eCommerce, Seller-buyers power relations, Power redistribution, Fairness of trade practices.

INTRODUCTION

Business to customer electronic commerce (B2C eCommerce) transforms business-customer relationships: traditional face-to-face communication is enhanced and sometimes even replaced with electronically mediated communication. This transformation has far reaching consequences on business practices, trade conditions and industry structures (Napier, et al., 2003; Porter, 2001; Turban et al., 2000; Kalakota and Whinston, 1996). We argue that the key to understanding the diverse and complex consequences of eCommerce is a deeper and broader insight into seller-buyer relationships not only from the technological and economic perspective, but also from the social perspective. In this paper therefore we explore the social dimension of eCommerce which is important for at least two reasons. First, as researchers, citizens and consumers, we are interested in a critical understanding of social consequences of technological change brought by eCommerce. Improved critical understanding, we argue, should help us assess implications of technological innovation in eCommerce from the value position of justice and fairness of trade practices. Second, as researchers of such a complex technological and economic phenomena, we are compelled to explore the social dimension of eCommerce in order to gain insights into underlying mechanisms that might contribute to its positive and negative consequences.

Having such a broad motivation this paper specifically aims to i) identify and understand emerging changes in buyers’ and sellers’ social behavior as they shift from traditional face-to-face to electronically mediated commerce, ii) provide insights into resulting changes of seller-buyer social relations and explain their implications for trade practices, and iii) explain some observed but unintentional and unexpected consequences of eCommerce: power redistribution leading to empowering buyers and fairer trade practices.

To achieve these aims we propose a social-theoretic framework to study B2C eCommerce, based on Habermas’s Theory of Communicative Action (TCA) (1984, 1987). Applied to the domain of commerce this framework enables studying commercial transactions as social actions undertaken by buyers and sellers, who are conceived of as social actors. The TCA social-theoretic framework informed our conduct of multiple interpretive case studies of dealers’ and buyers’ in the US automobile trade industry undergoing the transition from traditional trade to eCommerce. The research findings presented in the paper focus on dealers’ and buyers’ social actions before and after the introduction of eCommerce and the ensuing changes in their social and power relations. These findings are further interpreted in the light of fairness of trade practices, power redistribution, and processes of system and lifeworld rationalization.
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Social Action Framework to Study B2C eCommerce

Using Habermas’ TCA (1984, 1987) to understand eCommerce draws on a long strand of critical IS research (e.g., Lyytinen and Klein, 1985; Lyytinen and Hirschheim, 1988; Lyytinen et al., 1991; Lyytinen, 1992; Hirschheim and Klein, 1994; Ngwenyama and Lee, 1997; Cecez-Kecmanovic and Janson, 1999; Cecez-Kecmanovic 2001; Cecez-Kecmanovic et al., 2002; McGrath, 2005). As Habermas’s TCA has not been applied in the eCommerce context in this section we explain how the theory may be interpreted and usefully applied to study B2C commerce.

Commercial transactions as social actions

Commercial transactions include several phases that occur in a social space comprising producers, markets, brokers, sellers, buyers, regulators and regulations, cultures (e.g., industry culture), et cetera (Axelsson et al., 2002). First, buyers have needs (e.g., transportation) whereas sellers have the ability to meet these needs (e.g., a vehicle). After establishing contact a buyer and seller exchange offers and counter offers until both parties are satisfied. Second, the buyer and seller draw up a delivery and payment contract that is mutually binding. Third, contract fulfillment results in product or service delivery by the seller and payment by the buyer. Finally, both buyer and seller complete the business transaction by assessing their satisfaction level. During this process both buyers and sellers can be seen as social actors who take actions to achieve their goals.

We speak of social action when human action is purposively oriented and meaningfully related to the behavior of other human actors (Weber, 1964, 1978). According to TCA (Habermas, 1984) actions differ depending on the actors’ orientation with respect to the goals to be attained. Actors may be oriented solely to success in achieving their goals or, instead, they may be oriented to mutual understanding and achieving their goals by coordinating their actions with other actors. Furthermore, actors refer to different worlds: the objective world consisting of objects and states of affairs, the social world consisting of norms and values, and their inner, subjective world consisting of individual experiences, desires and emotions. Habermas (1984) defines social action as symbolic expression through which actors achieve their goals by relating to and changing their objective, social, and subjective worlds. His classification of social actions is based on the orientation of actors and their relation to the worlds.

