Market Forms and Market Models

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INTRODUCTION

Markets are complex economic, social and technological systems. They are also crucial to everyday life. Yet while we constantly experience markets our understanding of them remains partial and fragmented. Markets are seen through different lenses by many different disciplines. Economists were the earliest to theorise about them and their notions of what constitute markets and how they operate have tended to dominate the prevailing discourse. Marketing academics, by and large, have taken a rather limited view of markets and for them market form is inextricably linked to the notion of segments.

Despite these uncertainties it is not difficult to accept the idea that markets can take different forms. But what does the term market form imply? First of all it entails the idea of some grouping of markets that are similar within but different between. The alternative would be to believe that all markets are the same, which some economists assume, or that they are all different, which is what some marketing practitioners might suggest.

Form is a particularly general term and according to the Oxford English Dictionary means variously “shape, arrangements of parts, visible aspect, mode of existence or manifestation, state or disposition, make up or constitution”. It is a way of characterising the nature of an entity; in this case a market. It answers the question; if markets are different in what ways are they different?

It should be obvious that the definition of market and its form are mutually constitutive. At its simplest this means that one needs to know what a market means before one can go about describing what its nature and characteristics are. More subtly, definitions often spring from empirical descriptions of the subject’s nature and
constitution. In the former case we have something close to a deductive approach; in the latter case an inductive one.

Similarly in the academic world we create theory from defined concepts such as market and relate them by means of formal logic to other concepts, such as exchange, creating, hopefully, a consistent system of meaningful ideas that seeks to represent the world. The existence of such a system is a necessary but not sufficient condition for claiming understanding of the world. There must also exist referents that link the theoretical system to the empirical world.

To reiterate, define a market in one way and the forms it can take are, at least partly, determined. Similarly, describing market forms helps to delineate how markets might be constituted. The conclusion must be that if we seek to understand markets more clearly one fruitful line of attack is to approach the phenomenon by theorising about the forms markets take.

In this chapter my objective is limited to outlining an approach to the description and analysis of market forms rather than a taxonomic listing of what they might be. The specific route chosen was to build a theory / model / framework (after model) of markets using the ontology of Critical Realism (e.g. Sayer (1992, 2000); Bhaskar (1978); Lawson (1997); Ackroyd and Fleetwood (2000)), a description of which is given in the next section.

**CRITICAL REALIST APPROACH**

**Critical Realism and Causality**

In a recent paper (Easton, 2002) I argued that Critical Realism is an ontology that is particularly suited to the study of complex socio-technical systems such as markets. Critical Realists use causal language explicitly. They define entities that they seek to
understand, specify necessary relationships among them, attribute to them causal powers, which may or not operate in particular circumstances, to cause events to occur by particular mechanisms. Entities can be material, social, intangible or indeed anything that one believes may have causal powers and which can be included in the theoretical formulation that is being developed.

The initial stage in this process is to define the event to be understood and the entities that are believed to cause it to occur in that particular form.

*Markets and Exchanges*

The problem with building a model of markets is that they are essentially complex aggregate phenomena. It was decided therefore, in the first instance, to work “bottom up” with an exchange as the simplest event to be explained. This line of attack provides a complementary approach to the basically “top down” approach adopted by Håkan Håkansson and Frans Prenkert (in this volume). These authors apply, parameterise and articulate the Generic Activity System due to Engeström (1987, p.78) in order to typify four different types of typical exchange systems. They do so by a process they describe as closing the open systems that are implied by the complex nature of markets. This involves making some key constraining assumptions about the nature of the relationships among the entities and concepts that they include in their analysis.

By contrast I have chosen to work with the “deeper” ontology of Critical Realism which involves fewer, simpler and more universal assumptions but at the same time offers only a general approach to the issue of understanding market forms rather than their more detailed typological forms provided by Håkansson and Prenkert.
Exchange, while regarded as the central concept in the discipline of marketing, has been relatively little used in its theoretical development (for a major exception see Bagozzi (1975, 1978, 1979)). This may very well be because it is too even handed in its nature to be much employed in marketing management-oriented research and theorising. Nevertheless it offers a unit of analysis and a building block simple enough to allow a Critical Realist based model to be developed.

