



CSC-370

E - Commerce

(BSc CSIT, TU)

Ganesh Khatri
kh6ganesh@gmail.com

E-BM models based on relationship of Transaction Types

- Based on transaction type, different types of E-Business models can be identified as :
 1. Brokerage Model
 2. Aggregator Model
 3. Infomediary Model
 4. Community Model
 5. Value Chain Model
 6. Advertising Model
- These transaction types/models take place in a variety of ways.
- Moreover, any organization may combine one or two of these as part of its web business strategy

Brokerage Model

- Brokers are market-makers: they bring buyers and sellers together and facilitate transactions.
- Brokers play a frequent role in B2B, B2C, or C2C markets.
- Usually a broker charges a fee or commission for each transaction it enables.
- The formula for fees can vary depending on context.
- Brokerage models include
 - **Marketplace Exchange** : offers a full range of services covering the transaction process, from market assessment to negotiation and fulfillment . Some examples are [Orbitz, ChemConnect]
 - **Buy/Sell Fulfillment** : takes customer orders to buy or sell a product or service, including terms like price and delivery. Some examples are [CarsDirect, Respond.com]

Brokerage Model

- Brokerage models include
 - **Auction Broker** : conducts auctions for sellers (individuals or merchants). Broker charges the seller a listing fee and commission scaled with the value of the transaction. Auctions vary widely in terms of the offering and bidding rules. Some examples are [eBay]
 - **Transaction Broker** : provides a third-party payment mechanism for buyers and sellers to settle a transaction. Some examples are [PayPal, Escrow.com]
 - **Search Agent** : a software agent or "robot" used to search-out the price and availability for a good or service specified by the buyer, or to locate hard to find information
 - **Virtual Marketplace** : or virtual mall, a hosting service for online merchants that charges setup, monthly listing, and/or transaction fees. It may also provide automated transaction and relationship marketing services. Some examples are [zShops and Merchant Services at Amazon.com]

Aggregator Model

- It is an e-commerce business model where a firm (that does not produce or warehouses any item) collects (aggregates) information on goods and/or services from several competing sources at its website.
- The firm's strength lies in its ability to create an 'environment' which draws visitors to its website, and in designing a system which allows easy matching of prices and specifications.
- Aggregator model includes:
 - **Virtual Merchant** : this is a business that operates only from the web and offers either traditional or web specific goods and services. The method of selling may be listing price or auction. Some example includes [Amazon, eToys]
 - **Catalog Merchant** : Catalog business is a migration of mail order to web-based order business.
 - **Bit Vendor** : This is the merchant that deals strictly in digital products and services in its purest form
 - **Subscription model** : the users have to pay for the access of the site. High value added content should be essential for subscription model. Some examples are [IEEE journal, Consumer Reports, Netflix, Lynda etc]

Infomediary Model

- Data about consumers and their consumption habits are valuable, especially when that information is carefully analyzed and used to target marketing campaigns.
- Independently collected data about producers and their products are useful to consumers when considering a purchase.
- Some firms function as infomediaries (information intermediaries) assisting buyers and/or sellers understand a given market.
- Infomediary model includes :
 - **Advertising Networks** : feed banner ads to a network of member sites, thereby enabling advertisers to deploy large marketing campaigns. Ad networks collect data about web users that can be used to analyze marketing effectiveness.
 - **Audience Measurement Services** : online audience market research agencies.

Infomediary Model

- Infomediary model includes :
 - **Incentive Marketing** : customer loyalty program that provides incentives to customers such as points or coupons for making purchases from associated retailers. Data collected about users is sold for targeted advertising.
 - **Metamediary** : facilitates transactions between buyer and sellers by providing comprehensive information and services, without being involved in the actual exchange of goods or services between the parties

Community Model

- The ability of the community model is based on user loyalty.
- Users have a high investment in both time and emotion.
- Revenue can be based on the sale of ancillary products and services or voluntary contributions; or revenue may be tied to contextual advertising and subscriptions for premium services.
- The Internet is inherently suited to community business models and today this is one of the more fertile areas of development, as seen in rise of social networking
- Community Model includes :
 - **Open Source** : software developed collaboratively by a global community of programmers who share code openly. Some examples are [Red Hat, Linux, PHP]