Buyers and sellers conduct commercial transactions to achieve conflicting goals. Sellers aim to attract buyers and sell their products at the highest possible price. Similarly buyers seek to find and purchase the most suitable/desirable product at the lowest price. To achieve their goals, however, buyers and sellers may adopt different orientation. They may be exclusively concerned with achieving their goals (orientation to success), or they may attempt to develop a shared interpretation of a situation with other actors so as to achieve their goals by coordinating their actions (orientation to understanding). These basic distinctions indicate whether the buyers and sellers involved in commercial transactions act instrumentally/strategically (success oriented) or communicatively (oriented to understanding).

Instrumental action occurs when a success-oriented actor seeks to attain goals by intervening in the objective world using predictions drawn from physical or behavioral models (Habermas, 1984, pp. 285-286). When purchasing a car, for instance, a buyer refers to things such as car models, dealers, prices, funding conditions or contracts as things or inanimate objects. Such a buyer does not in fact establish a social interaction with a seller. Instead, based on information from different dealers, the buyer assesses different offers and selects the optimal solutions, that is, the best product under given constraints (e.g., cost) or the least expensive offer for the desired product.

Strategic action occurs when a success-oriented actor aims to achieve goals by influencing other actors who are perceived to be rational opponents (Habermas, 1984, pp. 85-86, 285-286; Rasmussen, 1990; Roderick, 1986). To take successful strategic action an actor has to be well informed about his/her opponents and to have appropriate skills to influence them. For example, by acquiring information about a customer and by predicting the customer’s expected behavior, a strategically acting dealer seeks to influence the customer so as to achieve his/her sales goals (increase sales and/or maximize profit). Both instrumental and strategic actions are oriented to success, that is, to achieve the desired change of state of affairs in the objective world. They differ by the way this change of state of affairs in achieved: in case of instrumental action, the actor selects the best option based on information collected without direct interaction with his/her counterparts; in case of strategic action the actor influences his/her counterparts. Success in both cases is measured by the achieved state of affairs (i.e., profit or loss). What these models do not consider however, are personal experience and a sense of dis/satisfaction with the commercial transaction that actors keep in both cases.

A significantly different type of action is conducted by actors oriented to understanding. When actors aim to achieve their goals by developing an inter-subjective interpretation of a situation and on that basis achieve
agreement and coordinate their individual action plans, they perform *communicative action* (Habermas, 1984). An essential difference in acting communicatively to achieve goals is orientation to developing common understanding that enables cooperation and communicatively reached agreement. This is accomplished by referring to all three worlds, that is, making claims concerning the objective world (that something is the case or is true), their social world (that something is right or legitimate), as well as their individual subjective worlds (i.e., that the speaker is sincere) (Habermas, 1984, p. 99, pp. 286-288; Habermas, 1987, pp. 126-129; Rasmussen, 1990). A key feature of communicative action is raising, questioning, and defending validity claims, which takes place at the discursive plane. Through discourse actors resolve objections to validity claims and thereby prevent or overcome communicative breakdowns. An important characteristic of the discursive process is the degree to which it is free from power distortions and equitable.

Communicative action is the most complex type of action which some have misunderstood as either idealistic (Cooke, 1998) or totalitarian (Wilson, 1997). Wilson (1997), for instance, interprets communicative action as one that leads to ‘final’ agreement which eliminates different interests, views and values. This is an astonishing reversal of the basic idea of communicative action as defined by Habermas (1984, pp. 85-86, 285-286). In fact, the model of communicative action assumes that actors have different interests, views and values and that they take actions to achieve different, or even opposing goals. However, compared to strategic and instrumental action, actors taking communicative action try to achieve their goals in a more cooperative manner, by developing at least some level of shared understanding of a situation at hand through discourse. The agreement they may reach communicatively is always fragile and holds as long as actors accept the validity claims on which it is based. Any actor can call into question the basis of the agreement if he/she can demonstrate falsehood of facts about the objective world, (e.g., incorrect description of car accessories), illegality of deeds in the social world (e.g., breach of law), or insincerity of participants (e.g., deceptive intentions) that compromise the agreement.

