MANAGEMENT INFORMATION SYSTEM (MIS) and E-COMMERCE
UNIT-III

E-COMMERCE – INTRODUCTION

E-commerce means using the Internet and the web for business transactions and/or commercial transactions, which typically involve the exchange of value (e.g., money) across organizational or individual boundaries in return for products and services. Here we focus on digitally enabled commercial transactions among organizations and individuals.

E-business applications turn into e-commerce precisely, when an exchange of value occurs. Digitally enabled transactions include all transactions mediated by digital technology and platform; that is, transactions that occur over the Internet and the web.

Hence, e-tailing is a subset of e-commerce, which encapsulates all "commerce" conducted via the Internet. It refers to that part of e-commerce that entails the sale of product merchandise and does not include sale of services, namely railway tickets, airlines tickets and job portals.

DEFINITION OF E-COMMERCE

The term electronic commerce or e-commerce refers to any sort of business transaction that involves the transfer of information through the internet. By definition it covers a variety of business activities which use internet as a platform for either information exchange or monetary transaction or both at times.

For example, the numbers of consumer brand retail sites like Amazon(dot)com and Flipkart(dot)com which normally provides information about products and also allows monetary transactions to happen over the internet.

On the contrary there are the auctions sites like Quickr(dot)com and Ebay(dot)com where the information about certain listed products and services are provided but the monetary transactions normally happen physically.

Apart from these two categories of e-commerce sites, there are some sites which enable businesses to exchange trading goods and also service between two or more companies. All of these forms of internet based business platforms are known as e-commerce.

Over the last decade the advent of e-commerce has actually transformed the manner in which people used internet. People now are not only just using internet for gathering information, leisure or socializing online but also at the same time they are seeking measures to conduct business.

Even popular social networking sites like Facebook(dot)com are allowing people to promote and sell products and services online and the introduction of computer and mobile based e-commerce application software like Shopify provides evidence of how e-commerce have boomed over the past 5 years.

COMMERCIAL USE OF INTERNET

1. Ecommerce

The Internet provides a perfect market place wherein customers access the website of ecommerce vendors and order the product they want to buy online, and make the payment through the gateway.

The goods ordered are delivered to the customers within the agreed number of days from the warehouse of the vendor. The market share of ecommerce retail in India is 5.7%, with sales of 38.5 billion US$ in the total retail sales of 672 billion US$, and it is growing year on year.

Ecommerce Website provides a rich experience to their customers by enabling them to

- Browse through the products catalog and select the brand
- View the photos, texture, design and other aspects of the products closely before selection
- Compare the prices of various brands and read the reviews of the current users of the products they choose
- Order the products online and track the status of the delivery until it is delivered.
- Pay on delivery
- Return the products if the customers are not satisfied, or size is not fitting etc.
- Have a feeling of shopping in a physical store.

There are renowned Ecommerce vendors like Amazon, Flipkart, Myntra and Snapdeal, etc., in India. There are also service vendors like Ola, Oyo, Uber, and Swiggy who offer taxi, room, and food delivery services.

While Flipkart, Snapdeal are selling products of third-party vendors, Individual organizations can also develop and host their websites to sell their own products and services online.

2. Media site of a company

The Internet offers a perfect medium for businesses to reach out to their customers and the common public on their website's products and services. Financial results, Performance details and other achievements of the company are also posted on this site. This media site provides good visibility, publicity, and branding to the company.

3. Social Media

The organization keeps tabs on social media sites like Facebook, Linked in to track the posting of the common public on their products, services and any other matter related to the company. The company will use the postings gathered from these social media to improve its product/services, correct the processes and manage situations.

4. Customer Relationship Management (CRM)

The Internet enables the organization to connect with all its customers and build a strong network with its customers. New customer leads can be generated through this CRM portal and converted into prospect and order with a systematic follow-up.

This portal enables to create of visibility on the marketing campaign and service programs conducted by the organization. Customer feedback and their inputs on the company are used to improve the efficiency of the operations and take the company to the next level.

5. Supplier Management

Information on supplier's purchase orders, amendments to purchase orders, supply schedules, receipts, rejections and performance details are shared with suppliers on this site, hosted on the internet. Suppliers create shipment notice on their supplies in this site, and it is visible to the company to plan their production accordingly. The Internet enables the organization to do collaborative design and suppliers by sharing design details through this site and cutting short design life cycle time.

6. Employee Productivity enhancement

- Employees are connected to their office through the internet, enabling them to work from home and avoid commuting hassles.
- Employees are trained online at their own pace.
- Youtube, blogs, and content on the internet provide inputs to employees to enhance their skills.
- Tools like Skype, Slack, and Trello available over the internet help employees collaborate with each other effectively and clear the hurdles in the project on time.
- Project management tools hosted on the internet connect remote employees in the project review and efficiently manage the project.
- Productivity enhancement in employees leads to business growth and prosperity.

