

Models for E-Business



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Overview



- Evolutionary Patterns
 - Brick to Click
 - Distributor
 - Start-up
 - Intranets
- Business Models
 - Timmers -- Functional Models
 - Bambury – Transplants and Native Models
 - Wise and Morrison – Transaction Models

A Few Definitions

- Portal – a starting place for multiple sources
- Vortal – a portal that services a particular industry segment
- Infomediary – a portal or vortal that provides fulfillment services
- Branding – the process of establishing name or site recognition
- Monetarizing – the efforts to convert site visits to purchases

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More Definitions

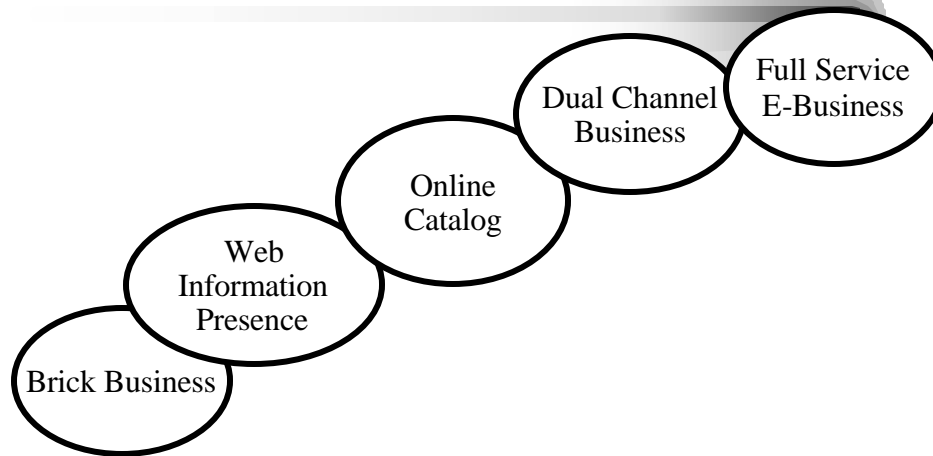
- Cookies – a record stored on a client machine that contains information from a particular site
- Wallet – a collection of information about a user maintained on a server to automate the purchase process (using a cookie id)
- Reverse auction – an auction in which the buyer indicates a goal and sellers bid to be the lowest
- Collaborative filtering – a process whereby data provided by users is manipulated to provide assistance to other users

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Evolution of E-Business Brick to Click Model

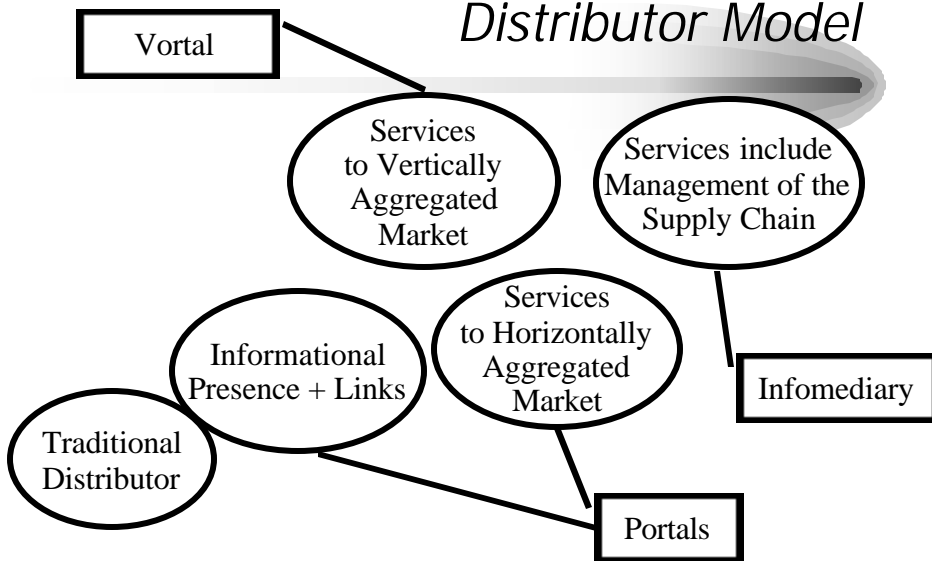


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Evolution of E-Business Distributor Model