Commercial transactions can take a form of instrumental, strategic or communicative actions. This is the reason for selecting these three action types from Habermas’s TCA (1984) to study B2C commerce. The meaning of and the difference between actions oriented to success (instrumental and strategic) and actions oriented to understanding (communicative) will be further explained in relation to the notions of system and lifeworld.

**System and lifeworld aspects of commercial transactions**

In the TCA Habermas conceives of society simultaneously as *systems* and *lifeworld* (1987, p. 118). Systems involve economic and administrative systems, such as “market” and “state,” that ensure society’s physical and material (re)production. The lifeworld assumes common language, social structures, and shared cultural traditions that ensure social (re)production. We will explore system and lifeworld aspects of automobile trade and B2C eCommerce.

System aspects in the automobile trade industry involve the automobile market and its performance, competitors and their profitability, customers and their buying capacity, etc. Dealers are primarily concerned with system imperatives such as cost-effectiveness of their operations, sales plans and profit targets, competitiveness and market share, and product and service quality. To remain competitive dealers need to constantly improve efficiency and effectiveness, and offer competitive prices while keeping or improving quality. In other words, automobile trade industry survives thanks to increasing *system rationalization*. To achieve these goals sellers intervene in the objective systems world by taking instrumental and strategic actions. In this way sellers maintain and reproduce dealership systems and achieve system integration. Porter (2001), for instance, examines the Internet implications on industries’ structures only in terms of system aspects: increased industry efficiency, expanding size of the market, increased competition and reduced differences among competitors, lower profit margins, et cetera.

Apart from system aspects, any social system also has lifeworld aspects that need to be considered in order to understand its processes and changes. The lifeworld is the taken-for-granted universe that contains a stock of knowledge in the form of beliefs, conventions, assumptions, and values shared by members of a particular social group. This background knowledge determines the horizon of possible understanding within and between social groups. The automobile trade industry traditionally reflected a culture of aggressive selling and hard bargains. Believes and values acquired through training made dealers exclusively concerned with profit, while disregarding customers’ needs and interests. Dealers generally justified treating customers unfairly and taking advantage of their lack of information (Philips, 2001). Customers on the other hand felt cheated, frustrated, and dissatisfied. These are lifeworld aspects that are important when trying to understand the traditional automobile trade. They are also important for understanding how eCommerce changes actors’ behaviour and consequently trade practices. In other words, both systems and lifeworld aspects need to be considered in order to understand the impacts of eCommerce. Both systems’ imperatives and lifeworld concerns drive buyers’ and sellers’ social
actions (that is commercial transactions). These social actions in turn reproduce systems (e.g., dealers businesses and the market) and symbolically reproduce lifeworlds of actors (e.g., cultural reproduction in the industry and social integration of both buyers and sellers). The symbolic reproduction of the lifeworld depends on the degree of contradictions and conflicts between systems’ imperatives and lifeworlds of different actors.

If the relationship between systems and lifeworlds (for instance between system integration and social integration) is antagonistic and when system’s rationality intrudes into the lifeworld of social members, the lifeworld becomes colonized (Habermas, 1987). This happens when social actions of buyers and sellers become subjected to system imperatives: strategic manipulation leads to a lifeworld dominated by language of efficiency, effectiveness, and profitability as was the case with the traditional vehicle trade. However, the relationship between systems and lifeworlds need not necessarily be antagonistic (Wierdsma, 2002). In the vehicle trade industry which is transitioning to eCommerce, this relationships is of particular interest because of increasing competition and decreasing profits.

Starting from Habermas’s TCA as a general social theory (1984, 1987) we proposed the social action framework as a particular instantiation and application of this theory for studying B2C commercial transactions. When commercial transactions – face-to-face or electronic – are interpreted as social actions through which actors (sellers and buyers) achieve their mutually opposing goals, Habermas’s TCA provides the conceptual apparatus to investigate the social dimension of eCommerce: how eCommerce changes social conditions and how such change in turn affects trade practices, the behaviour of sellers and buyers and their power relations.

