



**ACADEMIE UNIVERSITAIRE LOUVAIN**

**COMMISSION DOCTORALE DE DOMAINE  
SCIENCES ECONOMIQUES ET DE GESTION**

**BUREAU DE GESTION**

Le Recteur de l'Université catholique de Louvain fait savoir que

**Nicolas NEYSEN**

soutiendra publiquement sa dissertation pour l'obtention du titre de

**DOCTEUR EN SCIENCES ECONOMIQUES ET DE GESTION**

le mardi 15 décembre 2009 à 15 heures

Salle Urbain Vaes

Place Rabelais à 1348 Louvain-la-Neuve

Sujet de la Dissertation

**"New Forms of Market Intermediation:  
Matching Economic and Management Perspectives"**

Composition du Jury

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This dissertation addresses the topic of market intermediation and match-making platforms over the Internet. It consists of four essays that show that matching the management approach to mediating organizations with recent economic theoretical concepts may greatly enhance our understanding of the field.

The first essay is about the specificity of market intermediaries in terms of value creation. It provides a critical review of the literature on this issue and suggests that the roles played by market intermediaries are important value drivers through which intermediaries succeed in creating value for customers, and thereby prevail over direct trade.

The second essay explores the question of intermediaries' organizational architecture. Our approach links the specific value creation mode of intermediaries to their boundary decisions. We argue that in this case the concept of network boundary is more helpful than the restrictive notion of vertical boundary.

The third essay investigates the growth strategy of a matchmaking platform and demonstrates that the perceived value of the platform's mediating service is dependent on the interaction between direct and indirect network externalities. This essay shows that network composition is at least as important as network size.

The fourth essay highlights the competitive game that takes place between users of differentiated matchmaking platforms. It relies on the coopetition theory to characterize the affiliation motive to join infomediaries and more traditional marketplaces.

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Nicolas Neysen

Exploring New Forms of Market Intermediation

# New Forms of Market Intermediation: Matching Economic and Management Perspectives

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DÉCEMBRE 2009

Thèse présentée en vue de l'obtention du grade  
de docteur en sciences économiques  
et de gestion

Faculté des sciences  
économiques, sociales et politiques

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# Conclusion

This last section concludes our dissertation. Section 6.1 contains an extended summary of the dissertation. Open issues and promising avenues for future research are presented in Section 6.2.

## **6.1 Summary of the dissertation**

The dissertation addresses the topic of market intermediation and more precisely the strategy followed by matchmaking platforms over the Internet. The dissertation consists of four essays that show that matching the management approach to mediating organizations with recent economic theoretical concepts may greatly enhance our understanding of the field.

The first essay concerns the specificity of market intermediaries in terms of value creation. It provides a critical review of the literature on this issue and highlights ontological problems regarding the definition of the role played by electronic market intermediaries. In reaction to the current lack of clarity and coherence in the literature, we suggest that, from a virtual value chain perspective, market intermediaries actually undertake several activities that might be categorized into four distinct roles (i.e. transactional, assurance, informational, and logistical). We argue that these roles are important value drivers through which intermediaries succeed in creating value for customers, and thereby prevail over direct trade. We also note that these roles and their respective activities are differently impacted by the Internet and the ICTs in general.

The second essay explores the question of intermediaries' organizational architecture. The approach we choose in this essay links the specific value creation mode of intermediaries to their boundary decisions. Since it has been demonstrated in earlier work that firms can be ranked into three different configurations of value creation (namely, value chains, value shops, and value networks), we argue that, concerning matchmaking platforms, the concepts of value network and network boundary are more helpful than the traditional and restrictive notions of value chain and vertical boundary. We refer to eBay Inc.'s strategy in terms of acquisition and divestment operations to explore the explanatory factors of firm boundary decisions in the case of market intermediaries.

