2. Business Models for E-Commerce

2.1 Business model

A business model is defined as the organization of product, service and information flows, and the source of revenues and benefits for suppliers and customers.

It is the method of doing business by which a company can sustain itself and generate revenue.

The business model spells out how a company makes money by specifying where it is positioned in the value chain.

1

2. Business Models for E-Commerce

2.1 Business model

Some models are quite simple.

A company produces goods or services and sells it to the customers. If everything goes normal, the revenues from sales exceed the cost of operation and the company realizes profit.

Whereas, other models can be more complicated eg- Radio and television broadcasting. The broadcaster is a part of a complex network of distributors, content creators, advertisers, and listeners or viewers. In this case, we cannot clearly state who makes money and how much, it depends on many competing factors.

2

2. Business Models for E-Commerce

2.1 Business model

The concept of e-business model is similar to business model but used in the online presence, i.e. the sustainability is attained electronically.

3

Eight Key Ingredients of a Business Model

Business Model Components	Key Questions
Value Proposition	Why should the customer buy from you ?
Revenue Model	How will you earn money ?
Market Opportunity	What marketspace do you intent to serve, and what is its size ?
Competitive Environment	Who else occupies your intended marketspace ?
Competitive Advantage	What special advantages does your firm bring to the marketplace ?
Market Strategy	How do you plan to promote your products to attract customer ?
Organizational Development	What types of organizational structures within the firm are necessary to carry out the business plan ?
Management Team	What kinds of experiences and background are important for the company's leaders to have ?

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2. Business Models for E-Commerce

2.2 Type of e-commerce/E-business model

Broadly categorized as :

- E-Business model *based on relationship of transaction parties*

- E-Business model *based on the relationship of transaction types*

- *Classification by revenue model*

- *Classification by distribution channel*

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2. Business Models for E-Commerce

2.2 Type of e-commerce/E-business model

- **Classification by revenue model**

(a.) **Product Sales Model** that charges customers directly for the products or services they buy;

(b.) **Subscription Model** that charges a fixed monthly or annual rental for the service;

(c.) *transaction fee model* that charges a service fee based on volume and value of the transactions offered;
- • *advertising support model* that charges advertisers instead of charging users; and
- • *sponsorship model* that provides sponsorship by companies for non-financial reasons

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2. Business Models for E-Commerce

2.2 Type of e-commerce/E-business model

- **Classification by distribution channel**

(a) **Direct marketing** where manufacturers such as Dell, Nike, or Sony market directly from company sites to individual customers;

(b) **Pure play e-tailors** who have no physical stores, only an online sales presence. Eg-Amazon.com

(c) **Click-and-mortar retailers** who are traditional retailers with a supplementary website, like walmart.com

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2. Business Models for E-Commerce

2.2 Type of e-commerce/E-business model

- **E-business Models based on the relationship of Transaction parties**

i.   Business - to - Business (B2B)

ii.   Business - to - Consumer (B2C)

iii. Consumer - to - Consumer (C2C)

iv.   Consumer - to - Business (C2B)

v.   Business - to - Government (B2G)

vi.   Government - to - Business (G2B)

vii. Government - to - Citizen (G2C)

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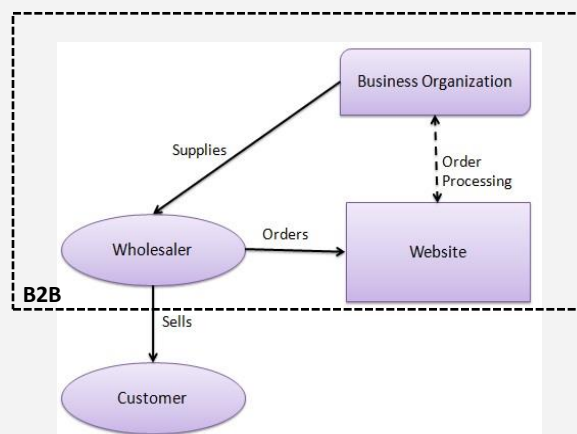**E-business Models based on the Relationship of Transaction Parties**

i.   Business - to - Business (B2B)

- B2B is that ebusiness model in which a company conducts its trading and other commercial activity through the internet and the customer is another business itself.

- Website following B2B business model sells its product to an intermediate buyer who then sells the product to the final customer.
- B2B implies that seller as well as buyer is business entity.

- Some of the leading items in B2B e-Commerce are Electronics, Shipping and Warehousing, Motor Vehicles, Petrochemicals, Paper, Office products, Food, Agriculture.

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E-business Models based on the relationship of Transaction parties

i.   Business - to - Business (B2B)

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E-business Models based on the relationship of Transaction parties

i.   Business - to - Business (B2B)

The major advantages of B2B are as follows;

- Direct interaction with customer.
- Focused sales promotion
- Building customer loyalty
- Scalability
- Savings in distribution costs

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E-business Models based on the relationship of Transaction parties

i.   Business - to - Business (B2B)

Key technologies used in B2B e-commerce;

Electronic Data Interchange (EDI) – EDI is an inter organizational exchange of business documents in a structured and machine process compatible format.

Internet – Internet represents world wide web or network of networks connecting computers across the world.

Intranet
– Intranet represents a dedicated network of computers within a single organization

Extranet – Extranet represents a network where outside business partners, supplier or customers can have limited access to a portion of enterprise intranet/network.

Back-End Information System Integration – Back End information systems are database management systems used to manage the business data.

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E-business Models based on the relationship of Transaction parties

i.   Business - to - Business (B2B)

The B2B ecommerce is further classified depending on who controls the marketplace: the buyer, the supplier or the intermediary.

Supplier Oriented marketplace – In this type of model, a common marketplace provided by supplier is used by both individual customers as well as business users. A supplier offers an e-stores for sales promotion.

Buyer Oriented marketplace – In this type of model, buyer has his/her own market place or e-market. He invites suppliers to bid on product's catalog. A Buyer company opens a bidding site.

Intermediary Oriented marketplace – In this type of model, an intermediary company runs a market place where business buyers and sellers can transact with each other.

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E-business Models based on the relationship of Transaction parties

ii. Business - to – Consumer (B2C)

Website following B2C business model sells its product directly to a customer.

A customer can view products shown on the website of business organization.

The customer can choose a product and order the same. Website will send a notification to the business organization via email and organization will dispatch the product/goods to the customer.

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E-business Models based on the relationship of Transaction parties

ii. Business - to – Consumer (B2C)

B2C enterprises include bestbookbuys.com and gartner.com.

Most B2C models generate revenue from direct sales and processing fees.

B2C also is known as electronic retail or e-tail and may include purchases such as airline tickets, entertainment venue tickets, hotel rooms, and shares of stock.

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E-business Models based on the relationship of Transaction parties
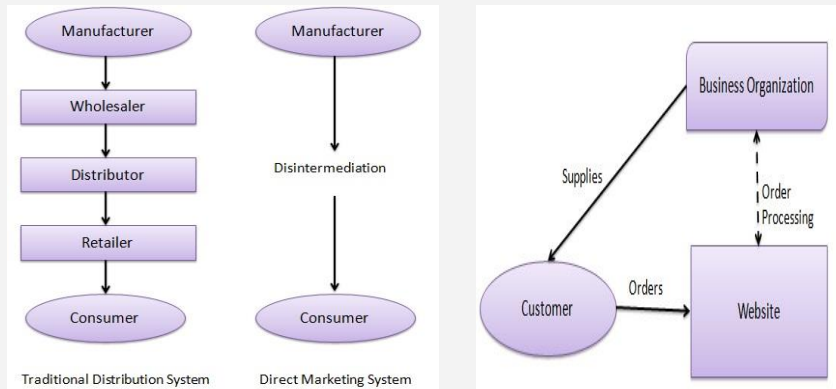
ii. Business - to – Consumer (B2C)

Some B2C e-businesses provide high-value content to consumers for a subscription fee, for example, Wall Street Journal (financial news and articles), Consumer Reports (product reviews and evaluations), and eDiets.com (nutritional counseling).

