

UNIVERSIDADE FEDERAL DO RIO DE JANEIRO
IAN VINCENT WALDRON

VALUE CHAIN POSITIONING IN THE AGE OF MARKETPLACES AND SELF-
EMPLOYMENT:
The Fulfillment By Amazon Case

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2018

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Master's dissertation presented to the Instituto Coppead de Administração, Universidade Federal do Rio de Janeiro, as part of the mandatory requirements in order to obtain the degree of Master in Business Administration (M.Sc.).

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Approved by:



Leonardo Marques Gomes, Ph.D
(COPPEAD/UFRJ)



Kleber Fossati Figueiredo, Ph.D
(COPPEAD/UFRJ)



Lee Matthews, Ph.D
(University of Lincoln (UK))

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ABSTRACT

WALDRON, Ian Vincent. VALUE CHAIN POSITIONING IN THE AGE OF MARKETPLACES AND SELF-EMPLOYMENT: The Fulfillment By Amazon Case. Rio de Janeiro, 2019. Graduation Thesis (Master in Administration) -- Instituto COPPEAD de Administração, Universidade Federal do Rio de Janeiro, Rio de Janeiro, 2019.

This paper investigates the rise of self-employed sellers who account for more than half of the supply of products to Amazon's marketplace. The resource-based view and transaction cost economics are used as theoretical lenses to understand how sellers position themselves along the value chain. This research is conducted via six in-depth interviews with sellers who use Amazon's Fulfillment by Amazon service. Data analysis indicates that transaction cost economics can explain a firm's initial value chain positioning at the self-employment scale, however this theory may not explain well the development of these firms over time. The study finds that the resource-based view proved to be a better explanatory lens for understanding these sellers' performance with respect to their value chain positioning. This paper contributes to theory elaboration regarding strategic decisions made by the self-employed in digital marketplace contexts and suggests some potential blind spots in the existing theories.

Keywords: transaction cost economics, resource-based view, outsourcing, freelancers, marketplaces, value chain positioning, e-commerce

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LIST OF ABBREVIATIONS

FBA	Fulfillment by Amazon
PPC	Pay per click advertising
ACOS	Advertising cost of sales (ad spend / ad-driven revenue)

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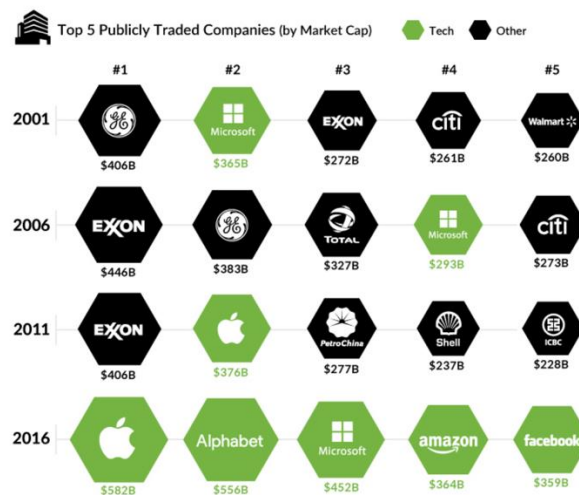
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1 INTRODUCTION

1.1 RELEVANCE

The Internet has changed the way people buy, sell and work in a myriad of ways. It allowed consumers to shop without leaving their homes, allowed producers to avoid costly investments in physical stores and has led to the rise of many massive platforms that aggregate demand and supply.¹ The emergence of these mega-platforms has changed how organizations are structured internally and how they interact externally. This phenomenon has not only empowered consumers to find what they're looking for, but it has destroyed and is rebuilding the advertising and retail industries, which for so long favored those firms with scale and deep pockets that could afford retail channel dominance, advertising agencies, media-mix modeling, and TV up-fronts.² Internet user targeting began to allow smaller firms to cut through the noise and find users who were highly likely to be receptive to their messaging and products and this process has led markets to continue to fracture into smaller and smaller segments.^{3,4,5} The aggregators and platforms that have enabled this product-customer match-making have become the largest firms by market capitalization in the world (see Figure 1 below).

Figure 1 - Increasingly Platform-dominated Economy



1.2 ECOMMERCE AND DIGITAL PLATFORMS

¹ <https://stratechery.com/2015/aggregation-theory/>

² <https://www.nytimes.com/2017/11/02/magazine/how-facebooks-oracular-algorithm-determines-the-fates-of-start-ups.html>

³ <https://www.wsj.com/articles/why-youre-buying-products-from-companies-youve-never-heard-of-1538661608>

⁴ <https://medium.com/positiveslope/attack-of-the-micro-brands-c0b7835c3633>

⁵ <https://medium.com/@namratalpatel/the-hyperfragmentation-of-retail-and-why-the-biggest-winners-are-digital-ad-platforms-not-5d55b26e96c>

Google and Facebook (in the West) have achieved global scale in terms of usage and reach and have developed extremely accessible self-serve advertising tools that can be understood and utilized in a matter of hours. These tools not only empowered existing small firms but enabled new opportunities and firms to be established.⁶ Over the past decade countless firms have been built on the backs of these platforms that largely address two pillars of marketing: discovery (Facebook & Google Display + YouTube) and intent (Google search).⁷

This equation relied heavily on marketing, expensive or crude product research and left the other core retail business activities intact as internal activities: fulfillment, sourcing, production, customer service, shipping, inventory management and returns. The marketing function became outsourced to these platforms and a cost-per-acquisition or cost-per-click metric.

This trend has continued via a rise in entrepreneurial activity using two more of today's mega-platforms (Amazon and Alibaba) alongside a suite of additional third-party tools that have enabled individual sellers to outsource more and more of their core activities. Through savvy demand research using these platforms' data and tools, sellers can increasingly understand the real, daily, demand for their product before they even produce or order it. There remains little academic focus on these increasingly common extreme instances of near complete outsourcing in our new platform-dominated economy.

1.3 THE THIRD-PARTY SELLER ECOSYSTEM

Due to the fact that Amazon has achieved 5% of total US retail market share and 49% of the ecommerce market, much of the seller ecosystem thrives, not by generating new markets or demand for new niche products, but by discovering the imbalances and opportunities between existing user demand and marketplace supply in this now enormous ecosystem.⁸ Sellers are then able to find reliable suppliers with ease via the world's largest wholesale e-commerce platform; Alibaba. This further perceived decrease in expertise and capital needed to establish a small e-commerce firm, has led to a wave of single-person firms who appear to need only to conduct rigorous, unique product research, source their product and finance their initial batch.⁹

⁶ <https://www.kleinerperkins.com/perspectives/internet-trends-report-2018/> (Slides 51, 52, 71, 72)

⁷ <https://www.kleinerperkins.com/perspectives/internet-trends-report-2018/> (Slides 51, 52, 71, 72)

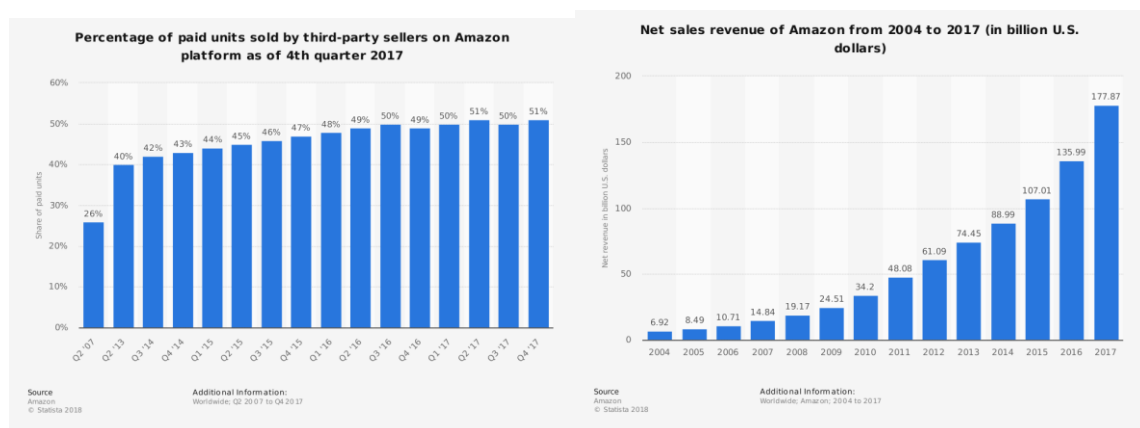
⁸ <https://techcrunch.com/2018/07/13/amazons-share-of-the-us-e-commerce-market-is-now-49-or-5-of-all-retail-spend/>

⁹ https://www.YouTube.com/results?search_query=fba+selling&page=&utm_source=opensearch

Amazon, through its ability to raise essentially limitless capital despite near-zero profitability while investing aggressively in DCs, logistics and user acquisition (Amazon Originals itself is merely an example of this effort), has generated this reduction in vendor-consumer transaction costs that has enabled this ecosystem of individual sellers to sit on top of it.¹⁰ Ranked 5th globally by Interbrand, Amazon not only provides the infrastructure for these sellers, but also instills consumers with confidence and site-hosted product reviews.

Conversely, Amazon needs this ecosystem, which is essentially the firm outsourcing much of its product research and supply chain efforts to the Marketplace while it focuses on only the highest demand, highest margin products.¹¹ Roughly 50% of listings on Amazon in the US are supplied by third-party sellers, essentially product managers who are not Amazon employees (like Uber’s “Driver Partners” in a way) (See Illustration 2 below). What appears to be at first an extremely unbalanced relationship is less so when looking at sellers in aggregate.

Figure 2 – Marketplace Third-Party Sellers Represent ~25% of US E-Commerce GMV



If the volume these sellers move was a stand-alone firm it would be one of the largest 20 firms in the world by market cap (Amz is \$700b, third party sellers comprise roughly half of volume, AWS only \$1b in op. income...).