RESEARCH METHODOLOGY

The empirical investigation, conducted from 2001 to 2003, involved nine automobile dealership cases and six automobile buyer cases in the St. Louis, Missouri, Metropolitan Region (the US). The investigation included visits to dealerships, observation of automobile sales process, and onsite semi-structured interviews with dealers, chief executives, and sales people. The interviews focused on sales practices and experiences before and after the Internet. The interviewees provided their interpretation of the changes emerging with eCommerce and the impacts it is making on the industry. To make sense of their experiences and the meanings they assigned to changing practices we also studied dealership websites and on-line interactions with buyers.

We interviewed six eCommerce automobile buyers: four selected from the general population and two part-time graduate students. These interviews were conducted in person or by telephone. We asked the buyers to reflect on their experiences with purchasing an automobile in a traditional way by visiting dealerships versus on-line using the Internet. We asked them to explain why they chose to search the Internet, visit dealers’ and manufactures’ websites, and consult third party websites such as Kelly Blue Book and Edmunds. We also prompted the buyers to reflect on their power position vis-à-vis the salespersons and their feelings regarding the purchasing process. In addition we studied market research document and the website of the National Automobile Dealers Association (NADA).

The hermeneutic route to understanding adopted in the case studies involved an ongoing circular process from the Habermas’s theoretical framework (1984, 1987) that shaped our research design including data collection and interpretation, theoretical explanation, and so on. The hermeneutic process exemplifies the dialectic relationship between the theoretical framework and empirical data, through which our interpretation and theoretical explanations grounded in the data emerged (Ezzy, 2002; Gadamer, 1975; Klein and Myers, 1999; Paton, 1990).

AUTOMOBILE SALES BEFORE ECOMMERCE

Selling automobiles involves buyers and sellers with opposing interests, each trying to maximize their gain at the expense of the other and each trying to influence the other. Their behavior in traditional automobile sales can best be described as strategic action. The key characteristic of the traditional sales situation is dealers’ strategic advantage arising primarily from privileged access to information. While each seeks to achieve his/her goal – the dealer to maximize profit, the buyer to minimize cost – the dealer stays in control and succeeds because of his/her privileged access to information, selling skills and tactics.

Before the advent of eCommerce automobile dealers enjoyed an almost monopolistic position concerning car pricing, manufacturer holdbacks and rebates. Customers could in principle obtain automobile invoice pricing by purchasing printed manuals published by companies such as Edmunds and Kelley Blue Book. Customers could also visit multiple automobile dealers and, by going through a time-consuming process, obtain different price quotes on the car of their choice. In practice, however, as our customer and dealer interviews show, this proved too time-consuming, impractical and costly.
Many customers lacked the information needed to make informed decisions. A representative of a St. Louis dealer stated:

[New] cars had sticker prices but trucks did not. Dealers could mark up a truck whatever way they wanted. The consumer was helpless.

To counteract dealer strategic action and minimize the car’s purchase price buyers engaged in strategic action as well. Buyers, however, typically lacked market information and were short on negotiation skills which then resulted in their inability to successfully counteract the salesperson’s strategic action. In other words, the salesperson remained in control of the automobile buying process. The power relationship between buyer and seller was severely unbalanced with the buyer experiencing the entire car purchasing process as being frustrating and grossly unfair (also confirmed by Mines et al., 2000):

Dealers have capitalized on the high sticker price and complexity of the good to create market inefficiency – boosting their economic profits (buyer Fred).

The [traditional automobile sales] system was not set up for educated people who thought for themselves, it was not to help customers make informed decisions. The system was designed to catch people off guard, to score a quick sale, to exploit people who were weak and uninformed (former automobile salesperson Phillips, 2001).

The strategic disadvantage experienced in the traditional trade practices motivated many buyers to explore purchasing a vehicle using the Internet (retail research reported that more than 60% of car buyers search the Internet and that the percentage is increasing, see e.g. Bartlett, 2001; Greenspan, August 19, 2003).