Community Model

- Community Model includes :
 - **Open Content** : openly accessible content developed collaboratively by a global community of contributors who work voluntarily. [Wikipedia]
 - **Public Broadcasting** : user-supported model used by not-for-profit radio and television broadcasting extended to the web. A community of users support the site through voluntary donations. [The Classical Station (WCPE.org)]
 - **Social Networking Services** : sites that provide individuals with the ability to connect to other individuals along a defined common interest (professional, hobby, romance). Social networking services can provide opportunities for contextual advertising and subscriptions for premium services. [Facebook, Instagram, twitter etc]

Value Chain Model

- Value chain selling is supported through two business models: demand chain and a supply chain.
- E-Commerce supports the transactions through both the demand chain business model and supply chain business model
- Products, goods, services, or information are delivered through the parties of the value chain from producers to end users.
- A value chain also has relationship and administrative aspects, that is, you can manage the relationship of the partners or enterprises in your value chain, as well as offer some administrative services to those parties
- As a result, value chain business models must manage the two sides of their businesses: their customers and direct sales, and their channel partners and suppliers. Each requires its own management channels and practices

Advertising Model

- The web advertising model is an extension of the traditional media broadcast model.
- The broadcaster, in this case, a web site, provides content (usually, but not necessarily, for free) and services (like email, IM, blogs) mixed with advertising messages in the form of banner ads.
- The banner ads may be the major or sole source of revenue for the broadcaster.
- The advertising model works best when the volume of viewer traffic is large or highly specialized.
- Advertising model includes :
 - **Portal** : usually a search engine that may include varied content or services. A high volume of user traffic makes advertising profitable and permits further diversification of site services. Some common examples are [Google, Yahoo!]

Advertising Model

- Advertising model includes :
 - **Classifieds** : list items for sale or wanted for purchase. Listing fees are common, but there also may be a membership fee. [Monster.com, Craigslist]
 - **User Registration** : content-based sites that are free to access but require users to register and provide demographic data. Registration allows inter-session tracking of user surfing habits and thereby generates data of potential value in targeted advertising campaigns.
 - **Contextual Advertising / Behavioral Marketing** : For example, a browser extension that automates authentication and form fill-ins, also delivers advertising links or pop-ups as the user surfs the web. Contextual advertisers can sell targeted advertising based on an individual user's surfing activity

E-Commerce Business/Revenue Model

- In business, revenue typically consists of the total amount of money received by the company for goods sold or services provided during a certain time period. Therefore, revenue models are a part of the business model.
- Many online companies generate revenues from multiple income streams such as advertising, subscription, marketing etc.
- There are five revenue models.
 1. Advertising Revenue Model
 2. Subscription Revenue Model
 3. Transaction Fee Revenue Model
 4. Sales Revenue Model
 5. Affiliate Revenue Model

Advertising Revenue Model

- Generally, there is always a commission charged to advertisers to put up their advertisements in a well known online marketing platform.
- This is the classic principle that is being followed for the business categorized for the Advertising Revenue model.
- They take advantage of the huge traffic who regularly visit the chosen platform to shop around, see the ad and get redirected to the actual site



