



BACHELOR OF COMPUTER APPLICATIONS SEMESTER 5

**DCA3143
E-COMMERCE**

Unit 5

e-Commerce Models

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1. INTRODUCTION

In the previous unit, you learnt about e-business and how it is different from e-commerce. You were also introduced to some business models. In this unit, we will discuss them elaborately. But first, let's understand about business model. A business model is mainly a description of an organization which tells about how the company would proceed to generate profits. It explains the product/service to be offered, the resources required, and the market segment to be targeted.

In e-commerce too, a business model is required to design by organizations to design their transactions and operations. There are several classifications of business models available to choose from. However, the most common one is based on the relationship of transaction parties. This classification helps in understanding the customer perspective and fulfilling their needs.

The implementation of business models in e-commerce can be successful only if you understand the e-commerce sales product life cycle (ESLC). It tells about the different phases that e-commerce goes through. By ascertaining the phase of ESLC your organization is, you can modify/create a business model to suit your business needs.

This unit explains the concept of business model. The unit also describes different types e-business models based on the relationship of transaction parties. In the end, it explains the stages of e-commerce sales life cycle.

1.1 Learning Objectives

After completing this unit, you will be able to:

- ❖ *Define business model*
- ❖ *Explain different types of models*
- ❖ *Describe the stages of e-commerce sales life cycle*

2. BUSINESS MODEL

For any business firm, a business model is like a business plan to help it compete against its rivals and generate profits. However, it has certain additional elements too, like approaches, strategies, and methodologies to proceed in a certain manner to execute and sustain the business plan.

While developing a business model, an organization must identify its target customers. After that, the distinctive quality of its product/service should be identified. This is also known as Unique Selling Point which sets a company's product/service apart from other rivals in the market and establishes its position in the competition. Then, there should be a clear description of all the elements required to make a business feasible and successful.

Thus, in simple words, a business model should clearly describe its core business, reasons for moving to online platforms, implementation strategies, and revenue systems. Fig. 1 shows main elements of a business model:

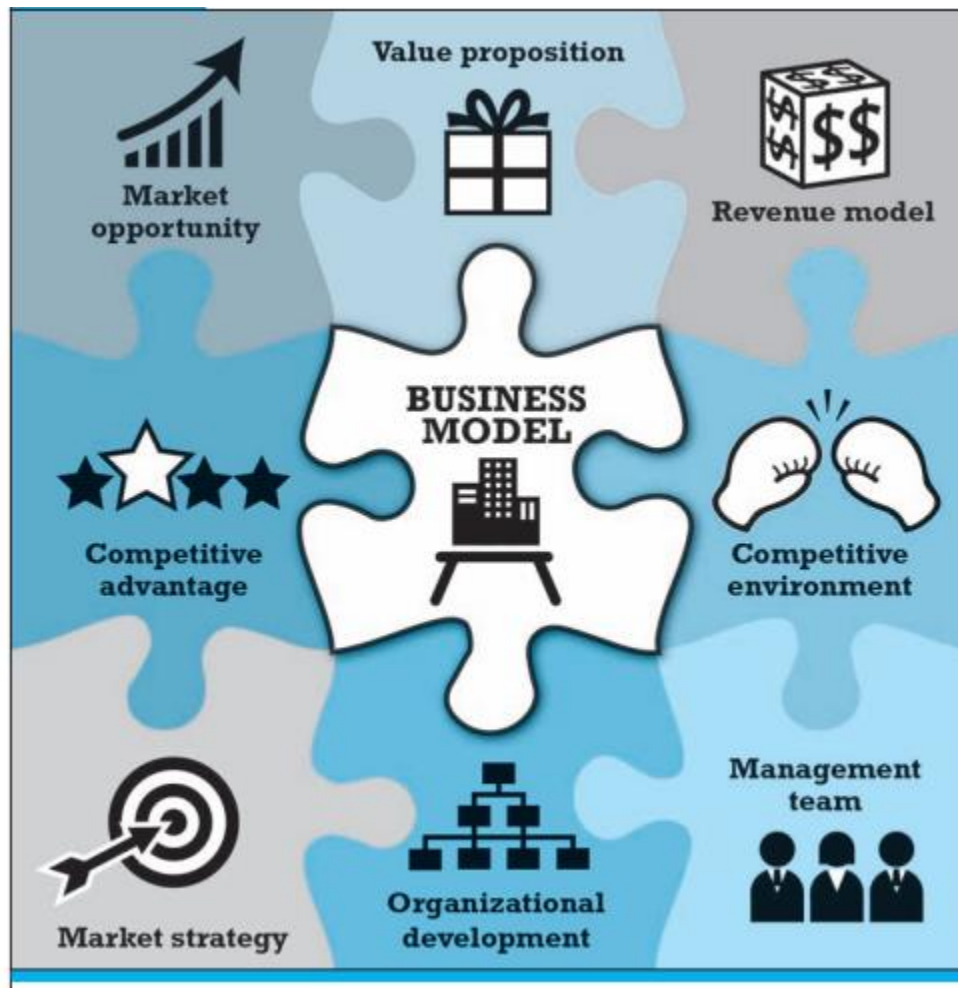


Fig. 1: Elements of a Business Model

Source: file:///C:/Users/Content/Downloads/e-commerce_2014_10e_by_kenneth_laudon_97-99-149.pdf

Let's discuss these elements:

- Value proposition:** It refers to the ways in which a business organization is going to serve its customers. For this, it is essential to identify the needs of customers and the reason for customers to choose a specific organization. If you look at customers' perspective, they look for personalized and customized products, reduced search costs, ease of transactions and management of doorstep deliveries. For example, book lovers can easily shop any book in print on Amazon at any time and even find out if a book is in stock. Then, the latest addition, Amazon Kindle has made it possible for book lovers to get their books in digital format immediately after purchase. Thus, accessibility and unmatched variety are value propositions of Amazon.