Exchange in this context refers to voluntary economic exchange. As usual there are boundary issues. At what point does an exchange lose its economic character? When does an exchange become involuntary? Is it possible to have interactions between actors in any social system that are not, in some sense, exchanges as opposed to unilateral acts? While these are real problems they can only be tackled, if at all, when we understand more about what happens away from the phenomena boundaries i.e. that we perceive of as typical.

Business to business or, more generally, organisation to organisation exchanges are more likely, for reasons that have been exhaustively rehearsed in publications by the IMP group, to occur within the context of strong, long term relationships that also provide the conditions for “action at a distance” that are the hallmark of Industrial Networks.

Exchanges in this setting are viewed as events, activities or processes that are the outcomes of a causal mechanism. Again there are boundary issues involved. Can we only consider an exchange event to have occurred when the buyer is in possession of what they have bought and the seller has received payment for it? Exchanges may be regarded as instantaneous as in e-commerce but what about the long drawn out processes involved in projects where stage payments are made? Nevertheless in all cases there will be process forms that can be empirically described. Perhaps the most
profound process type is the presence or absence of an exchange event. Critical Realists accept the idea that the non-occurrence of an event when one is expected not only requires explanation but may also provide very useful insights into the nature of the event.

*Necessary Relations*

A Critical Realist approach to the nature of exchanges starts with the question; why did a particular exchange event of this type take place between this seller and this buyer involving these exchange entities at this time and in this way? A simple model of a single exchange event suggests that there is what Critical Realists describe as a *necessary relationship* between buyer and seller and what was exchanged. These are the core theoretical entities in this situation and they serve to define each other and the framework of causality. A buyer has the power to buy and a seller has the power to sell and the exchange entities have the power to influence and all these powers are mobilised in this particular situation causing an exchange event or outcome to occur. Buyers, sellers and exchange entities have other powers that may or not be invoked in particular exchanges. Any change in any of the three elements of the model, a different buyer, seller or exchange entity would have created a different event or even non-event. Such is the basis of necessity. Buyer, seller and exchange entity are the key elements of the model and the basic unit of empirical analysis as shown in Fig 1. The powers and liabilities of each of these components may help to cause particular market forms to occur. For example, a buyer may have chosen to enact their powers of purchase on a particular occasion as a result of the perceived power of the seller.
Asymmetry in power relations may be a key phenomenon that creates particular exchange forms. Similarly a seller may have been liable by virtue of their cash flow situation have undertaken an exchange that they wouldn’t otherwise have enacted under different circumstances.

The nature of exchange entities differs from that of buyers or sellers since they are non-human, and may even be intangible, actors. Nevertheless, in line with Actor Network theory, they are accepted as having causal powers. For example if the exchange entities are both tangible products as in barter situations or are very complex or rather simple these factors will have a profound effects on the nature of the exchange.

*Contingent Relations*

Not all relations as prescribed in Critical Realism are necessary. A contingent relationship exists between entities when one *may* have the power to affect another but will not always do so. If, in the case described above, an exchange event occurs then there must be a buyer and a seller but there need not be a competitive seller. If
there is one then that entity may affect the nature of the exchange but does not do so necessarily. It is important to emphasise that the theoretical framework chosen governs the difference between necessary and contingent. If industrial net behaviour was chosen as the outcome to be understood then a competitive seller would then, most likely, have necessary relationships with buyers and other sellers in that net.

Put another way, adopting the exchange event as the outcome to be explained is a deliberate, albeit contestable, choice since it implies that there may be important network effects that influence dyadic exchanges but that is not necessarily always the case. In theory of course it could be argued that there will always be some effects, but given the crudity of our research methods, they may simply be undetectable and therefore we are forced to ignore them in pursuit of the simplest explanation.

As with necessary relationships it is crucial to ask what is it about the contingent entity that causes or helps particular events to happen or, in the language of Critical Realism, what is the mechanism by which the causality operates? For example, competitors can affect exchanges both directly and indirectly or sometimes not at all. A direct mechanism could work by way of a direct offer from the competitor to the buyer. An indirect mechanism may operate by way of the perceptions of the competitor in the minds of the seller, which cause it to behave in a particular way.