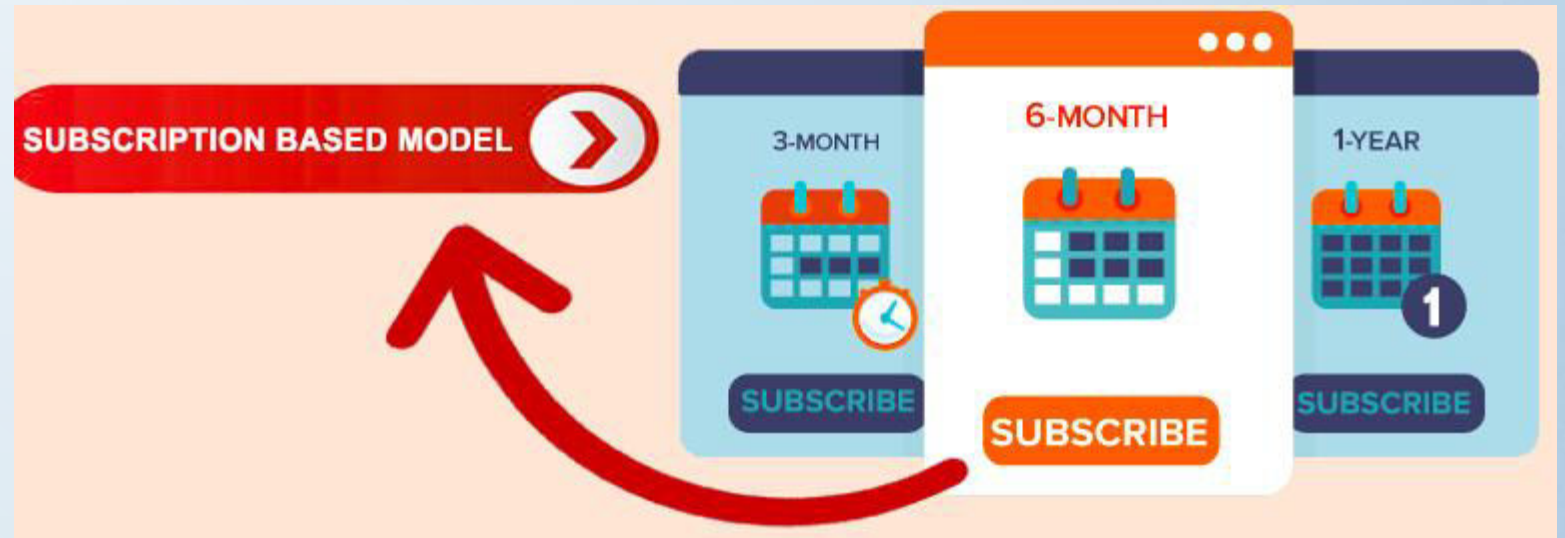
Advertising Revenue Model

- Business following the Advertising Revenue Model presents an indirect way of earning revenue through a digital platform and the conventional ways of putting up ads generally include display marketing that includes a super banner, wallpaper, skyscraper or rectangular ads
- Google AdSense are the most trending and reliable options that allow you to place your ads through the Google Search engine allowing you to bring your business website to the top of the search results when searched with the related keywords