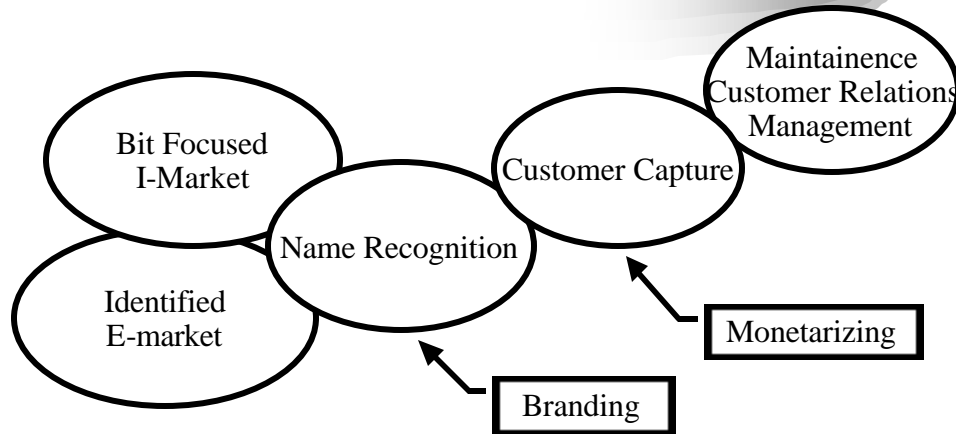


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Evolution of E-Business Start-up Model

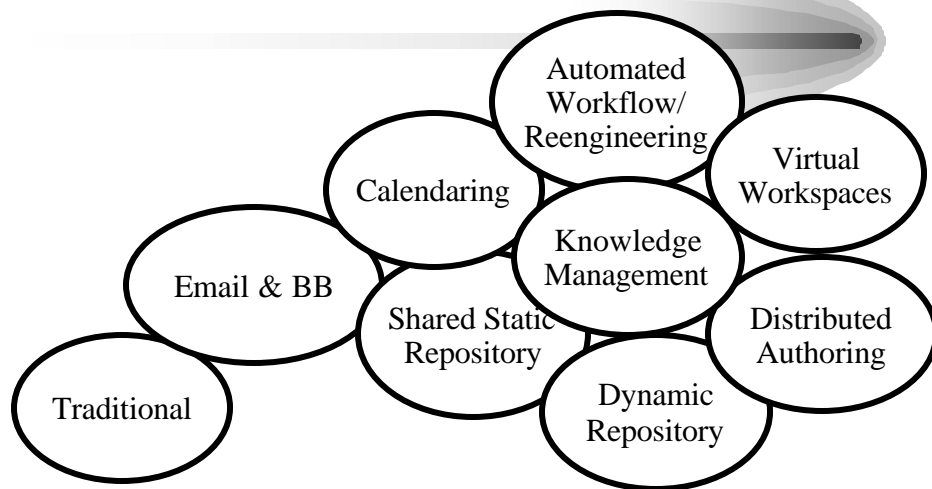


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Evolution of E-Business Intranet Model



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Business Models -- Timmers

- Paul Timmers of the European Commission defines a series of models
(at www.electronicmarkets.ch/netacademy; also in Electronic Commerce in Europe Volume 8, No2, 1998 ed. Gadiant et.al)
- Timmers defines 11 business models based upon:
 - Value chain deconstruction and reconstruction
 - Interaction patterns
- The objectives of several of the models are discussed

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E-shop Business Model

- Promotes the company, goods and services; opens a new channel with online ordering and payment
- Benefits to the seller
 - Increased demand
 - Global presence
 - Cost reduction in marketing
- Benefits to the consumer
 - Convenience in time and place
 - Better choice and more information
 - Lower prices

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E-procurement Business Model

- Electronic tendering and procurement of goods and services
- Benefits to the Seller
 - Opens a wider (global market)
 - Reduction in cost of transactions
 - Ability to reach smaller enterprises
- Benefits to the Consumer
 - Wider choice of suppliers
 - Lower cost, speedier delivery
 - Possibility of collaborative specification

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E-auction Business Model

- Electronic implementation of auctions; may also integrate bidding and payment action
- Benefits to the Seller
 - Ability to sell the platform to users
 - Advertising
 - Increased process efficiency
- Benefits to the Consumer
 - Reduced cost of goods
 - Reduced cost of purchasing

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E-mall Business Model

- Housing for a collection of E-shops under a common umbrella or function
- Benefits to the Seller
 - Sale of space (technology)
 - Sale of advertising
 - Membership fees
- Benefits to the Consumer
 - Lower cost
 - Support services (i.e. electronic payments and carts)

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Virtual Communities Business Model

- Focus is on the added value contributed by the members
- Benefits to the Seller
 - Membership fees
 - Advertising fees
- Benefits to the Consumer
 - Better information about products
 - Better information about sellers