7. Video conferencing

Video conferencing facilities offered through the internet helps the organization to hold meetings, conferences with participants from multiple remote locations. It saves travel costs and speeds up the decision making process.

8. Market Research

Information on any products/services, market requirements, demand from various geographies for a product, competitor's business data and other market-related data are available on the internet. These data will be useful in market research and arrive at the marketing strategy.

HISTORY OF E-COMMERCE

Early Development:

The history of E-commerce begins with the invention of the telephone at the end of last century. EDI (Electronic Data Interchange) is widely viewed as the beginning of ecommerce if we consider ecommerce as the networking of business communities and digitalization of business information. Large organizations have been investing in development of EDI since sixties. It has not gained reasonable acceptance until eighties. The meaning of electronic commerce has changed over the last 30 years.

Originally, electronic commerce meant the facilitation of commercial transactions electronically, using technology such as Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT). These were both introduced in the late 1970s, allowing businesses to send commercial documents like purchase orders or invoices electronically. The growth and acceptance of credit cards, automated teller machines (ATM) and telephone banking in the 1980s were also forms of electronic commerce. Another form of E-commerce was the airline and railway reservation system.

Online shopping, an important component of electronic commerce was invented by Michael Aldrich in the UK in 1979. The world's first recorded business to business was Thomson Holidays in 1981. The first recorded Business to consumer was Gateshead SIS/Tesco in 1984. During the 1980s, online shopping was also used extensively in the UK by auto manufacturers such as Ford, General Motors and Nissan. The systems used the switched public telephone network in dial-up and leased line modes.

From the 1990s onwards, electronic commerce would additionally include enterprise resource planning systems (ERP), data mining and data warehousing. An early online information marketplace, including online consulting, was the American Information Exchange, another pre Internet online system introduced-in 1991. In 1990 Tim Berners-Lee invented the World Wide Web and transformed an academic telecommunication network into a worldwide everyman everyday communication system called internet/www(dot)Commercial enterprise on the Internet was strictly prohibited until 1991.

Although the Internet became popular worldwide around 1994 when the first internet online shopping started, it took about five years to introduce security protocols and DSL allowing continual connection to the Internet. By the end of 2000, many European and American business companies offered their services through the World Wide Web. Since then people began to associate a word "E-commerce" with the ability of purchasing various goods through the Internet using secure protocols and electronic payment services.

The Internet and the Web:

The Internet was conceived in 1969, when the Advanced Research Projects Agency (a Department of Defense organization) funded research of computer networking. The Internet could end up like EDI without the emergence of the World Wide Web in 1990s. The Web became a popular mainstream medium (perceived as the fourth mainstream medium in addition to print, radio and TV) in a speed which had never been seen before. The Web users and content were almost doubled every a couple of months in 1995 and 1996.

ADVANTAGES OF E-COMMERCE

(i) Convenience – Customers can order products or services 24 hours a day wherever they are.
(ii) Information – Customers can find reams of comparative information about companies, products, competitors and prices without leaving their office or home.
(iii) Fewer Hassels – Customers don't have to face sales people or open themselves upto persuasion and emotional factors, they also don't have to wait in line.
(iv) Quick Adjustment to Market Conditions by Marketers – Companies can quickly add products to their offering and change prices and descriptions.
(v) Lower Cost – On-line Marketers avoid the expense of maintaining a store and the costs of rent, insurance and utilities.
They can produce digital catalogues for much less cost than the cost of printing and mailing paper catalogues.
(vi) Relatively Building – On-line marketers can dialogue with consumers and learn from them. Marketers can download useful reports or a free demo of their softwares.
(vii) On-line Marketing – It is easy affordable by small firms, who otherwise would not have been able to advertise in the print or broad cost media.
(viii) E-Commerce – E-commerce through Internet and web site can access and retrieve information very fast, compared to overnight mail and even fax.

DISADVANTAGES OF E-COMMERCE

1. Security:

Security continues to be a problem for online businesses. Customers have to feel confident about the integrity of the payment process before they commit to the purchase. Banks such as ICICI Bank, HDFC Bank, State Bank of India have added secure payment gateways to process online banking transactions quickly and safely.

2. System and Data Integrity:

Data protection and the integrity of the system that handles the data are serious concerns. Computer viruses are rampant, with new viruses discovered every day. Viruses cause unnecessary delays, file backups, storage problems, and other similar difficulties. The danger of hackers accessing files and corrupting accounts adds more stress to an already complex operation.

