



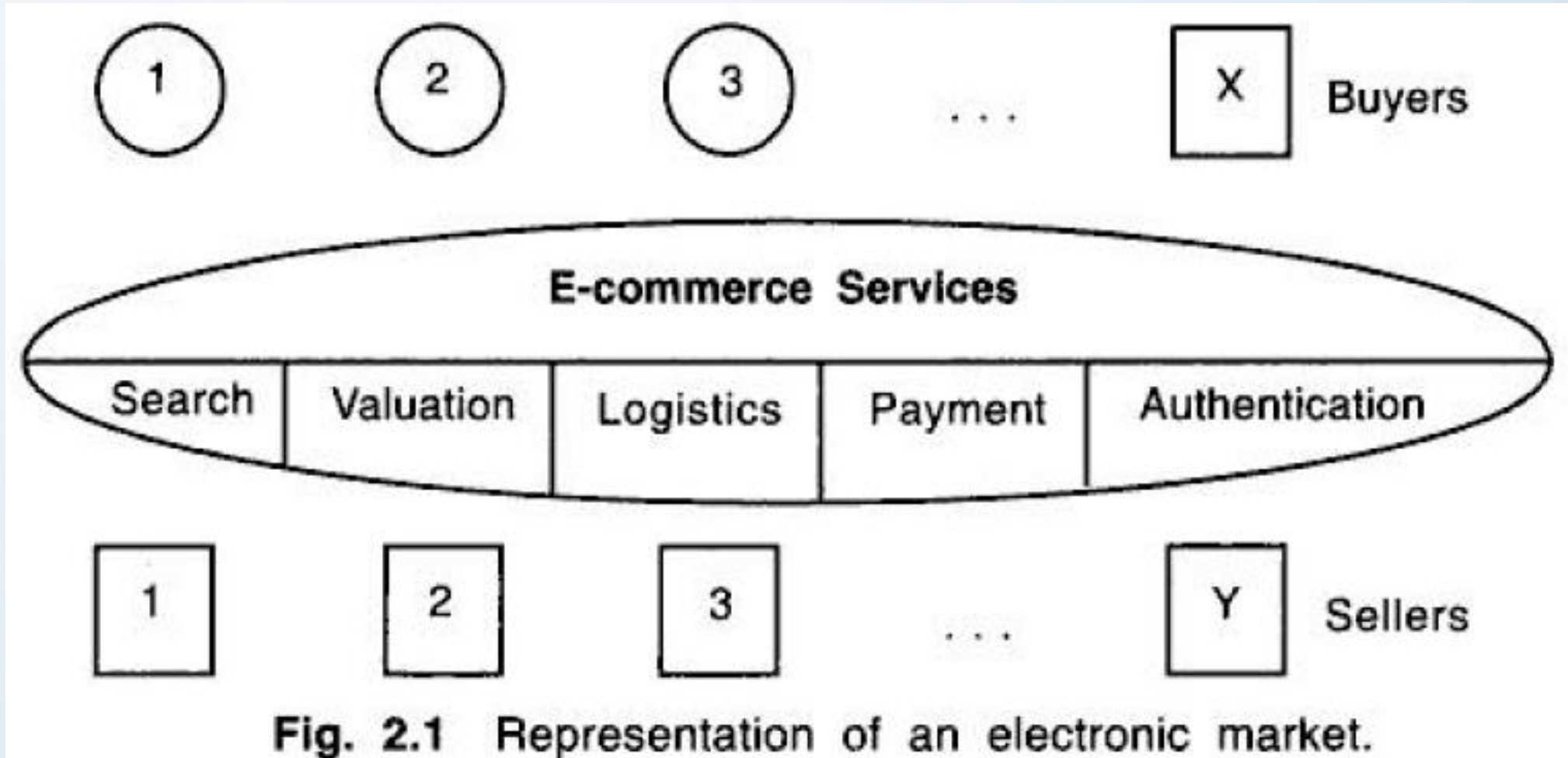
CSC-370

E - Commerce

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Chapter 2 - E-Commerce Business Model



