



## E-BUSINESS

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# REFERENCES

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- ▶ **Chaffey, Dave, 2009, E-Business and E-Commerce Management: Strategy, Implementation, and Practice, 4th ed.** Prentice Hall Int.
- ▶ **How to start a startup:**  
<http://startupclass.samaltman.com/>





## E-COMMERCE BUSINESS MODEL

**Mampu mengidentifikasi dan memahami komponen kunci dalam model bisnis e-commerce**

Have you ever thought how this businesses survived?



# Business Model versus Business Plan



A single diagram of your business

Set of planned activities designed to result in a profit in a marketplace



A document investors make you write that they don't read

Describes a firm's business model in more detail plan

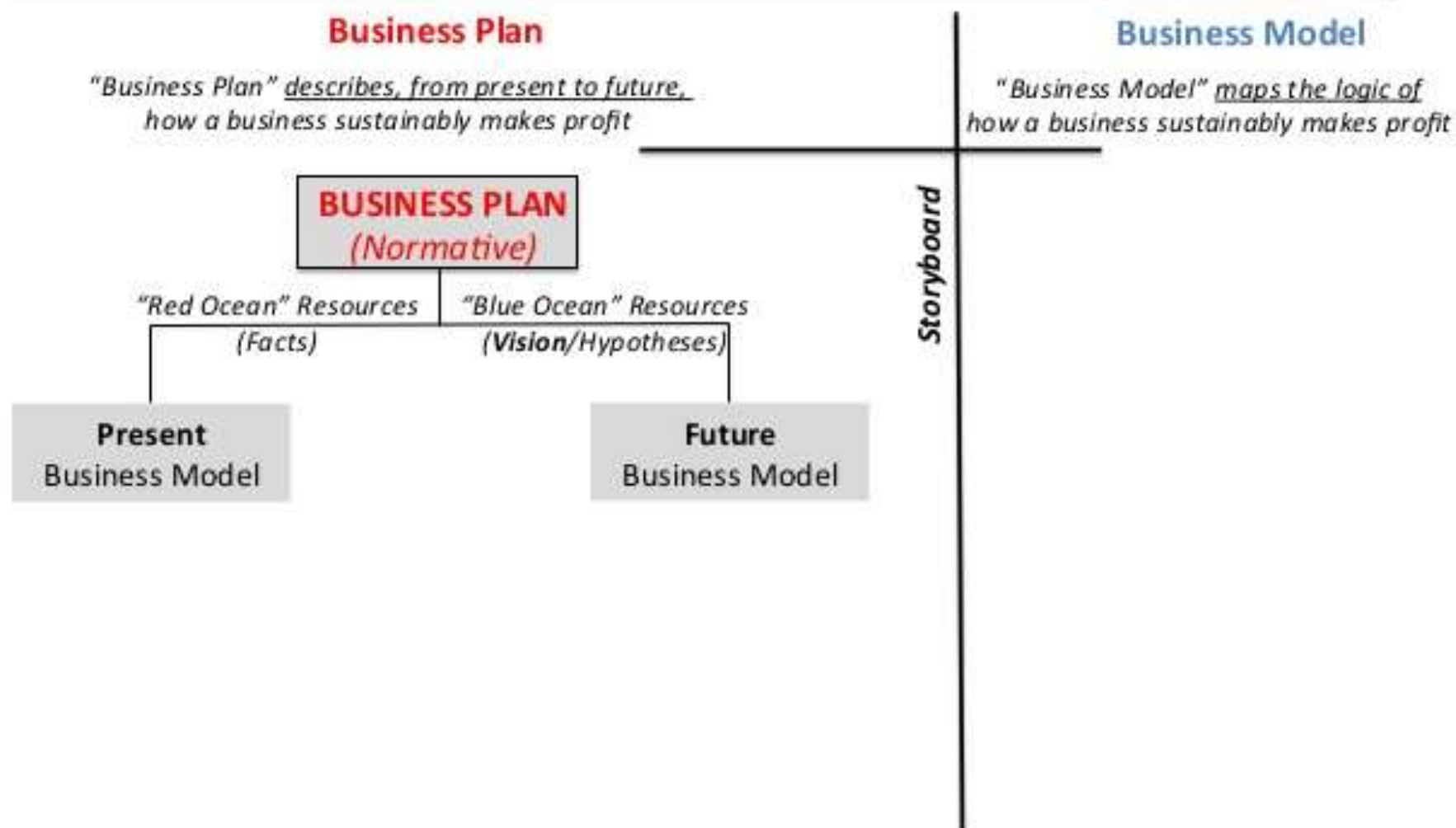
## E-commerce business model

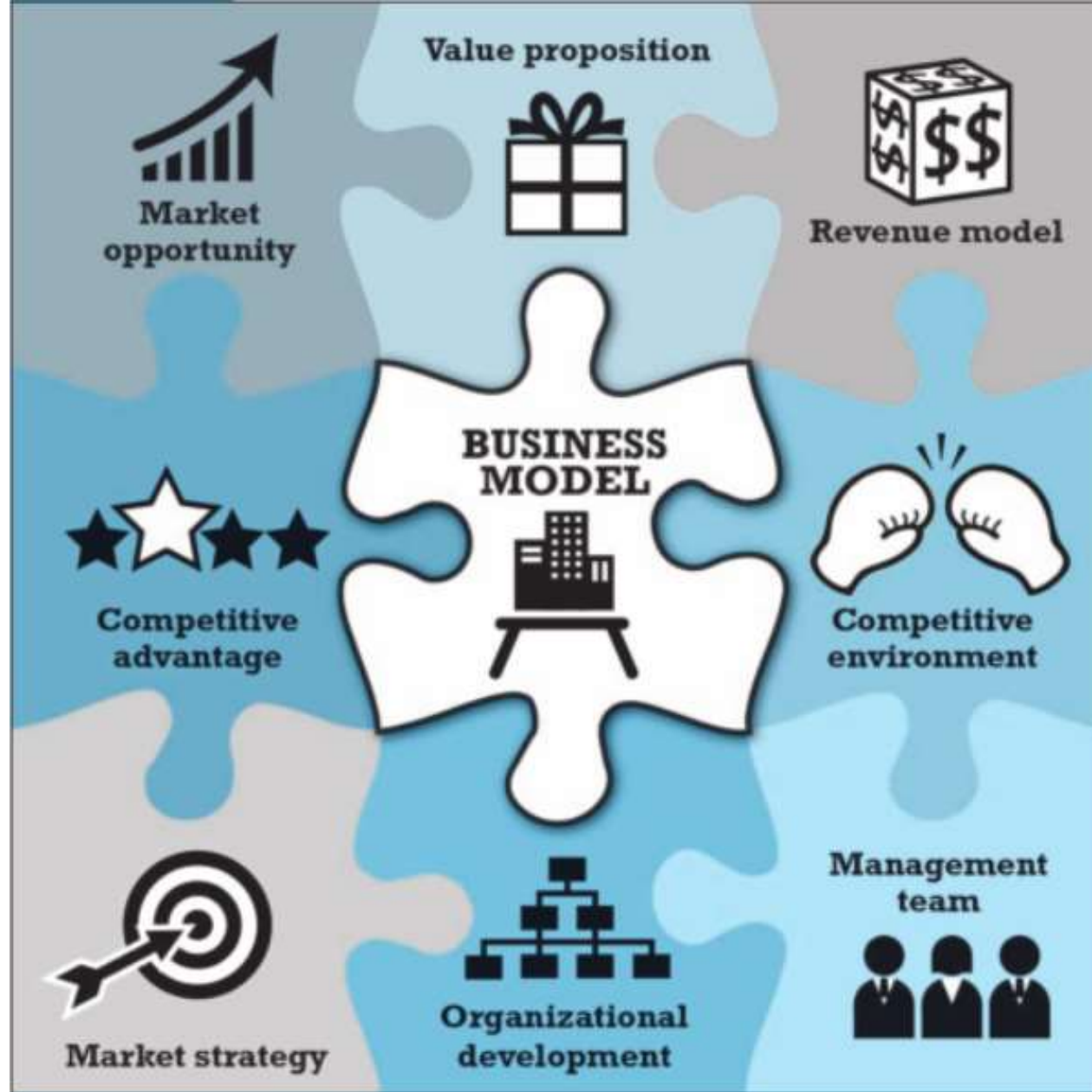
Uses/leverages unique qualities of Internet and Web



# Business Plan vs. Business Model vs. Strategy

*Why vs. What vs. How = Storyboard vs. Panel vs. Method = Script vs. Plot vs. Process*





## 8 Elements of E-Commerce Business Model

## **“WHY SHOULD THE CUSTOMER BUY FROM YOU?”**

Successful e-commerce value propositions:

- Personalization/customization
- Reduction of product search, price discovery costs
- Facilitation of transactions by managing product delivery

## **1. Value Proposition**



## **“HOW WILL YOU EARN MONEY?”**

Major types of revenue models:

- Advertising revenue model