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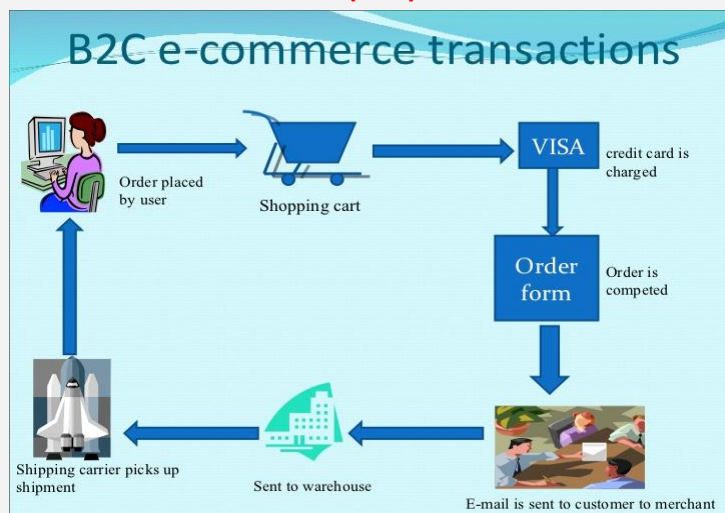**E-business Models based on the relationship of Transaction parties**

ii. Business - to – Consumer (B2C)

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E-business Models based on the relationship of Transaction parties

ii. Business - to – Consumer (B2C)

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E-business Models based on the relationship of Transaction parties

ii. Business - to – Consumer (B2C)

Some of the major advantages of B2C are;

i. inexpensive costs, big opportunities

ii. Globalization

iii. Reduced operational Costs

iv. Customer convenience

v. Knowledge management

vi. Disintermediation

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E-business Models based on the relationship of Transaction parties
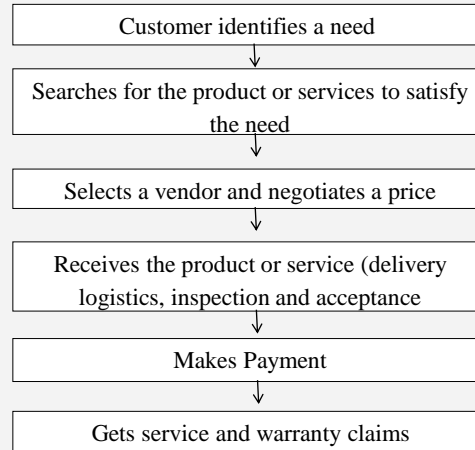
ii. Business - to – Consumer (B2C)

Disintermediation

In traditional commerce, there are intermediating agents like wholesalers, distributors, retailers between manufacturer and consumer. In B2C website, manufacturer can sell products directly to consumers. This process of removal of business layers responsible for intermediary functions is called Disintermediation.

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E-business Models based on the relationship of Transaction parties

How B2C Works

Customer identifies a need
↓
Searches for the product or services to satisfy the need
↓
Selects a vendor and negotiates a price
↓
Receives the product or service (delivery logistics, inspection and acceptance
↓
Makes Payment
↓
Gets service and warranty claims

Fig. Processes in B2C

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E-business Models based on the relationship of Transaction parties
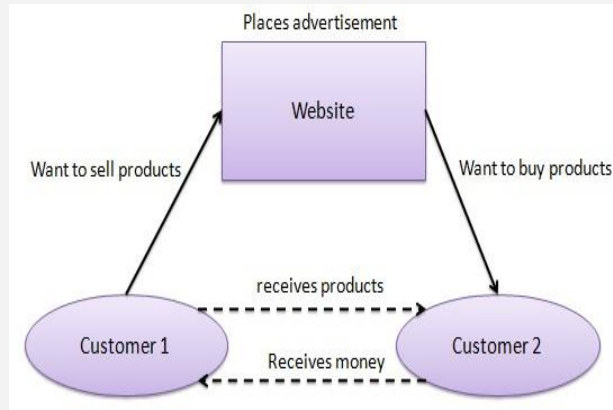
iii. Consumer - to – Consumer (C2C)

Website following C2C business model helps consumer to sell their assets like residential property, cars, motorcycles etc. or rent a room by publishing their information on the website.

Website may or may not charge the consumer for its services. Another consumer may select to buy the product of the first consumer by viewing the post/advertisement on the website.

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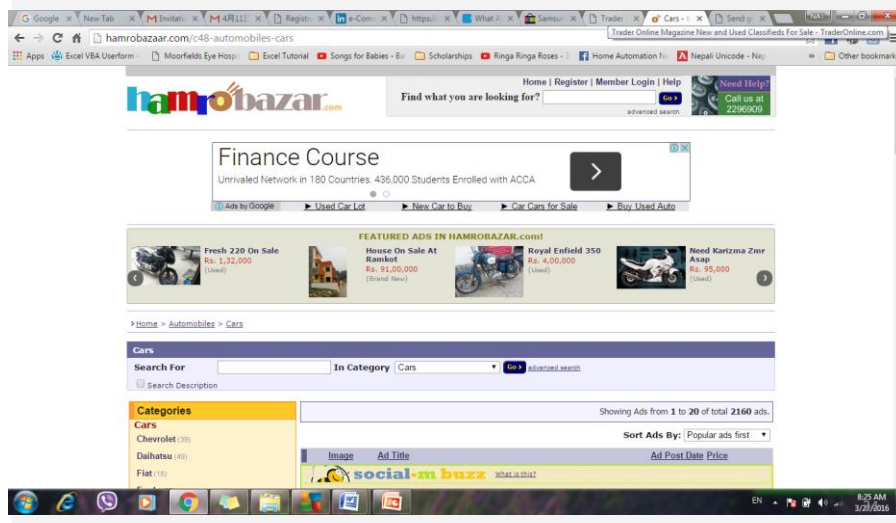**E-business Models based on the relationship of Transaction parties**

iii. Consumer - to – Consumer (C2C)

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E-business Models based on the relationship of Transaction parties

Consumer - to – Consumer (C2C)

E-business Models based on the relationship of Transaction parties

iii. Consumer - to – Consumer (C2C)

Thus in C2C business model, consumers sell directly to the other consumers via online classified ads and auctions, or by selling personal services or expertise online.

For example – ebay.com (auction), TraderOnline.com (classified ads), Hamrobazaar.com

There are a number of new consumer-to-consumer expert information exchanges such as AskMe.com, abuzz, InfoRocket.com (one of the first question-and-answer marketplaces) which is an person-to-person auction format.

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E-business Models based on the relationship of Transaction parties

iii. Consumer - to – Business (C2B)

In this model, a consumer approaches website showing multiple business organizations for a particular service.

Consumer places an estimate of amount he/she wants to spend for a particular service. For example, comparison of interest rates of personal loan/ car loan provided by various banks via website.

Business organization who fulfills the consumer's requirement within specified budget approaches the customer and provides its services.

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E-business Models based on the relationship of Transaction parties

iv. Consumer - to – Business (C2B)

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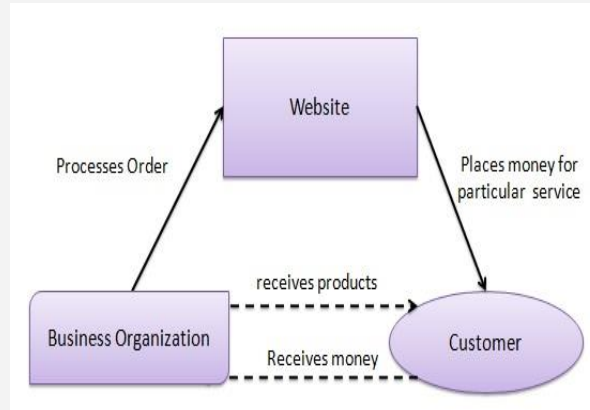
E-business Models based on the relationship of Transaction parties

iv. Consumer - to – Business (C2B)

It is also called a reverse auction or demand collection model, which enables buyer to name their own price, often binding, for a specific good or service generating demand.

For example – ReverseAuction.com (travel, autos, consumer electronics) and priceline.com(travel, telephone, mortgages).

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E-business Models based on the relationship of Transaction parties

v. Business - to – Government (B2G)

B2G model is a variant of B2B model. Such websites are used by government to trade and exchange information with various business organizations.

B2G is a business model that refers to businesses selling products, services or information to governments or government agencies.

B2G networks or models provide a way for businesses to bid on government projects or products that governments might purchase or need for their organizations.

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E-business Models based on the relationship of Transaction parties

v. Business - to – Government (B2G)

Such websites are accredited by the government and provide a medium to businesses to submit application forms to the government.