The third essay investigates the growth strategy of a matchmaking platform (still eBay Inc.) and demonstrates that the perceived value of the platform's mediating service is dependent on the interaction between inter-group and intra-group network externalities. Relying on an IO theoretical framework, we show that the traditional strategy of matchmaking platforms –that consists in maximizing the affiliation on both market sides to generate a high level of positive inter-group network externalities– is not always desirable. Indeed, our results indicate that heterogeneity among the platform's customers also leads to strong negative intra-group externalities. These effects may counterbalance the benefits of the strategy and raise severe issues for the platform owner. In sum, this essay shows that network composition is at least as important as network size when intermediaries define their strategy.

The fourth essay focuses on the same problem as in Essay 3, but with another theoretical lens and a different methodology. We namely take into account the presence of differentiated platforms in the virtual environment. In

this essay, we analyze the competitive game that takes place between users of differentiated matchmaking platforms. It relies on the coopetition theory to characterize the affiliation motive to join infomediaries and marketplaces on the Internet. The essay finally develops an economic model that shows that intra-group externalities can be stronger than expected (like in the third essay, but this time in a theoretical way).

## **6.2 Future research directions**

The dissertation points to the importance of multidimensional research on market intermediation. For instance, we mobilize recent advances in IO economics on multi-sided markets to generate interesting questions linked to strategic management and the market mediation literature. We believe that matching economic and management perspectives can contribute significantly to our current understanding of market intermediation over the Internet. However, adopting such an integrative angle also suggests opportunities for future research. We now recall the major promising avenues for future research that have been identified within each essay.

Regarding the value drivers of market intermediaries, future research should account more explicitly for differences between traditional and online forms of intermediation. As noted at the end of the first essay, current studies on the roles of online intermediaries heavily rely on previous work dealing with traditional market intermediaries. However, as ICTs open the possibility for always more innovative intermediation services, one can assume that online intermediaries do more than just transferring online activities that were traditionally performed offline. Exploring the value drivers of recent innovative

online intermediaries (e.g., social networks) via a grounded methodology and without referring to the traditional value drivers identified in the first essay, could lead to fascinating results.

In the same vein, another research opportunity concerns the adaptability of traditional intermediaries when entering the virtual field. Indeed, current studies on the topic make usually a difference between “brick-and-mortar” intermediaries (those who belong to the traditional intermediation) and “cybermediaries” (those who are exclusively active over the Internet). In general, these studies treat those issues separately. However, many examples of “ambidextrous intermediaries” provide evidence that this bipolar view is restrictive. Therefore, in the first essay, we propose to rely on the dynamic capabilities theory to assess the ability of traditional intermediaries to enter the virtual world.

Potential extensions of the analysis presented in the second essay might pursue the influence of value creation configuration on boundary decisions from a strategic management perspective. We propose that only as we come to understand the origins of value creation configurations (particularly the value network), are we likely to understand how to best structure the boundaries of the firm. In this essay, we highlight that some explanatory factors may be the same as for traditional manufacturing firms (e.g., complementarity among business units or segments), but can also be specific to intermediaries (e.g., network externalities). Therefore, a further challenging theoretical question is whether the mode of value creation chosen by a firm is determinant as regards its organizational architecture or not. The second essay is an attempt in this direction but needs additional evidence.

Another important issue deals with the interpretation of network externalities in strategic management terms. An interesting question for future research is indeed how the nature of network externalities evolves when the size and the composition of the platform also evolve. Where network composition is pervasive, exploring intra-group externalities means also paying attention to their impact on the benefit, the image, and the strategy of the platform, not just to their impact within the group of concerned users. Considering this point in future work (for instance via a longitudinal study) is even more important as network externalities are dynamic rather than static.

In the last essay of the dissertation, we shed some light on competition between vertically differentiated platforms. Future research should examine the same issue but this time on horizontally differentiated platforms (e.g., niche platforms vs. wholesale aggregators). Likewise, as we analyzed the coopetition phenomenon between platform members, it could be interesting to investigate the same issue between platforms (e.g., the presence of positive indirect externalities across differentiated platforms). Finally, we hope that our dissertation can stimulate further research in the online market intermediation area.