It is a major advantage of Critical Realism that mechanisms can take many forms. For example, at the rather formal level, non-linear theories such chaos (Hibbert and Wilkinson, 1994), catastrophe (Oliva, Oliver and Bearden, 1995) or complexity theory (Easton et al, 1997) could be used as possible market mechanisms. However less formally ideas or concepts or any kind of metaphor (Easton and Araujo, 1993) could be used, e.g. network (Axelsson and Easton, 1992), marriage (Guillet de
Monthoux, 1975) and dancing (Wilkinson and Young, 1994), providing they are consistent, at some acceptable level, with the data.

Competitive sellers, governments, or even the weather are entities that are labelled *external* because they exist outside of, and separate from, the entities in necessary relations. It is important to make a distinction between external contingent relations and the simpler notion of contextual variables. In positivist quantitative modelling, contingency is defined in terms of the linear correlation between certain contextual variables in the “environment” of the key relationship and the dependent variable (e.g. Zeithaml et al (1988)). In the case of Critical Realism the entity should not only be defined but the form of the causal relationship should also be clearly set out.

However there are also *internal* contingent entities and their relationships. In the case of the exchange event it is clear that buyers, sellers and the exchange entities will be quite different in different situations. One way to handle this situation would be to use a superficial contextual approach and simply categorise buyers, sellers and exchange entities and look for empirical regularities. Large firms buy in this way, German sellers sell in this way and products are different from services in the ways in which they are bought and sold.

However the Critical Realist approach is to argue that the internal nature of these entities should be modelled in the same way as the higher-level exchange between those entities. This is done by identifying the crucial entities and proposing the necessary relationships among them. For example, there is a great deal of research on organisational buying behaviour that could provide useful guidance in this process e.g. the occurrence of a purchase may only be explicable in terms of the necessary social, technical and economic relationships among the members of the entity called the buying task group.
However Critical Realists acknowledge that the relationship between the internal contingent and the focal level model entities is by no means straightforward. In general entities can be analysed at a number of different levels of aggregation. The social / biological / chemical / physical hierarchy is one of the most fundamental and hotly disputed. A crucial Critical Realist assumption is that for entities at a higher level of aggregation emergence is not necessarily a simple summative process. The properties of the higher level emerge from those of the lower level but are not easily derived from them. For example, organisations have emergent properties that are more than the sum of the actions of the their employees. They have corporate images, legal rights and obligations and cultures. Similarly entities at a higher level cannot simply be reduced to the sum of their parts. The current lack of a biochemical basis for consciousness provides a case in point.

Emergence will be dealt with at some length later in the chapter in reference to markets and their forms. However in this instance it is emergence as adopted by Critical Realists with which we are concerned and the internal contingent structure of buyers, sellers and exchanges that is important. Each of these entities emerges from structures of relationships within them, which affect the ways in which their powers are enacted. Organisations have different internal structures, processes and histories; exchanges may involve simple or complex products and be consummated through different media.

Contingent relations provide a basis for beginning to suggest what forms markets may take. All exchanges are influenced and affected by particular contingencies. An analysis of the internal and external contingencies and more importantly, the mechanisms by which they work might provide a means of categorising market
forms. In the next two sections a first attempt is made to suggest some of the possibilities.

**Internal Contingent Entities**

One internal contingency of particular importance in this chapter is the *nature of the buyers and sellers*. Since buyers and sellers are, by virtue of the definition of the exchange model, market components then their internal contingencies are likely to be crucial in determining market form.

B2B markets are identified by the fact that both the buyers and sellers are organisations. However, while B2B is the current currency, it should be remembered that Governments, NGOs, not for profit organisations and retailers should be included since they are also organisations that are market involved.

What is it about organisations as sellers and buyers that are likely to affect their exchange behaviour? At a very high level of generalisation it could be argued that all organisations do the much the same things. They take in resources from the environment and use other resources to transform and create resources that they then exchange in some way with the environment. Differences arise however in terms of the kinds of resources and activities that are involved and the necessary relationships among them. A retailer not only utilises quite different resources and activities from a car assembler, a local government organisation, or an international aid charity but also organises them in different ways. Put another way the mechanisms will differ. For example a crucial difference that can occur in Business to Retailer markets is that for a manufacturer the process is creating bulk while in the latter case it is breaking bulk leading to particular kinds of timing problems and different ways of solving them.
The internal structures and activities of organisations differ considerably, particularly in terms of the array of variables normally associated with traditional models of organisational buying behaviour (Sheth, 1973). These might include size and composition of the group influencing the buying process (Lau et al., 1999) the social and political processes involved (Pettigrew, 1975) and, at a lower level of aggregation, the particular perceptions, attitudes and preferences of the individuals concerned (Crow et al., 1980). In addition it seems obvious that the same set of internal contingent entities would be likely to distinguish selling organisations although it is impossible to know whether this is the case since research on this topic is limited in both scale and scope.