For example, a Web site offering B2G services could provide businesses with a single place to locate applications and tax forms for one or more levels of government (city, state or province, country, and so forth); provide the ability to send in filled-out forms and payments; update corporate information; request answers to specific questions; and so on.
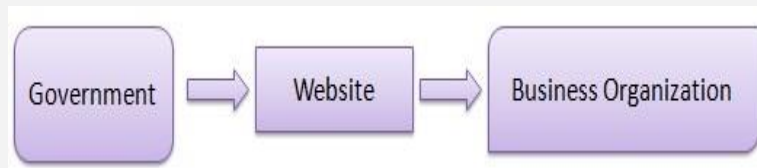

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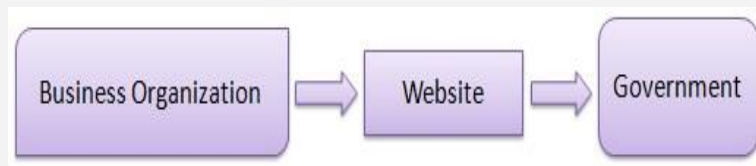
E-business Models based on the relationship of Transaction parties

vi. Government - to – Business (G2B)

Government uses G2B model website to approach business organizations. Here, the seller is a government entity and the buyer is a business.

Such websites support auctions, tenders, taxation and application submission functionalities.

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E-business Models based on the relationship of Transaction parties

vii. Government - to – Citizen (G2C)

Government uses G2C model website to approach citizen in general. Such websites support auctions of vehicles, machinery or any other material.

Such website also provides services like registration for birth, marriage or death certificates. Main objectives of G2C website are to reduce average time for fulfilling people requests for various government services.

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E-business Models based on the relationship of Transaction parties

viii. Government - to – Government (G2G)

Government to government (G2G) is the electronic sharing of data and/or information systems between government agencies, departments or organizations. The goal of G2G is to support e-government initiatives by improving communication, data access and data sharing.

It consists of intra- and inter-agency interactions at the national level and exchanges between the national, provincial, and local levels.

G2G initiatives are also being driven by budgets and funding. By sharing information and systems, governments are able to reduce IT costs government offices can be more efficient and streamline procedures, allowing citizens to access information over the Internet. They may also qualify for grant funding, depending on the project.

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E-business Models based on the relationship of Transaction parties

Assignment 1 :
Enlist at least 3 examples for each types of e-Business Model based on the relationship of Transaction parties (B2B,B2C,C2B,C2C,G2B,B2G,G2C) with brief description.

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Difference between B2B and B2C

- The volume of B2B sales is much greater than that of B2C sales.

- The purchase of B2B products is much risker than B2C products, because purchasing the wrong product or quantity, or at the wrong terms, can put the entire purchasing business at risk.
  > *"Buying one can of soft drink involves little money, and thus little risk".*

- B2B companies behave differently when buying. Purchases are usually made by committee, and decisions are specification-driven.
  ("The decision-making process for B2B products is usually much longer than in B2C".)

- B2B companies avoid mass media when promoting their brand, instead targeting their customers directly through trade shows, specialized magazines, etc.
  ("Brand loyalty in B2B is therefore much higher than in consumer goods markets").

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BASIS FOR COMPARISON	B2B	B2C
Meaning	The selling of goods and services between two business entities is known as Business to Business or B2B.	The transaction in which business sells the goods and services to the consumer is called Business to Consumer or B2C.
Customer	Company	End user
Focus on	Relationship	Product
Quantity of merchandise	Large	Small
Relationship	Supplier - Manufacturer Manufacturer - Wholesaler Wholesaler - Retailer	Retailer – Consumer
Relationship horizon	Long term	Short term
Buying and Selling cycle	Lengthy	Short
Buying Decision	Planned and Logical, based on needs.	Emotional, based on want and desire.
Creation of Brand Value	Trust and Mutual Relationship	Advertising and Promotion

Advantages of B2B and B2C

- **Increased Awareness**
- **Better Interaction**
- **Better Service – Speed, Secure, Easy Administration**
- **Refined Messaging**
- **Addition of new target resulting into addition of revenue**
- **Increased brand awareness through an additional channel**
- **Unlimited marketplace**
- **Optimized search experience**
- **Process Automation**
- **Cost Minimization**

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E-business Models based on the relationship of Transaction parties
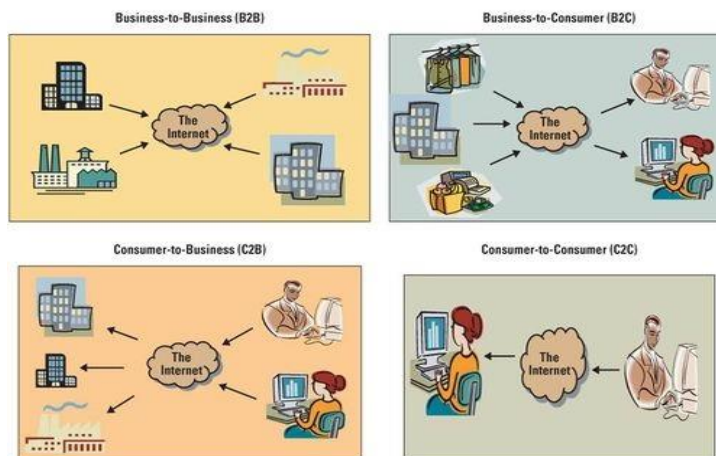
Model	Description	Examples
B2B	Sells products or services to other businesses or brings multiple buyers and sellers together in a central marketplace	MetalSite.com, VerticalNet.com, SHOP2gether.com
B2C	Sells products or services directly to cunsumers	amazon.com, autobytel.com, eDiets.com
C2B	Consumers fix price on their own, which businesses accept or decline	Priceline.com
C2C	Consumers sell directly to other consumers	Ebay.com, InfoRocket.com
G2B	Used by government to trade and exchange information with various business organizations.	
B2G	Government uses B2G model website to approach business organizations.	iGov.com
G2C	Government uses G2C model website to approach citizen in general.	

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❖ Differences between B2B, B2C, C2C and C2B.

	B2C	B2B	C2B	C2C
Initiated By	Business	Business	Consumer	Consumer
Targeted to	Consumer	Business	Business	Consumer
Motivation of purchase	Individual needs and emotions	Business Needs	Business Needs	Individual Needs And emotions
Pricing	Standard	Negotiable	Negotiable	Negotiable (Market based)
Length of sales	Days to weeks	Days to months	Days to months	Days to weeks
Value of sale	Tens and hundreds of dollars	Thousands and millions of dollars	Hundreds and thousands of dollars	Tens of dollars
Level of risk	Low to medium	Medium to high	Low to medium	Low to medium
Complexity of decision	Low to medium	Medium to high	Medium to High	Low to medium
Time Perspective	Short Term (Isolated events)	Long Term (Ongoing Relationship)	Short/Long Term	Short term (Isolated Events)
Information Search	Limited	Detailed	Detailed	Limited

❖ B2B, B2C, C2C and C2B.

Business-to-Business (B2B)

Business-to-Consumer (B2C)

Consumer-to-Business (C2B)

Consumer-to-Consumer (C2C)

INTERNSHIP ACTIVITIES

> CONTENTS - INTERNSHIP REPORT

> FORMAT - INTERNSHIP REPORT

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Ebusiness Model based on relationship of Transaction Types

This business model is usually controlled by two parameters namely *control* and *value Integration.*

Based on Control : At the high end of control there is hierarchical control and at the low end there is no control, so that it is self-organizing. Normally, the control is done through the policies of the website.

Based on Value Integration : Value integration is the addition of value to a product or service because of the opportunities that it offers on the Web.

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Ebusiness Model based on relationship of Transaction Types

Based on these, nine types of transactions can be identified as follows:

- **Brokerage**
- **Aggregator**
- **Info-mediary**
- **Community**
- **Value chain**
- **Subscription**
- **Manufacture**
- **Advertising**
- **Affiliate**

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Ebusiness Model based on relationship of Transaction Types

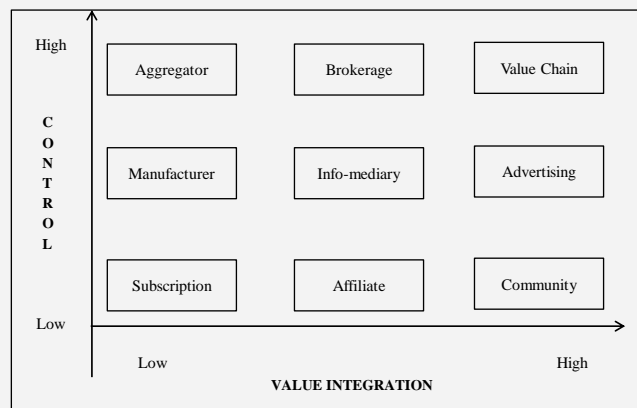Any business firm may combine one or more of these as part of its Web business strategy.

Fig. Transaction Model based on relationship of Transaction Types

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model

Whether a company sells products or services to consumers, other businesses, or both, there are many different ways to approach the marketplace and make a profit.