- **Revenue models:** They explain the ways used by business organizations to generate profits and higher returns. There are various types of revenue models available to choose from. These are:
- **Advertising revenue model** – In this model, revenue is generated by placing advertisements of different products/services on various other online stores. However, this model achieves success only when the customer visits on a website are high.
- **Affiliate revenue model** – In this model, links of sellers are placed on the websites of the partners of business organizations. These business partners are known as affiliates. When a visitor clicks on such a link and places an order, the business organization makes payment to the affiliates.
- **Subscription revenue model** – In this model, the premium/exclusive services of a website can be availed by paying subscription amount (monthly, quarterly, or yearly).
- **Transaction fee revenue model** – In this model, websites charge transaction fees from customers. This fee is usually paid in the form of percentage of volume of transactions completed successfully.
- **Sales revenue model** – It is a simple model in which revenues are generated through sales of products online.
- **Market opportunity:** It is the untapped market potential which a business organization intend to exploit. Business organizations divide market opportunities into various niches, out of which the realistic one is chosen based on the projection of its revenue potential. For instance, a small software training company is engaged in developing online learning systems. For the company, there exists two market segments, computer-based trainings (25 per cent) and instructor-led training products (75 per cent of the market). Due to being a small new startup, the company's real market opportunity would be to sell its products to small companies, as it lacks the capability to cater to the needs of large firms.
- **Competitive environment:** It is a setting wherein companies are selling similar products/services or substitutes in a market. There are many factors that affect a competitive environment. These include the number of active rivals, their market share, profits, pricing policies, etc. There exist two types of competitors:

- **Direct competitors:** These comprise the firms which are engaged in selling the same products in a market. For example, Both Netflix and Hulu are online platforms for showing OTT content.
- **Indirect competitors:** These include firms which may operate in the same category but sell different products, i.e., substitutes. For example, CNN.com and ESPN.com are indirect competitors as they both compete for people's online time.

If there exist too many competitors, it implies that the market has reached saturation and generating profits is difficult. On the other hand, fewer players in market imply either existence of untapped market potential or there are no chances of generating any profits.

- **Competitive advantage:** To achieve a competitive advantage, business organizations are required to produce a product which is either exclusive or superior to others in a market or has a lower price than its competition. Not just products, sometimes business forms compete in the scope of operations. For example, some organizations are able to create a niche in global markets, while others restrict themselves to a specific region, state, or country.
- **Market strategy:** One of the important virtues of a business form is its ability to market its products/services in the market. Thus, the development and proper execution of market strategy form an inevitable part of any business model. In the absence of a well-defined market strategy, even the best of business ideas/concepts/products/services are bound to fail. Therefore, business forms are required to develop a market strategy to serve the customers in the best possible manner. The market strategy describes the processes and approaches to be adopted to reach the target customers and lure them towards a product/service. In the present times, many business firms are using social networking platforms, like Twitter, Facebook and Instagram to connect with customers and encourage them to post their content, and reviews online. Here, customers themselves promote products/services and participate in marketing.
- **Management team:** It is accountable for the execution of a business model. The management team provides the required supervision, knowledge, and experience for the successful implementation of a business model. For this, the management team should comprise individuals who possess the required skills, knowledge, and expertise.

Therefore, care must be taken while hiring managers and forming the management team.

- **Organizational development:** Last but not least is organizational development which details the ways which would help a business organization would organize its tasks and activities and accomplish them effectively. To grow continuously, a business firm needs a well-in-place organizational development plan. The plan describes the division of work into functional departments and defines jobs with specific job titles in various departments. As the business grows, suitable changes must be done to the plan to make hirings and acquire expert skills.

With all the businesses shifting to the internet, now e-business models are developed to serve a wide range of customers in a 24/7 environment. The framework of a simple e-business model is shown in Fig. 2:

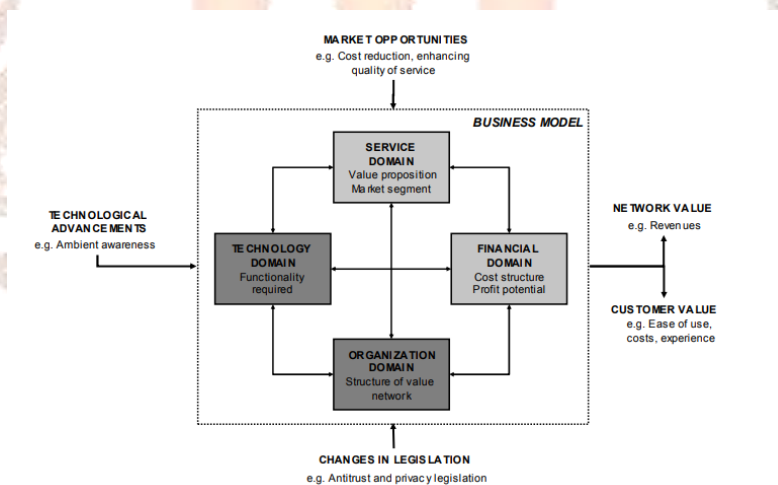


Fig. 2: Framework of an e-Business Model

Source:file:///C:/Users/Content/Downloads/Testing_critical_design_issues_and_critical_succes.pdf