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- A business model is the method of doing business by which a company can sustain itself, that is, generate revenue.
- The business model spells out how a company makes money by specifying where it is positioned in the value chain
- For our understanding, e-commerce can be defined as any form of business transaction in which the parties interact electronically.
- A transaction in an electronic market represents a number of interactions between parties
- For instance, it could involve several trading steps, such as marketing, ordering, payment, and support for delivery
- An electronic market allows the participating sellers and buyers to exchange goods and services with the aid of information technology

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- E-commerce can be formally defined as technology-mediated exchanges between parties (individuals, organizations, or both) as well as the electronically-based intra- or inter-organizational activities that facilitate such exchanges
- It is global.
- It favours intangible(untouchable) things - ideas, information, and relationships.
- And it is intensely interlinked. These three attributes produce a new type of marketplace and society
- In the new economy, companies are creating new business models and reinventing old models. Reading the literature, we find business models categorized in different ways.

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- Presently, there is no single, comprehensive and cogent taxonomy of Web business models that one can point to.
- Although there are many different ways to categorize e-business models, they can be broadly classified as follows
 1. E-Business models based on the relationship of Transaction Parties
 2. E-Business models based on the relationship of Transaction Types

E-BM models based on relationship of Transaction Parties

1. Business - to - Customer (B2C)
2. Business to Business (B2B)
3. Consumer to Consumer (C2C)
4. Consumer to Business (C2B)

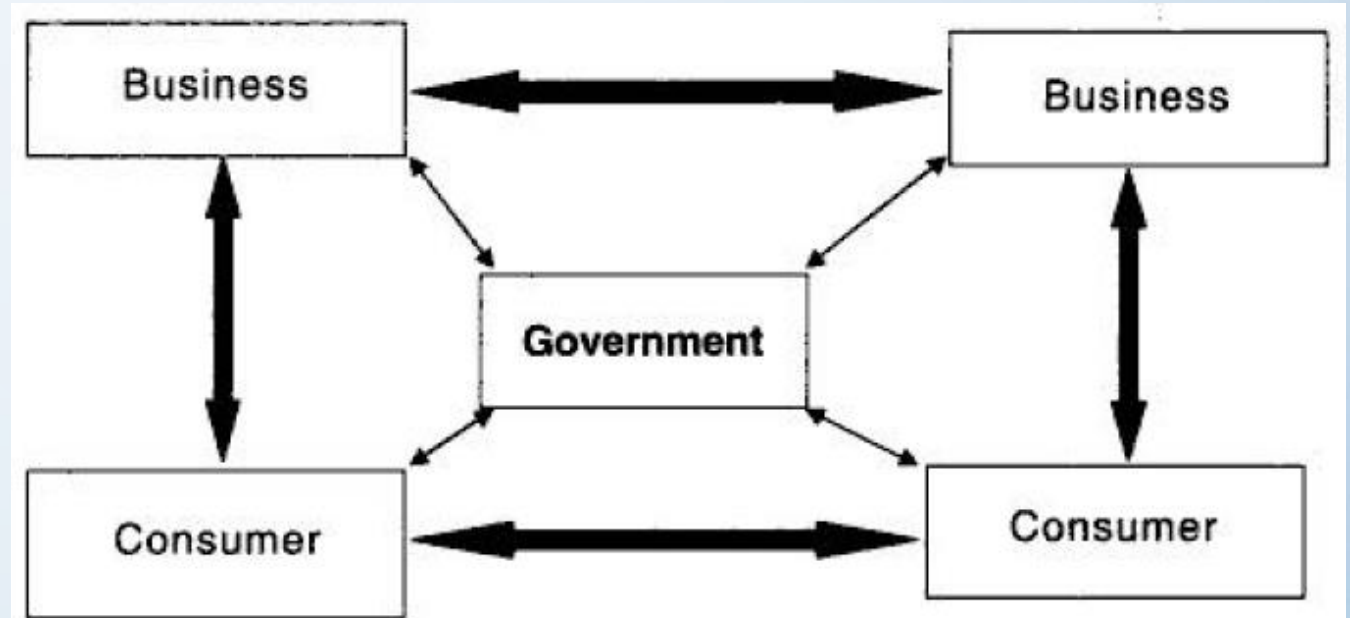
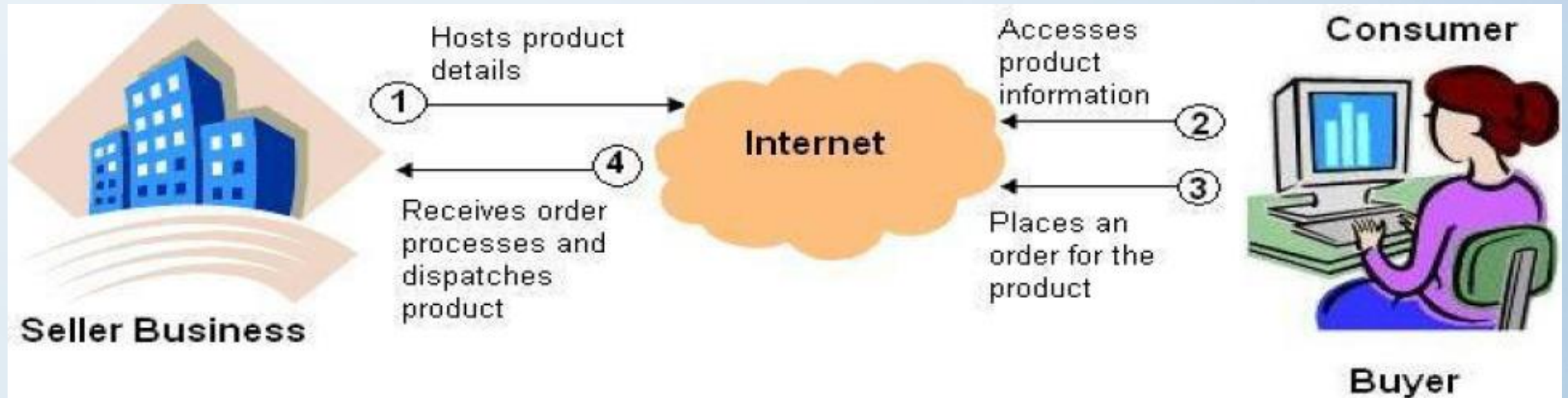