Organisations differ from individual consumers in another major way, scale of operations. They buy more and sell more and this has implications in terms of returns to scale and concentration and the possibility of specialisation in resources and processes (e.g. Key Account Management, specialist buyers, customisation, etc). Size also affects complexity of organisational structure, control and culture. In each case it is possible to see how any one of these internal entities may affect the parties they choose to exchange with and the forms of the exchanges.

Exchange entities have a major impact on the nature of the market forms. Organisational services such as consultancies, any form of outsourcing and any pre or post sale services involve the organisation and exchange of human based resources (Halinen, 1996). These are necessarily much less tangible and more prone to quality problems, increased uncertainty and strongly affect choice of exchange partner. They also involve quite different operations systems.

The function that the exchange entity has to perform is also a crucial contingent factor. For the buyer it may be important, visible, product incorporated and complex
or the opposite of all of these things. For the seller it can be important, profitable, problematic or a loss leader. The media of exchanges has been changing in recent years with the growth of B2B e-commerce (Easton and Araujo, 2003), while barter represents another somewhat more antique type of exchange medium. Where what is exchanged takes time to create we enter the world of project marketing. Here market forms are complex, time varying and limited instantiations of particular meta networks that exist without exchange where links are based upon past experience and assessment of present capabilities (Cova et al., 2002).

**Exchange Relationships**

Exchanges exist within, but also influence, a framework of more extensive dyadic phenomena known as relationships. The empirical work of the IMP group leads us to consider whether relationships per se are the most enduring feature of B2B markets (Ford, 2002). Within this paradigm exchanges are regarded as one kind of episode or event that occurs between firms that are in a relationship. Given that the single exchange event was defined as the primary outcome to be explained the existence of a relationship between the buyer and seller can be handled in two different ways in the model.

The first of these is to treat a buyer – seller relationship as existing as a contingent entity located within the buyer and seller entities. The most obvious evidence of such a relationship would be the adaptations and specialized resources that each has invested in to service that relationship. Other resources include the social capital created within each actor that relates to the other including the records of the history and experience of the relationship. The exchange event in this model has been defined as an economic exchange. However relationships are sustained and enacted
by means of many forms of non-economic exchange so that the exchange entity can also be considered to have a contingent structure. Again the important question to ask in this articulation of the model is what are the mechanisms that reproduce the relationship over time?

The second way to handle a relationship is to argue that it is externally contingent to exchanges. Sayer (2000) argues that non-tangible entities can also be used in explanation and indeed at the level of individual behaviour the use of entities such as attitudes is almost mandatory. Moreover social capital might be a candidate for one structural entity that can be said to incorporate the social capital built up by past exchanges. Put another way, relationships may be more or less socially embedded.

Both these alternatives are clearly dealt with in a summary fashion here. The intention is simply to offer an example of the alternative ways in which explanatory models might be built, noting that Critical Realism imposes a useful discipline in terms of definition of entities and the logic of relationships

**External Contingent Relations**

A key external contingent relation for any dyad is with other exchanges that the actors in the dyad are involved in. In this way we move from exchange and relationships to networks. In what might be called horizontal relationships the most obvious proximate relations can be described, quite simply, as competition (Easton et al., 1992). Competition, in the sense of sellers competing for the exchanges of buyers, is an indirect network process. Thus, in most markets, it is assumed that buyers mediate the relationships between competitors. In a similar way, but under different market conditions e.g. monopoly; sellers could mediate relationships between buyers.
Other proximate actors include buyers’ customers, sellers’ suppliers, complementary suppliers, subsidiaries and holding companies, joint venture and other partners and any other actors that are involved directly with the buyers or sellers to influence an exchange event. It is clear at this point that a network of external actors can be involved. This network view will be explored in more depth later in the chapter.