In Fig. 2, the business model has four main domains:

- **Service domain:** It details the value offered by a product/service along with the target market segment.
- **Financial domain:** It entails the methods to be used by a value network to generate revenues out of a specific product/service offering and the division of investments, profits, and potential risks across the entire network.

- **Organization domain:** It comprises the detailed structure of a business organization's network required to create and deliver the product/service and points to the position of the firm in the value network.
- **Technology domain:** It describes technical functionalities needed by a business firm to deliver the intended product/service.

Activity 1

Prepare a report on the functioning of any e-business model of your choice and present it in your class.

SELF-ASSESSMENT QUESTIONS - 1

1. _____ comprise the firms which are engaged in selling the same products in a market.
2. In which revenue model are links of sellers placed on the websites of the partners of business organizations?
3. The development and proper execution of market strategy form an inevitable part of any business model. (True/False)
4. Management team is accountable for the execution of a business model. (True/False)

3. E-BUSINESS MODELS

There are so many e-commerce business models that exist today and with each passing day, the numbers are increasing. Thus, it is difficult to classify them on any one basis. Yet, there is one common classification of e-business models which is based on the relationship of transaction parties. According to this classification, e-business models can be classified into:

- Business to Business (B2B)
- Business to Consumer (B2C)
- Consumer to Consumer (C2C)
- Consumer to Business (C2B)

Let's discuss different e-business models

3.1 Business to Business (B2B)

B2B model exists between two or more business houses carrying out business transactions with each other. In this model, one business organization makes a purchase or sells its products/services to another organization. For example, IndiaMart brings both buyers and sellers on the same platform with their B2B products, like electrical and electronics, apparels, footwear, etc. Another example of B2B model is Walmart India which engages in selling its products to traders exclusively. Fig. 3 shows the working of B2B model:

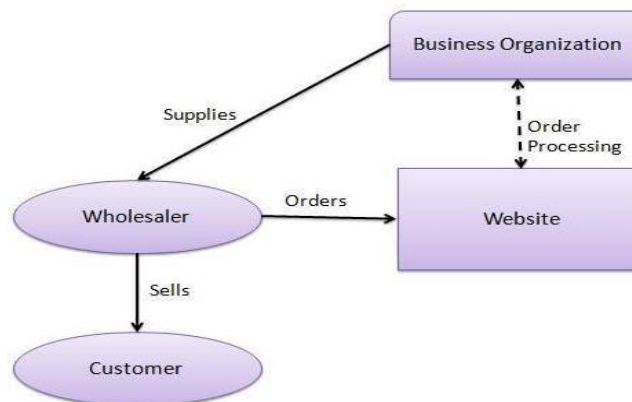


Fig. 3: B2B Model

Source: <https://emergeapp.net/wholesale-business/b2b-ecommerce/>

There are different types of B2B models. These include supplier centric model, buyer centric model, and intermediary centric model. Let's understand them.

- **Supplier centric model:** Here, a supplier establishes e-commerce marketplace, wherein customers can visit and interact with him/her. The supplier offers customized solutions and prices so as to fulfil customer needs in the best possible manner. Examples include Intel and Cisco.
- **Buyer centric model:** Here, large organizations who possess high volume purchase capability develop their e-commerce marketplace. A buyer visits the organization's website, places a request for quotations, and completes the buying process. Walmart is an example of buyer centric model.
- **Intermediary model:** Here, the e-commerce marketplace is established by a third party. Both buyers and sellers communicate on this platform and the entire purchase process is conducted here.

Advantages of B2B

B2B also offers various benefits. These are:

- **Direct interaction with customers:** End-user customers and small businesses can interact directly with big brands while purchasing their products. In return, big firms can use customer data to assess customer buying patterns, which otherwise need to be paid for.
- **Sales promotion is focused:** B2B transactions help a business create a useable and practical customer database which, in turn, helps the business better understand its customers and create a more effective and credible sales and marketing plan
- **Scalability:** The Internet has made it possible for customers to access websites across geographies and time zones.
- **Savings in distribution costs:** Transacting business online helps a company save on avoidable overheads such as sales and marketing forces, middlemen and after-sales service.

Disadvantages of B2B

There are certain disadvantages of B2B model. First of all, there exist very few barriers to entry for rivals, which increases the threat of new entrants. Then, there exist limited market

opportunities for business organizations. Moreover, buyers take a long time to make decisions and the entire sales process is quite long and time-consuming.