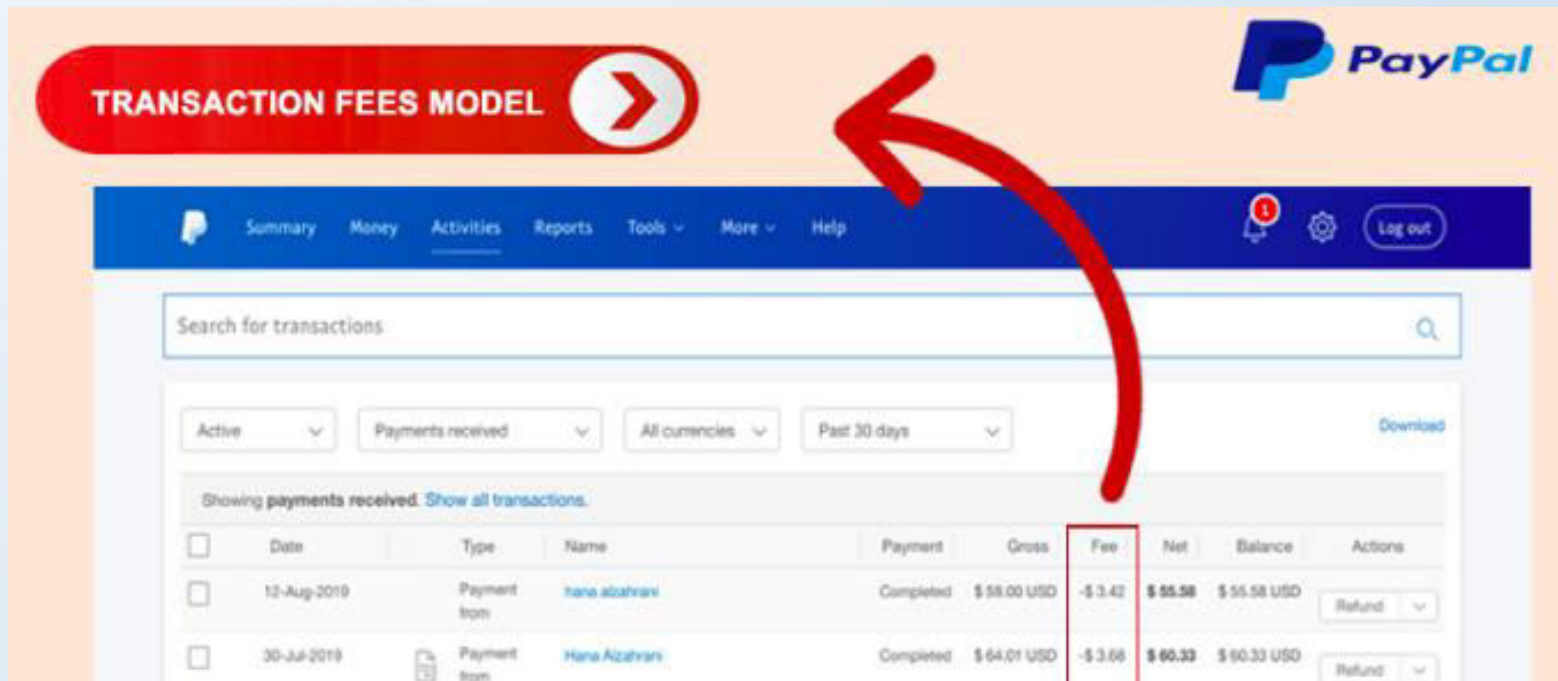
Subscription Revenue Model

- You must have heard of Netflix, Amazon Prime, YouTube Premium, etc who will let you enjoy their unlimited services.
- These eCommerce business models charge their users or rather subscribers based on a certain interval of time (daily, monthly or annual) to avail their services.
- The service offerings of these companies generally include music, videos, TV channels, magazines, special services, etc. which is offered to the subscribers for a price to watch/listen or get the latest edition



Transaction Fee Revenue Model

- The eCommerce business following the transaction fee revenue model charges a fee to a seller for every transaction made through them.
- They are the payment companies that provides the payment gateway service to other eCommerce business platforms.
- Generally, the profit is derived through enabling or executing transactions