*The economic system* within which exchanges take place is replete with external entities that will affect those exchanges. While few centrally planned economies still exist there remain very many different forms of economy with different institutions, both national and local. An agrarian economy (e.g. the US) is likely to have quite different economic structures and processes than one that is manufacturing or service based. For example seasonality would be important with resulting issues of famine and feast situations and spare processing capacity. Countries where corruption is endemic would offer an interesting contrast with those where this is not the case. In the former cases economic exchange at the firm level are influenced by other external economic exchanges at the individual level.

*Space and time* can be regarded as external contingencies. Distance between the buyer and seller is a relational contingency derived from the location of each entity. For example various kinds of Industrial Districts and localised clusters depend upon proximity for their existence but again the relationship may be necessary but not sufficient. In addition the social embeddedness that is also a product of local closeness may play a powerful role in supporting these clusters. Physical distance is also mediated by psychological and cultural distance, which affects international market forms in particular ways (Swift, 1999).

*Time* in various ways strongly impacts on market forms. The history of previous exchanges between buyer and seller are hugely important, whether a relationship can
be said to exist or not. While this can be, in part, considered an internal contingency it also exists outwith the actors as a contingency external to them in terms of the social capital existing in the extended networks to which they both belong. For example a buyer may be wary of buying from a particular seller that has a reputation for either reneging on its contracts or that seeks to lock in customers to its offerings. Time is also reflected in frequency of exchange which distinguishes between capital goods and consumable / component exchanges for example. In the former case there may be intense relationships over short periods of time (computer installations). In the latter case (steel for car bodies) the market may exhibit rather stable structures over time. In both cases there is a mutual causality between product form and exchange behaviour over time.

The social and cultural milieu affects market forms in profound ways. There are huge differences between, for example, the Japanese and American ways of doing business and the resulting market behaviours. Again it is important to try to understand the exact mechanisms by which the social institutions of a particular nation affect outcomes at the level of a single exchange event. For example, the importance of face-to-face involvement in at least initial exchanges involving personnel from buyer and seller firms varies from culture to culture. Arabic nations tend to require it; northern Europeans are less concerned and are more ready to use impersonal media such as e-commerce systems.

The political institutions surrounding an exchange may also exert profound influences. For example, market behaviours are regulated in various ways by governments. Two of the most powerful influences are anti collusion / monopoly regulation and the control of marketised government services.
What this epigrammatic analysis demonstrates is that even at the level of a single exchange event there are a multitude of different entities both internal and external to the exchange that could influence its nature through a variety of different mechanisms. In this way they are likely to be the factors affecting, and may even be constitutive of, market forms.

In this very brief summary of possible external contingencies what is only too obvious is the variety of possible influences that can cause a particular exchange to occur between two focal actors at a point in time. It emphasises the point that seeking universal explanations cannot exist. What Critical Realism does offer however is the possibility that entities, their relationships and generic types of causal mechanism may be unearthed or developed that do serve as a set of options or building blocks that help us move beyond the hopelessness of the idea that every event is essentially unique.

**AGGREGATION AND EMERGENCE**

The unit of analysis thus far has been the buyer / seller / exchange triad of entities. However in the vast majority of contexts we would expect to treat a market as a plurality involving multiple buyers, sellers and exchanges. Some method of aggregation is required.

Critical Realists can offer a route since they assume the emergent properties of social systems. What should be emphasized is that this assumption is both theoretical and analytical and ranks alongside the Critical Realist concept of the real world as something that can only be adduced and never fully known. What emergence means in this case is that a market is not simply an aggregation of all the properties of buyers, sellers and exchanges involved. It has other properties that are attributable to
the collectivity. A simple example would be the fact that actors in a “market” perceive it as such and their behaviour is affected by that perception.

The emergent relationship between exchanges and markets is difficult to conceptualise. How do markets come to have properties that are more than simply the sums of the individual characteristics of the exchanges involved? Are there any mechanisms that can be used to relate one to the other?

One answer to these questions might emerge from the observation that exchanges are not independent entities. Their very interconnectedness comes to the rescue. What happens in one exchange can affect what happens in another, whether there exists a strong long-term relationship or not. The latter point needs clarifying. A focal actor may be exchanging with other actors in a transactional, atomistic way and playing the market. But it is still likely that what happens in one exchange (increase in price of a raw material) will affect what happens in another exchange (purchase of a component), for example, a focal firm putting pressure on a component supplier in order to offset the price increase in raw materials. This connectedness explains how and why whole economies work to satisfy demands of buyers by transforming the resources available.