Business Strategies for B2B Organizations

To develop an effective strategy, an organization is required to remain updated regarding information about the requirements of an industry and its own capabilities. Fig. 4 shows the business strategies for B2B organizations:



Fig. 4: Business strategies for B2B organizations

B2B organizations should focus their strategies on the following aspects:

- 1. Design of website:** The website should offer good quality content to encourage individuals to visit the website again. The content of the website should be simple and user-friendly.
- 2. Promotion on websites:** Promotions are one of the primary tools available to help an organization popularize its products and receive more orders. It helps to increase the average order value. Discounts and special offers offered by websites can increase visitors to the website and also help in retaining existing customers.
- 3. Price setting:** The Internet allows companies to announce prices on websites with greater precision. This is possible by comparing the prices offered by competitors and looking for customers' spending patterns. The different prices so collected can be easily compared, and an appropriate price can be decided upon for the product.
- 4. Customer Service:** Online portals can be used as tools to establish direct marketing channels between firms and customers. Based on the analysis of data obtained through data mining tools, it is possible to make use of visitors' information and identify his or

her interests and needs. Firms can send e-mail messages and offer service packages especially designed for a potential customer, based on the analysis of customers' data and their interests.

3.2 Business to Consumers (B2C)

In this model, business transactions take place between business organizations and end customers. All customers have to do is to visit the website and place an order there. The payments can be made using banking channels or payment on delivery options. For example, consumers can buy clothes, jewelry, shoes, etc. from Flipkart. Fig. 5 shows the working of B2C model:

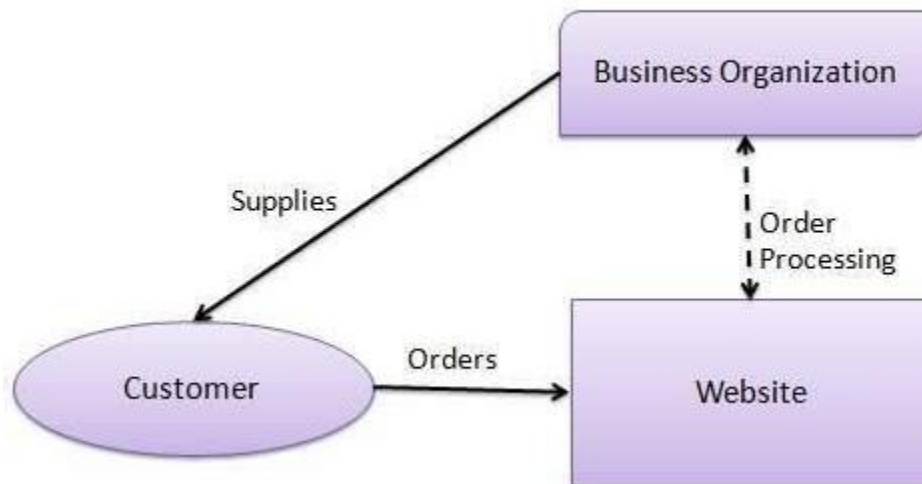


Fig. 5: B2C Model

Source: <https://emergeapp.net/wholesale-business/b2b-ecommerce/>

Advantages of B2C model

There are several benefits of B2C models. These include:

- **Cost benefits over profitability:** E-tailers bear the expense of setting up a website once and can carry out transactions without spending large amounts of capital on physical infrastructure. Once on the web, they can profit from online sales of their products.
- **Globalization:** The Internet has made it possible for online merchants to reach global customers and expand their businesses.

- **Operational costs are reduced:** Online transactions cut down on paperwork, advertising and order processing, resulting in cost reductions.
- **Customer Service is improved:** Easy access to company profiles, products, shopping carts and user-friendly interfaces have made customers' shopping experiences convenient. Customer complaints and grievances can now be better taken care of because of easy and direct connectivity between business owners and customers.
- **Knowledge management:** E-tailers maintain a database system of customers who have visited their websites and use this database to create better value for customers.

Disadvantages of B2C model

B2C has certain disadvantages too which are discussed as follows:

- The competition is fierce and business organizations have to struggle a lot to survive.
- The online catalogs need to be updated every time there is any addition of product/information or any product is removed.
- In B2C, the orders often placed are in lower quantities which leads to a reduction in margins.
- The model needs to hire staff to offer customer service and after-sales support, which increases the expenses.

Exhibit: Success Story of Snapdeal's B2C

Snapdeal is a leading Indian e-commerce company which offers both Indian as well as international brands to Indian customers. The company tries to provide the best deals at lower prices on all types of products, like apparel, footwear, electronics, perfumes, watches, cosmetics, and so on. The company was founded by Kunal Bahl and Rohit Bansal in 2010 and initially offered discounts at movies, restaurants, hotels, etc.

The company operates on a B2C model, wherein third-party sellers are allowed to sell their products directly to Snapdeal's customers on its website. At its core, the company has a matchmaking business model to connect both sellers and buyers online.

Apart from this, Snapdeal encourages businesses to use its matchmaking platform by offering complimentary services, such as delivery and logistical assistance.

Value Creation Proposition

There are two types of Snapdeal; online shoppers in India, and small to medium businesses who want to grow their e-commerce sales across the country through Snapdeal's website.