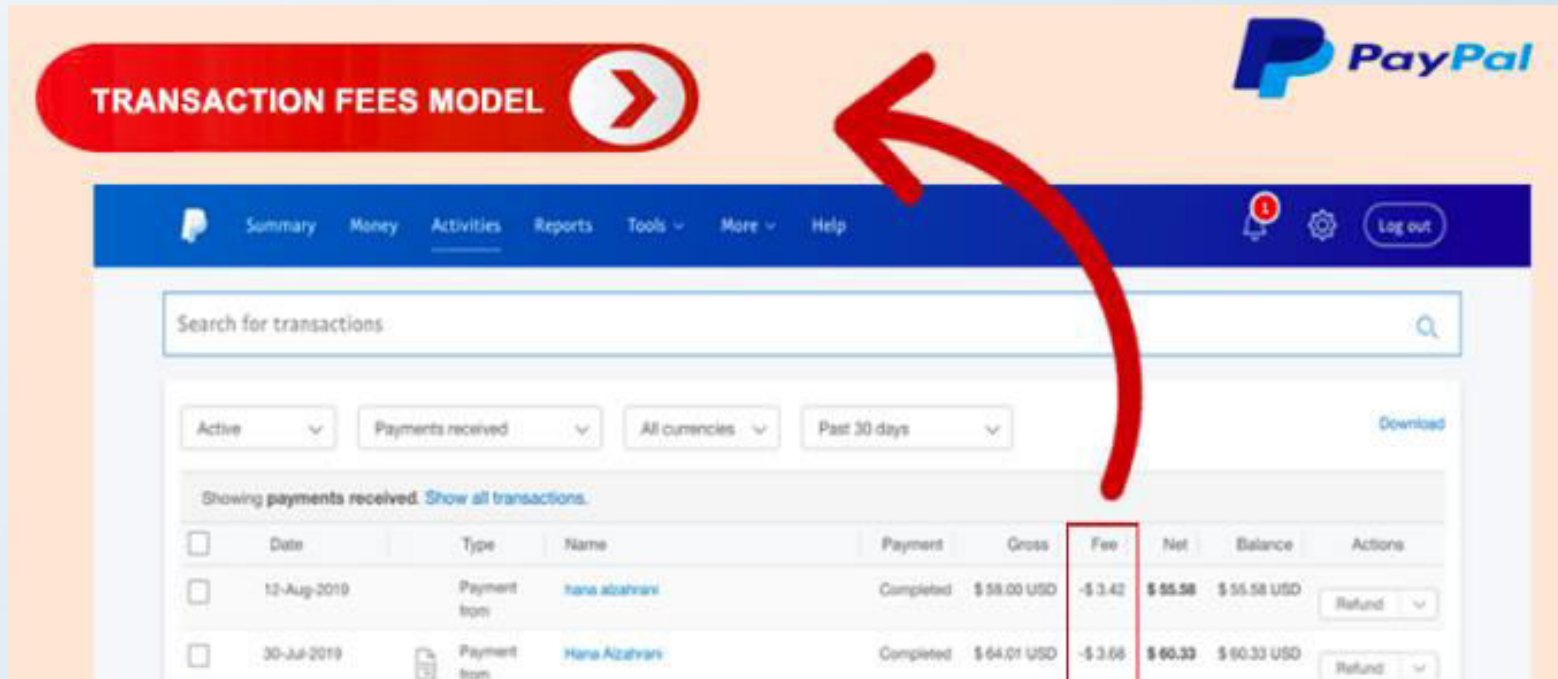


The screenshot shows the PayPal Transaction Fees Model interface. A red arrow points to the 'Fee' column in the transaction table. The table lists transactions with columns for Date, Type, Name, Payment, Gross, Fee, Net, Balance, and Actions.

	Date	Type	Name	Payment	Gross	Fee	Net	Balance	Actions
<input type="checkbox"/>	12-Aug-2019	Payment from	Hana alahvani	Completed	\$ 58.00 USD	-\$ 3.42	\$ 55.58	\$ 55.58 USD	Refund
<input type="checkbox"/>	30-Jul-2019	Payment from	Hana Alahvani	Completed	\$ 64.01 USD	-\$ 3.66	\$ 60.35	\$ 60.33 USD	Refund

Transaction Fee Revenue Model

- The operator provides a platform for the eCommerce marketplace through which the transaction can be completed.
- Now, the necessary steps include registering of the vendor and the operator so that the identities are kept intact that may later be required for a business.



The screenshot displays the PayPal interface for viewing transaction fees. At the top, a red banner reads "TRANSACTION FEES MODEL" with a right-pointing arrow. The PayPal logo is in the top right corner. Below the banner is a navigation bar with links: Summary, Money, Activities, Reports, Tools, More, and Help. A search bar labeled "Search for transactions" is present. Filter buttons include "Active", "Payments received", "All currencies", and "Past 30 days". A "Download" button is on the right. The main content area shows a table of transactions with the following data:

	Date	Type	Name	Payment	Gross	Fee	Net	Balance	Actions
<input type="checkbox"/>	12-Aug-2019	Payment from	Hana alahyani	Completed	\$ 58.00 USD	-\$ 3.42	\$ 55.58	\$ 55.58 USD	Refund
<input type="checkbox"/>	30-Jul-2019	Payment from	Hana Alzahran	Completed	\$ 64.01 USD	-\$ 3.66	\$ 60.35	\$ 60.33 USD	Refund

Sales Revenue Model

- This is the most commonly followed eCommerce business model where wholesalers and retailers sell their product over the internet intending to reach out to a larger target audience.
- often competitive in comparison to the actual store price.
- The business following the online sales model often comes with marketplaces as common entry points that allow them to deal with various product vendors allowing them to grow the marketplace and therefore earn more



Affiliate Revenue Model

- is a revenue model which deals with a business that follows the principle of commission.
- Merchants and vendors partner up with well-known eCommerce platforms to advertise and sell their product giving them a percentage of the profit as a commission.
- An affiliate marketing is a well-known way of inviting as well as driving quality leads into their business.



Affiliate Revenue Model

- The process basically works as a link that is hyperlinked to the affiliate and is archived on a host platform that gets regular traffic.
- Any user who clicks to the affiliate link is redirected to their website where the product or service is cataloged.
- The affiliate or the merchant thus pays an agreed commission to the host operator who's carrying the link for every traffic driven

