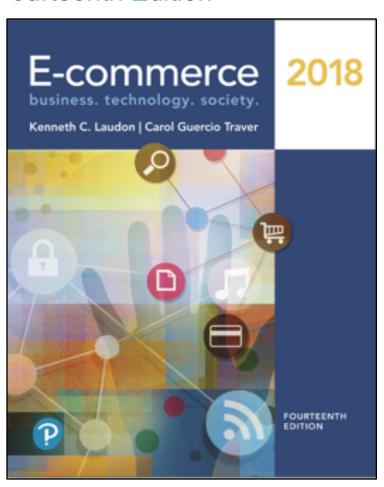
# E-Commerce 2018: Business. Technology. Society

#### Fourteenth Edition



#### **Chapter 2**

E-Commerce Business Models and Concepts



### **Learning Objectives**

- **2.1** Identify the key components of e-commerce business models.
- 2.2 Describe the major B2C business models.
- 2.3 Describe the major B2B business models.
- 2.4 Understand key business concepts and strategies applicable to e-commerce.



# Tweet Tweet: Will Twitter Ever Find a Business Model That Works?

- Class Discussion
  - What characteristics or benchmarks can be used to assess the business value of a company such as Twitter?
  - Have you used Twitter to communicate with friends or family? What are your thoughts on this service?
  - What are Twitter's most important assets?
  - Which of the various methods described for monetizing Twitter's assets do you feel might be most successful?



#### **E-Commerce Business Models**

- Business model
  - Set of planned activities designed to result in a profit in a marketplace
- Business plan
  - Describes a firm's business model
- E-commerce business model
  - Uses/leverages unique qualities of Internet and Web



### Eight Key Elements of a Business Model

- 1. Value proposition
- 2. Revenue model
- 3. Market opportunity
- 4. Competitive environment
- 5. Competitive advantage
- Market strategy
- 7. Organizational development
- 8. Management team



#### 1. Value Proposition

- "Why should the customer buy from you?"
- Successful e-commerce value propositions:
  - Personalization/customization
  - Reduction of product search, price discovery costs
  - Facilitation of transactions by managing product delivery



#### 2. Revenue Model

- "How will you earn money?"
- Major types of revenue models:
  - Advertising revenue model
  - Subscription revenue model
    - Freemium strategy
  - Transaction fee revenue model
  - Sales revenue model
  - Affiliate revenue model



# 3. Market Opportunity

- "What marketspace do you intend to serve and what is its size?"
  - Marketspace: Area of actual or potential commercial value in which company intends to operate
  - Realistic market opportunity: Defined by revenue potential in each market niche in which company hopes to compete
- Market opportunity typically divided into smaller niches



## 4. Competitive Environment

- "Who else occupies your intended marketspace?"
  - Other companies selling similar products in the same marketspace
  - Includes both direct and indirect competitors
- Influenced by:
  - Number and size of active competitors
  - Each competitor's market share
  - Competitors' profitability
  - Competitors' pricing