Online Shoppers

Snapdeal offers a wide variety of products in more than eight hundred categories in one marketplace. These products are from 125,000 regional, national, and international brands, and retailers. Moreover, online shoppers are provided free next-day delivery and zero shipping charges.

Snapdeal has also expanded its offerings by facilitating online recharge and bill payments through its App. Customers can easily pay all types of bills within seconds through the App.

Online Sellers

Snapdeal introduced 'Brand Stores' in 2012 to facilitate the creation of individual online stores of different brands on its website. Consequently, brands can now reach the company's customer base and benefit from the company's online presence across more than two thousand towns and cities.

Kunal Bahl, Founder & CEO of Snapdeal.com said, "With Brand Stores, the power will now be in the hands of the brands. They would now be able to decide the look and feel of their page, customize their product selection, and manage promotions and exclusive launches. Similar to how brands open stores in malls that cater to a particular geographic area, irrespective of the size of their operation, they can now open a store in an online mall through which they can supply locally but sell nationally."

In 2015, Snapdeal launched 'Scan and Sell' for its seller mobile app. The app allows sellers to put the products on the website by merely scanning the product barcode and entering its price. The company has also streamlined and automated the entire process of developing online catalogs to deal with the large assortment of products available on its platform. In addition, the company provides other businesses assistance for their expansion in the form of low-interest loans.

Delivery — Value Chain

On Snapdeal's website, brands can easily create their Brand stores for free and create a product catalogue. The brands can use the Snapdeal Professional Services network to complete their documentation, photo shoots, and cataloguing. After listing the products, sellers can run their online business using Snapdeal Seller Panel and Seller Zone Mobile App.

In 2016, Snapdeal established six mega logistics hubs to support its warehousing. These hubs were opened across Delhi-NCR and other cities in India. Snapdeal mentioned in its statement, "With a total of 1 million sq ft warehousing space, these centers are designed as integrated facilities that combine warehousing, quality control and transportation to aid sellers".

Monetization — Value Capture

The revenue of Snapdeal was to be around 107,588,600.00 GBP in FY 14-15, which means a 450% growth in the revenue from 19,269,600.00 GBP last fiscal year.

Snapdeal is working to monetize its zero-commission marketplace. "We are working on monetization and by the next quarter will introduce it in a phased manner," said Sandeep Komaravelly, senior vice president. "We are looking at advertising on the platform and product listings on the platform to generate revenue."

3.3 Consumer to Consumer (C2C)

In this model, consumers can place their products for sale on a website. The sale is facilitated by the website either free of cost or by charging a nominal fee. Consumers visit a website and post an advertisement about their asset/s describing their features and prices. Other consumers can view the advertisement on the website and opt to buy the product/s. The most common example of C2C model is eBay which facilitates C2C transactions along with B2C. Another example is OLX which works on C2C model. Fig. 6 shows the functioning of C2C model:

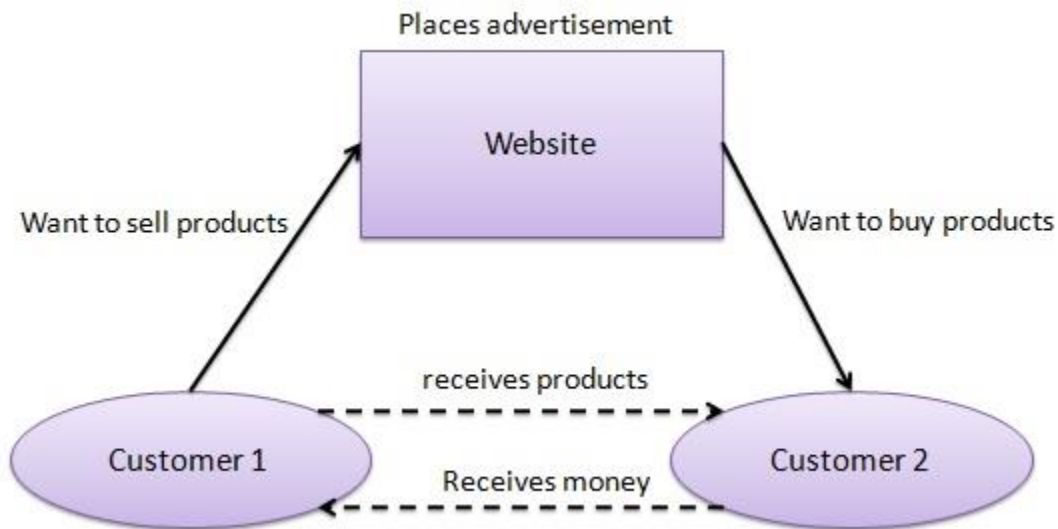


Fig 6: C2C Model

Source: <http://article.sapub.org/10.5923.j.ijnc.20140402.01.html>

C2C models operate on different platforms. These include:

- **Auction platforms:** Certain C2C sites act as auction platforms where consumers list their products at reduced prices. Anyone can visit and bid on the products of their choice until one of them wins.
- **Exchange of good platforms:** Many websites connect customers who want to buy physical goods, like used electronics, etc. Such platforms exist in the form of websites and apps.
- **Exchange of service platforms:** C2C websites also offer services, such as website designing, tutoring, and renting vehicles or houses.
- **Payment platforms:** These days C2C online platforms even allow payment for C2 sales on other websites.