At a more general level it could be argued that emergence must always involve some element of connectedness. For example, biology could be regarded as an emergent from chemistry in the sense that it is the combinations and connections among chemical entities that create and underpin biological process. The social world is only understood through the connections between the people that comprise that society. Closer to home the properties of organisations stem, in part, from the connections among the individuals and groups they contain.
This is not to argue that all emergent phenomena can be understood by recourse to the notion of connectedness. For example, in the case of organisations there are clearly other emergent properties that are not necessarily due to connectedness. Organisations offer scale economies that are not available to individuals and have hierarchical structures and cultural norms that control, at least to some extent, individual behaviours.

An important implication of this conceptualisation of emergence is that the forms and processes of interconnection of entities at a lower level of analysis will often be crucial in determining emergent properties at a higher level. For example where exchange connections are, in theory, relational one might expect certain market properties to emerge. Where they are transactional one might expect quite different market behaviour.

**Market Definition**

Whether relational or transactional, it follows that rather than define markets in terms of “homogeneous” groups of independent exchange dyads they could be defined in terms of sets of connected exchange dyads. There then arises the problem of when to stop aggregating. Using the theoretical model presented at the start of this chapter, the conclusion would probably be that there is only one market, since all dyads are connected to some extent and no bounds can be set. All buyers, sellers and exchanges are to be included.

While the above statement is ontologically correct, in terms of practical research and sensible theorising, bounds have to be placed around any system, physical or social, which is studied. Therefore it is suggested that markets could be defined in terms of the relative density of connections. Put another way markets can be bounded where
their influence, through exchanges dyads, becomes small. The economists’ notion of a gap in the chain of substitution measured by the cross elasticity of demand represents a similar approach although it is limited to “horizontal” markets where buyers’ reactions to changes in sellers’ offerings set the limits for the market.

The definition used here is closer to the technique of clique detection in social network analysis where the density of any and all connections determines the existence of a clique or cluster of entities. For example how much does the purchase of an office PC influence and affect the purchase of a grinding wheel by the same firm or the sale of industrial diamonds to the grinding wheel manufacturer? Of course influence is rather difficult to define and smallness is an arbitrary criterion but we cannot expect anything else given the complexities of real life markets.

**Market Models and Forms**

Defining markets through their connectedness provides a novel way of thinking about market models and forms. It can best be described in terms of a research proposal of daunting difficulty, the purpose of which is a thought experiment rather than the presentation of a set of ready-made doctoral research projects. Beginning with a single exchange it would be possible to map out the other exchanges that each of the (organisational) actors is involved in and to estimate the extent to which other past, current or possible future exchanges influence, or are influenced by, the focal exchange. The data collected might include past case episodes, participant perceptions or purchase / sales data analysis. It is to be hoped that some form of the 20 / 80 rule would operate in that most other exchanges would not affect the focal exchange but a few would in a significant way. Cut off points would either suggest
themselves by the nature of the data or would need to be made arbitrarily and sensitivity analyses performed.

However markets defined in this way would be unlikely to be uniform in terms of the strengths of the connections. We might have to abandon the term market as the sole descriptor of such clusters and borrow from consumer marketing and think about concepts such as segments, micro segments and fuzzy sets.

The result of this research and analysis would be sets of patterns of actors and exchanges, or nets in IMP terminology. However since the object is to find a way of defining and characterising markets the term net could be used for the raw data and market model used for net patterns that are empirically observed.

The notion of market model is somewhat analogous to the business models so beloved of marketing strategists in that they attempt to capture typical ideal forms. In the case of business models the actor provides the focus and the objective is to understand how value is added in their relationships with other actors. However in the market models case it is the market that is categorised and the aim is clearer definition and greater understanding of markets and their forms.