3. System Scalability:

A business develops an interactive interface with customers via a website. After a while, statistical analysis determines whether visitors to the site are one-time or recurring customers. If the company expects 2 million customers and 6 million show up, website performance is bound to experience degradation, slowdown, and eventually loss of customers. To stop this problem from happening, a website must be scalable, or upgradable on a regular basis.

4. E-Commerce is Not Free:

So far, success stories in e-commerce have forced large business with deep pockets and good funding to invest in creating on-line websites. According to a report, small retailers that go head-to-head with e-commerce giants are fighting losing battle. As in the brick-and-mortar environment, they simply cannot compete on price or product offering. Brand loyalty is related to this issue, which is supposed to be less important for online firms. Brands are expected to lower search costs, build trust, and communicate quality. A search engine can come up with the best music deals, for example, yet consumers continue to flock to trusted entities such as HMV.

5. Consumer Search is not Efficient or Cost-Effective:

On the surface, the electronic marketplace seems to be a perfect market, where worldwide sellers and buyers share and trade without intermediaries. However, a closer look indicates that new types of intermediaries are essential to e-commerce. They include electronic malls that guarantee legitimacy of transactions. All these intermediaries add to transaction costs.

6. Customer Relations Problems:

Not many businesses realise that even e-business cannot survive over the long term without loyal customers. Building customer loyalty to a specific site is not an easy task. Customers are notoriously fickle-minded, and do not minding visiting a competing website just to avail even one-time benefits or discounts.

7. Products-People Won’t Buy Online:

Imagine a website called furniture, com or living.com, where venture capitalists are investing millions in selling home furnishings online. In the case of a sofa, you would want to sit on it, feel the texture of the fabric etc. Beside the sofa test, online furniture stores face costly returns which makes the product harder to sell online.

TYPES OF E-COMMERCE

Type # I. Business to Business (B2B):

1. Business to Business or B2B refers to E-Commerce activities between businesses.
2. In E-Commerce B2B, transactions are usually carried out through Electronic Data Interchange or EDI. EDI is an automated format of exchanging information between businesses over private networks.
3. EDI is composed of standards that enable businesses' computers to conduct transactions with each other, without human intervention.
4. For Example- Manufacturers and wholesalers are B2B companies.

Type # II. Business to Customer (B2C):

1. Business to Customer or B2C refers to E-Commerce activities that are focused on consumers rather than on businesses.
2. For instance, a book retailer would be a B2C company such as Amazon.com.

Type # III. Customer to Business (C2B):

1. Customer to Business or C2B refers to E-Commerce activities, which use reverse pricing models where the customer determines the price of the product or services.
2. For example – tele workers and online auctions are C2B processes.

Type # IV. Customer to Customer (C2C):

1. Customer to Customer or C2C refers to E-Commerce activities, which uses an auction style model.
2. Customers are also the business and C2C enables customers to directly deal with each other. An example of this is peer auction giant, E Bay.

Type # V. M-Commerce (Mobile Commerce):

1. M-commerce (mobile commerce) is the buying and selling of goods and services through wireless technology i.e., handheld devices such as cellular telephones and personal digital assistants. Japan is seen as a global leader in m-commerce.
2. As content delivery over wireless devices becomes faster, more secure and scalable, some believe that m-commerce will surpass wire line e-commerce as the method of choice for digital commerce transactions. This may well be true for the Asia-Pacific where there are more mobile phone users than there are Internet users.

BROKERAGE MODEL

Brokerage Model is evolved, enhanced and advanced version of a traditionally called 'broker'. A broker is a person usually involved in the facilitation, negotiation and arbitration of any deal or service. It is also termed as marker maker. Similarly, Brokerage Model is a business model in which a third party plays the role of a broker by providing services and facilities. In return of its services, it charges the proportional amount of money involved in respective transaction or service. Brokerage Model offers a single platform for different activities of sellers and buyers. The world of internet has given further impetus to Brokerage Model by enabling the online role of third-party in the provision of different types of services and facilities.

Brokerage Model has greater scope and wider range than other concept of businesses. It can facilitate business-to-business (B2B), consumer-to-consumer (C2C) or business-to-consumer (B2C). Brokerage model is being utilized in different ways and types. There is profound role of Brokerage

Model in e-commerce businesses. Though there is variation in operations of this model but role of a third party remains constant. Let's explore how Brokerage models is being used and implemented in the arena of internet.