In this new platform-dominated economy, the rise of digital marketplaces is reshaping the nature of the firm landscape and reducing search and information costs. Where, before, many fewer large and mid-size firms negotiating with a myriad of retail partners, online there are now a few mega-platforms with millions of individual entrepreneurs who are often operating with very modest resources. How might traditional firm formation theory help researchers understand these two paradigm-shifts in firm formation (reduction in transaction costs and self-employed, low resource firms)? Following the work of McIvor (2009), this paper

¹⁰ [Scott Galloway: How Amazon is Dismantling Retail.](#)

¹¹ <https://www.recode.net/2018/4/7/17208804/amazon-private-label-brands-list>

will take two outsourcing strategy theoretical foundations, transaction cost economics (TCE) and the resource-based view (RBV), and re-examine them in this new context, because they have been the most influential theories in understanding outsourcing behavior historically. TCE in particular relates to the ICT and Internet-related literature in that search costs online are dramatically reduced (Ratchford, et al, 2003).

1.4 RESEARCH FOCUS

As McIvor (p.45, 2008) notes, “development in information and communications technologies (ICTs) have accelerated the growth in outsourcing to encompass almost every organizational activity.” The subjects of my study are individuals who exemplify this trend and have outsourced every area of the business other than product demand research and sourcing research. They buy from Alibaba gold-rated suppliers in China and they sell on Amazon.com in the United States. They subscribe to a number of third-party research tools including services like JungleScout and ViralLaunch (a dozen others exist), while also leveraging free advanced tools on sites like eBay and the support of online communities of Amazon FBA sellers for tutorials, tips and advice.

My inquiry: How does the transaction cost economics literature explain the formation of the seller ecosystem, these sellers’ value chain positioning behavior and how might the resource-based view literature explain or predict seller outcomes going forward?

2. A REVIEW OF THE LITERATURE

2.1 FIRM FORMATION AND OUTSOURCING

In exploring the relevant literature to the study’s inquiry, the researcher identified the two most influential theories: transaction cost economics and the resource-based view. These two lines of thinking seek to explain the boundaries of firms and markets and why firms organize themselves the way they do. As McIvor (p. 45, 2009) explains, “TCE specifies the conditions under which an organization should manage an economic exchange,” whether it may be internally or externally, while RBV sees the firm as a ‘bundle of resources’ and helps to explain which resources are generating the competitive advantage the firm relies upon.

These widely respected and utilized theories are then supplanted with more recent work attempting to combine or merge them and also related literature of organizational trends around freelancing, independent contracting and firms having increasingly “blended workforces (Chauradia p. 92, 2015). Firm’s hire “freelance human capital” who tend to specialize in an

area and the firm attempts to improve performance by leveraging the freelancer's knowledge, skills and abilities. This trend is characterized by flexibility and adaptability for the freelancer and for the contracting firm, but also cost savings--and in the *aggregate*, more stability via risk pooling (for the platform). This perspective from the single-employee firm helps us understand firm behavior as it 'shrinks' down to this size.

I will first give a brief overview of the foundations of each of these base theories, then discuss how they might be combined to achieve a more comprehensive understanding of outsourcing decisions and seller behavior, before discussing potential adaptations and peculiarities in this new platform-dominated seller context.

2.1.1 Transaction Cost Economics

Transaction cost economics began with the work of Ronald Coase in, *The Nature of the Firm* (1937), and was further developed by Oliver Williamson (1975, 1981 2002) which offered causal explanations as to why transaction costs rise or fall. The theory states that transaction costs will dictate the boundaries of the firm and seeks to explain the "make or buy decision" and other instances of, vertical integration and outsourcing--essentially attempting to understand in a predictive sense where the boundaries of firms will extend to and why. TCE delineates between transactions occurring in the market via price mechanism or within the firm via hierarchical administration or 'efficient governance'--these are our two modes of governance for transactions (Madhok p.536, 2002). Wherever this transaction cost is lower, said transaction will take place via that mode of governance, for example if a transaction costs prove exceedingly high in a given market, a firm will be established which will coordinate that economic activity via formal management. Gunbrandsen (2009) outlines governance costs as those associated with acquiring necessary inputs for operation, including search costs, negotiating, bargaining, contracting and contract management.

Following TCE these transactions take place in the context of two principal assumptions: bounded rationality and opportunism (Williamson, 1989;1991a; Aubert et al., 1996). Bounded rationality essentially states that there is inherent uncertainty going into transactions and that human beings cannot and do not know all information relevant to a given transaction before it occurs: the "cognitive limitations of the human mind" (McIvor p.47, 2009). The second assumption involves the power dynamics and potential informational asymmetries or level of incomplete information existent in a transaction. One party may have more leverage

or information that the other may not and may behave opportunistically because of this--essentially self-interest.

Beyond these assumptions, four types of costs, price searching, provider searching, negotiation and contracting, are associated with our core unit of analysis: the transaction (origin of these 4 costs).

The ease with which consumers and retailers search for products on the Internet has been well documented and is of course a major enabler of our subjects' operations. Ratchford, Lee and Talukdar's (2003) early work showed that the Internet reduced the length of the customer journey in the automobile market and that without the web, buyers would have spent much longer to purchase--this phenomenon has of course played out across verticals in the last two decades. Further research showed that a reduction in search costs, results in a subsequent, and perhaps disproportionate, increase in the elasticity of demand (Seiler 2013). This was found across product categories (Degeratu, Rangaswamy & Wu, 2000; Granados, Gupta & Kauffman, 2012) and is also supported by research showing that customers acquired through paid search ads purchase more and generate higher customer lifetime value than those acquired via other channels. (Chan, Wu, Xie; 2011).

The total transaction costs are then exacerbated by other characteristics, the core three of which, can be generalized as: uncertainty or risk, infrequency of trading and asset specificity (small numbers bargaining and information impactedness (asymmetry) as well, McIvor, 47).

Uncertainty relates closely to opportunism and human behavior. When these elements are high, the cost of the transaction increases due to legal costs, protections, etc (Kulkarni and Heriot, 1999). Conversely, trust reduces costs, which firms can accomplish by internalizing activities and enforcing a hierarchical mechanism, rather than leveraging a market one. This portion of the theory maps closely to consumer trust development online, which Shankar, Urban and Sultan have discussed (2002). Online reviews, often hosted by the retailer, also drive trust and impact perceived risk, the impact of positive reviews on sales and sales rank has been well documented (Chevalier and Mayzlin 2006).

Frequency can also have large impact on costs. While some note that recurring transactions require constant negotiation, which drives costs up (Kulkarni and Heriot, 1999, p.45) it also must be noted that occasional transacting may encourage opportunism and that more frequent transacting between two parties may reduce this behavior and increase certainty for parties (Aubert et al., 1996). While the effect of frequency on transaction cost is key, depending on the context and parties involved, it can drive transactions towards either mode of governance.

Asset specificity refers to the degree to which an asset can be used for multiple purposes, re-purposed or used easily by parties other than the current owner, without impacting its existing value, or, “durable investments that are undertaken in support of a particular transaction (Williamson 1975; 1985; 1989).” When asset specificity is high, this will tend to increase transaction costs in a market setting and will drive the related activities within the boundaries of the firm to be governed via administration. Highly specific assets are difficult to outsource--as specific resources tend to be core activities of a firm--and this can lead to contractual problems (Kulkarni and Heriot 1999). For example, if outsourced the firm may become vulnerable to ‘leakage’ of important IP and/or become overly dependent on said supplier. Gulbrandsen et al. (p. 90, 2009) see asset specificity as the strongest determinant from TCE that drives vertical integration.

Figure 3 – Aubert et al. Transaction Cost Framework

		Asset specificity	
		Low	High
Uncertainty and measurement problems	Low	Market transaction	Complete contract (long-term)
	High		Relational governance
		Occasional	Recurrent
		Frequency	

Transaction Cost Framework (Aubert et al., 1996)

TCE helps to explain the nature of two entities interacting, either within a firm or between two separate firms, however the RBV lens aids in understanding make or buy decisions based upon the assets that firms (the sellers in our study) have control over.

2.1.2 The Resource-based View

The resource-based view of the firm looks not at where and how economic transactions are occurring, but rather at assets that a firm has control over. From this perspective, the firm is a “bundle of resources and competencies (Penrose, 1959; Wernerfelt, 1984; Barney 1991; Peteraf, 1993; Teece, 1993).” The theory tends to ignore the more external perspective of products and markets discussed by Porter and others and focus on the relationship “between a firm’s internal characteristics and performance (Barney, 1991)” and on routines and ‘the distinct ways that things are accomplished within the enterprise’ (Teece et al., 1997). The theory holds that these internal resources, in combination, will determine whether the firm can

establish a sustainable competitive advantage. The internal resources that are “costly-to-copy” will help generate economic rents and will create this evasive competitive advantage and thus drive performance (Conner, 1991).

The resource-based view tends to operate under two core assumptions: that firms are comprised of heterogeneous resources and that these resources are not highly mobile between firms (Barney 1991). This runs contrary to external perspectives, that may assume resources are more mobile and homogenous between firms (Porter 1985). Firm resources are categorized into 4 core types: physical, financial, human capital and organizational capital--and in order for them to generate this sustainable advantage, they must be either;

- Valuable: resources that enable a firm to improve efficiency and effectiveness
- Rare: firm resources widely available to other firms will not generate competitive advantage
- Inimitable: Resources that are difficult to reproduce. Consistent with ‘causal ambiguity,’ where even if resources can be reproduced, it’s unclear how they relate to competitive advantage.
- Non-substitutable: The difficulty of replacing one firm’s resources with another’s. The idiosyncratic nature of these resources make perfect imitation nearly impossible.

(Barney 1991; Barney and Clark 2007). Strategy formulation from the RBV perspective, does not start by assessing the market landscape, but by assessing “the organization’s resources, capabilities, and core competencies (Black and Boal, 1994).” Another important critique of Barney’s formulation is that much of today’s technologies used by firms are in fact highly imitable and substitutable, however the use of various *combinations* of resources with capabilities is what can make them generate sustainable competitive advantage (Newbert, 2007). Madhok notes in a similar vein that “even if two firms had access to similar inputs and technology, there could still be a difference in performance due to the differences in organizing skills and abilities (p.538, 2002).” This expansion on Barney’s framework is especially pertinent to our investigation as we look to independent sellers’ routines, habits, intuitions and knowledge in combining various tools at their disposal.