Fig. 2.4 E-business transaction model.

Business - to - Customer (B2C)

- involves transactions between business organizations and consumers.
- It applies to any business organization that sells its products or services to consumers over the Internet.
- These sites display product information in an online catalog and store it in a database
- The B2C model also includes services online banking, travel services, and health information and many more as shown in figure below



Business - to - Customer (B2C)

- Consumers are increasingly going online to shop for and purchase products, arrange financing, arrange shipment or take delivery of digital products such as software, and get service after the sale.
- B2C e-business includes retail sales, often called e-retail (or e-tail), and other online purchases such as airline tickets, entertainment venue tickets, hotel rooms, and shares of stock
- B2C e-business models include virtual malls, which are websites that host many online merchants.
- Virtual malls typically charge setup, listing, or transaction fees to online merchants, and may include transaction handling services and marketing options
- Examples of virtual malls include excite.com, networkweb.com, amazon.com, Zshops.com, and yahoo.com

Business - to - Customer (B2C)

- Many people were very excited about the use of B2C on the Internet, because this new communication medium allowed businesses and consumers to get connected in entirely new ways.
- The opportunities and the challenges posed by the B2C e-commerce are enormous.
- A large amount of investment has gone into this and many sites have either come up or are coming up daily to tap this growing market

Business - to - Customer (B2C)

- Some of the reasons why one should opt for B2C are:

Inexpensive costs, big opportunities : Once on the Internet, opportunities are immense as companies can market their products to the whole world without much additional cost.

Globalization : Even being in a small company, the Web can make you appear to be a big player which simply means that the playing field has been levelled by e- business. The Internet is accessed by: millions of people around the world, and definitely, they are all potential customers

Reduced operational costs : Selling through the Web means cutting down on paper costs, customer support costs, advertising costs, and order processing costs

Customer convenience : Searchable content, shopping carts. promotions, and interactive and user-friendly interfaces facilitate customer convenience. Thus, generating more business. Customers can also see order status, delivery status, and get their receipts online

Knowledge management : Through database systems and information management, you can find out who visited your site, and how to create, better value for customers