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Value chain services Business Model

- Provide a specific service in the value chain such as payment or distribution services
- Benefits to the Seller
 - Fees collected
- Benefits to the Consumer
 - Convenience at minimal cost

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Collaboration Business Model

- Electronic services for document management, workflow management, and design
- Benefits to the Seller
 - Usage fees
- Benefits to the Consumer
 - Outsourcing of expensive technology
 - Minimal changes required for internal structure

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Information Brokerage Business Model

- Management of large information stores tailored to individual user needs
- Benefits to the Seller
 - Fees for services
 - Membership fees
 - Advertising fees
- Benefits to the Consumer
 - Collective management of intelligence gathering
 - Payment on an as needed basis

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Business Models -- Bambury

- Numerous e-business models exist
- Bambury provides one of the most easily understood
- He divides them into:
 - Real world transplants
 - Native forms
- Bambury, Paul. *"A Taxonomy of Internet Commerce."*
http://www.firstmonday.org/issues/issue3_10/bambury/index.html

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Transplanted Real-World Business Models:

- Mail Order – traditional retail operations that use an Internet interface.
- Advertising – companies support services by posting ads on their pages.
- Subscription – a user subscribes for access to a database of digital products for a period of time.
- Free Trial – Software is available for free but only for a limited time or with partial functionality.

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Transplanted Real-World Business Models:

- Direct Marketing – electronic mail marketing.
- Real Estate – sale of web space, domain names and e-mail addresses.
- Incentive Scheme – opportunities to win prizes or the secure “free” or inexpensive goods or services to entice people to accept advertising or to provide personal information.
- Business-to-Business – business transacted between companies using the Internet

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Native Internet Business Models

- Library - Web sites that offer free information.
- Freeware – software is available for download at no cost to the user.
- Information Barter – exchange of information over the Internet between individuals or organizations.
- Digital Products – digital product (images, movies, animation, audio, text, certificates and software) delivered electronically.
- Access Provision – a business provides access to the Internet(Internet Service Providers -- ISPs).
- Web Site Hosting – a company provides services such as web hosting and electronic mail.

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Transaction Models

- Richard Wise and David Morrison have recently suggested that exchange models may be flawed
- They look to the financial services industry as the source of prototypical models for new models
- They published their discussion in “Beyond the Exchange: The Future of B2B”, Harvard Business Review, November 2000, Reprint R00614

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Flaws in The Exchange Model

- The exchange model is based on lowest prices for products. Many are finding cost is only one of several factors – quality, timing of delivery, customization
- While sellers have greater access to customers, pricing pressures are a negative force
- Competition among exchanges is high because of low entry cost. Further, exchanges don't distinguish themselves and are difficult to sustain

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Trends Suggesting New Models

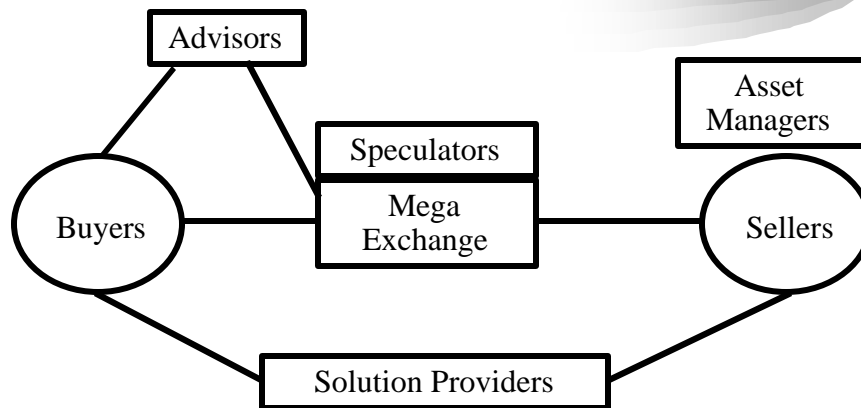
- Transactions are becoming more complex
 - Loans have been packaged to reduce complexity
 - Freemarkets has begun to help develop RFB
- Exchanges have spawned secondary activities that operate on transactions -- speculation
- People want total solutions and not just raw transactions
- Organizations with high volumes are closing their transactions reducing transaction costs

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The New Models



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The New Models (2)

- Mega-exchanges will still manage transaction exchange
- Originators will focus on helping the buyer with the decision process
- Speculators will work on the exchange to take derivative positions
- Solution providers will by pass the exchange providing additional value added services
- Sell-side asset exchanges will match exchanges within their organization

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