Das and Teng (2000) expand on how firms can gain access to rare and imitable resources they don’t own by forming alliances with organizations that are in control of them and integrating resources between firms. Eisenhardt and Schoonhoven (1996) found alliances most likely when both firms are in vulnerable strategic positions or when one has valuable resources to share. This is precisely the bargain Amazon has struck with its tens of thousands of vendors,

who have been given access to--and of course help generate--Amazon's customer demand and fulfillment infrastructure in exchange for increasing selection and competition on the platform (flexible product management knowledge work) and helping Amazon's marketplace to me much more agile and responsive to consumer demand.

The theory suggests that firms should outsource and economize on activities and resources and said combinations of the two that do not fill a "critical strategic need" (Quinn-Hilmer). The assumption being that these things are more highly commoditized and should be purchased externally if they do not contribute to the sustainable competitive advantage. The conclusion for firms being to double-down on core activities, those which are unique and not replicable.

Outsourcing non-core functions does of course bring risks and this can lead to "leakage of IP," so measures must be taken by firms to avoid this from happening (Teece). "The protection of knowledge barriers is not perfect" and knowledge-based resources may be more vulnerable to unintended transfers and may be more difficult to confine to your firm for long under certain alliances (Miller and Shamsie, 1996).

In light of RBV and TCE both attempting to explain similar phenomena, is it truly useful to select one over the other, or rather to use key concepts from each in tandem to better understand a given context more holistically?

2.1.3 RBV and TCE: Better Together?

Others have suggested that perhaps there is more to be gained from combining these perspectives. Madhok (p.541, 2002) has made the case for a 'triangular alignment between the triumvirate of governance structure, transaction, and resource attributes. Madhok contends that these two schools of thought are really addressing two sides of the same coin, but because they approach with different paradigms (exchange/cost and production/skills) they have tended to talk past one another. Drawing upon later remarks by Coase (1988) lamenting the division and lack of dialogue between the two views of firms, Madhok observes that firms can also be seen as a 'collectivity of transactions' and that efficiency of governance could easy be categorized as 'governance skills' that drive competitive advantage (p.540, 2002). Madhok concludes that, because of the interrelations between transaction and production relations, strategic management is really about coordination and resource allocation both within *and across* firm boundaries.

Gulbrandsen (p. 92, 2009) also attempts to merge the theories focusing on what he sees as the determining features of each: closeness and asset specificity:

Table 1 – A typology of predicted outsourcing versus insourcing

	Asset specificity	
	Low	High
Closeness		
Low	1. Outsourcing	2. Outsourcing
High	3. Outsourcing	4. Insourcing

Gulbrandsen 2009, p. 92.

Scholars including, McIvor, 2009; Neves et al., 2014; Gulbrandsen, 2009; and Tebboune et al., 2015; producing similar bi-theoretical works, which the author has used for guidance on the structure of this research, have concluded that each theory alone is incapable of predicting firm behavior and organization and that elements of each, used in combination, yield the strongest, and most predictive, explanations of firm organization and boundaries.

Beyond combining perspectives from each of these theories, it is important to highlight some of the recent literature around our specific context as it is fairly unique to the historical applications of the TCE and RBV theories. The nature of the self-employed freelancer and their relationships with markets and mega-platforms has shifted in recent years so this evolving literature merits inclusion.

2.2 FREELANCE WORK AND PERMEABLE FIRM BOUNDARIES

Another area of the literature that is important to draw upon in our analysis is that of freelance, contingent and contract labor generally--namely when individuals operate as firms in coordination or alliance with larger firms. While the authors acknowledge that our subjects are indeed entrepreneurs and occupy the SME space, this literature also helps us understand how they create value and thrive overtime as individuals. This literature resembles the that of RBV, but the unit of analysis is a single person, who is now in our case, a ‘firm.’

Freelance work is a “growing phenomenon in many developed countries but not yet the focus of many studies,” notes Born and Witteloostuijn and “after all, a modern freelancer is a self-employed entrepreneur (p. 25, 26, 2013).” What Hardy termed a “portfolio worker” in 1985 is today’s independent contractor, or, freelancer. What differentiates them from yesterday’s “temps” or simply cheap, non-unionized labor, is their preference for this work and tendency

to be experts in their field (Marler, et al., 2002). In fact, Handy (1989) appears to have predicted the rise of this arrangement when he wrote that organizations in the future will have full-time professionals running their core competencies, professional freelancers working on a project-by-project basis and contingent work doing routine jobs.

In their search to develop a model for freelance career success, Born and Witteloostuijn, draw on Parker's (2009) intelligent career framework, which includes "ways of knowing" and they also find that freelancers are quite aware of the need to continuously develop their human capital and that they "are always scanning knowledge sources to be up-to-date on the latest industry trends (p.29, 2013)." Amit, Glosten and Muller (1993) identify one of the four traits most common among entrepreneurs as an "above average risk-taking propensity" (Brokhaus 1980).

When looking at freelance work through the RBV lens, their main resource bundle is comprised of knowledge, skills, abilities, networks and habits. Born and Witteloostuijn note that generating a sustainable competitive advantage with these is difficult "in the low barrier work of freelancing (p. 31, 2013)." This they claim, leads freelancers to have this strong tendency for human capital development, because their space is typically so competitive. The authors also cite Porter (1985) and note that freelancing success is largely determined by freelancers able to occupy a cost or niche position in their market.

From the perspective of managers who contract freelancers, Burke and Cowling (2015) note that they usually are involved in uncertain or risky environments where the firm is hesitant to staff expensive full-time labor or perhaps lacks the expertise. Jiang et al's (2011) work supports this notion, discussing the potential lack of profitability of Amazon attempting to sell relatively low volume, niche products it doesn't necessarily understand very well. Galloway (2018) has also made this point, noting that "Amazon outsources the crappy part of the ecommerce ecosystem and then moves in on the white meat, the high margin, high volume stuff." Burke and Cowling point out that independent sellers may already have more information on the product than Amazon and in fact a better understanding of demand. Freelancers enable firms to leverage specialized labor but avoid paying for it during downtime-essentially optimizing their supply of labor over time and across business units. In this sense, Burke and Cowling also point out this enables the firm to "manage and in fact, reduce risk," to benefit from a much more diverse set of skills and knowledge that it otherwise might and to be more flexible and agile.

Matusik and Hill (1998), in their work on the increase in contingent labor in the economy discuss similar themes and motivations for firms to pursue more permeable

organizational boundaries. They acknowledge that while many academics have consensus that contingent work tends to benefit the firms cost structure and aid in establishing ‘strategic flexibility’ to rapidly changing market conditions, they also find the use of contingent work to be a driver of the firm’s knowledge stock and to allow firms to differentiate their product offering. This permeable boundary allows the firm to access more external knowledge, which they argue then aids the creation of long-term value and sustainable advantage: “the history of innovation is replete with examples of technologies that have been created by fusing together previously separate knowledge streams.” They note this shift across the backdrop of an economy comprised of increasingly short product life cycles, more rapid obsolescence and the fragmentation of markets into smaller niches. The authors also note that firms may leverage contingent work in areas that will soon be made obsolete by technological solutions. These firm-side perspectives help us to understand how and why sellers can create value and thrive when they work with large platforms.

2.3 PLATFORMS, MARKETPLACE ECONOMICS AND NETWORK EFFECTS

Along with the increasing volume of literature on the shift towards self-employment, it’s important we also review the work focusing on what has made much of that paradigm shift possible: platform and marketplace business models, which organizational theory researchers have struggled to define as they have qualities of both firms *and* markets. As Coyle (2017) states, “technology is contributing to changing patterns of work” in this sense. This area of study often labels these firms ‘multi-sided platforms’ (MSPs henceforth), with two sides or more and explores how these organizations create value via a matching process of consumers and suppliers (Coyle 2017), or coordination of supply and demand. Hagiu and Wright discuss how when firms shift from a vertically integrated model to an MSP, they reduce their allocation of control over transactions.

These firms often benefit from what have been termed “network effects” where increasing users on a given side benefits the other users on that side or on another side. The latter, indirect network effects, are what have driven the rise of our ecosystem of seller entrepreneurs on Amazon (Rochet and Tirole 2006). In essence, maximizing click-through rate on the consumer side (relevance and customer satisfaction) and maximizing sales on the seller side. In this way, it is important that the platform incentivize sellers in order to drive those positive, indirect network effects and increase growth of the consumer side of the business. Rochet and Tirole go as far as to note that two-sided markets are in fact defined by a reduction

or lack of informational asymmetries—which help reduce transaction costs. The authors also distinguish between membership charges and usage charges on platforms, employing the latter may lower the barrier to entry and increase willingness to participate as the platform helps to limit the downside risk of the user (seller), but will allow marketplace to share in the upside.

The literature notes how so many technological “enablers” have been combined in the construction of these platforms that a massive reduction in transaction costs has been achieved (largely through a reduction in search costs). This is the central idea behind the business model of this study’s research subjects. Buyers and sellers need not meet in the same location or at the same time in our case. It must also be noted that platforms can vary widely, some for highly commoditized work and others for “professional workers with high human capital,” which is closer to the space our research subjects occupy. This is, historically, a relatively new arrangement where our subjects sell, not to a larger firm as a supplier, but to the larger firm’s *customers*—a shared role of seller evolves, reflected in revenue sharing between the large platform and the individual seller.

Building on the literature, the study will leverage the key characteristics of resources from RBV and of transactions from TCE to further understand the nature of these sellers’ business. The freelancing literature further augments the study’s ability to understand what makes self-employed entrepreneurs successful in this platform context. The researcher will identify which characteristics are present, to what degree, and their relationship to the inception and performance of the business.

3. RESEARCH DESIGN

3.1 QUALITATIVE CASE STUDY METHOD

This research takes a qualitative approach due the data limitations and the nature of single-person organizations and to be able to truly understand the motivations and thinking behind these sellers’ value chain positioning. In order to best elaborate on the most relevant theories and understand the operations, motivations, strategies and routines of the sellers on the Amazon platform the author spent 20 hours reading the conversations and interactions in their online communities and forums, as well as watching numerous informational videos of some of the more prominent sellers using Marketplace and FBA (find these links in appendix). This information and context were helpful in making the interviews as productive as possible so that sellers did not need to explain basics concepts and terminology. Sellers were chosen that had experience researching more than one product to sell via FBA. The author encountered these

subjects by messaging them after finding them in these online communities where they share ideas, ask questions and support one another.

