

eCommerce – Chapter 02

Business plan

Roadmap for the development and operation of a business

1. Executive summary
2. Business description
3. Operational plan
4. Financial plan
5. Business model

Business Model:

Is the method of doing business by which a company can sustain itself. It spells out how a company makes money by specifying its position in the value chain.

A set of planned activities designed to result in a profit in a marketplace

a. Value proposition

Purpose of the value proposition is to answer to “why” question for the business idea

b. Revenue model

A revenue model outlines how the organization or the eCommerce project will generate revenues

6. Market analysis
7. Competitor analysis

Business Case

Business plan for a new initiative or a large new project inside an existing organization

Audience is the company's board of directors, not an external funding agency.

Business Model Examples

- Online Direct Marketing
- Transaction Brokers
- Information portals
- Community portals and social networks
- Find the Best Price Engine model
- Online Auctions
- Product and Service Customization
- Negotiations
- Value-chain Service Providers

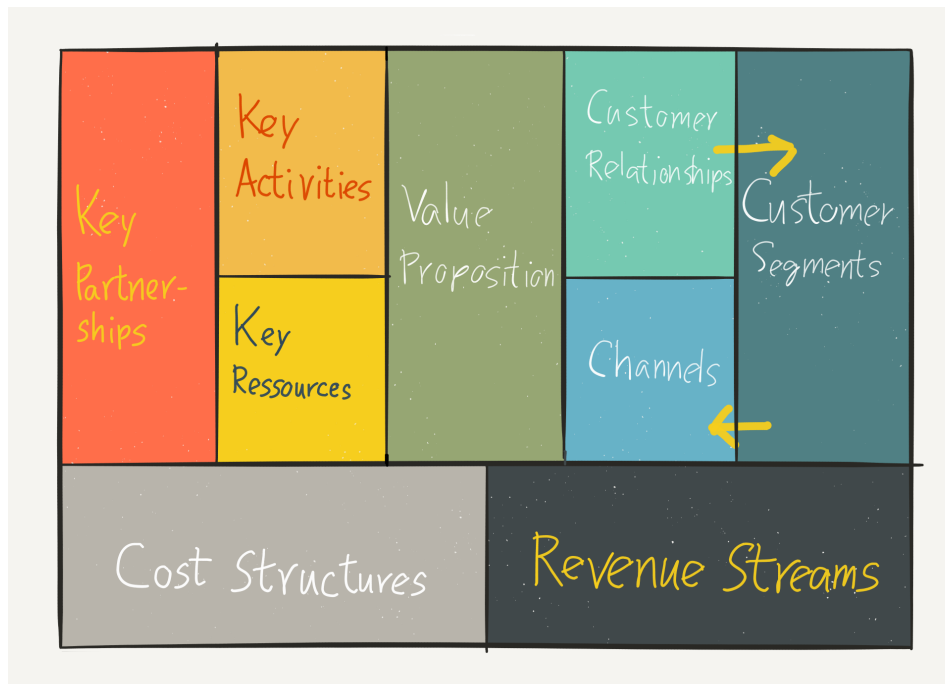
Value Proposition Examples

- Lowest Cost
- Reduction in product search
- Superior customer service
- Product customization
- Provision of niche products
- Price discovery

Revenue Models Examples

- Sales
- Transaction fees
- Subscription fees
- Advertising fees
- Affiliate fees
- Other revenue sources

Business Model Canvas



1. Customers Segments

- Mass market
- Niche market
- Segmented
- Diversified
- Multi-sided platforms

2. Value Proposition

- Newness
- Performance
- Customization
- "Getting the job done"
- Design
- Brand/Status
- Price
- Cost reduction
- Risk reduction
- Accessibility
- Convenience/Usability

3. Channels

Chanel Types:

- Direct:
 - Sales force
 - Web sales
- Indirect:
 - Own stores
 - Partner stores
 - Wholesaler

Channel Phase:

1. Awareness
2. Evaluation
3. Purchase
4. Delivery
5. After sales

4. Customer Relationships

- Can range from personal to automated
- **Motivations:** Customer acquisition/retention and boosting sales
- **Types:**
 - Personal assistance
 - Dedicated personal assistance
 - Self-service
 - Automated services
 - Communities
 - Co-creation

5. Revenue Streams

- **Types:** Transaction (one-time payment) and Recurring
- | | |
|---|--|
| <ul style="list-style-type: none">• Asset sale: Physical Product• Usage fee• Subscription fee• Lending/Renting/Leasing | <ul style="list-style-type: none">• Licensing• Brokerage fees• Advertising |
|---|--|
- **Pricing:**

Fixed <ul style="list-style-type: none">• List price• Product feature dependent• Customer segment dependent• Volume dependent	Dynamic <ul style="list-style-type: none">• Negotiation• Yield management• Real-time market• Auctions
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6. Key Resources

- Physical
- Intellectual
- Human
- Financial

7. Key Activities

- Production
- Problem solving
- Platform/Network

8. Key Partnerships

- **Types:**
 - Strategic alliances
 - Cooperation
 - Joint ventures
 - Buyer-supplier relationships
- **Motivations:**
 - Optimization and economy of scale
 - Reduction of risk and uncertainty
 - Acquisition of particular resources and activities

9. Cost Structures

- **Cost-driven:** Focus on minimizing cost
- **Value-driven:** Focus on value creation
- **Characteristics:**
 - Fixed Costs
 - Variable Costs
 - **Economics of scale:** Cost advantages a business enjoys as its output expands
 - **Economics of scope:** Cost advantages a business enjoys due to a larger scope of operation

Business Model Patterns

Business models with similar characteristics, similar arrangements of business model building blocks, or similar behaviours.

1. Unbundling business models

- Unbundled corporation holds that there are three different types of business:
 - Product innovation businesses
 - Customer relationship businesses
 - Infrastructure businesses
- Each type has different imperatives:
 - Economic
 - Competitive
 - Cultural

2. Long Tail business models

- Niche strategy of selling a large number of unique items in relatively small quantities, usually in addition to selling fewer popular items in large quantities.
- Examples: *Spotify, Netflix, Amazon*
- Forces:
 - Democratize the tools of production -> more stuff, lengthens the Tail
 - Democratize the tools of distribution -> more access, fattens the Tail
 - Connect supply and demand -> drives business from hits to niches
- Filters: Help to find quality in the Long Tail and present user with choices for them

3. Multi-sided Platforms business models

- Bring together 2 or more distinct but independent groups of customers
- Act as an intermediary: create value by facilitation interactions between different groups
- Generate value only if the other group exists (*chicken and egg dilemma*)
- Example: *Google with AdWords (Advertisers) and Search (Customers)*

4. FREE business models

- At least one substantial customer segment is able to continuously benefit from free-of-charge offer
- Non-paying customers are financed by another part of the business model or another business segment
- Sub-Patterns:
 - FREE offer based on multi-sided platforms (advertising)
 - FREE basic services with optional premium services (freemium model)
 - Bait & Hook model:
 - A free or inexpensive initial offer lures customers in repeat purchases

5. Open Business Models