Advantages of C2C model

Like other models, C2C model also offers several advantages. These include:

- **Rise in profits:** Due to absence of intermediaries, the cost of offering products/services is reduced. As a result, profitability is increased considerably.
- **Increase in customer base:** As its easy for anyone to visit a C2C website and look for the products/services they are looking for, there is a great surge in online customer base.

- **Develop credibility:** These sites also provide credibility to the consumers as they have no name in the business world and may lack reliability. Thus, there occurs reliable transactions.

Disadvantages of C2C model

C2C model has some shortcomings too. These are:

- **Increase in competition:** As there exist so many sellers offering similar product/service, there exist high competition.
- **Payment issues:** On C2C platform, many times scams occur. Many times, sellers have complained that they have not received payments or have been scammed.

3.4 Consumer to Business (C2B)

In this model, consumers visit websites which and offer their product/services to a business organization. Through this model, a business entity attempts to obtain suggestions and feedback from customers; thereby getting values. It is opposed to B2C model where customers consume products/services. A common example of C2B model is YouTube, where business organizations buy ad spaces from famous vloggers. Moreover, vloggers are paid to give reviews about products/services. Fig. 7 shows the working of a C2B model.

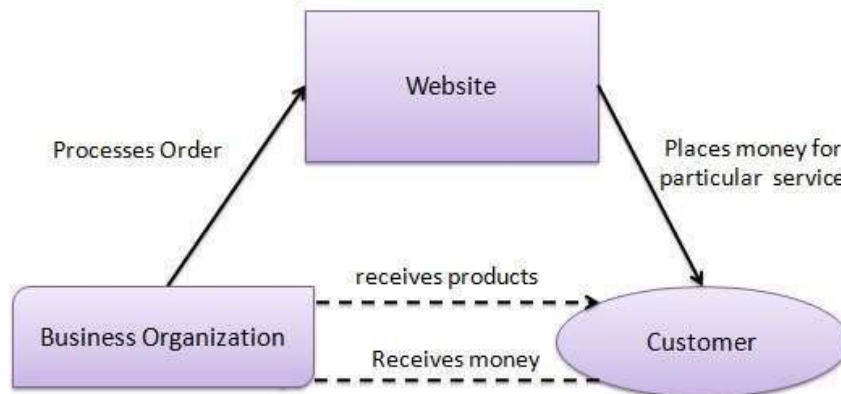


Fig 7: C2B Model

Source: <https://indiafreenotes.com/consumer-to-business-c2b-business-model/>

Advantages of C2B model

- It has created a lot of employment opportunities and is also used as a source of monetization of individuals' flair and skills.
- It has become a source of revenue for many businesses.
- It facilitates direct interaction between consumers and business organizations through the internet.
- It offers value to both customers as well as business organizations.

Disadvantages of C2B model

- It is relatively new and is quite unstable.
- It lacks reliability as the entire business is dependent on consumer marketing skills. The business owners have no control over marketing.
- Customer services can also bring negative feedback for the business organizations.

Activity 2

List the differences between B2B and B2C model and give four examples for each.

SELF-ASSESSMENT QUESTIONS - 2

5. In buyer centric model, the e-commerce marketplace is established by a third party. (True/False)
6. Discounts and special offers offered by websites can decrease visitors to the website and also help in retaining existing customers. (True/False)
7. In which model do all customers have to visit the website and place an order there?
8. _____ maintain a database system of customers who have visited their websites and use this database to create better value for customers.
9. YouTube is an example of B2C model. (True/False)

4. E-COMMERCE SALES LIFE CYCLE

Like every business, e-commerce business also undergoes several stages of a life cycle. The lifecycle is called e-commerce sales life cycle (ESLC) and is similar to any human life cycle. Fig. 8 shows the different stages of ESLC:

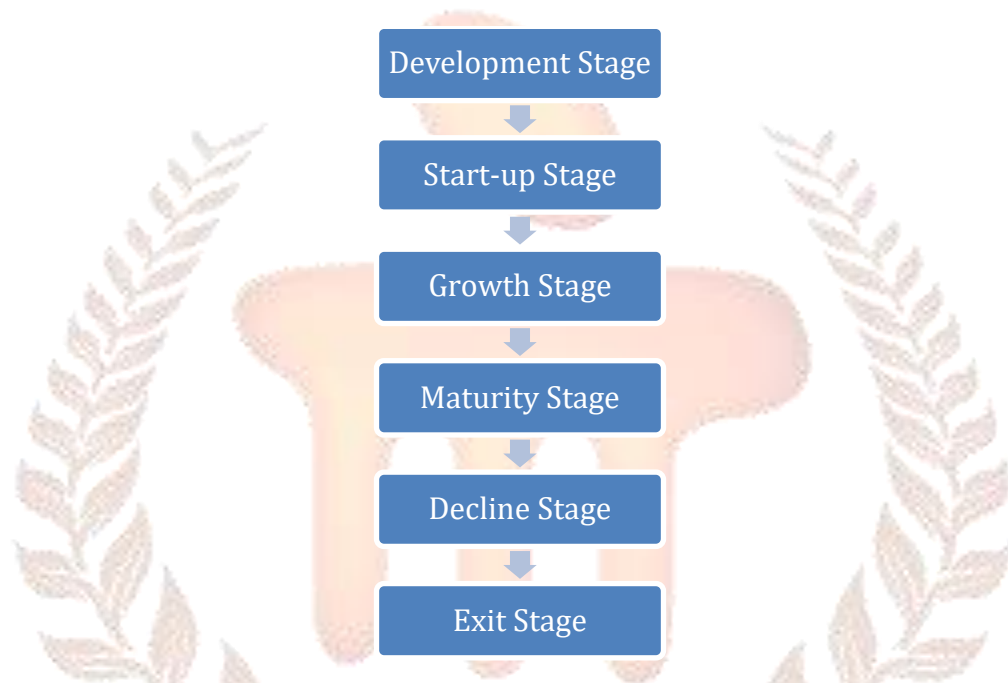


Fig 8: Stages of ESLC

Let's discuss these stages.

- **Development stage:** This is the initial stage of any e-commerce business, wherein the business idea is generated or conceptualized. So, at this stage, no sales occur as the setup of a business is in development phase. An e-commerce marketer work on designing an appealing and informative business website and perform all the required formalities of establishing the e-business. Development stage is also known as seed stage and incurs difficulty in gaining acceptance from market. Thus, the e-commerce marketer must strive to develop a niche market for his/her product/service.
- **Start-up stage:** At this stage, the operations of an e-commerce business begin. Thus, sales also begin but at a slower pace. The main challenges faced during this stage is cash inflow due to the expenses borne in establishing the e-business. Therefore, at this stage, the business may achieve a break-even, i.e., no profit, no loss. The main focus of an e-

commerce marketer at this stage remains on developing a customer base and achieving market attention.

- **Growth stage:** At this stage, an e-commerce business experiences a steep rise in its sales resulting in great profits. Thus, an e-marketer strives to arrange more resources and funds to support the operations due to increased sales. At this stage, the e-commerce marketer must work to maintain a strong customer base, gain competitive edge, and review customer feedback.
- **Maturity stage:** At this stage, an e-commerce business has established itself in market and the sales are their peak. Thus, the business has attained a saturation from where there can be no further growth in sales. The main challenge at maturity stage is the change in customer preferences which may have a negative impact on the business. Therefore, an e-commerce marketer is required to take steps to maintain and enhance the existing customer base.
- **Decline Stage:** The sales begin to slow down at this stage along with the profits. The major challenges faced during this stage are due to changes in economic conditions, customer preferences, and competition. Thus, e-commerce marketers should strive to reduce production and delivery costs and identify new business opportunities.
- **Exit Stage:** At this stage, all the efforts to make a business fail and the management team is forced to close the organization. e-commerce marketers may either sell their businesses to third party or simply wind it up.

SELF-ASSESSMENT QUESTIONS – 3

10. Name the initial stage of ESLC?
11. Sales begin at slower pace in growth stage. (True/False)
12. At _____ stage, an e-commerce business experiences a steep rise in its sales resulting in great profits.
13. The main challenge at the maturity stage is the change in customer preferences which may have a positive impact on the business. (True/False)