Interviews were semi-structured, consisting of pre-defined themes of open-ended questions and prompts. This allowed for control over the topics of the interview, but also flexibility to explore the unique experience and business of each of the subjects. Interviews began with questions about the seller's professional background and expertise, then covered the seller's introduction to the FBA business model, the seller's evolving research methods, their initial product launches, their experiences sourcing product, their perspective on the trends in the ecosystem, a discussion of the alternatives to the FBA model and finally some thoughts on future developments.

The author did not explicitly define or explain the TCE or RBV theories or their associated concepts in the interviews as to not confuse or pollute the responses of the sellers. Using the semi-structured interview format, the interviewer was able to extract facts and experiences from the interviewees and connect them to the theoretical concepts based on question topic and subsequent coding. Interviews were conducted until a sufficient level of data saturation began to occur, where similarities and trends across cases became increasingly apparent.

3.2 INTERVIEW GUIDE

The interview guide can be found in Annex I. The interviews followed the same order of topics but did allow for subjects to go in-depth on areas of interest or particular relevance to their business. It consists of initial contextual questions to understand the subjects' background, knowledge and experiences—which typically were related to their seller business. The interview then investigated the core activities of the seller and to what degree they were administered internally by the seller himself (all subjects were male) or were outsourced to suppliers and software tools. The interview then asked a number of hypothetical questions, provoking the the subject to think about how they might execute their business model in the absence of some of the tools and outsourcing they rely on. Lastly, the interview covered trends in the ecosystem that are effecting sellers' success and future strategies.

3.3 DATA COLLECTION

Subjects were interviewed over a Zoom.us conference calls and were identified and contacted via seller community groups. The researcher joined a number of these groups

months prior to beginning research in order to absorb the context, trends and commonalities within the seller community. The researcher contacted 50 potential subjects, received responses from only 10. The 6 chosen subjects were those that were far along in their entrepreneurial journey, rather than some respondents who hadn't been selling long enough to really understand their success. All subjects have completed at least 1 full product order and sales cycle.

Table 2 – Seller Interviews

Interviewee	Country	Product(s)	Date	Words	Length (minutes)	Selling Experience
#1: CrossFit	USA	Household item, Cross Fit	2018, July 9	7,579	52	2 years
#2: Gaming Seller	USA	Gaming accesories	2018, July 18	5,262	35	1 year
#3: Outlet Cover Seller	USA	Phone accessories, outlet covers	2018, July 12	7,372	44	1 year
#4: Swaddle Seller	India	Baby swaddles	2018, June 20	6,025	52	2 years
#5: Martial Arts Seller	USA	Fitness equipment, various	2018, June 21	3,338	30	8+ years
#6: Engineer Seller	USA	Various	2018, June 20	2,407	30	10+ years
Total			July 9-June 20, 2018	31,983	243	22.5 years

3.4 DATA ANALYSIS

Interview transcripts were coded, using a qualitative research software, into a number of categories. Interviews were first coded for themes and descriptive similarities. The researcher coded again looking specifically at 1) key outsourcing enablers that sellers used in their strategy and 2) strategic resources driving sales over the longer term. The researcher then finally coded for specific theoretical concepts in order to further test and validate the theories applicability in the focus context.

In terms of some of the themes that emerged: the researcher identified 6 instances across 4 subjects of the importance of existing domain expertise, 8 instances of the importance of brand across all 6 subjects and 4 instances of the importance of capital across 3 subjects.

In terms of the enablement of outsourcing, the interviews contain 17 instances of ease of the product research outsourcing, 18 instances of the ease of the production outsourcing, 11 instances of the ease of using Marketplace and FBA for operations and 11 instances of the ease of using Amazon and Facebook for simple marketing activities.

4. RESULTS & DISCUSSIONS

4.1 CASE SUMMARIES

4.1.1 'Gaming Seller'

Gaming Seller's actual day job is at an Amazon fulfillment center so he sees the backbone of the FBA infrastructure working every weekday—although he claims it provides no advantage selling in the Marketplace. Like many, he came across the Marketplace selling opportunity on YouTube watching videos of some of the (self-proclaimed) super successful Marketplace sellers. A stat that resonated with him was, “There are 1 million people making \$100k a year on Marketplace.” He proceeded to join many of the Facebook groups, some administered by popular YouTube personalities. He quickly subscribed to the most popular product research tool: JungleScout.

He financed his initial product order with his tax rebate and was ‘straight up’ with his suppliers telling them he was a “broke college kid just trying to start a business.” Here the low barrier to entry to selling on Marketplace becomes evident. He linked up with a supplier via Alibaba who sent him a sample product. He was about to place an order after he received it and liked the quality, when the supplier actually alerted him (against her own short-term interests) that it wasn't allowed on the platform. We can see the power of user/buyer reviews and reputation reducing opportunism here and nudging sellers and suppliers to think more long-term. Gaming Seller did note that the language barrier made things a bit challenging at times.

After abandoning his first product idea in a product category he knew little about, Gaming Seller's next idea came from an insight in everyday life in a domain he had some expertise in: gaming. He noticed a nascent trend of people using controllers that attach to their smartphone to allow them to improve their level of play. He found another supplier on Alibaba and went through the sampling process to test the product's effectiveness for a gaming

consumer before placing a large initial order. His product is successfully selling many units a day, but is facing increasingly intense competition from near-identical products and he has had to reduce his price accordingly in order to remain competitive.

He recognizes some of the areas he can improve in, one in particular is marketing. He has nearly broken even on his investment, and says he's limited by his modest capital in terms of placing cost-efficient large orders and funding a strong launch effort, which many sellers describe as an expensive sampling and discount campaign to generate reviews and sales momentum.

4.1.2 *'Outlet Cover Seller'*

Outlet Cover Seller began selling via Marketplace and FBA in 2015 but has always been a very motivated entrepreneur and had been selling products online long before doing what many refer to as 'retail arbitrage' and re-selling. This is hard to scale though and requires internal administration of operations, inventory management and fulfillment. It did help him to learn the Amazon ecosystem though—a skillset he says has been important. He started selling FBA in a regrettably very saturated vertical, which he referred to as a "learning experience." He also touched on the expensive 'exit velocity' (researcher's term) needed when launching a product—the importance of reviews and sales to increase the listing's page rank and thus visibility. He also stressed the importance of differentiation on the platform, which he has now done in a "pretty sweet niche" in a different category and that he's trying to build a brand around. Outlet Cover Seller said a good portion of his time is doing customer service, responding to issues with products and running promotions to drive traffic from Facebook.

Outlet Cover Seller discussed the importance of differentiation in one's research and conveyed the idea that if you're using the exact same research tools as other people, you may be generating the same ideas and ordering similar products—encountering more competition than you might expect. He summarized the research objective bluntly: "high demand, low supply, basically." He also impressed upon the researcher the importance of triangulating a few data sources to make sure your research is robust and avoid any kinds of false positives of hit products. He mentioned that FBA selling has become "so glorified" and that people get excited and often make terrible investments in products that are based on misleading research and data points. When discussing his own upcoming product though, he showed a similar exuberance: "my next product coming up, because it's the demand is going to be great, everything is going to be good about it." He then also acknowledged that ultimately once he launches it may be up

to market forces: “the market should be able to judge and grade me by how you know how it is.”

Outlet Cover Seller equated Alibaba to Facebook in that it helps him find reliable sellers. He said he filters for only Gold-level suppliers and then can get a good sense after that based upon their level of communication. When discussing the threat of manufacturers entering the Marketplace platform, Outlet Cover Seller made part of the FBA sellers’ value proposition clear: they understand the American consumer far better than a foreigner might. He pointed out that grammar, specific language and keyword usage were really important in making American consumers feel comfortable buying private-label products. The researcher observed that while this understanding of the American consumer may generate a competitive advantage over Chinese sellers, it does not create an advantage amongst the hundreds of thousands of domestic, American FBA sellers of course.

4.1.3 ‘CrossFit Seller’

Like Outlet Cover Seller, CrossFit Seller also mentioned that he’s always had entrepreneurial aspirations. Like many he also entered the space by learning from some of the YouTube ‘gurus’ and self-proclaimed successful sellers. CrossFit Seller eventually opted for one of the paid courses offered by one of these sellers. Like Outlet Cover Seller, what CrossFit Seller says excited him about FBA was that “is obviously a whole lot more scalable, more scalable than retail arbitrage.”

He used JungleScout, the most common keyword and sales volume research tool, and admitted his research approach was “pretty basic” using a few filters for review and sales volume. He then began selling a unique household hardware, an outlet cover that doubles as a nightlight. He says he competes with one major seller, but that he’s been able to garner some market share from him. He said his day-to-day is really just optimizing some of his PPC campaigns which drive traffic to his listings.

CrossFit Seller also said he recently received a cease and desist letter related to alleged patent infringement and that Amazon had shut-down his listing. “Amazon doesn't ask questions first, they killed a listing and then ask questions later. That's kind of their MO,” he said.

Like other sellers, CrossFit Seller noted that the environment has become much more challenging: “most of what most of these gurus are telling you are, you know, is that stuff isn't working anymore.” He says you need to build a community or a brand and can’t simply rely on the economic strategy anymore. He plans on launching products in a space he has a domain

expertise in: CrossFit. He says he's joined many online communities of CrossFitters to ask questions and better understand their pain-points—product research beyond the quantitative model these sellers all began with.

4.1.4 *'Swaddle Seller'*

Swaddle Seller was another seller who was scratching an entrepreneurial itch and got into FBA by learning from existing sellers in a 'mastermind' group called 'Simple Product Profit.' He actually had just completed his MBA at Bentley University in the US but was unable to secure a work visa.

He said he began his research on JungleScout but soon came to the conclusion that his research wasn't differentiated enough if he was using the same strategy and tool as everyone else out there. From there he began to combine JungleScout with a tool called Merchant Words and the Google Adwords Keyword Search planner. He says this allowed him to introduce an element of randomness, which dramatically reduced the likelihood that he was coming up with similar ideas to other sellers.