Virtual Marketplace/Virtual Mall:

It is the online platform where multiple sellers post their products. Customers visit the virtual marketplace and buy the product they like. It enables the customers to explore different products by different brands or merchants on a single platform. On the other hand, Virtual marketplace offer to merchants to have a larger market and greater opportunity to sell their items. The case in point is Amazon, which is one of the largest virtual marketplaces.

Search Agent:

It offers users to provide best search result with the incorporation of the artificial intelligence (AI). AI is used to search the relevant result and best possibility of user's requirements. It facilitates the user to find out the best price for a god or service. It plays the intermediary role in searching the demanded service or product by a user. For instance, LinkedIn Premium package offers to search the best possible job for a person. On the other hand, a best possible employee for the company. It uses AI to match the job requirements and users' profiles.

Transaction Broker:

In this type of Brokerage Model, it offers the secure gateway for the payment mechanism between two parties like sellers and buyers. It enables the financial transactions among user. It facilitates two parties by ensuring the encryption and security of payment gateway. For example, PayPal offers the payment gateways that are secure and user-friendly.

Auction Broker, Reverse Auction (Demand Collection System):

According to a dissertation help firm, it offers the digital bidding process for sellers and buyers. In auction broker, seller posts the item to get the best price. Buyers compete with each other to buy the product. Buyer with highest price buys the product from seller. EBay is one of the famous auction broker operating in the arena of the internet. Whereas, in reverse auction role of buyers and sellers are swapped. It is used as tool in B2B for the procurement. The primary function of the reverse auction is to contest purchase prices downwards. The case in point is the functioning of Quibids.

Buy/Sell Fulfilment:

Buy/Seller Fulfilment is one the most common type of Brokerage Model. It allows the users to buy or sell the desired product or service on as single platform. It allows the sellers to setup an online stall for services or products. Buyers go through those stalls to select and buy a product. On the other hand, buyers can also post their requests for services or products to get a suitable seller. For example, Fiverr is an online platform which offers sellers to post their product and buyers to post their request.

Marketplace Exchange:

Marketplace Exchange is the platform where market related deals and negotiation takes place. It is just like the barter system where commodities and products are exchanged with a reasonable deal. For example, ChemConnect.com operates by electronic exchange for the trading of different chemicals and related products.

In a nutshell, Brokerage Model has rigorously revolutionized the operation of e-commerce businesses. It has helped and assisted by all means to make ecommerce businesses successful. Brokerage Model is assisting and facilitating e-commerce businesses by providing payment methods to virtual markets facilities. The price of Brokerage model is minute as compared to its benefits. With very little charges of its services, e-businesses can grow themselves exponentially. There is a high potential for e-commerce businesses to equip themselves with sophisticated technical support via Brokerage Model.

AGGREGATOR MODEL

An Aggregator Model is a networking E-commerce business model where a firm, known as an Aggregator, collects (or aggregates) data pertaining to goods and/or services offered by several competing websites or application software (commonly known as apps) and displays it on its own website or application software.

Typically, an aggregator does not possess any manufacturing or warehousing capability, but instead, relies on its ability to create a domain that allows visitors to conveniently match prices and specifications of products and/or services.

This type of service is common among financial lenders and insurance companies.

Back to: *STRATEGY, ENTREPRENEURSHIP, & INNOVATION*

Attributes of an Aggregator Business Model

Notwithstanding the diverse business sectors that different aggregators cater to, they all share a few common attributes. These are:

- **Customers**: Any aggregator business model has two customer bases - (1) the consumers and (2) the goods/service providers who act as customers for the aggregator.
- **Industry**: All goods/service providers associated with a particular aggregator belong to the same or similar industries.
- **Partnerships**: None of the goods/service providers are employed with the aggregator. On the contrary, they are business partners of the aggregator and are free to make independent business decisions. These partnerships are formed through partnership agreements that typically obligate goods/service providers to conform to acceptable levels of quality, while entrusting the aggregator with the responsibility of marketing and creating more sales opportunities for their partners.
- **Brand Image**: Brand image is one of the most important attributes of any business. As such, aggregators allocate a large proportion of their investments in brand-building exercises such as emphasizing on high quality of products/services, setting practical and attractive price bands, and offering delivery on demand.

Types of Aggregators

There are several different types of aggregators. Below are some of the most common types:

- ***Search Aggregators*** are classified as metasearch engines since they simultaneously aggregate results from several search engines on topics specified by their users. A search aggregator typically searches parameterized RSS feeds that are published by various sites. Examples include Scour and WebCrawler.
- ***News or Content Aggregators*** gather news, updates, insights or general web content from various online sources and display them at a single location. Examples include Metacritic and PopUrls.
- ***Review Aggregators*** are similar to news aggregators. However, they typically collate user or expert reviews of films and television shows, video games, books, restaurants, automobiles, software, etc. Examples include Rotten Tomatoes (films and television), OpenCritic (video games), iDreamBooks (books), Yelp (restaurants), Motor Trends (automobiles) and Software Advice (software).

