

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
6. 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