Swaddle Seller said his first product had been a complete disaster as he'd begun selling a trendy baby category product, swaddles, which many others had also begun selling concurrently. He said he's in the process of liquidating the inventory at a loss. He seemed to have fallen victim to the problems many sellers described with the rapid influx of sellers and similar product research strategies. He did highlight the ease with which sellers can source on Alibaba, simply creating an account with minimal paperwork and easily using filters to find quality suppliers.

Swaddle Seller also described the struggle to finance a major product launch giveaway in order to rank highly. He said the capital at a seller's disposal really dictates what markets they can get into, as entering a competitive category requires a bit of a war chest in order to finance this large giveaway because one needs to quickly match the sales velocity of the leading listings.

Swaddle Seller said he thought most sellers spend the majority of their time doing product research, as this is really the most relevant input in terms of success--all else being so equal. After research he said, PPC is probably the 2nd major activity for most sellers: driving traffic to your product.

4.1.5 *'Martial Arts Seller'*

Martial Arts Seller was one of the more experienced users of Marketplace and FBA within the cohort and does a considerable amount of consulting for sellers on the platform. He spoke of JungleScout but noted that the platform is getting very saturated and said he tries to think more analytically along the lines of the popular 5 forces model from Micheal Porter. He said he actually does not launch many new, private-label products, but rather works with small, but established brands who want to begin selling via the Marketplace. He said in he likes to use a tool called Seller Labs Scope, which can help generate additional keywords to tag your listing with—non-obvious, related terms that will get the listing in front of high-potential shoppers. He said the tools are good for finding these long tail keywords.

Martial Arts Seller said in terms of the sellers with the most success, they tend to be relatively niche, but extremely well-known *within* that niche. He gave the example of perhaps an equestrian equipment brand that anyone who rides horses might immediately recognize.

Martial Arts Seller emphasized that when you sell on Amazon, you're selling to their customers and that is a privilege. You don't even receive their contact information. He says he always encourages companies to sell via many channels and not solely rely on Amazon to build their business.

4.1.6 'Engineer Seller'

Engineer Seller was the other very experienced seller amongst the study's cohort, has been selling private label products on Amazon for 10 years and actually runs one of the Facebook groups where sellers gather to discuss ideas and give advice. He said he's sourced on Alibaba in the past, but that he isn't like most sellers and he has an industrial engineering degree and has developed direct relationships with sources in China and even develops custom designed products. He admits his process "it is not a good fit for first time sellers, because it involves a lot of funding."

He said many new sellers research based upon the Best Seller Rank on Marketplace, but that they can really make bad decisions because they have no insight into the marketing strategy and investment behind a product that looks like it's selling heavily organically.

In terms of his own research, he says he only looks at Amazon product search data, not Google search volumes. He says this is because people search Google for products *and* information, whereas on Amazon, people are only looking for products—they're truly shopping. He uses a tool he's developed, RiverCleaner that uses only data directly from Amazon search queries.

Engineer Seller believes there is still plenty of opportunity on Amazon, but that many newer sellers rely on the very same methods of product research and discovery, which leads them to the conclusion that the platform is saturated and they give up. He does later concede though that: “it gets harder and harder to discover these niches and then all of your efforts are wasted because you get saturated and then you start looking for the new one.”

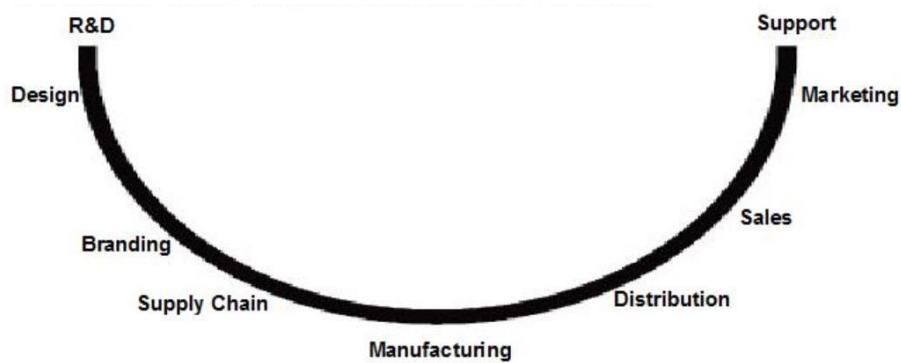
He made an important point that even in an age where creating and operating your own website is fairly inexpensive, consumers are far less likely to trust your independent store: “Well it’s very simple: many people will not trust your website because they don’t know you. But everyone trusts Amazon.” Here we see the brand equity that sellers leverage and benefit from when they list in the Marketplace.

4.1.7 Cross-Case Analysis

Table 3 – Visualizing A Greater Share of Activities Outsourced

Activity	Finance	Research	Sourcing	Inventory/Fulfillment	Shipping	Marketing	Customer Service
Core	▼						
Assisted		▼	▼	▼	▼	▼	▼
Outsourced				▼	▼		

Table 4 – Smile Curve Value Chain Theory: Successful Sellers Focus on the Ends



4.2 FBA SELLERS AND TCE: EXPLAINING FEASIBILITY

4.2.1 *Products of Their Environment*

By their very nature, subjects were one-man operations, and with respect to their value chain positioning, they tended to outsource nearly all activities. The envelopment—or creation—of these markets by these platforms/aggregators has been what has enabled this to occur as they achieve levels of trust, transparency and efficiency previously unattainable simultaneously—which my subjects then plug directly into on their own. This phenomenon is then compounded by the rise of dozens of third-party apps that mine data from the major platforms and make it flexible for individual use. Here each major business activity and the characteristics that led to its outsourcing will be assessed.

4.2.2 *Research*

The operational success of these sellers' business hinged more on this aspect than anything: what product they were selling. All other activities lack the same level of opportunity to differentiate. The proliferation of content easily available on YouTube helped to get many started on their researching path, after which they opted for subscriptions of various—affordable—research tools. The previously mentioned reduction in search costs online driving this ease of information gathering and initial product research.

Figure 4: Research Services and Tools Discussed by Interviewees



Outlet Cover Seller, “paid the like 39 bucks or whatever, I got the Jungle Scout. And then for a couple months there, I paid whatever the higher fee was. So I could like use Jungle Scout product research instead of just using it once you find the product to see what the competition is like, so I did that for a while.” This tool was the most common across sellers interviewed and sellers in general according to interviewees as CrossFit Seller noted: “...it's probably the most used tools in marketplace, you're able to set parameters on the type of

products that you're looking for.” From here they moved on to incorporate other tools and increase the sophistication (real or perceived) of how they verified demand and supply. Outlet Cover Seller said, “I don't discriminate against any tools, I will give it a shot,” showing just how accessible these tools have become. Swaddle Seller also spoke of their affordability: “So merchant words is actually it's \$40 a month, but I actually found a deal which allowed me to use this software for this \$9 a month other than that the other software investment which I've made is into was into the Jungle Scout Chrome extension, which was a one-time payment of \$200.”

“And then I eventually got Unicorn Smasher as well. Just to compare the data across the two,” Gaming Seller added. Sellers are constantly trying new tools to try and generate an edge or a unique way of identifying opportunity: “KEPA and Camel3 because that'll give you trends over the course of time and that's really a big deal and I really don't think a lot of people are doing that,” said CrossFit Seller. Again, the ease with which sellers access multiple data sources becomes apparent.

Many also enrolled in courses from more experienced sellers. “They're pretty expensive, it wasn't really to the point where I wanted to invest over \$1,000 on just my knowledge quite yet. But the course that Matt Loberstein was developing it was beta and it was, I think, three \$329 or something like that. So I jumped on it,” explained CrossFit Seller. Swaddle Seller’s course walked him, step-by-step through a boilerplate research process: “So what he did was he made the entire process from start to finish totally transparent he recorded everything on YouTube and he donated all the profits to different charities worldwide.”

The pervasiveness of the tools and homogeneity of the strategies shows that asset specificity of this model is indeed low, so sellers appear right to outsource their product ideas to these attractive services (Williamson 1975; 1985; 1989). The perceived risk and uncertainty is quite low, because of the reputation of these services and the perception that their data is accurate at first (Kulkarni and Heriot, 1999). As Gaming Seller notes, “those tools are kind of what's essential to be able to run this business at least in my eyes...if I didn't have the data to check and make sure something was profitable I wouldn't feel comfortable investing my own money.” Over time sellers view of these tools did appear to change and they found them less reliable (as each showed different data) and as they understood their research tactics were less unique than they’d realized. In terms of frequency, it would appear to be low here for the one-time payment offers and higher for the monthly subscriptions, which allowed for even greater certainty and risk mitigation (Aubert et al., 1996).

4.2.3 Sourcing

The ease of sourcing product via the rise of Alibaba and global communication technologies is the other major enabler that sellers who employ this model get excited about. When they learn of the FBA model, the ease with which one can source from a Chinese factory is one of the prominent selling points or novelties presented.

Gaming Seller even mentioned templates that sellers circulate and share to facilitate ordering: “Um, so yeah, you messaged them, like with your little template that that all of the YouTubers give you and you basically say like, Hey, I'm an owner of this business and I'm looking to source your product, how much would it be for 500, 1,000, etc. blah, blah.” His description demonstrates the nonchalance and accessibility and ease of contact. Swaddle Seller expands on the process:

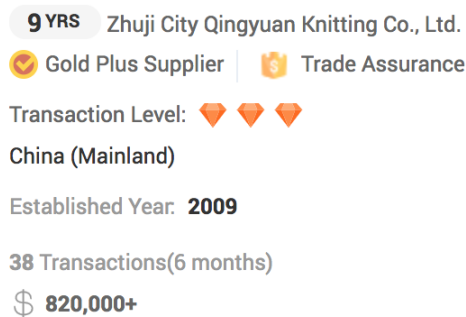
Logging in and making an account is pretty easy, they don't ask for too much of documents or anything like that. You just basically enter your email address your password, and you're all set. And once you start logging in, you basically start by typing in the product you're interested in selling into the search bar, and it will give you an entire list of suppliers that are selling that potential product.