TRANSFORMATION OF AUTOMOBILE SALES PRACTICES BROUGHT ABOUT BY eCOMMERCE

With the introduction of eCommerce automobile salespersons no longer enjoy a privileged position concerning car sales information. Because of the Internet sites (Edmunds, Kelley Blue Book and others) that provide information free of charge on new car invoice prices, car options, used car prices and estimates on trade-in car prices, customers can investigate availability and prices of the car of their choice as well as financing and insurance option online with only a modest investment of personal time (Greenspan, 2003). Our empirical findings show that buyers’ and sellers’ equal access to information enabled by eCommerce significantly changes power positions: buyers are gaining bargaining power vis-à-vis sellers – a phenomenon also observed by Porter (2001). The buyers’ relationship with sellers is becoming much more balanced than was the case before the introduction of eCommerce. The buyers and dealers whom we interviewed frequently emphasized that eCommerce “levels the playing field”.

As a result buyers and sellers changed their behavior in business transaction processes which we observed at the dealership sites as well as in the interviews with sellers and buyers. By applying the Habermasian social action framework we identify three types of change in social behavior of actors. To describe these changes in buyers’ and sellers’ behavior and analyze the resulting transformation of automobile sales practices we use the *semiotic square* (Nöth, 1990). By displaying opposites, the semiotic square represents a *field of action* (Greimans, 1987). In our case, we use the semiotic square to describe the automobile trade field of action. The horizontal axis connects the two parallel opposites ‘supportive’ versus ‘aggressive’ sell and ‘soft sell’ versus ‘hard sell’ (Figure 1). This axis describes automobile salespeople’s attitude, as perceived by both buyers and sellers. The vertical axis connects the opposite ‘unfair’ versus ‘fair’ and describes the customer’s perception regarding the fairness of the buying process.

Traditional auto trade is perceived by both buyers and sellers as aggressive and hard-sell, and is considered unfair by most buyers. Traditional auto sales are therefore presented in the lower right-hand quadrant in Figure 1. With the introduction of eCommerce, we first observed that trade interactions among buyers and sellers are becoming more equitable strategic actions, with dealers loosing their strategic advantage. As Internet buyers are better informed and have richer information in hand, they become better at specifying their requests and predicting and countering the salesperson’s actions. Consequently both sellers and buyers become equally equipped and have equal chances to undertake successful strategic actions. Increasing opportunities for successful strategic actions in turn change the playing field and gradually transform vehicle sales practices from “unfair” to “fair” (while still remaining ‘hard sell’ and ‘aggressive’). Thus automobile trade is perceived by the buyers as more equitable, fairer, “less frustrating”, and “at times even enjoyable”. Such a change is represented in the semantic square as the transition depicted by arrow $a_1$: from the ‘hard sell-aggressive/unfair’ quadrant to the ‘hard sell-aggressive/fair’ quadrant (Figure 1).
A second type of change observed in automobile trade can be described by a transition toward sales practices that can be described by the model of instrumental action. Namely, some buyers choose to use the Internet for exploring and collecting offers from the dealers and selecting the best offer without establishing personal contact with dealers. These buyers complete the whole purchasing process over the Internet and go to the dealership only to pick up their vehicle. This is often the case with buyers who value efficient processes and dislike dealing with salespersons. In this way they minimize social interaction with salespeople, avoid their “gamesmanship” and thereby disable their strategic acting. By offering their vehicles to such Internet buyers, dealers are also acting instrumentally, that is, achieving their goals by calculating the lowest price they can afford to sell a vehicle, given market situation and their costs. This change in sales practices – signified by arrow $a_2$ of Figure 1 – indicates the transformation from the traditional unfair to fairer sales practices that are neutral along the ‘aggressive-hard sell’ and ‘supportive-soft sell’ axis.