  - CPM; CPC; Sponsorship of site sections or content types
- Subscription revenue model
- Pay-per-view revenue model
- Transaction fee revenue model
- Sales revenue model
- Affiliate revenue model

## **2. Revenue Model**

REVENUE MODEL	EXAMPLES	REVENUE SOURCE
Advertising	Yahoo	Fees from advertisers in exchange for advertisements
Subscription	WSJ.com Consumerreports.org	Fees from subscribers in exchange for access to content or services
Transaction Fee	eBay E*Trade	Fees (commissions) for enabling or executing a transaction
Sales	Amazon L.L.Bean Gap iTunes	Sales of goods, information, or services
Affiliate	MyPoints	Fees for business referrals

## 2. Revenue Model (Cont'd)

## **“WHAT MARKETSPACE DO YOU INTEND TO SERVE AND WHAT IS ITS SIZE?”**

Marketspace: area of actual or potential commercial value in which company intends to operate

Realistic market opportunity: defined by revenue potential in each market niche in which company hopes to compete

Market opportunity typically divided into smaller niches

## **3. Market Opportunity**

## **“WHO ELSE OCCUPIES YOUR INTENDED MARKETSPACE?”**

- Other companies selling similar products in the same marketplace
- Includes both direct and indirect competitors

### **Influenced by:**

- Number and size of active competitors
- Each competitor's market share
- Competitors' profitability
- Competitors' pricing

## **4. Competitive Environment**

# **“WHAT SPECIAL ADVANTAGES DOES YOUR FIRM BRING TO THE MARKETSPACE?”**

Is your product superior to or cheaper to produce than your competitors’?