Sellers also discussed checklists and ways of easily filtering for more reliable suppliers. “They have this filter called gold supplier where they were in if you take mark on that it will filter out on the potential guys who are not a gold supplier and normally the guys who are not paying for the gold supplier subscription the shadier guys,” Swaddle Seller explained. This Gold Supplier option was very commonly used by sellers. Outlet Cover Seller mentioned that there are badges by suppliers' names showing this Gold status as well is if they have Alibaba Trade Assurance, which is a sort of increased security measure and escrow feature to enhance trust and further reduce the transaction cost of this outsourced activity (Kulkarni and Heriot, 1999).

Sellers elaborated on how Alibaba has made sourcing a wide variety of product much easier than before. Swaddle Seller mentioned how Alibaba has vetted far more suppliers than Global Sources, another, older sourcing platform. “The thing with Global Sources is that they specialize in only certain niches whereas Alibaba specializes in practically every niche under the sun you could think of,” he explained. This increase in searchable supply, of course, also has an impact on prices: “if Alibaba didn't exist, then maybe the prices for everything would be a lot higher,” Outlet Cover Seller speculated. CrossFit Seller explained how the process was so fast that after 2 months from deciding to sell via marketplace and FBA, the product has already been delivered to the Amazon warehouse and was ready to be sold.

See example Alibaba seller profile:

Figure 5: Alibaba Seller Profile Detailing Status and Past Behavior



As sellers describe, asset specificity is typically fairly low. There are generally a few manufacturers capable of producing products, making this outsourcing decision perhaps the most clear-cut and rational from the perspective of the researcher. As Williamson has noted, asset specificity tends to have the most explanatory power amongst these three TCE characteristics. In the case of Engineer Seller, we see more ‘make’ involvement and customization and this helped to differentiate his products. The key element in this context, is not simply the ability to source from overseas, but the ease by which a single, motivated individual can do so, with any assistance from an importer, wholesaler or specialist. The difficulties faced by sellers were never from product quality issues, rather they tended to be from poor understandings of their markets’ demand or supply.

The perceived risk and uncertainty in the sourcing process are minimized by a number of factors, and according to the interviews, they appear effective. Seller reviews, product sample delivery, Alibaba badges and varying levels of communication all functioned as relatively easy, low-cost uncertainty-mitigating factors. Outlet Cover Seller described how paying through the platform using escrow the first time built trust and for later orders he would simply use a bank wire.

Frequency of transaction is low here, making internal production unlikely, and perhaps increased the chance for opportunism, but all the mechanisms above seem to successfully prevent this behavior. Not only did none of this study’s subjects mention any product quality issues, or supplier opportunism, but they also did not mention any other experiences of this.

4.2.4 Operations

The operations, which we’ll define in this context as the inventory management, order receiving, fulfillment and shipping, is really the most straightforward outsourcing decision and like the use of Alibaba, is a part and parcel to the selling model. All sellers use Amazon’s FBA

service, where suppliers ship directly to Amazon warehouses and Amazon ships products (often in under 48 hours) to consumers.

As Outlet Cover Seller's ecommerce experience pre-dated FBA, his reaction demonstrates the level of enablement it gives to small sellers: "And then when FBA came out and I was able to send stuff to Amazon and they sold it for me I thought it was the most brilliant thing on the planet and I started doing that." Others echoed the idea that without FBA, scaling an ecommerce business becomes very challenging. "It allows you to do so much more with so fewer people," Outlet Cover Seller concluded—truly empowering people to work alone. Swaddle Seller explains how FBA allows sellers to focus on research and their product ideas: "most of the sellers are really really happy because first of all the headache of logistics lies with Amazon and not with the sellers so what this so all the sellers have to worry about is getting the product selection right." He also discussed the third-party tools built in-line with FBA that help to automate customer service and stimulate customer reviews for only \$25/month. The FBA cost structure is almost entirely variable so there are no surprises for sellers, they pay per product sold for receiving, storage and fulfillment. The fixed plan fees begin at only \$39/month.

The asset specificity of Amazon's infrastructure is globally unmatched, but from the sellers' perspective, as all sellers use it and it is widely available for all types of products and orders it is of low asset specificity and thus follows that it should be outsourced. Madhok (2002) best explains these complex interrelations by observing that strategic management is truly that of resource allocation both within and across firm boundaries: the strategic (if perhaps temporary) inclusion of this study's individual sellers in Amazon's marketplace. The perceived and actual risk are both quite low in terms of transacting with Amazon, which has a reputation as one of the most reliable shippers and also uses very transparent and up-front pricing. Frequency here is—ideally—very high as product flows through the FBA infrastructure and out to customers and sellers receive monthly invoices for these services.

4.2.5 Marketing

Marketing, typically in PPC format, emerged as a clear aspect of the seller model and another activity that is easy to execute. It is important to note that, like product research, marketing is easy to execute for sellers, but they see varying levels of success and impact based upon their skill level. All sellers engage in Amazon PPC marketing, which includes an

“automatic” feature where Amazon will do all your bidding and keyword selection for you to try to maximize your sales—a truly hands-off approach. As sellers became more advanced, they would evolve from this to a more manual and hands on process, identifying tangentially related products using additional third-party keyword tools. Some also experimented also by driving traffic from social networks like Facebook and Instagram.

Importantly, you can spend as little as you like so this activity is very accessible for small sellers. CrossFit Seller made clear the importance of engaging in PPC to support your product: “You [your product] don't show up there unless you're running an automatic PPC campaign. “PPC is a necessary part of this business.” Outlet Cover Seller discussed one of the additional keyword tools: “Merchant Words that is a keyword finder. When you type in whatever the product is...whatever the keyword is, that's what pops up and then we'll give you a list of all of them.” Swaddle Seller said that sellers can spend as little as \$10-\$30 a day to rank #1 for a specific keyword—which could be enough for certain very niche products.

Sellers also discussed PPC marketing as very much an evolving and a learning process for themselves—a part of the business, like research, where they could really find opportunity and create an edge. CrossFit Seller explains his progress, which was aided by one of the courses he took: “What that opened up my eyes to is that I learned how to do PPC pretty well and Matt Loberstein and his course were the reason for that. I've spent a lot of times on getting the PPC campaigns setup I knew how to do it had a roadmap to even I wasn't familiar with PPC or anything along those lines. The course gave me the roadmap on how to set up a successful campaign.” Outlet Cover Seller also discusses his open-minded trial and error approach to marketing his products: “I try to do everything. And so a lot of people they don't believe that Facebook is for selling and so they immediately won't even try it. So I'll try it and I'll give it a shot.”

On a more brand and macro level, much of the marketing has already been done by Amazon which has aggregated the household shopping demand of nearly half the United States. This isn't lost upon sellers: “Amazon's where all the buyers' eyeballs are,” declared CrossFit Seller. Outlet Cover Seller went as far as to say, “I don't necessarily have to market my product, because everybody already goes to Amazon.”

All of these elements make marketing increasingly accessible to the average seller. The success of PPC does seem to vary (in the sense that it is really a transaction to generate sales), driving up uncertainty. It is also relatively asset specific once the effort evolves beyond a simple ‘automatic’ campaign, which leads this to be executed internally by the seller as it is completely semantically related to the seller's product niche. Frequency can be seen as continuous as ads

serve around the clock based upon consumer query behavior and can be seen as daily from the seller point of view as they optimize the spend each day.

Table 5 - A TCE Application to third-Party Selling: The Majority

Core Activity	Key?	Asset specificity	Uncertainty	Frequency	Sourcing Strategy	Competitive Implications	Economic Performance
Research	Yes	No	High	Low	Market-assisted transaction	Competitive Parity	Normal
Sourcing	No	No	Low	Occasional	Market transaction	Competitive Parity	Normal
Operations	No	No	Low	Recurrent	Market transaction	Competitive Parity	Normal
Finance	Yes	No	Low	Low	Firm transaction	Competitive Disadvantage	Below Normal
Marketing	Yes	No	Medium	Recurrent	Market-assisted transaction	Competitive Parity	Normal

Table 6 - A TCE Application to third-Party Selling: The Exceptions

Core Activity	Key?	Asset specificity	Uncertainty	Frequency	Sourcing Strategy	Competitive Implications	Economic Performance
Research	Yes	Yes	High	Low	Market-assisted transaction	Temporary Competitive Advantage	Above Normal
Sourcing	No	No	Low	Occasional	Market transaction	Temporary Competitive Advantage	Above Normal
Operations	No	No	Low	Recurrent	Market transaction	Competitive Parity	Normal
Finance	Yes	No	Low	Low	Firm transaction	Competitive Parity	Normal
Marketing	Yes	Yes	Medium	Recurrent	Market-assisted transaction	Temporary Competitive Advantage	Above Normal

4.3 FBA SELLERS AND RBV: STRUGGLING TO SUSTAIN

4.3.1 Achieving Long-term Sales Growth

If the transaction cost approach helps to explain how these small firms have been enabled, the resource-based view appears to help us understand how they achieve (or don't achieve) success and growth over the long-term. The resource-based view outlines that resources that generate true sustainable, competitive advantages have valuable, rare, inimitable and non-substitutable resources. In our interviews we see how subjects attempt to attain these attributes and where they lack them and became—or remained—quite vulnerable to competition.

While at times it is difficult to completely distinguish these characteristics from one another, a few core resources emerge that exhibit them and have a disproportionate impact on the sellers' sales. These are principally: domain expertise/research expertise, financial resources, brand and a strength in marketing. All other activities were essentially non value-add and non-core and did not appear to have an impact on operational performance.