The empirical evidence suggests that increased buyer opportunities to perform successful instrumental and strategic action level the playing field and gradually transform sales practices from ‘unfair’ to ‘fair’ (arrows $a_1$ and $a_2$ in Figure 2). These arrows indicate emerging changes in vehicle trade practices and should not be understood as a simple switch from one type of practice to another. Grounded in our analysis of empirical data (buyers’ and dealers’ interviews and on-site observations) and supported by industry wide documents and analysis (NADA, 2000, 2003) we argue that transformations $a_1$ and $a_2$ of vehicle trade practices reflect major changes in the social behaviour of actors arising from new eCommerce conditions. This change is significant given the current high percentage of automobile eCommerce customers and predicted future increases (Bartlett, 2001).

But the change does not stop there. The transitions $a_1$ and $a_2$ in turn broaden the geographic market and lead to intensified rivalry among the dealers, shifting the competition more toward price and away from quality. This is identified as the major negative implication of the Internet on the industry structure (Porter, 2001). These impacts, also confirmed by industry documents and market research (NADA, 2000, 2003), are forcing the actors to explore new strategies and adopt different behaviour.

Some automobile dealers have recognized that the traditional way of the ‘hard sell’ will not be effective any longer. They therefore attempt to change their approach toward the customer and build a relationship, as exemplified by the manager of Best Imports dealer (which in 2002 sold about 30% of their vehicles online):
Most of the people I find want more of a relationship and when they get closer to buying they will call you or you will call them and you will have a really good conversation. You are going to get to know each other and feel more comfortable with each other.

I find Internet customers especially more concerned about relationship and ease of transaction. … [They] want to be respected and to know that they can get what they want or something reasonably close that they are happy with.

It seems that this manager is not exclusively concerned with achieving an immediate goal: selling a car and making a profit (the emphasis here is on exclusively). While always having his sales and profit goals in mind, he sees the need to achieve them in a more cooperative way by establishing a relationship with a customer. Developing good relationships, the manager believes, enables him to establish mutual understanding with customers. The benefit for him is better understanding of customers’ needs and desires and hence better chances to meet these needs and have satisfied and loyal customers. Customers, on their part, appreciate sellers’ friendly and cooperative attitude and their support in making complex purchasing decisions.

The new approach and social behavior of the Best Imports manager can be interpreted as a form of communicative action. While all nine dealers whom we interviewed emphasized the value of building relationships with their customers, not all of them actually changed their attitudes and trade practices. The behavior of Best Imports dealer (and a few others), we would suggest, indicates a third type of change in automobile trade practices that may be emerging in eCommerce. It is presented as a tentative transition b from the quadrant ‘hard sell-aggressive/fair’ to the quadrant ‘soft sell-supportive/fair’ in Figure 1.

Supporting evidence for transition b as a desirable change for dealers comes from NADA’s (2000) position paper. The paper warned automobile dealers that a hard sell strategy and aggressive approach would not be successful in the eCommerce environment. Instead, the NADA paper proposed that sales people need to abandon their aggressive sales strategy and adopt a customer-friendly and supportive role:

Today’s ‘automobile salesman’ is a professional sales consultant who often is working both on-and-off-line. Using more than sales skills, this person offers customers a low-pressure, fair price, self-service experience, and is more of a ‘facilitator’ in the selling transaction than a hard ‘closer.’ Conventional hard-close techniques are fast being eliminated from the sales consultant’s job description. (NADA, 2000)

In fact the essence of NADA’s advice to sellers is to engage in communicative action for their own good. This advice is still not sufficiently understood by dealers. The lack of communicative competence, the particular culture in the industry and deep-seated values and beliefs of sellers are barriers towards its adoption. Instead of a genuine move towards communicative action we recognize the risk of covert strategic action (Habermas, 1984), that is strategic action disguised as communicative action. While this may be a possible interpretation of dealers’ renewed interest in relationships building evidence so far suggests that buyers use eCommerce effectively to unmask such behaviour.