Amongst many other Business models, the brokerage model is simply used to describe how companies go about this process.

They spell out the main ways in which companies make profits by identifying a company's role during commerce and describing how products, information, and other important elements are structured.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model

Brokers are market-makers: they bring buyers and sellers together and facilitate transactions.

Major characteristics

- The Price-discovery mechanism is its key-principle
- It is a Meeting point for sellers and buyers
- Auctions and exchanges are the modes of transactions
- It is a Free-Market

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model

Major characteristics

- It consists of Global network of buyers and sellers
- It is a virtual market place enabled by the internet
- It encompasses all types of organization now.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model

Advantages
- Allows buyers and sellers to trade directly bypassing intermediaries which reduces cost for both the parties
- Global reach
- 24/7 hours trading and provides continuous up-to-date information
- Efficient access to information
- Alleviation (mitigation) of risk of anonymous trading

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model

Price discovery mechanism
It is the process of determining the **price** of an asset in the marketplace through the interactions of buyers and sellers.

Price discovery is a method of determining the price for a specific commodity or security through basic supply and demand factors related to the market.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model

Price discovery mechanism
The basis for the brokerage model is the price discovery mechanism which includes;

- Auction

- Reverse Auction

- Market Exchange

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model

Price discovery mechanism

Examples of price discovery mechanism based models are;

B2B :	B2C :	C3C :
B2B sell side FastParts.com	Priceline.com	ebay.com
B2B buy side FreeMarket.com		
B2B exchanges Covisint.com		

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model

Auction Broker:

Many different auction formats have emerged since the first auction occurred in Babylon in about 500 B.C. Today, there are **open** and **sealed-bid auctions.**

In some auctions, *the auction price ascends as the auction proceeds*, whereas, *in other auctions, the price descends at regular intervals*. There are single auctions and double auctions.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model

Auction Broker:

English Auction :

The English Auction is one of the most common auction formats which is also known as the open-outcry auction or the ascending price auction.

It is frequently used for selling art, wine, and other physical goods, which do not have a limited lifetime.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - **Auction Broker:**

English Auction :

The basic procedure in English Auction is in this way;
The auctioneer starts off the auction with the lowest acceptable price or the reserve price. He then receives bids from the bidders until the point from which there is no raise in the bid. At that point, the auctioneer **"knocks down"** the item, which indicates that the highest bidder will receive the item in exchange for the sum of money he bid for.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - Auction Broker:
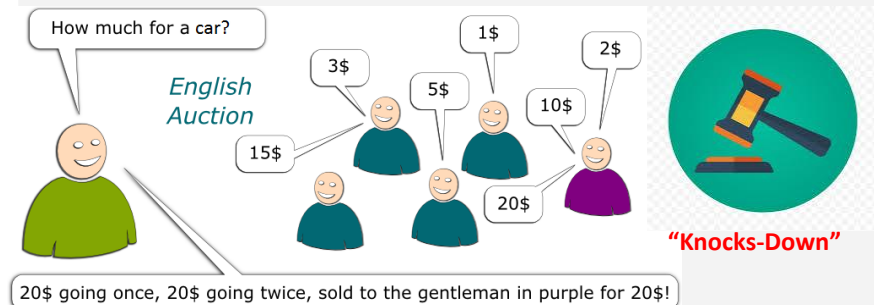
55

Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - Auction Broker:

English Auction :

Sometimes, the reserve price will not be made known to the public. This may happen when the auctioneer is uncertain about the price expectation of the bidders and when he wishes the bidders to totally set the price level. As a consequence of not giving the reserve price, the tiem will never be sold if the highest bid is lower than the reserve price.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - **Auction Broker:**

Dutch Auction :

The Dutch auction was developed in the Netherlands to auction flowers and other products with a limited life and is also known as the descending-price auction.

In Dutch auction, the opening price is set extremely high. The price then descends with a predefined amount, at predefined time intervals, until a buyer claims the product to be *mine*.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - **Auction Broker:**
Dutch Auction :

Example: Aucton for fish, flowers, vegetables

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - **Auction Broker:**

Dutch Auction :

When many items of the same product are auctioned at the same time, many bidders may claim the product as mine at different points of time until no more items of the product are left.

This process results in a different prices for different bidders, with the first person claiming the product as mine being the one who pays the highest price. Besides flowers in Holland, it has been used to sell fish in England and in Israel.

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Ebusiness Model based on relationship of Transaction Types

Dutch Auction

- *Flower Sales in Netherland*

- *Duthcauctionauto.com.au*

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - **Auction Broker:**

First-price sealed-bid auction :

The first-price sealed-bid auction has the main characteristics of not being an open-cry auction, like the English or Dutch auction, and thus the individual bids are hidden from other bidders.

It has two different phases – **a bidding phase,** in which all the bids are collected, and **a resolution phase,** in which the bids are opened and the winner is determined.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - **Auction Broker:**

First-price sealed-bid auction :

During the bidding phase, each bidder submits his bid, which is based on his own valuation. The bidder is thus totally ignorant of all the other bids that have been submitted.
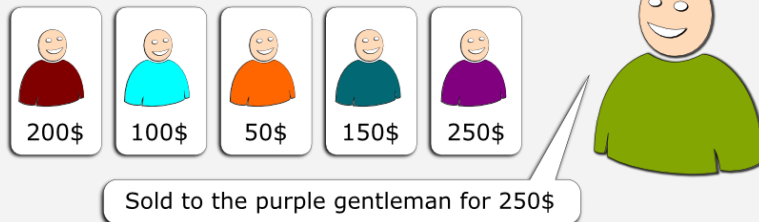
The resolution phase works as : all the bids are opened and sorted from the highest to the lowest bid. If it is only one item that is auctioned, the highest bid will be the winning bid.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - **Auction Broker:**

First-Price Auction

200$ 100$ 50$ 150$ 250$

Sold to the purple gentleman for 250$

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - **Auction Broker:**

First-price sealed-bid auction :

If multiple items of the same product are auctioned, the items are awarded to the highest bids until no more items are left. This is called Discriminatory Sealed-Bid Auction, since not all the bidders pay the same price.

It is often used for refinancing credit and foreign exchange.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - **Auction Broker:**

Vickrey auction :

This auction was developed by William Vickrey, the winner of the 1996 Nobel Price in Economics, also called as *uniformed second-price auction.*

In this auction, the bids are sealed and each bidder bids from his own intuitive knowledge ignorant of all the other bids.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - **Auction Broker:**

Vickrey auction :

What is different in this auction format compared to the first-price sealed-bid auction is that, the winning bidder will pay the price of the second highest bid, which is the same as the highest unsuccessful bid. Thus, the winner pays less than what he has actually bidden.

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Ebusiness Model based on relationship of Transaction Types
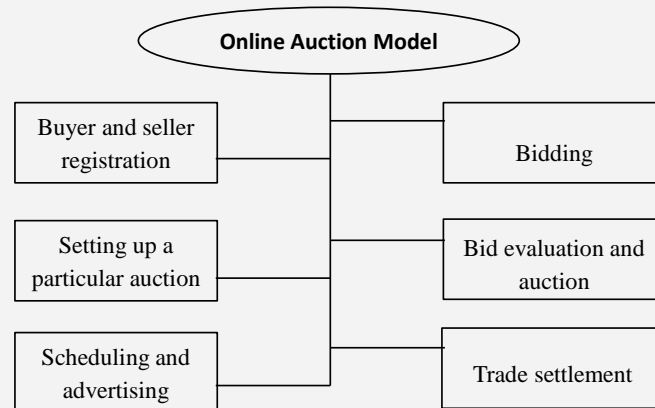
1. Brokerage Model - **Auction Broker:**

Vickrey auction :

Vickrey Auction

200$ 100$ 50$ 150$ 250$

Sold to the purple gentleman for 200$

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model - **Auction Broker:**

Online Auction Model

| Buyer and seller registration | | Bidding |

| Setting up a particular auction | | Bid evaluation and auction |

| Scheduling and advertising | | Trade settlement |
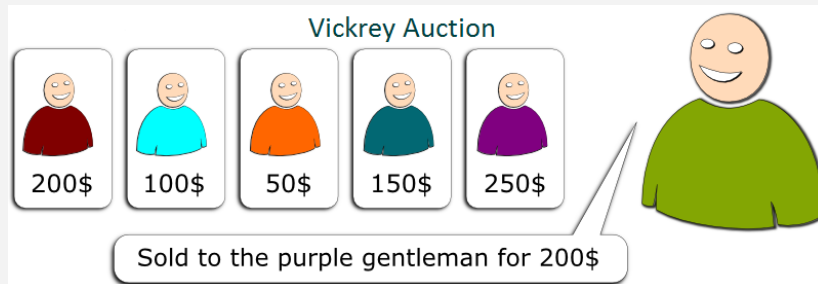
Fig. Functional Model of an online auction

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model – **Reverse Auction :**

A **reverse auction** is a type of auction in which the roles of buyer and seller are reversed.