5. CONCEPT MAP

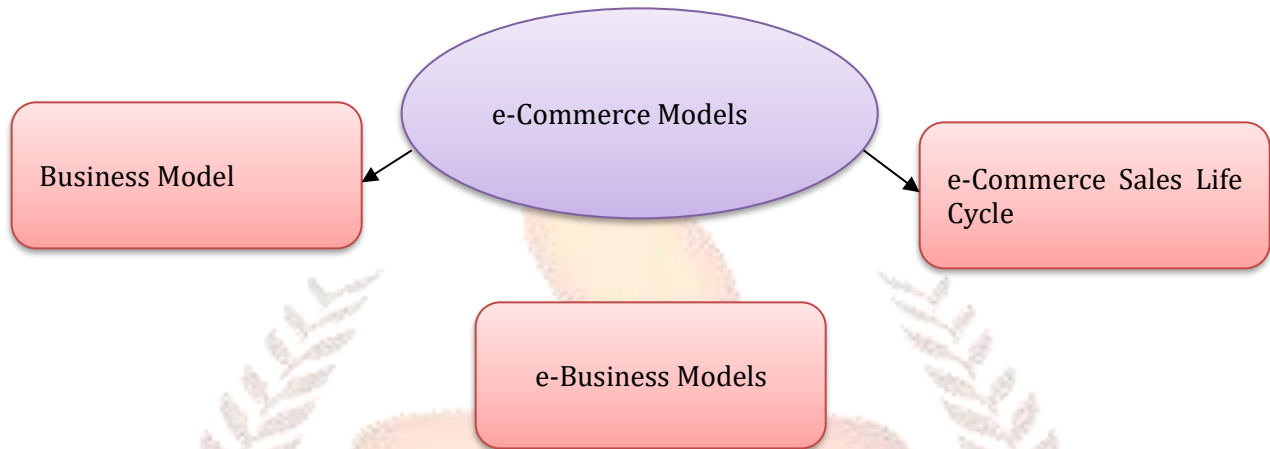


Fig. 9: Concept Map

6. SUMMARY

- A business model is like a business plan to help it compete against its rivals and generate profits. It should clearly describe its core business, reasons for moving to online platforms, implementation strategies, and revenue systems.
- With all the businesses shifting to the internet, now e-business models are developed to serve a wide range of customers in a 24/7 environment.
- There is one common classification of e-business models which is based on relationship of transaction parties, which include Business to Business (B2B), Business to Consumer (B2C), Consumer to Consumer (C2C), and Consumer to Business (C2B).
- B2B model exists between two or more business houses carrying out business transactions with each other. There are different types of B2B models. These include supplier centric model, buyer centric model, and intermediary centric model.
- In B2C model, business transactions take place between business organizations and end customers. All customers have to do is to visit the website and place an order there.
- In C2C model, consumers can place their products for sale on a website. The sale is facilitated by the website either free of cost or by charging a nominal fee.
- In C2B model, consumers visit websites which offer their products/services to a business organization.

- e-Commerce business also undergoes several stages of a life cycle, including development stage, start-up stage, growth stage, maturity stage, decline stage, and exit stage.

7. GLOSSARY

- **Affiliate** – the publisher of advertisements for other organizations
- **Marketplace** – an open online space where goods and services are sold
- **Scam** – an illegal act to make money
- **Start-up** – a business which is recently established

8. TERMINAL QUESTIONS

Short Answer Questions

1. What is the relevance of value proposition in a business model?
2. Explain the four domains of a business model.
3. How many types of B2B models are there? Explain.
4. What are the disadvantages of a C2C model?
5. What happens at the decline stage of ESLC?

Long Answer Questions

1. What are the elements of a business model? Explain.
2. Explain any two types of e-business models.
3. Describe the stages of ESLC.

9. CASE STUDY: AMAZON'S UNIQUE BUSINESS MODEL

Amazon is one of the world's leading companies with the annual revenue of around \$125 million. The company is an exemplary of a successful and innovative business model which inspires many entrepreneurs and business owners.

Value Proposition

Amazon's value proposition is a modest one and offers convenience along with widest range of products/services at the lowest prices. Due to its low prices, the organization has displaced Wal-Mart as being the leader in low price category. The company offers quality products and services at extremely low costs without compromising on quality by any means. Amazon has leveraged technology to manage its inventory issues. As a result, it does not have to stock inventory of any kind. Consequently, the company has successfully undercut the competition against those who have to bear massive cost burdens of stocking inventory.

Revenue Model

Amazon has a diverse revenue model. Its main source of revenue is the commissions and fees obtained by making the buyers and sellers meet. Further, it extracts substantial amount of revenues from its affiliates. The organization also sells space on its website. It also obtains large revenues from its Kindle marketplace by selling e-books. It has a 75% market share in the eBook market. Amazon also provides subscriptions to offer video content, like movies, web series, and documentaries and fast delivery of the products purchased from its website to its members.

Scalability

The business model of Amazon is not very capital or human intensive, thereby making it scalable. It is easy for Amazon to enter in any country to sell products with little groundwork.

Competition

Amazon has competitors in all fields from many other e-commerce sites (such as Flipkart, Myntra, and JioMart) and also video streaming sites, (such as Netflix, Voot, and Hotstar). The company has successfully beat all its rivals and become an aggressor in almost all lines of business.

Technology

Amazon has also been at the center of many technological advancements since its inception in 1994. In 2016, they have pioneered a new technology called contactless stores. These stores have been branded as “Amazon Go” stores and had zero human involvement. Such technological advancements will surely allow Amazon to reach its ambitious revenue targets.

To put it in simple words, Amazon has a unique business model. Even today, Jeff Bezos uses all its surplus profits to reinvest into the operations to achieve growth in the coming years.

Source: <https://www.managementstudyguide.com/business-model-of-amazon.htm>

Questions:

1. Discuss the strengths of Amazon’s business model?
2. Are there any shortcomings in Amazon’s business model? If yes, discuss.

10. ANSWERS**Self-Assessment Questions**

1. Direct competitors
2. Affiliate revenue model
3. True
4. True
5. False
6. False
7. Business to Consumers model
8. E-tailers
9. False
10. Development Stage
11. False
12. Growth
13. False

Short Answer Questions

Answer 1: Value proposition refers to the ways in which a business organization is going to serve its customers.

For more details, refer section 2.

Answer 2: Service domain details the value offered by a product/service along with the target market segment.

For more details, refer section 2.

Answer 3: There are different types of B2B models, including supplier centric model, buyer centric model, and intermediary centric model.

For more details, refer section 3.

Answer 4: As there exist so many sellers offering similar product/service, there exist high competition.

For more details, refer section 3.

Answer 5: The sales begin to slow down at decline stage along with the profits.

For more details, refer section 4.

Long Answer Questions

Answer 1: Market opportunity is the untapped market potential which a business organization intend to exploit.

For more details, refer section 2.

Answer 2: e-business models can be classified into different models including Business to Business (B2B), Business to Consumer (B2C), Consumer to Consumer (C2C), and Consumer to Business (C2B).

For more details, refer section 3.

Answer 3: Development stage is the initial stage of any e-commerce business, wherein the business idea is generated or conceptualized.

For more details, refer section 4.

11. SUGGESTED E-REFERENCES AND E-BOOKS

E-Books

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