Seller background and experience were crucial in dictating how they went about execution each day (Teece et al., 1997). Engineer Seller's 10 years of experience and expertise in Industrial Design gave him an edge in product customization. Martial Arts Seller's background in retail did the same for him in terms of understanding market forces and branding. Martial Arts Seller's use of existing reputable brands allowed him to rely less the pure math of the marketing and costly product launch model. Even in Gaming Seller's case we see his domain expertise in gaming giving him the ability to select a product that sold quite heavily. CrossFit Seller leverages his role in the CrossFit community noting "you know, because I speak their language and because I also am a CrossFitter, I know the types of things people buy, you know, I know when a new product comes into the marketplace, I know about it, so I'm part of that community" adding that he actively is on the lookout for "needs" and "pain points" and is a member of many online CrossFit groups. When sellers don't come to the table with some unique knowledge or context to add, they quickly found themselves under siege by other sellers and struggling with very poor performance. For example, Swaddle Seller entered the baby product space purely based on the traditional JungleScout research method and eventually had to liquidate his inventory as his strategy was not costly to copy (Conner, 1991).

Despite all the enablers across activities described thus far, financial resources actually emerged as an important driver of success for sellers—indeed relatively costly to copy at times (Conner, 1991). Sellers explained the need for significant funds to finance inventory, run product launch giveaways and spend on PPC marketing. Engineer Seller noted that this was a substantial advantage of his: "Me when I start a new product right away we start with \$25,000-

\$100,000,” whereas many sellers are working with sums as small as their annual tax return and struggle to fund launch and marketing activities (Gaming Seller). Gaming Seller elaborated that he’s “talked to quite a few people who are making over \$1,000 a day. And I don't know if any one of them were able to start without with less than 10 grand invested.” Swaddle Seller also noted that competition necessitates increased capital saying, “if an Amazon seller has a lot of money to invest say \$20,000...they can use that money to go into a very competitive niche.” As every niche becomes more competitive, this logic holds across categories.

Sellers were nearly unanimous in the importance of establishing a brand for their products in an ecosystem that rapidly drives prices downward. Gaming Seller invested in graphic designers to establish his brand, Outlet Cover Seller discussed building his brand in a new niche, Engineer Seller discussed building complimentary products around a brand, Martial Arts Seller explained how he works with established brands in smaller niches, and CrossFit Seller summarized nicely the importance of community and brand building: “I think what I've learned with my other business is how to build a community of people and I've learned how to do it on Facebook so really that's where if you look at all the big seven and eight figure sellers on Amazon that are teaching how to do this they all say the same thing and it's about building a brand instead of just selling some couple of products here and there.” Sellers that could *combine* unique domain expertise, research and a brand were most successful (Newbert, 2007).

4.3.2 *Imitability & Substitutability*

It is clear that sellers’ struggle to generate resources that demonstrate *imitability* (Barney 1991). Typically, unless heavily customized, the product itself is not unique and it can be outsourced from a number of factories in China. Sellers are well aware of the need to provide unique and differentiate and they try to map their research methods to this objective. We see this having become a huge issue with the marquee product research tool, JungleScout: “Whereas in Jungle Scout, all these Amazon gurus, basically were suggesting the same kind of filters, it should be shoe box size, less than two pounds, etc. So what everyone was doing was they were entering the same exact filters and the software was basically spitting out the exact same results and everyone was starting to sell the exact same product and the market was getting saturated much faster (Swaddle Seller). This saturation—proliferation—of similar research techniques has led sellers in search of new ways to triangulate opportunities: “Because if everybody's going to the same source for the same information, you're going to get a lot of the same type of product” (Outlet Cover Seller). The fallout from boilerplate research becomes

clear when sellers think they've found a profitable niche, but neglect the fact that they likely used the same means of research as many others: "It seems like the market is getting pretty saturated and the prices are dropping, actually getting to the point where I'm only making like \$2 per sale which is pretty frustrating. It's a lot of effort to not get much like profit out of it (Gaming Seller)."

Sellers even go as far as to try to introduce elements of randomness to avoid researching similar items as others and to discover some rare product idea: "So basically with the keywords, a statistical likelihood goes severely down because there are no filters or anything. And basically, you can just start typing in any random number, sorry, any random word and hit enter and see what merchant words come up with. And you can stumble upon something really profitable that way" (Swaddle Seller) (Barney 1991). However, even when sellers are able to discover a great opportunity, they become generally quite substitutable from the ecosystem's perspective. New competition can fairly easily locate additional supply (as the initial seller did) and begin selling under a new private-label or listing.

Table 7 – RBV Application to Seller Activities: The Majority

Activity	Key?	Rare	Imperfect imitability	Imperfect substitutability	Sourcing Strategy	Competitive Implications	Economic Performance
Research	Yes	No	Low	High?	Market-assisted transaction	Competitive Parity	Normal
Sourcing	No	No	Low	Low	Market transaction	Competitive Parity	Normal
Operations	No	No	Low	Low	Market transaction	Competitive Parity	Normal
Finance	No	No	Low	Low	Firm transaction	Competitive Disadvantage	Below Normal
Marketing	Yes	No	Low	High?	Market-assisted transaction	Competitive Parity	Normal

Table 8 – RBV Application to Seller Activities: The Exceptions

Activity	Key?	Rare	Imperfect imitability	Imperfect substitutability	Sourcing Strategy	Competitive Implications	Economic Performance
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Research	Yes	Yes	Low/Medium	High?	Market-assisted transaction	Temporary Competitive Advantage	Above Normal
Sourcing	No	No	Low	Low	Market transaction	Temporary Competitive Advantage	Above Normal
Operations	No	No	Low	Low	Market transaction	Competitive Parity	Normal
Finance	No	No	Low	Low	Firm transaction	Competitive Parity	Normal
Marketing	Yes	Yes	Medium	High?	Market-assisted transaction	Temporary Competitive Advantage	Above Normal

5. CONCLUSION

5.1 THEORETICAL IMPLICATIONS

The study shows that when sellers are presented with so many enabling tools and services, they are motivated to launch a business. Beyond these enabling factors, Reynolds (1994) notes that the presence of other firms serves as a seedbed, an example and a cultural way of like for potential entrepreneurs—this was entirely evident in the Facebook groups and YouTube training videos observed by the researcher. TCE perfectly explains how they organize their firms, almost completely outsourcing all activities via price system other than some involvement in product research and some marketing. What TCE fails to explain is why this is such common practice when based upon the cases and the subjects' understanding of the wider ecosystem, this is not an optimal approach as they suffer fierce competition and inevitably enter a price war with similar sellers. Gaming Seller is the starkest example of this as it was occurring at the time of interview, see section. 4.1.1. Cooper et al. discuss this and identify retail and personal services as an industry where nascent ventures particularly struggle to survive, “barriers may be lower in retail and personal services and the sectors may be characterized by more intense competitive pressures (p. 391, 1994). The criticism that TCE is less able to predict firm performance or growth is not entirely new: “transaction cost theory is only a theory of market failure—it does not explain why firms succeed (Hennart p. 530, 1993).” In this sense the market failure causes the firm emergence. Others have also noted that TCE “struggles to differentiate between costs of using price system and those of using hierarchy (Hennart p. 530,

1993).” These can be defined as ‘(mis)management costs’, which may be less obvious to the self-employed when making over-confident decisions.

Case analysis shows that, transaction costs are *perceived* to be lower by outsourcing, buying, or subscribing to software, however, it appears that the successful firms are those that: have domain expertise-based ‘product research’; develop a brand reflecting that expertise; and have sufficient capital to invest in marketing activities. This does relate to the assumption of bounded rationality proposed in TCE as new sellers are limited to their *understanding*, or as McIvor notes the “difficulties of understanding fully the complexities of all possible decisions” in front of them (McIvor p.47, 2009). However, bounded rationality cannot fully explain the level of exuberance, and almost, irrational seller behavior. This study indicates that subjects repeatedly observe the struggles of others but go on to commit them themselves. Case analysis identifies a level of optimism and an attitude of “I’ll figure it out and keep learning” that led sellers to establish their firms and carry on. When firms are so small that they don’t benefit from reasoned group discussion, meetings, consensus and checks on individual behavior—are firm boundaries impacted by individual-level behavioral aspects that don’t impact larger firms? This question has been partially addressed by research that supports the correlation between number of firm founders and firm success defined as growth and survival. Cooper et al. observe that the benefits of additional founders reduces the reliance of the firm “upon a single entrepreneur’s drive and judgement (p. 390, 1994).” This indicates there may be much more to understand about firm behavior when it is entirely a product of one individual’s behavior. Cooper et al. go on to declare that “in the venture context...outcomes cannot be understood without explicit attention to the role of the founder (p. 375, 1994).”

When looking into individual behavior, theories must head in the direction of the work on human capital and its role in small firm outcomes. Kangasharju and Pekkala observe that younger self-employed workers tend to want to “test their abilities” and take larger risks (Kangasharju and Pekkala pg. 7, 2001). Marshall also noted that the “vigor of individuals is concerned with changes over their life cycles and that this possibly induces similar life cycle pattern for their firms (Marshall p. 316, 1961). While beyond the scope of this case study research, the variable of age continues to implicate the non-strategic, behavioral aspect of the self-employed entrepreneur in the seller context, which is evidently mostly younger males. As Hennart notes with respect to TCE, “hierarchy controls individuals directly by constraining their behavior,” however in our context these constraints are not in place so business decisions are tied directly to young, male, impulsive, human ones.

While TCE proved a very useful framework for understanding these sellers' emergence as entrepreneurs, RBV served a complementary role not necessarily explaining why sellers began selling on Amazon's marketplace but in understanding what led to their sales and eventual survival. The logic of unique, rare and non-replicable tacit knowledge "ways of knowing," routines, human capital and expertise translates much more readily to the unit of analysis of the individual. Subjects explained Cooper et al. indeed found human capital to be linked to survival and growth of small firms. Educational level forms one of these pillars of human capital and Kangasharju and Pekkala found that numerous studies indicate a linkage between educational level and self-employed firm success (2001). Cooper et al. found that domain experience proved more influential on firm success than management experience broadly speaking. These findings around education and domain expertise relate directly to those sellers achieving demonstrable sales by "making" their market research to a greater degree: one had an advanced degree in industrial engineering, another an ecommerce background and CrossFit seller grew sales by understanding his niche market.