- ***Social Network Aggregators*** are also known as real-time feed aggregators. These are typically websites that aggregate content from multiple social networking sites,such as Facebook, Twitter, Instagram, Flickr, LinkedIn, etc. and present them in a single domain. Examples include Hootsuite and FriendFeed (defunct).
- ***Video Aggregators*** aggregate content from different online video sites and organize them in categorized lists. Examples include uVouch, Aggrega and VodPod.

INFOMEDIARY

Definition

An infomediary is an internet company that gathers and links information on particular subjects on behalf of commercial organizations and their potential customers. Infomediary is a combination of info(rmation) and (inter)mediary.

The term first appeared in John Hagel's and Jeffrey Rapert's "Battle For Customer Information" (Harvard Business Review, 1997) to describe a new, mostly web-based business model that proposed the use of a personal agent-type portal that could transform personal data in currency, without any direct selling involved.

Types of Infomediaries

Infomediaries can be differentiated into two types, though the current escalation of personal data trade has created some popular hybrids that use many of the functions of these business models.

- The **first type** referred to is a neutral entity that provides consumers with unbiased information on a desired range of products and services. More popular in the 90s, sites such as AllAdvantage and CyberGold helped establish a medium in which information available for use by marketers and advertisers was starting to be controlled.
- The **second type** of Infomediary works by either selling one product over another or by using promos that favor the highest bidding vendor. While consumer privacy is protected, personal information is nonetheless marketed to businesses. Some consumers may even receive incentives or a percentage of the brokerage deals to agree to the above.

Thus, infomediaries often have either a vendor bias (making them vendor dependent) or a consumer bias. In recent years, the economics of this process not only focused on offers tailored to particular profiles but also on the large cash flows created by privileged deals of the vendor dependent infomediaries.

Upon a closer look on the value exchanged in vendor-consumer transactions, it is seen that beside its tangible characteristic, trust is of utter most necessity in the rapport. For all types of infomediaries, the guarantee that personal information will not be miss-used stands at the basis of the services provided. Benefits on the vendor side include targeting new customer and creating loyalty with existing ones. Plus, of course, the potential to spend less on data bases with more return.

The current popular infomediaries are more likely to be called hybrids, as the specific transactions still occur, but not as the sole purpose of the entity. Examples are Facebook and Amazon: while the latter focused on growing a community surrounding its services, Facebook is well known for creating personalized ads. This in essence means that personal information about their users is collected and then the information is used to sell advertising. Of course, there are the very simple and up to the point pay per click sites. The difference here is that whilst users look at ads targeted to their specific segment or category in order to receive money or other incentives, no specific action is necessarily taken and the information returned to the advertiser is often scarce and shallow.

Nonetheless, as the economics of personal data grow in importance and the value of each user to different providers is taken more and more into consideration, the physical stores and services will have to continue to match this ever developing internet entity that is the infomediary.

VALUE-CHAIN MODEL

The value chain model is a strategic tool used to analyze a company's internal activities in order to identify opportunities for cost savings, efficiency improvements, and competitive advantage. Developed by Michael Porter, the value chain model breaks down a company's operations into primary and support activities.

Primary activities are those involved in the creation and delivery of the company's product or service, and include:

1. Inbound logistics - the receiving, storing, and distributing of raw materials
2. Operations - the production of the product or service
3. Outbound logistics - the storing and distributing of finished products
4. Marketing and sales - promoting and selling the product or service
5. Service - providing after-sales support to customers

Support activities are those that facilitate the primary activities and include:

1. Procurement - the sourcing of raw materials and other resources needed for the company's operations
2. Technology development - research and development activities to improve products, processes, and systems
3. Human resource management - activities related to recruiting, training, and retaining employees
4. Infrastructure - the systems, processes, and structures that support the company's operations, including finance, planning, and legal functions.

By analyzing each of these activities and identifying ways to improve them, a company can gain a competitive advantage and create more value for customers. For example, reducing the cost of inbound logistics through better supplier relationships or optimizing production processes can lead to cost savings that can be passed on to customers or used to increase profits.

IMPORTANCE

The value chain model is an important framework for analyzing and understanding the various activities and processes involved in the creation and delivery of a product or service. It provides a structured approach for identifying the key components of a business, including its suppliers, inputs, processes, and outputs, and helps to identify opportunities for improving efficiency and effectiveness at each stage.