**DISCUSSION AND CONCLUSION**

Information and on-line services provided by car dealers, manufactures and specialized services (such as Edmunds, Kelly Blue Book and others) were intended to decrease transaction costs, shorter delivery time, make transactions easier and thereby increase efficiency and profitability of business transactions. It was generally expected that eCommerce would reduce the difficulty of marketing, purchasing and distribution (Porter, 2001) as well as expand and improve efficiency of the market. These intended and expected eCommerce impacts on functionality and economics of automobile trade, in the language of the social action framework mean increasing *system rationalization*. However, the expected increase in system rationalization has been limited and intended economic benefits have only been partially realized (e.g. profitability is in fact decreasing). At the same time some unintended and unanticipated consequences also materialized such as more equitable bargaining positions of buyers and fairer trade practices. Why this has happened cannot be understood using only economic argument and the logic of system rationalization. The examination of the social dimension of eCommerce, presented above, provides an empirical and theoretical foundation for better understanding and explanation of eCommerce consequences.

System rationalization through eCommerce was initially driven by actors’ behaviour exclusively orientated to success and pursuit of individual interests. The more buyers and dealers adopt eCommerce and the more experience they gain in the Internet mediated transactions, the more proficient they become in undertaking transactions in the form of strategic and instrumental actions (moving along a1 and a2 in Figure 1). However, compared to traditional trade, it is the buyers who are becoming more and more successful thus making it harder for the dealers to be competitive and make a profit. To be able to sell dealers have to lower prices. As a former undercover dealer testified the Internet “forces dealers to slice profit because they must beg for your business”
As a result, car prices are going down and profitability is declining. It seems that we see a paradox here: the increasing adoption of eCommerce aimed at improved efficiency and effectiveness of business transactions as well as increased functionality and profitability of the automobile trade industry is ultimately negatively impacting on the industry. This may be called the paradox of increasing system rationalization. Although initially system rationalization led to improved functionality and increased profitability, with wider adoption of eCommerce the pace of improvement slowed down, eventually turning into the negative (decreasing profitability). Are these negative implications of eCommerce inevitable? Why is the increasing system rationalization through eCommerce producing a paradoxical result for the automobile trade industry?

Further insights into buyer-seller interaction and the way their relationships are changing along a1 and a2 transitions (in Figure 1) suggest that their relations are becoming less personal and that mutual trust and loyalty have become less important. For example, an Internet buyer explained how his relationship with dealers changed:

My experience and from others I know, dealer loyalty has been important in the past – I find a dealer that I feel treats me fairly and where I liked the buying experience and I am more likely to go to that dealer again. Online buyers may not have that same type of dealer loyalty as it is easier/less time consuming to "shop around" from your computer at home than it is to drive to dealers. Online buyers may focus more on price as that will be the main part of their "buying experience" (buyer Sharma).

The buyers Sharma is referring to are exclusively oriented to success: they make decisions based on price/performance calculations and are only interested in searching the Internet to find ‘optimal’ deals. Similarly the dealers oriented to success counteract the buyers’ actions and use the Internet themselves to sell at the highest price. The way these actors adopt eCommerce reinforces instrumental and strategic rationality inherent in trends a1 and a2. The resulting systemic rationalization as a mechanism of coordinating actions of different actors explains how eCommerce ultimately leads to competition on price. Furthermore, such a process of systemic rationalization tends to undermine the traditional social basis of trade. The traditional values of trust and loyalty that many buyers and dealers considered so important, seem not to be important any more. Within the social action framework these tendencies can be interpreted as intrusion of systemic rationalization into the lifeworld of buyers and dealers or in Habermas’s words colonization of the lifeworld (1987). We tentatively conjecture here that the underlying mechanism of increasing system rationalization that intrudes into and instrumentalizes the actors’ lifeworld produces and reinforces the spiral of price decrease and shifting the competition towards price.

However, as the empirical evidence suggests, actors’ behaviour in eCommerce continues to change tentatively in the direction b (Figure 1). This change is exemplified by some dealers consciously building relationships with their customers and conducting their commercial transactions in a more cooperative way, as forms of communicative action. Unlike impersonal seller-buyer relations in case of strategic and instrumental action, in eCommerce transactions conducted as communicative actions dealer-customer relationship is manifestly interpersonal, with mutual trust and loyalty getting new meaning and becoming even more significant (than in traditional commerce). As one dealer explains price is not the key issue, rather it is a relationship:

... and what you are going to do for them after the sale. It is more than just buying the car. There are a lot more things that go into it. Because if we just sold you a car – that takes about fifteen minutes to do. It is the relationship for the next 4-5 years is what we think we do a better job of than just selling a car. I'm here about 80 hours a week. We sell about 80 cars a month – 100 cars on a good month – and 90% of my time is not negotiating deals. It is taking care of customers and other issues that are not related just to the sale. (Manager of Best Imports)

By acting communicatively and ‘taking care of customers’ the dealer aims to understand and best fulfill customer needs not only in terms of selling a particular car but also after the sale. By nurturing and maintaining the relationship, the Best Imports manager keeps his customers and ensures more business in the future. He is explicitly competing on quality. The changes along the direction b, while tentative, mark a return to competition on quality and valuing trust and loyalty. Although the trends a1 and a2 – exemplifying increasing system rationalization – seem to dominate car eCommerce, the observed changes in the direction b show that the a1 and a2 trends are not the only and not the inevitable transformation of car trade. In fact a new cooperative approach by some dealers, the role of dealers as facilitators (as suggested by NADA), and the appreciation of a ‘new bread of dealers’ by the buyers are all signs that social relationships matter and that eCommerce transactions are not necessarily stuck in the ‘hard sell-aggressive/fair’ quadrant (Figure 1). Future research into car eCommerce should pay attention to this direction of change.

The tentative transformation of automobile sales practices from the ‘hard sell-aggressive/fair’ to the ‘soft sell-supportive/fair’ (represented by the transition b) reflects the change in actors’ rationality: they are becoming less
strategically rational and more communicatively rational. By acting more communicatively the actors tend to develop and maintain their social relationship, reproduce culture of mutuality and cooperation and contribute to social integration (Habermas, 1987). In other words they symbolically reproduce their lifeworlds. The increase in communicative rationalization or what Habermas also calls rationalization of the actors’ lifeworld in business transactions is evident in the development of intersubjective agreement based on common values (trust and loyalty) and shared understanding of fair practices. The major difference we see here is that buyers and sellers, despite having opposing goals, are able to coordinate their actions based on shared understanding and communicatively achieved agreement developed through pressure-free argumentation. The mechanism of coordinating actions operating here is social integration which is considered key to lifeworld rationalization (Habermas, 1987; Wellmer, 1994). Compared to ‘hard sell-aggressive/fair’ quadrant where actions are coordinated by dominant system rationalization, in the ‘soft sell-supportive/fair’ quadrant actions are coordinated by lifeworld rationalization and social integration.

This leads us to argue that although in car eCommerce systemic rationalization seems dominant (at least in the US in the period we conducted our empirical work) it is not the only and certainly not the inevitable rationalization process in automobile eCommerce. Although the trends a1 and a2 indicate that systemic rationalization instrumentalizes the lifeworld and subjects it to the imperatives of systems’ efficiency and economics, the evidence for the transition b suggests the emergence of lifeworld rationalization, meaning that processes of systemic rationalization of trade are gradually brought under control of the lifeworld of actors involved. This suggests that the paradox of system rationalization discussed above does not arise from the inner logic of rationalization processes through eCommerce. Strictly speaking, as Wellmer (1994, p. 56) points out, this is not a paradox of rationalization as such but a paradoxical consequence of a “selective” process of rationalization.

From our empirical evidence and based on the theoretical argument we would propose that rationalization processes unleashed and reinforced by automobile eCommerce are essentially ambiguous, dependent on a particular constellation regarding the relationship between the system and the lifeworld, between the system rationalization and the lifeworld rationalization. Due to specific historical conditions and cultural tradition in automobile commerce in the US before eCommerce and the way eCommerce was initially adopted systemic rationalization prevailed, producing the decrease of average price and decline of profitability, and moving competition towards price. The associated changes along the social dimension of eCommerce – public access to a wide range of information and equalization of seller-buyer power relations – in turn created new trade conditions that foster further changes towards lifeworld rationalization. The emergence of lifeworld rationalization in the case of automobile eCommerce in the US can be seen as a reaction against the destructive effects of systemic rationalization on the industry. The increasing lifeworld rationalization is re-establishing the importance of dealer-customer relationships and traditional values of trust and loyalty, and is thereby leading towards competition on quality.

REFERENCES


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