In an ordinary auction (also known as a forward auction), buyers compete to obtain a good or service by offering increasingly higher prices.

In a reverse auction, the sellers compete to obtain business from the buyer and prices will typically decrease as the sellers undercut each other.

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model – **Reverse Auction :**

Thus in reverse auction, sellers compete to obtain business.

Example of reverse auction is *Priceline.com (website launched in 1998).*

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model – Reverse Auction :

Example:

Government project tenders, bank loans, tours and travels, hotels etc.

Priceline.com, trivago.com, airbnb.com, makemytrip.com

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Ebusiness Model based on relationship of Transaction Types
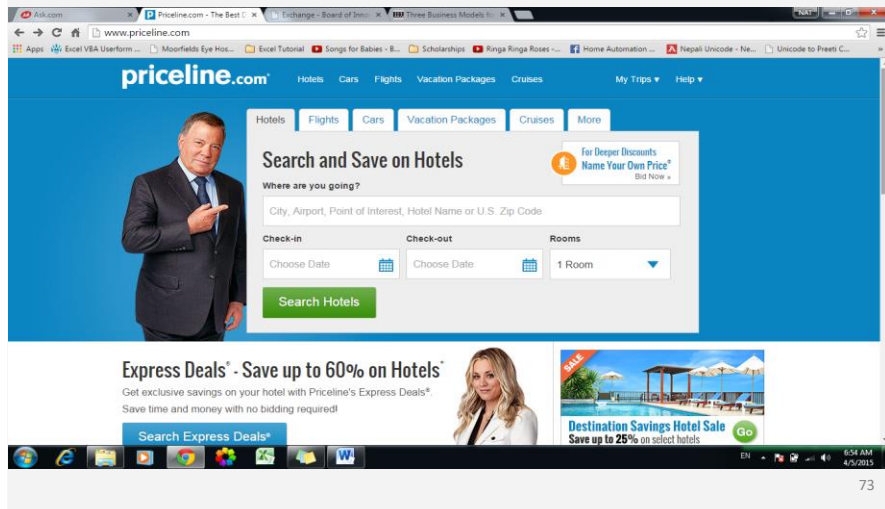
1. Brokerage Model – Reverse Auction :

priceline.com is a unique type of ecommerce known as a "demand collection system" that enables consumers to use the internet to save money on a wide range of products and services while enabling sellers to generate incremental revenue.

In previous deals, it used a simple and compelling consumer proposition – "name your price", which has now been customized.

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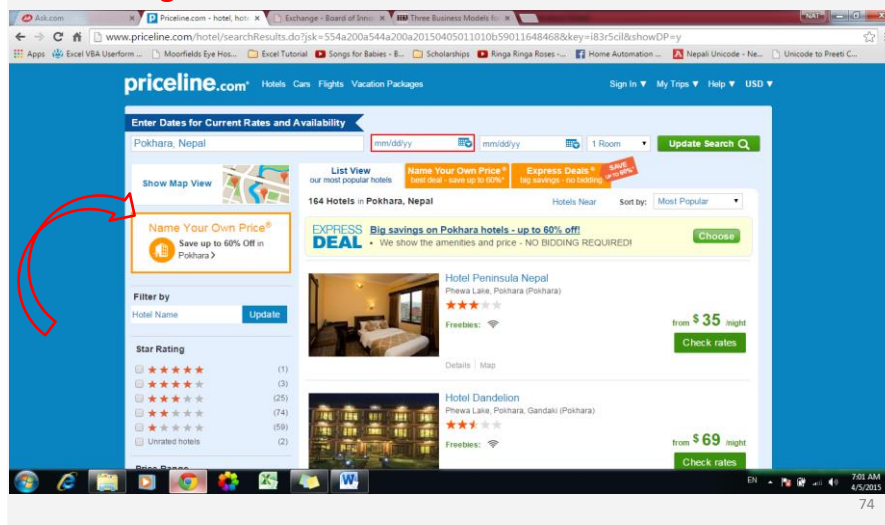## Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model – Reverse Auction :

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model – Reverse Auction :

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Ebusiness Model based on relationship of Transaction Types

1. Brokerage Model – **Market Exchange:**

A system in which goods and services are produced, distributed, and exchanged by the forces of price, supply, and demand.

A market exchange (also called simply exchange or bourse) is a highly organized market where brokers and traders buy and sell securities such as shares, commodities, currencies and options.

Market exchanges can be specialized, such as the global foreign exchange market or stock exchanges.

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Ebusiness Model based on relationship of Transaction Types

2. Aggregator Model

It is an ecommerce business model where a firm (that does not produce or warehouse any item) collects (aggregates) information on goods and/or services from several competing sources at its website.

They are known as Information aggregators.

Based on the electronic marketplace, aggregator model bypasses distributors so as to bring sellers and buyers together.

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Ebusiness Model based on relationship of Transaction Types

2. Aggregator Model

Aggregators are involved in the overall process of selection, organization, matching the buyers' requirement with the particulars of the available goods, fulfillment of the orders and enabling the customers to create a value about the sellers.

Usually information aggregators collect information from various sources, such as the Internet, diverse databases, company websites, and results of search engines.

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Ebusiness Model based on relationship of Transaction Types

2. Aggregator Model

There are different kinds of aggregator models as follows ;
i. Virtual Merchant

ii. Catalogue merchant

iii. Surf-and-turf

iv. Bit vendor

v. Subscription model

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Ebusiness Model based on relationship of Transaction Types

2. Aggregator Model

i. 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 by list price or auction.

ii. Catalogue merchant

It is the migration of mail order to a Web based order business (eg Levenger)

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Ebusiness Model based on relationship of Transaction Types

2. Aggregator Model

iii. Surf-and-turf

It is a traditional brick-and-mortar establishment with Web storefront.

Brick and mortar (or B&M) in its simplest usage describes the physical presence of a building(s) or other structure. The term **brick-and-mortar** business is often used to refer to a company that possesses buildings, production facilities, or store for operations.

Brick and mortar is a traditional "street-side" business that deals with its customers face to face in an office or store that the business owns or rents. The local grocery store and the corner bank are examples of "**brick and mortar**" companies.

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Ebusiness Model based on relationship of Transaction Types

2. Aggregator Model

iv. Bit vendor

It is a merchant that deals strictly in digital products and services, in its purest form, conducts both sales and distribution over the Web.

v. Subscription model

In subscription model, the users pay for access to the site. High value-added content is essential (eg. WallStreet Journal, ConsumerReports).

Generic news content, viable on the news-stand, has proven less successful as a subscription model on the Web (eg. slate)

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Ebusiness Model based on relationship of Transaction Types
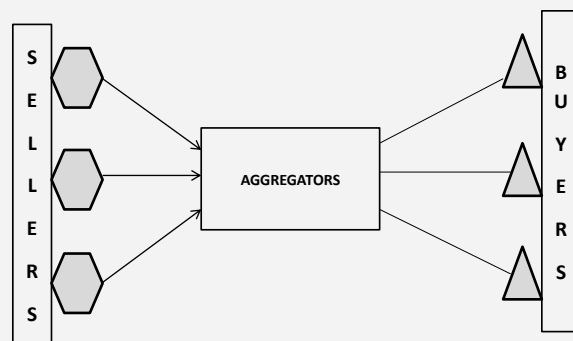
2. Aggregator Model

Fig. The Aggregator Model

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Ebusiness Model based on relationship of Transaction Types

2. Aggregator Model

Aggregators can be of different types:

- **Content Aggregators**
- **Mainstream Aggregators**
- **Event Aggregators**
- **Shopping Aggregators**

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Ebusiness Model based on relationship of Transaction Types
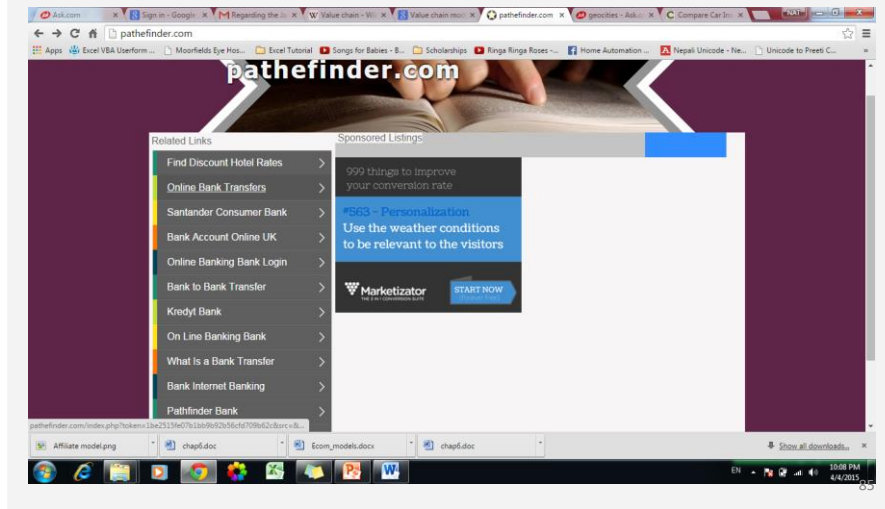
2. Aggregator Model - **Content Aggregators**

They are among the first large-scale sites on the web and mostly represent large publishing companies. Eg pathefinder.com.