Some of the key benefits of the value chain model include:

1. Improved efficiency: By breaking down the various processes involved in creating a product or service, businesses can identify areas where they can streamline operations, reduce costs, and improve overall efficiency.

2. Better understanding of customer needs: By analyzing the entire value chain, businesses can gain a deeper understanding of what customers value and tailor their products and services accordingly.
3. Competitive advantage: By identifying areas where they can differentiate themselves from their competitors, businesses can gain a competitive advantage and create more value for their customers.
4. Enhanced collaboration: By understanding the relationships between different parts of the value chain, businesses can collaborate more effectively with their suppliers and partners to achieve better outcomes.
5. Improved decision-making: By having a clear view of the value chain, businesses can make more informed decisions about investments, process improvements, and other strategic initiatives.

ADVERTISING MODEL

What is an Advertising Model?

The strategic use of advertising mediums is known as an advertising model. The goal behind using such a model is to reach a specific audience. These act as blueprints to help advertisers create persuasive ads, be it Print, Digital, or TV.

The vehicle on which advertising models gets placed is the Advertising Medium. To determine the right model and medium for any business, the owners must understand their target audience. Moreover, it's essential to understand the pros and cons of every advertising medium.

Let's understand the types of advertising media that business owners can use.

Types of Advertising Media

Several types of advertising media can be used for a successful marketing campaign. Here are some of them.

1. Print Advertising

Print advertising is one of the oldest media of advertising. It is known for its extensive reach and suitability for, copy expansive advertisements. Some of the popular forms of Print Advertising include:

- **Newspaper Advertising**

  Among other types of print advertisements, this one has the highest reach. Moreover, it is also an economical option. Businesses looking to target a niche audience can use regional variants of the same.
- **Magazine Advertising**

  As advertisements get targeted to the right audience, this form of advertising has a high conversion rate. Like Newspaper Advertising, these can also be used for targeting a niche audience.
- **Brochures & Fliers**

  Brochures are mostly used to educate an audience about a specific product or service. Both Brochures and Fliers are handy options and can be useful to local businesses.

2. Broadcast Advertising

The reason for increased returns on Broadcast Advertising is the advancement in technology. This type of Advertising has audio-visual mediums like Television, Radio, and more.

As visual storytelling is more impactful than its textual counterpart, Broadcast Advertising can do wonders for brands. However, it is also a slightly expensive advertising medium. Some of the famous broadcast mediums of advertising are as follows:

- **Television Advertising**

The main goal behind TV Advertising is brand building by creating awareness. Although it involves a lot of money and time, this form of advertising can prove to be extremely beneficial for a business due to its vast reach.

- **Radio Advertising**

This form of advertising can even reach the audience that cannot read, write, or see. Moreover, in terms of Return on Investment, these are pretty economical. Radio Ads are famous for their recall value. These can be used to target both local audiences and national audiences.

3. Outdoor Advertising

If used creatively and with caution, outdoor advertising can prove to be immensely successful. Compared to other types of advertising mediums, it is slightly economical.

Businesses can place fixed advertisements in locations that are most visible to their target audience. It comes in the following forms:

- Banners
- Hoardings
- Automobiles
- Guerrilla marketing techniques
- Flags
- Events and sponsorship

4. Digital Advertising

One of the most impactful mediums of advertising in today's day and age is Digital Advertising. It includes advertisements posted on the internet or other smart devices.

This form of advertising allows businesses to target audiences accurately using the available data. Moreover, it also allows them to engage and interact with their audiences. Some popularly used digital advertising forms include:

- Social Media Ads
- Email Marketing
- Display Ads
- SEO

Choosing the Right Advertising Model for Your Business

Here are a few things businesses should consider before going all out with an advertising strategy.

1. Keep an eye on your competitors

Before finalising an advertising model and media, researching your competition might help. It wouldn't guarantee success but provide you with a starting point. So keep a tab on their promotional activities and take notes.

2. Understand your target audience

Different individuals are found on different platforms. You need to figure out the best way to target your audience. For instance, if you're a car seller, you can use weekly newspapers or Facebook Ads.

3. Analyse the nature of your market

Another vital consideration is of the market's nature. Every product has a different market, and every market's advertising techniques are unique.

From the size of the population, geographical conditions, purchasing power, and more, various factors determine what'd work best. So before finalising a model you'd like to go ahead with, analyse the nature of your market.

4. Understand your marketing objective

There can be numerous reasons for advertising. Figure out your reason for the same. It could be the launch of a new product or increasing the sale of an old one. If you want to have a long term impact, several advertising tools and models should be used.

5. Keep your budget in mind

Every advertising media and model comes with its own cost. That is why it's essential to finalise a budget for the same. Your cost consideration will dictate what medium or combination you choose.