The next stage in the process would be to examine the nets and attempt to categorise and label them in terms of canonical market model forms. The labelling could be of two types. First the actual data would be nets i.e. structures relating actors, their connections and the processes implied by the exchanges. As a result the market model form labels might be almost geometrical in nature using terms such as vertical, horizontal, narrow, broad, striated, concentrated, diffuse etc. Or they might be described in more imaginative and metaphorical ways such as small tightly connected nets portrayed as cysts or large and widespread nets stemming from a single customer depicted as deltas.
Secondly, the market model forms could also be labelled in ways that correspond to common characteristics of the actors or the exchanges or indeed any other putative causal factor that might be shown to lead to the particular market model, e.g. manufacturing, project, distribution, transactional, relational, electronic, etc. In the latter case there is the beginning of a process that attempts to give the market model forms theoretical meaning and usefulness albeit in a rather crude way.

**Modelling Market Forms**

The term form as a conceptual device implies that it has meaning and can be helpful in explaining the phenomena researched. In simple terms we need to ask why the market models we have uncovered are what they are. Two ways, among the many possible, immediately suggest themselves.

One possible way to do this would be to draw upon the Critical Realist models of dyads and their emergent properties as described in previous sections. For each of these market models it would be necessary to try to explain their patterns and structures in terms of both the necessary and contingent factors in individual dyads and the necessary emergent market processes. For example, at the dyadic level, it may be that a “horizontal“ form market model is explained by the fact that it includes both capital products and the services purchased to maintain them. The purchases are intimately connected.

Another example involves contrasting what one might expect from transactional and relational exchange connections. In the former case it might be predicted that, in general, influences would be small away from the focal exchange. Therefore transactional markets might be conceived of as relatively tightly clustered patterns of exchanges. By contrast, exchange relationships would “carry” influence further and with more effect leading to larger and more diffuse markets.
Common to both of these examples is the fact that the links between exchanges are mediated through actors. The horizontal market is created in the first example by the requirement that buyers need complementary products/services by virtue of their internal production technology, an internal contingency. In the second case the constant switching of transactional buyers means that they cannot hope to influence the sellers they switch between, leading to smaller nets than relational buyers would be involved in.

In both cases the mechanisms by which actors link exchanges to each other clearly have to be modelled and understood before any attempt can be made to understand the ways in which market forms emerge. Easton and Lundgren (1992) provide some suggestions, treating such links as flows through nodes. However this bottom up approach will always be problematic given the complicated structures of the market models and the possibility of multiple mechanisms working at once.

The second approach is to concentrate on the processes of emergence rather than micro level mechanisms. An example of such an approach is provided by some recent work on network process modelling using complexity theory (Easton et al., 1998). Starting with simple market models the sequencing of exchanges was simulated using Boolean logic to describe the flow through nodes operation of the simulated actors. The simulated systems, suitable constrained, flowed into system attractors that modelled stable but dynamic states. These states emerged given any possible starting point for the simulated system and this emergent process is one that is a central component of complexity theory. One set of results demonstrated, for example, that the requirement for tight sequencing of exchange events, as required by many service systems, tends to lead to narrow vertical market forms.
CONCLUSIONS

There are several conclusions that emerge from the arguments presented above. The first is that it should be fruitful to problematise the whole notion of what a market is and what forms it can take. It is only too easy to continue to take for granted the definition of a concept that, in part, demarcates the discipline that some of us claim to inhabit. Secondly, the relationship between the concepts of market and market forms has also been identified as problematic since market is a social phenomenon and therefore the forms it can take are part of both its constitution and definition and they are therefore mutually determining.

Thirdly a new market definition has been offered that defines markets in terms of influence among and between exchanges. It is argued that this approach offers quite a different view of market properties and forms. For example in vertical terms, where middlemen are involved, exchanges involving manufacturer to distributor and distributor to final organisational customer would probably be need to be included in the definition of a market. In terms of horizontal relationships, complementary suppliers and competitors might need to be involved. It also distinguishes between market forms that are structural / processual and those that are taxonomic.

Fourthly, Critical Realism offers a way to theorise about and research markets defined in this way. It can provide modes for modelling exchanges and linking them to market models although it has to be admitted that the task is never going to be easy. It also presents an opportunity to think about the concept of emergence, which has always been an incipient problem in the Industrial Networks research. What are the links that exist between the small nets that we tend to research and the greater networks of which they are a part? How do nets and networks affect individual exchange relationships and vice versa? What are the properties of nets and networks
that cannot be adduced from their constituent parts? These are huge questions and ones that deserve greater attention than we have given them in the past.
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i I am grateful to Thomas Ritter for pointing out this relationship.