Important concepts:

- Asymmetries
- First-mover advantage, complementary resources
- Unfair competitive advantage
- Leverage
- Perfect markets

## **5. Competitive Advantage**

## **“HOW DO YOU PLAN TO PROMOTE YOUR PRODUCTS OR SERVICES TO ATTRACT YOUR TARGET AUDIENCE?”**

- Details how a company intends to enter market and attract customers
- Best business concepts will fail if not properly marketed to potential customers

## **6. Market Strategy**



# **“WHAT TYPES OF ORGANIZATIONAL STRUCTURES WITHIN THE FIRM ARE NECESSARY TO CARRY OUT THE BUSINESS PLAN?”**

Describes how firm will organize work

- Typically, divided into functional departments
- As company grows, hiring moves from generalists to specialists

## **7. Organizational Development**

# **“WHAT KIND OF BACKGROUNDS SHOULD THE COMPANY’S LEADERS HAVE?”**

A strong management team:

- Can make the business model work
- Can give credibility to outside investors
- Has market-specific knowledge
- Has experience in implementing business plans

## **8. Management Team**



Raising capital is one of the **most important** functions for a founder of a start-up business and its management team.

**Not having enough capital** to operate effectively is a primary reason why so many **start-up businesses fail**.

# Raising Capital

- Seed capital
- Traditional sources
  - Incubators
  - Commercial banks
  - Angel investors
  - Venture capital firms
  - Strategic partners
- Crowdfunding

# Categorizing E-commerce Business Models

- ▶ No one correct way
- ▶ Text categorizes according to:
  - ▶ E-commerce sector (e.g., B2B)
  - ▶ E-commerce technology (e.g., m-commerce)
- ▶ Similar business models appear in more than one sector
- ▶ Some companies use multiple business models (e.g., eBay)



# B2C Models: E-tailer

- Online version of traditional retailer
- Revenue model: Sales
- Variations:
  - Virtual merchant
  - Bricks-and-clicks
  - Catalog merchant
  - Manufacturer-direct
- Low barriers to entry





## B2C Models: Community Provider

- Provide online environment (social network) where people with similar interests can transact, share content, and communicate
- Revenue models:
  - Typically hybrid, combining advertising, subscriptions, sales, transaction fees, and so on



# B2C Models: Content Provider

- Digital content on the Web:
  - News, music, video, text, artwork
- Revenue models:
  - Subscription; pay per download (micropayment); advertising; affiliate referral
- Variations:
  - Syndication
  - Web aggregators



**Jawa Pos**  
**NETFLIX**

# B2C Models: Portal

- Search plus an integrated package of content and services
- Revenue models:
  - Advertising, referral fees, transaction fees, subscriptions
- Variations:
  - Horizontal/general
  - Vertical/specialized (vortal)
  - Search



# B2C Models: Transaction Broker

- ▶ Process online transactions for consumers
  - ▶ Primary value proposition—saving time and money
- ▶ Revenue model:
  - ▶ Transaction fees
- ▶ Industries using this model:
  - ▶ Financial services
  - ▶ Travel services
  - ▶ Job placement services



## B2C Models: Market creator

- ▶ Create digital environment where buyers and sellers can meet and transact
- ▶ Revenue model:  
Transaction fees, fees to merchants for access



Shopee



Lazada



tokopedia



# B2C Models: Service Provider

- Online services
  - Example: Google—Google Maps, Gmail, and so on
- Value proposition
  - Valuable, convenient, time-saving, low-cost alternatives to traditional service providers
- Revenue models:
  - Sales of services, subscription fees, advertising, sales of marketing data





# B2B Business Models

BUSINESS MODEL	EXAMPLES	DESCRIPTION	REVENUE MODEL
<i>(1) NET MARKETPLACE</i>			
E-distributor	Grainger.com Partstore.com	Single-firm online version of retail and wholesale store; supply maintenance, repair, operation goods; indirect inputs	Sales of goods
E-procurement	Ariba PerfectCommerce	Single firm creating digital markets where sellers and buyers transact for indirect inputs	Fees for market-making services, supply chain management, and fulfillment services
Exchange	OceanConnect	Independently owned vertical digital marketplace for direct inputs	Fees and commissions on transactions
Industry Consortium	Exostar Elemica	Industry-owned vertical digital market open to select suppliers	Fees and commissions on transactions
<i>(2) PRIVATE INDUSTRIAL NETWORK</i>			
	Walmart Procter & Gamble	Company-owned network that coordinates supply chains with a limited set of partners	Cost absorbed by network owner and recovered through production and distribution efficiencies

## How E-commerce Changes Business