SUBSCRIPTION AND AFFILIATE MODEL

SUBSCRIPTION MODEL

What is a subscription business model?

A subscription business model is a recurring revenue model in which customers pay a weekly, monthly, or yearly fee in exchange for your products or services. Customers can renew their subscription after a certain period of time. This model allows you to leverage your customer relationships to create a steady stream of income.

Subscription-based revenue models benefit both the company and the customer. As a customer, you have the convenience of automatically repurchasing a product or service that you know you're going to need in the future. As a business, you retain customers for future sales rather than needing to re-engage them on a more frequent basis. You secure monthly recurring revenue (MRR), which can keep your business afloat throughout the worst times.

For the right product, brand, and industry, a subscription model can be a very effective and lucrative approach to running your business.

Let's learn a little bit more about how this business model works in the next section.

How a Subscription Model Works

In a subscription model, customers are charged on a recurring basis for a product or service. They choose how long and how often they want to receive each offer, and most subscriptions provide the option to renew or cancel at any time.

Think of a subscription as a contract between you and the customer. The customer agrees to pay for a product or service for a period of time and the business fulfills that offer so long as the customer completes their recurring payments. When the contract is up, the customer has the option to renew or cancel their subscription.

The diagram below illustrates what this looks like.

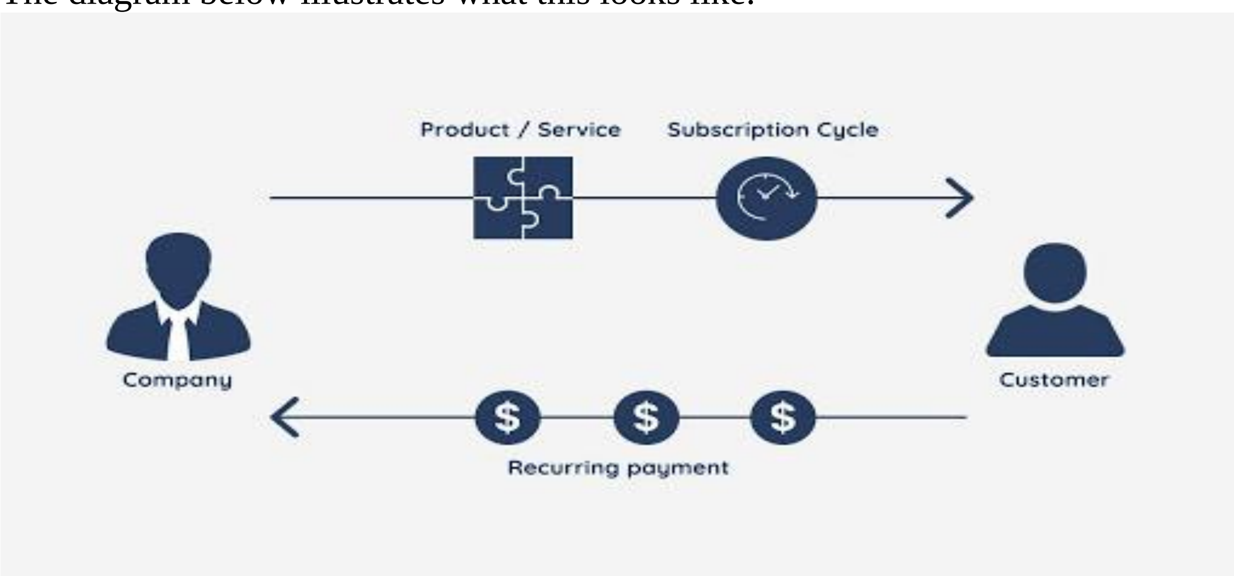

Image Source

A great example is your local newspaper. While you can buy newspapers individually, most who read them have a subscription. That way, you get a newspaper delivered to your front door for a fixed rate, rather than having to go to the store to purchase one.
Let's explore more benefits of subscription models in the next section.

Benefits of a Subscription Business Model

1. Subscription models are convenient for customers.
People are busy. And, if they can get a product (that they like) delivered when they need it, with little to no effort on their part — sign them up. Subscriptions save people from having to research new products and shop for them in stores, creating a more seamless customer experience.

2. Customers can discover new products.
Not only do people save money from not having to travel to the store, but they also get to try new items that they may not have purchased on their own.
Take Snack Crate, for example, where you can purchase boxes of snacks from around the world. With this subscription, you might discover a new favorite snack that you never knew existed.

