

Book Reviews: Market Models and Marketplaces in the Digital Economy

Making Markets: How Firms Can Design and Profit from Online Auctions and Exchanges

Ajit Kambil and Eric van Heck

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Ajit Kambil and Eric van Heck's book *Making Markets* discusses online auctions and exchanges based on the very broad and long-term experiences of the two authors. *Making Markets* focuses on the pragmatic and emerging applications of markets and the factors that lead to their successful deployment in creating business value rather than on either theoretical discussions of markets or a snap-shot of the online market area at a given time. Since the book unveils the results of an analysis of nearly 100 markets investigated over the past decade and thus covers the rise, the peak, as well as the decline of the Internet hype, it provides truly in-depth insights into the issues surrounding online auctions and markets. The authors – both well-accepted authorities in the respective community – explain why so many markets failed and show how to design and effectively use markets; in the supply chain, to connect with customers and to manage risks, and within global firms to increase efficiency and find the best information. Even though the book focuses on

online markets it also considers 'brick and mortar' and hybrid markets.

The first of eight main chapters provides five key insights of the book and presents three cases of successful online marketplaces in order to illustrate what makes them successful. The second part of the introductory chapter then introduces the following chapters.

In chapter two the foundations of key market processes through which markets create value for buyers and sellers are introduced. The inherent challenges of the transition processes from place to space are in the focus of the discussion. In addition, the authors discuss the right balance between technology and human interaction as well, thus taking into account that not all market processes can be fully and effectively automated.

The next chapter analyses success factors of online markets such as speedy achievement of critical mass and liquidity as well as reducing transition risk for market participants. Many examples from the real world illustrate the findings. At the end, the chapter provides a framework for creating a successful market.

Different auction types are discussed in terms of similarities and differences of both processes and outcomes in chapter four: 'The devil is in the details'. In an in-depth analysis the three main objectives are investigated: selection of a revenue model, selection of an auction model, and selection of specific market features and strategies.

B2B markets as part of the supply chain are the focus of chapter five. It addresses the issue of how companies can make use of markets and auctions in order to realize value, discusses the different types of B2B markets, and examines the integration challenges companies must overcome.

In chapter six the authors consider several strategic applications of markets other than supply chains such as, for example, resale markets, markets for trading risks, or knowledge

markets. Based on the very rich experiences of the authors this chapter – named 'Using markets creatively' – provides a lot of insight through its discussion of many examples.

In 'Market tactics', chapter seven, some principles for participating effectively in markets are outlined. Leveraging information and bidding strategies are discussed as are some psychological traps and strategic misbehaviour of markets.

The final chapter, 'dynamic market strategies', covers the issue of market strategy building incorporating three major steps, namely: creating a vision, selecting the right strategies for market implementation and participation, and mobilizing to implement the market. Issues such as market-maker strategies and governance topics are also addressed.

The end of the book contains a very valuable list of references for every chapter, and a detailed index.

Overall, in just eight chapters the book presents a huge amount of insight into the area of online markets and auctions covering foundational issues, analysing different types of markets and auctions, and providing valuable hints dealing with tactics and strategies of online markets and their implementation. Theoretical and conceptual findings are illustrated comprehensively. The book is a very valuable resource for researchers as well as for managers dealing with online markets.

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As the Digital Economy becomes an operating reality for firms across various industries, transforming business and commerce throughout the economy, and consequently affecting society at large, firms struggle to develop strong business models. New delivery channels bring challenges to logistics management, new products and services raise pricing and