The basic challenge is that the content has to be attractive enough to make the site viable.

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Ebusiness Model based on relationship of Transaction Types

2. Aggregator Model - **Content Aggregators**

Ebusiness Model based on relationship of Transaction Types

2. Aggregator Model - **Mainstream aggregators**

They include sites like yahoo providing a web directory and a search engine, along with a bunch of attractive tools like email services etc.

The most attractive feature of these sites is that they have an 'easy-to-remember' URL which is one of the reasons for them to be the top traffic sites on the Web.

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Ebusiness Model based on relationship of Transaction Types

2. Aggregator Model - **Event aggregators**

These are sites that provide in-depth content and tools tailored to the needs of a particular group that acts clearly defined customer base.

For example, mortgages–build tools, rates, advice, and the ability to purchase a mortgage online in the same place.

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Ebusiness Model based on relationship of Transaction Types

2. Aggregator Model - **Shopping aggregators**

They let consumers roam through hundreds of sites and catalogues and find the best price in seconds. They help consumers observe through dozens of e-commerce sites.

Eg. compare.com and bizrate.com evaluate their quality on independent basis as in the case of consumer reports.

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Ebusiness Model based on relationship of Transaction Types

2. Aggregator Model - **Content Aggregators**
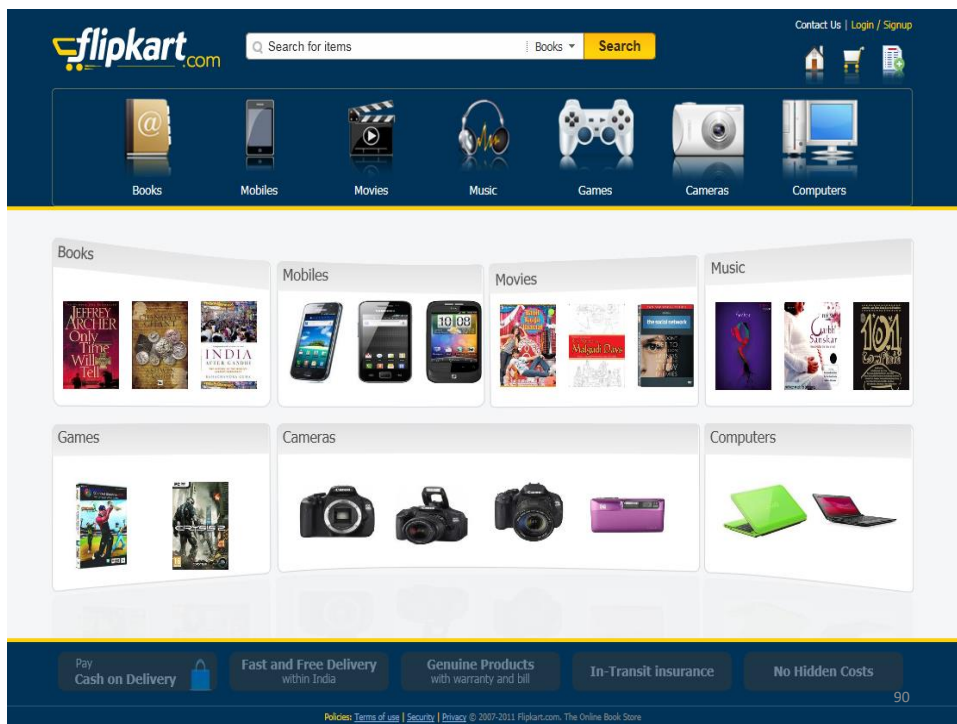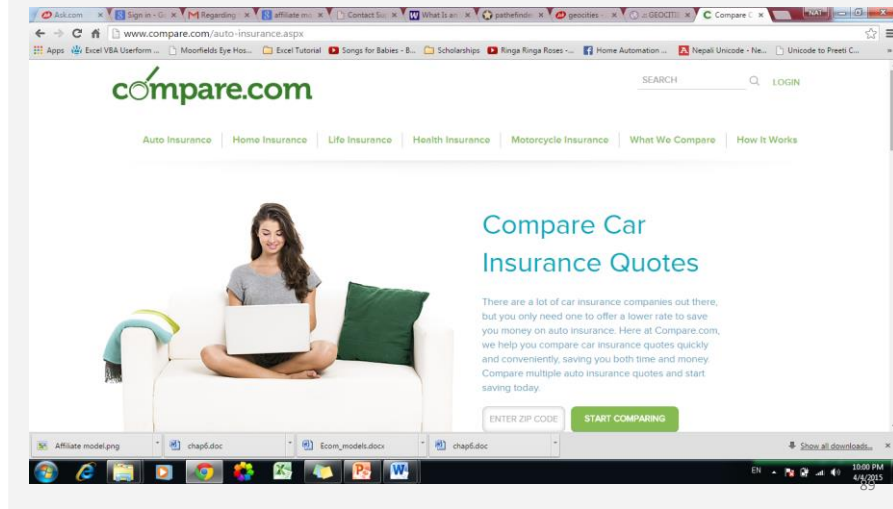
Ebusiness Model based on relationship of Transaction Types

3. Info-mediary Model

An organizer of virtual community is called an information intermediary or info-mediary, who helps sellers to collect, manage, and maximize the value of information about consumers.

The simplest form of an infomediary model is the registration model.

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Ebusiness Model based on relationship of Transaction Types

3. Info-mediary Model

In the registration model, companies require users to register before gaining access to information on their Web sites, even if the information itself is provided at no charge.

Registration is a condition for viewing or downloading the articles so the company can capture contact information and other data from the interested party and use it to make sales calls and potentially acquire new clients for its consultants.

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Ebusiness Model based on relationship of Transaction Types

3. Info-mediary Model

Data about consumers and their buying habits are extremely valuable, especially when that information is carefully analyzed and used to target marketing campaigns.

These are information business, implying that they compete on their ability to capture and manipulate information in a manner that adds value for their clients who could be sellers or buyers.

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Ebusiness Model based on relationship of Transaction Types

3. Info-mediary Model

An info-mediary may offer users free Internet access (eg. NetZero) or free hardware (eg. eMachines.com) in exchange for detailed information about their surfing and purchasing habits.

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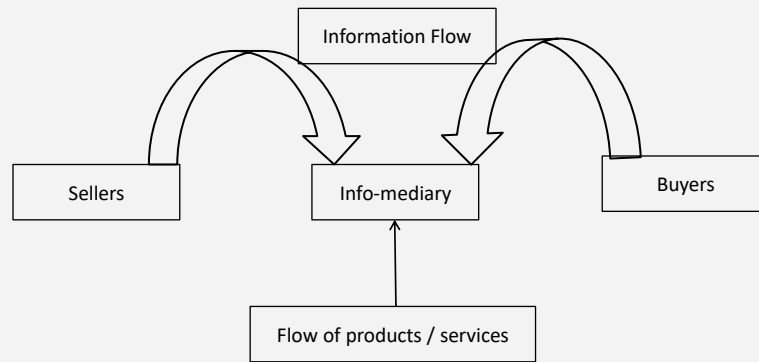**Ebusiness Model based on relationship of Transaction Types**

3. Info-mediary Model

Fig. Info-mediary Model

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Ebusiness Model based on relationship of Transaction Types

3. Info-mediary Model

Classification of info- mediaries ;

- **Specialized Agents**

- **Generic Agents**

- **Supplier Agents**

- **Buyer Agents**

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Ebusiness Model based on relationship of Transaction Types

3. Info-mediary Model

Specialized agents
These infomediaries usually manage a specialized market.