3. Businesses can accurately predict revenue.
Subscription models make it much easier to predict how much revenue your business will receive each month. Since your customers are paying repeatedly, you know when they're going to make a payment and how much it will be for. When you're factoring budget into your business strategy, this will help you have an accurate representation of your company's resources

4. Subscriptions can attract more customers.
Sometimes, the price tag on a product or service can be cost-prohibitive for a consumer. Charging weekly, monthly, or annually allows you to set the price at a more affordable point, and lets consumers budget it into their monthly bills.
Think about buying a car. If you don't purchase it outright, you'll likely be put on a payment plan where you'll pay incrementally over time. This allows you to afford the cost of the car, even though you can't afford the total cost of it right away.

5. Subscriptions decrease customer acquisition costs.
Rather than engaging potential customers who don't know or trust your brand, subscription business models allow you to do business with people who already do. This cuts down on marketing costs and allows you to focus more on customer referrals. This word-of-mouth marketing is typically more effective and less expensive than promotional advertising.

AFFILIATE MODEL

Affiliation business models are an evolution of advertising business models. Instead of making money based on a user action, like an impression or a click, they make money based on conversion. Under the affiliate business model, a business pays commissions to affiliates who promote and sell products on its behalf. Therefore, if the user converts through the link provided by the affiliate, it will generate a commission. That is why affiliate business models often have a completely different logic than advertising business models. Advertisers make money from bot impressions and clicks. The affiliate mostly makes money if there is a conversion (even though affiliate schemes also include pay-per-impression and pay-per-click campaigns).
Understanding the affiliate business model
While affiliate marketing and the concept of revenue sharing predates the internet, the strategy has become a staple for many online businesses and has played a significant part in the success of eCommerce itself.

Entrepreneur and inventor William J. Tobin was the first person to implement affiliate marketing in an online business. The online flower retailer was founded in 1994 and had amassed almost three thousand affiliate partners before it was sold to Federated Department Stores six years later. Tobin was encouraged to patent his technology in 1996, but the patent itself was not issued until 2000. This opened the door for Amazon who, after witnessing Tobin's success, launched its own affiliate program in 1996. The Amazon Associates affiliate program was the first such program made available to the general public. Webmasters could display custom banners that linked back to the Amazon website with a unique tracking ID and receive a percentage-based commission on any resultant sales.

Today, approximately 2.3% of all websites using advertising networks are Amazon Associates members. The model remains popular because it is a relatively passive source of income for merchants. For the affiliate, the business model allows them to promote products and earn an income without the hassle of shipping and customer service.

The essential elements of the affiliate business model

The affiliate business model relies on the interaction between two or more of the following elements:

The affiliate (publisher)

The affiliate is the entity that promotes a third-party product to its target audience in exchange for a commission on every successful sale. The first affiliates promoted products by reviewing them in blog posts, but products are now promoted on social media accounts and in videos.

The merchant (advertiser)

The seller of the product who may also be the product manufacturer. The merchant can be a large retail conglomerate such as Amazon or an individual craftsperson on Etsy.

The network (middleman)

In some cases, there is also a network that connects merchants with affiliates and handles product payment and delivery for a fee. Many affiliate networks rely on the affiliate business model to generate all their revenue.

The customer

Or the individual who buys the product after being referred by the affiliate. Historically, the customer was unaware that their purchase was part of affiliate marketing. But recent legislative changes made by the Federal Trade Commission (FTC) now stipulate that the affiliate must disclose its relationship to the merchant when promoting products and services.

Payment methods under the affiliate business model

There are five main ways an affiliate can be paid under the affiliate business model, although usually affiliates are mostly paid through pay-per-sale:

1. **Pay-per-click (PPC)** – where the affiliate is paid whenever their links are clicked. Note that in most cases, the affiliate must create and manage ad campaigns at their own expense and are only paid once a conversion (sale) takes place.
2. **Pay-per-impression (PPI)** – where the affiliate is paid when a consumer visits the merchant's site. In some cases, pay-per-impression also encompasses revenue based on how many times consumers view display or text ads.
3. **Pay-per-lead (PPL)** – here, the affiliate is paid when an individual clicks on an affiliate link and completes some desired action such as filling out an online form. Payroll software company Gusto pays $25 to affiliates for every lead that signs up for a free trial of its product.

4. **Pay-per-call** – where affiliates are paid for each call they make to a potential customer. This approach is favored by service companies such as home-improvement contractors and real estate agents.
5. **Pay-per-sale (PPS)** – the most common form of payment where the affiliate receives a percentage commission from every sale they facilitate. Merchants set the exact percentage, with rates varying according to the product category. For example, Amazon offers a 1% commission on baby products but 3% on headphones, musical instruments, pet products, and furniture.