5.2 MANAGERIAL IMPLICATIONS

This research yields important insights for the broader freelancer and 'self-managed' community and may help individuals develop a strategy that is robust rather than one chasing short-term arbitrage opportunities that may be vulnerable to the shifts of a platform outside their control. Entrepreneurs that plan to employ a strategy of complete outsourcing using readily available software should keep in mind that if they can do this, many others will likely attempt this as well. This observation can save many freelancers from time spent in ecosystems that may only need them temporarily. This major learning here can be seen in the regret that many of the interviewees showed after struggling with their first product. The results of the study may also promote a heightened level of skepticism around online courses, business models billed as guaranteed successes and common narratives like betting one's career on Uber driving or investing in Airbnb rentals (Aloisi 2016). It is clear that individuals can truly run larger operations than ever before as they are enabled and empowered by platforms and digital tools, but how can further research help them to choose and hone their core capabilities in order to build sustainable organizations? The challenge here perhaps being to educate freelancers via some sort of advocate in a world of informational overload and heightened interest in entrepreneurship so that they may situate themselves in a more advantageous and productive place along the 'smile curve' of the global value chain as we see those without brand (marketing) and research (conception) struggle to survive.

On the other hand, as firm boundaries continue to disintegrate and we see increasingly blended workforces, firms will struggle to manage and incentivize a labor force that they have an increasingly weak relationship with and one that is (one hopes) less and less short-sighted. How can platform owners train self-employed workers, commit resources, manage expectations and partner with suppliers to create shared value over the long-term instead of creating short-term price wars leaving inventory stranded and individual sellers in precarious financial situations.

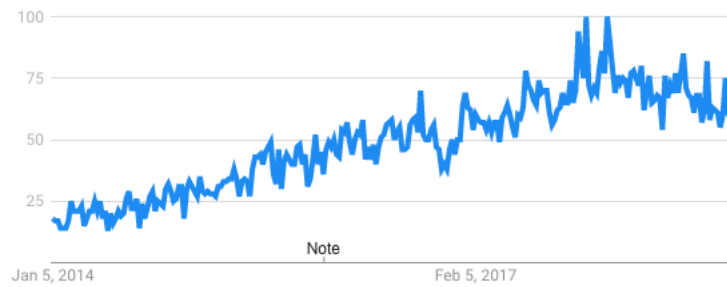
5.3 LIMITATIONS

The limitations of this research are many and should be acknowledged. Firstly, the data are rather small (6 sellers) in an ecosystem with hundreds of thousands of individual sellers. While the in-depth understanding of each individual's journey aided in understanding the human motivations and development of their firm, the study lacks broad, seller-level quantitative data that might shed light on the ecosystem dynamics as this information is not publicly available, contact with sellers is difficult to make and attempting to gather this quantity of data was prohibitively costly. Due to the limited number of case studies, there was no attempt to make propositions or test hypotheses especially with sellers across so many different product categories. This makes applying the significance of the research more broadly challenging.

5.4 FUTURE RESEARCH

Upon reflection, one possibility is that the seller phenomenon rose to meet an imbalance between consumer demand and seller supply. The first wave of independent sellers had tremendous success due to this imbalance. In 2018, we see a potential 'correction' and it appears the environment has become markedly more challenging as interviews reflected (see Illustration 5). Compounding the dissemination of the selling techniques, *among the small seller community*, are other secular shifts affecting the operational success of these smaller sellers. Future research can better understand the cycle and nature of marketplace growth and the supply and demand dynamics for freelancers in relation to them as they proliferate across the economy in the way that Kangasharju and Pekkala explore self-employment inflows and outflows in relation to market cycles or as Aloisi has done in exploring the commoditization of workers of "on-demand/gig economy" platforms and how they may better position themselves in the future (Aloisi, 2016).

Figure 6: Interest in “amazon fba” Peaks at End of 2017
Google Trends Data, US only



The mass migration of existing consumer brands over the past 18 months to the Amazon Marketplace is a major one as the platform has supported these larger 3rd-party sellers much more than the smaller ones in our study, “the often-cited complaint from sellers that Amazon’s largely faceless organization makes it impossible to navigate glitches and changing rules. Assistance doesn’t come cheap: To participate in the program, sellers doing under \$1 million in revenue on Amazon are charged \$2,500 a month for the service, and on the high end, those doing \$10 million a year or more are charged \$5,000 a month.”¹² This price point represents potentially the entire monthly profit of a smaller seller. As Amazon shifts to focus more on larger sellers, it makes the environment more challenging for smaller sellers: “For a smaller, niche brand like ours, this is a worse deal,” said a brand founder who used to be a third-party seller on Amazon.”¹³ Research around brand loyalty and cost-focused purchasing in the digital economy may also yield insight into how small firms can plan long-term strategy.

Seller’s also identified Amazon itself as having an impact as it enters into more categories. The platform now operates more than 80 brands that sell across categories on the platform, leaving less and less space for the smaller sellers.¹⁴ Zhu and Qihong (2014) have examined this competitive trend and more can be learned with respect to the threat platform owners pose to their supply communities.

Sellers also repeatedly identified Chinese manufacturers as a threat, noting that they routinely try to sell directly on Amazon (cutting out the sellers’ role) but that they do not always offer a quality experience: “they really suck at you know things like customer service, their

¹² DIGIDAY. “Amazon is chasing growth and shifting resources to third-party sellers”
<<https://digiday.com/marketing/amazon-chasing-growth-shifting-resources-third-party-sellers/>>

¹³ DIGIDAY. “‘Bullying brands’: How a consolidated marketplace helps Amazon assert more control over sellers” < <https://digiday.com/marketing/amazon-consolidated-marketplace-sellers/>>

¹⁴ RECODE. “Surprise! Amazon now sells more than 70 of its own private-label brands”
<<https://www.recode.net/2018/4/7/17208804/amazon-private-label-brands-list>>

product listings are often horrible, their product photos are not that great, their grammar is awful;” “So number one, what they do is they'll put this crappy listing and they'll have a cheap price which will drive sales because people don't want to spend that much money but once they get a product that's absolute trash, so they end up returning it (Interview, Swaddle Seller; Interview, Outlet Cover Seller).” In fact, this quality issue maybe have let the platform to go in the more premium direction as the drop in product quality and fake review issues from these sellers began to be documented in the media.¹⁵ This has begun to be covered in the non-academic media and can be further understood to predict the global shifts of ecommerce platform supply chains and how they impact self-employment.¹⁶

¹⁵GIMLET MEDIA. “Episode #124 The Magic Store.” Available at < <https://www.gimletmedia.com/reply-all/124> >; THE WASHINGTON POST. “How merchants use Facebook to flood Amazon with fake reviews”. Available at < https://www.washingtonpost.com/business/economy/how-merchants-secretly-use-facebook-to-flood-amazon-with-fake-reviews/2018/04/23/5dad1e30-4392-11e8-8569-26fda6b404c7_story.html>; BUZZFEED NEWS. “Inside Amazon’s Fake Review Economy”. Available at < <https://www.buzzfeednews.com/article/nicolenguyen/amazon-fake-review-problem#.fjMKL3yND> >

¹⁶WALL STREET JOURNAL. “How Scammers in China Manipulate Amazon.” < <https://www.wsj.com/articles/how-scammers-in-china-manipulate-amazon-11545044402>>
THE WASHINGTON POST. “How merchants use Facebook to flood Amazon with fake reviews”. Available at < <https://www.washingtonpost.com/business/economy/how-merchants-secretly-use-facebook-to-flood-amazon-with-fake-reviews/2018/04/23/>>;
FORBES. “How Amazon’s Wooing Of Chinese Sellers Is Killing Small American Businesses” <<https://www.forbes.com/sites/wadeshepard/2017/02/14/how-amazons-woeing-of-chinese-sellers-is-hurting-american-innovation/>>
GIMLET MEDIA. “Episode #124 The Magic Store.” Available at < <https://www.gimletmedia.com/reply-all/124> >;
GIMLET MEDIA. “Episode #117 The World’s Most Expensive Free Watch.” Available at < <https://www.gimletmedia.com/reply-all/117-the-worlds-most-expensive-free-watch> >;
BUZZFEED NEWS. “Inside Amazon’s Fake Review Economy”. Available at < <https://www.buzzfeednews.com/article/nicolenguyen/amazon-fake-review-problem#.fjMKL3yND> >
THE ATLANTIC. “The Strange Brands in Your Instagram Feed” < <https://www.theatlantic.com/technology/archive/2018/01/the-strange-brands-in-your-instagram-feed/550136/>>

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APPENDIX I: INTERVIEW GUIDE

Interview conducted using Zoom.us

My inquiry: How does the transaction cost economics literature explain the formation of the seller ecosystem, these sellers' value chain positioning behavior and how might the resource-based view literature explain or predict seller outcomes going forward?

Context

- Can you outline your age, where you live and your professional background?
- How did you get started running your business?
 - Did it pre-date the Amazon marketplace and FBA platform?
 - How did you learn about FBA and selling on Amazon Marketplace?
- What do you sell? Do you occupy a niche or a number of varied products?
- Do you research and verify the level of demand and supply before attempting to offer a product?

Nature of the Business and Outsourcing of Activities (RBV focus)

- What services do you use to determine what you'll finance and offer?
- Discuss the terms of the Amazon Marketplace.
 - Do you find them reasonable, favorable?
- What are your company's assets and core resources?
- Walk me through your daily operational activities, routine and workflow.
 - Finance, Research, Operations, Buying, Marketing, Fulfillment, Customer Service
- Do you maintain any kind of learning agenda or notes to develop your expertise?
- To what would you attribute your success or competitive advantage over other sellers in your vertical?
- What do you see as the pros and cons of being such a small firm?

Hypotheticals, Enablement (TCE focus)

- How would you source and buy products without Alibaba?
 - Additional challenges, costs
- How would you store and ship your product without FBA?
 - Additional challenges, costs
- How would you conduct product research without the tools (discussed) currently available?
 - Additional challenges, costs
- Where would you list and sell your products without Marketplace?
 - Additional challenges, costs

Trends, Future Research

- Many sellers talk about how competitive Marketplace is getting. Do you see this happening?
- Many sellers also see Amazon as a threat when it enters certain product verticals. Have you seen this happen?
- Do you see many manufacturers selling directly in Marketplace? Are they a threat to the seller role? Have you heard of the 'Connect' offering for manufacturers?