Generic agents
These infomediaries maintain open relationship with both buyers and suppliers and involve no relationship-specific investment.

They create value through their comprehensive and unbiased service, often generating revenue from advertising.

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Ebusiness Model based on relationship of Transaction Types

3. Info-mediary Model

Supplier agents

They are sponsored either by specific companies with a vested interest in selling their products or by close affiliation to the core group of sellers.

Buyer agents

They establish relationship with a core set of buyers, working on their behalf and any number of suppliers.

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Ebusiness Model based on relationship of Transaction Types

3. Info-mediary Model

Examples : **yahoo.com** provides comprehensive search facilities for both suppliers and buyers
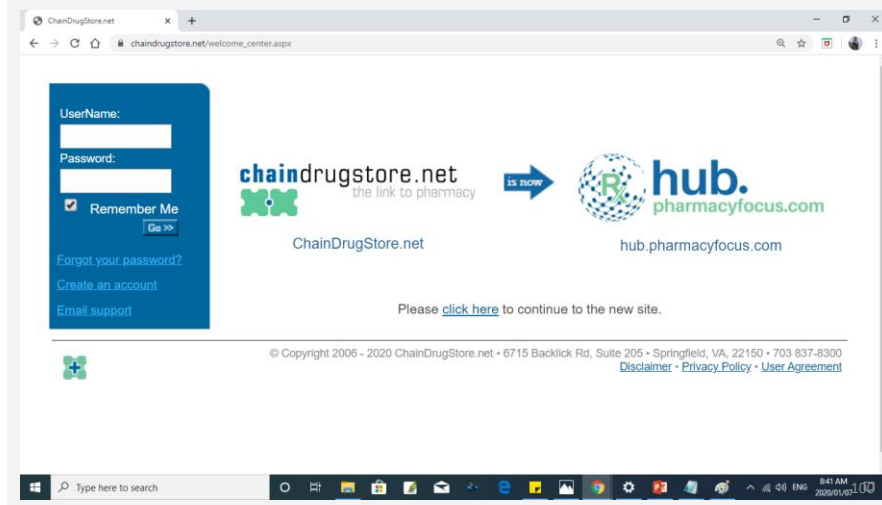
ChainDrugStore.net is the network for manufacturers, wholesalers and payers who need to analyze, understand and manage their pharmacy activity to achieve increased profitability and business efficiencies.

Similarly, **Policybazaar**.com helps to compare Insurance Products like Term Insurance, Health Insurance, Car Insurance and Investment Plans.
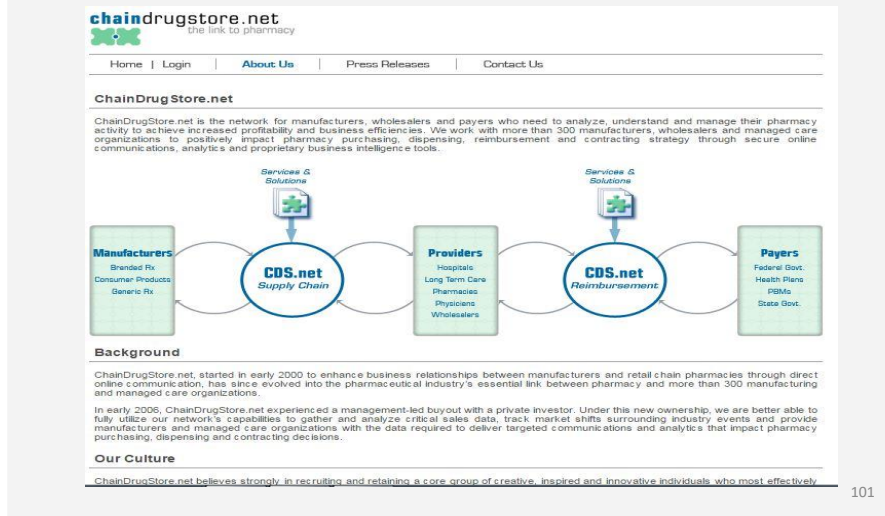
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Ebusiness Model based on relationship of Transaction Types

3. Info-mediary Model

Ebusiness Model based on relationship of Transaction Types

3. Info-mediary Model

Ebusiness Model based on relationship of Transaction Types

4. Community Model

e-communities are formed when groups of people meet online to fulfill certain needs or serve their common interest, exchange information, share interests, trade goods and services, entertain and seek help.

Several individuals or groups are encouraged to participate in the ongoing interaction of common purpose or may also bring together like-minded people to prepare new business plans

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Ebusiness Model based on relationship of Transaction Types

4. Community Model

The Communities utilize electronic tools such as forums, chat rooms, e-mail lists, message boards, and other interactive Internet mechanisms, which are usually tailored to the particular community.

It comes in two basic varieties: those centered on **relationships** and those centered on **tasks**.

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Ebusiness Model based on relationship of Transaction Types

4. Community Model

Relationship centered Community Model typically are informal, grassroots-oriented communities that revolve around shared interests, ideas, topics, and goals.

In these communities, the development of relationships is the primary goal.

To maximize member involvement, community sites must offer maximum degrees of interactivity and personalization.

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Ebusiness Model based on relationship of Transaction Types

4. Community Model

Task-centered communities generally are more structured and impersonal.

Web communities are established between business partners, between businesses and their customers, between different groups of customers, within companies, and between individuals and groups devoted to particular topics.

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Ebusiness Model based on relationship of Transaction Types

4. Community Model

Eg, GeoCities offers space and tools for members to set up their own Web sites and establish virtual communities within the broader GeoCities community.

(There were at least 38 million pages displayed by GeoCities before it was terminated, most user-written. The GeoCities Japan version of the service endured until March 31, 2019.)

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Ebusiness Model based on relationship of Transaction Types

4. Community Model

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Social Media Marketing For Business

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Ebusiness Model based on relationship of Transaction Types

5. Value Chain Model

A ***value chain*** *is a set of activities that a firm operating in a specific industry performs in order to deliver a valuable* product *or* service *for the* market.

Value chain is based on the process view of organizations i.e it is seeing a manufacturing (or service) organization as a system, made up of subsystems each with inputs, transformation processes and outputs.

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Ebusiness Model based on relationship of Transaction Types

5. Value Chain Model

Inputs, transformation processes, and outputs involve the acquisition and consumption of resources - money, labour, materials, equipment, buildings, land, administration and management.

How value chain activities are carried out determines costs and affects profits.

The goal is to develop full and continuous interaction among all members of the chain, resulting in lower inventories, higher customer satisfaction, and shorter time to the market.

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Ebusiness Model based on relationship of Transaction Types

5. Value Chain Model

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Ebusiness Model based on relationship of Transaction Types

5. Value Chain Model

It may include – Generalized Portal & Personalized Portal

Generalized Portal – Alta Vista as a VCM

AltaVista Company was one of the leading knowledge resource on the Internet with strong search engine tool and patented technology.

Alta Vista opened up possibilities in the internet to the richest and the most relevant information on any subject from any nook of the Web world, Web pages, shopping, live audio and video, and community resources.

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Ebusiness Model based on relationship of Transaction Types

5. Value Chain Model

*AltaVista was an early <u>web search engine</u>. It was once one of the most popular search engines, but **it lost ground to <u>Google</u> and was purchased by <u>Yahoo!</u> in 2003**, which retained the brand but based all AltaVista searches on its own search engine.*

On July 8, 2013, the service was shut down by Yahoo! and since then, the domain <u>redirects</u> to Yahoo!'s own search site

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Ebusiness Model based on relationship of Transaction Types

5. Value Chain Model

Personalized Portal - My Yahoo! As a VCM

My Yahoo ! is the user's own personalized version of Yahoo!

After the user gives his personal information, My Yahoo! allows him to collect all his favorite sections of Yahoo! in one place. User can customize his page.

It is absolutely free.

One can choose what he wants to surf, such as news, weather, stock prices, sports scores, horoscope, etc.

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Ebusiness Model based on relationship of Transaction Types

6. Subscription Model

In subscription model, the organization makes money on the basis of membership/subscription.

Users are charged a periodic i.e. daily, monthly or annual fee to subscribe to a service.

Subscription and advertising models are frequently combined.

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Ebusiness Model based on relationship of Transaction Types

6. Subscription Model

Under Subscription model;

Content_Services provide text, audio, or video content to users who subscribe for a fee to gain access to the service. Eg. Netflix.com, youtube.com

Person-to-Person Networking Services are methods for the distribution of user-submitted information, such as individuals searching for former schoolmates. Eg. Classmates.com

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Ebusiness Model based on relationship of Transaction Types

6. Subscription Model

Under Subscription model;

Trust Services come in the form of membership associations that abide by an explicit code of conduct, and in which members pay a subscription fee. Eg. Truste.com

Internet Services Providers offer network connectivity and related services on a monthly subscription. Eg. America Online

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Ebusiness Model based on relationship of Transaction Types

7. Affiliate Model

In the affiliate (or click-through) model, an online merchant agrees to pay an affiliate in exchange for providing an advertisement and link to the merchant's site.

Each sale generated as a result of a customer "clicking through" from an affiliate to the merchant results in a small commission for the affiliate.

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Ebusiness Model based on relationship of Transaction Types

7. Affiliate Model

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Ebusiness Model based on relationship of Transaction Types

7. Affiliate Model

The affiliate model requires an advertiser-*the business with the product*, and a publisher-*the person bringing in sales.*

In this business model, both partners are making money, but in different ways.

For example, one can place the Priceline.com hyperlink on his/her website and any referral from an independent website to Priceline.com that results in business for Priceline.com, may receive $10 for first time qualified user and $1 for subsequent users.

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Ebusiness Model based on relationship of Transaction Types

8. Manufacturer Model

In the manufacturer or "direct model", a manufacturer (i.e., a company that creates a product or service) reaches buyers directly and thereby compress the distribution channel.

The manufacturer model can be based on efficiency, improved customer service, and a better understanding of customer preferences.

In this model, the manufacturer sells its products through the use of its website.

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Ebusiness Model based on relationship of Transaction Types

9. Advertising Model

The Web advertising model is an extension of the traditional media broadcast model.

The broadcaster, in this case a website, provides content (usually, but not necessarily, for free) and services (like e-mail, chat, forums), together with advertising messages in the form of banner ads.

The banner ads may be the major or sole source of revenue for the broadcaster.

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Ebusiness Model based on relationship of Transaction Types

9. Advertising Model

The advertising model only works when the volume of viewer traffic is large or highly specialized.

In the advertising model, a site offers free access to something and shows advertisements on every page.

When a user clicks on an advertisement, he goes to an advertiser's page. The advertiser pays the site operator for showing advertisement (eyeballs) or for every time someone clicks on the advertisement (click-through).

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Ebusiness Model based on relationship of Transaction Types

9. Advertising Model

Users can download and use the program for free but advertisements are shown during operation or start-up of the program and usually when the user need to wait for some time-consuming operation.

For instance, if someone searches information on holidays, an advertisement is shown for a hotel chain on the page with search results.

Eg. DoubleClick, which collects advertisements from many sources and arranges for placements on different sites.

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Ebusiness Model based on relationship of Transaction Types

1. Write and explain in brief with examples for each types of eBusiness Model based on relationship of Transaction Types

Assignment 3

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Ebusiness Model based on relationship of Transaction Types

2.2.2.1 *Major characteristics of* Brokerage Model

- The Price-discovery mechanism is its key-principle
- It is a Meeting point for sellers and buyers
- Actions and exchanges are the modes of transactions
- It is a Free-Market
- It consists of Global network of buyers and sellers
- It is a virtual market place enabled by the internet
- It encompasses all types of organization now.

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Ebusiness Model based on relationship of Transaction Types

2.2.2.1. Advantages of Brokerage Model

- Allows buyers and sellers to trade directly bypassing intermediaries which reduces cost for both the parties
- Global reach
- 24/7 hours trading and provides continuous up-to-date information
- Efficient access to information
- Alleviation (mitigation) of risk of anonymous trading

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Ebusiness Model based on relationship of Transaction Types

2.2.2.2 Price discovery mechanisms of Brokerage Model

It is the process of determining the **price** of an asset in the marketplace through the interactions of buyers and sellers.

Price discovery is a method of determining the price for a specific commodity or security through basic supply and demand factors related to the market.

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Ebusiness Model based on relationship of Transaction Types

2.2.2.2 Price discovery mechanisms of Brokerage Model
The basis for the brokerage model is the price discovery mechanism which includes;

- Auction

  - English Auction

  - Dutch Auction

  - First-Price Sealed Bid-Auction

  - Vickery Auction

- Reverse Auction

- Market Exchange

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Ebusiness Model based on relationship of Transaction Types

2.2.2.3. Types of Aggregator Model

Based on the aggregators, it is also of four types:

- **Content Aggregators**
- **Mainstream Aggregators**
- **Event Aggregators**
- **Shopping Aggregators**

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Ebusiness Model based on relationship of Transaction Types

Types of Aggregator Model

- **Content Aggregators**

The basic challenge is that the content has to be attractive enough to make the site viable.

- **Mainstream Aggregators**

They include sites like yahoo providing a web directory and a search engine, along with a bunch of attractive tools like email services etc.

The most attractive feature of these sites is that they have an 'easy-to-remember' URL

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Ebusiness Model based on relationship of Transaction Types

Types of Aggregator Model

- **Event Aggregators**

These are sites that provide in-depth content and tools tailored to the needs of a particular group that acts clearly defined customer base.

- **Shopping Aggregators**

They let consumers roam through hundreds of sites and catalogues and find the best price in seconds. They help consumers observe through dozens of e-commerce sites.

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Ebusiness Model based on relationship of Transaction Types

Info-mediary Model

An organizer of virtual community is called an information intermediary or info-mediary, who helps sellers to collect, manage, and maximize the value of information about consumers.

The simplest form of an infomediary model is the registration model.

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Ebusiness Model based on relationship of Transaction Types

3. Info-mediary Model

Classification of info- mediaries ;

- **Specialized Agents –** manage specialized market

- **Generic Agents –** Unbiased service

- **Supplier Agents –** sponsored by specific suppliers

- **Buyer Agents –** core group of buyers

(Refer to previous lectures – Slide No. 92 to 103)

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Ebusiness Model based on relationship of Transaction Types

Community Structure
The internet community structures can exist in many forms as;
Newsletters

Discussion Lists

Bulletin Boards

Chat Rooms

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Ebusiness Model based on relationship of Transaction Types

Community Structure

Newsletters

Newsletters are the one-way communication in which the listserver software sends the same message to an entire list of people. It handles new subscribers and also those who wish to unsubscribe.

Discussion Lists

The other structure is the e-mail discussion lists in which the listserver software allows a member to send a message to the list address, and then sends that message to all the list members.

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Ebusiness Model based on relationship of Transaction Types

Community Structure

Discussion Lists

The discussion lists can also be of three different types.

E-mail Discussion List – All messages from the members are forwarded to the other members as soon as they are received. The lists can also be configured so that a moderator approves a message before it is sent to the members.

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Ebusiness Model based on relationship of Transaction Types

Community Structure

Discussion Lists

E-mail Discussion List Digest – The digest collects all the messages sent to the list, bundles them, and e-mails them in one e-mail to subscribers, either daily or when the accumulation reaches a certain size. A digest helps control the level of e-mail.

Moderated Discussion List Digest – Large discussion lists are eventually forced to limit the quantity, and screen the quality of messages that go out of the list members. When people receive email from the discussion list, they begin to get acquainted with other list subscribers and recognize them by their comments or peculiar behavior.

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Ebusiness Model based on relationship of Transaction Types

Community Structure

Bulletin Boards - Web-based Bulletin boards has greater strength compared to the e-mail based communities. As in e-mail based communities, one of the struggle is in keeping *threads (different topics of conversation)* separate. If we are reading multiple number of messages a day that are not sorted by topic though we can find subjects on emails, then things may look disjointed.

While bulletin boards can

- Keep threads separate.
- Allow posts to be read, searched, and researched later by individuals who even may not have been part of the original conversation.

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Ebusiness Model based on relationship of Transaction Types

Community Structure

Chat Rooms

Chat rooms can be useful source of knowledge and information for any user. They provide opportunities for the users to initiate discussions, conduct interviews and share knowledge. It is, however, preferred that the chats are scheduled ahead of time so that enough people gather around for the same topic and have meaningful discussion.

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Ebusiness Model based on relationship of Transaction Types

Necessary Elements for the community model

In order to build a successful community, followings are the necessary elements

- A clear focus for the community that makes sense to prospective members

- The requisite technical capability through own software and hardware of a free service

- A proper structure, guidelines, and parameters for the discussion to keep the group on target

- A moderator responsible for each group or list

- A clear strategy on how the community will benefit from your business.

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Case Study Guidelines

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