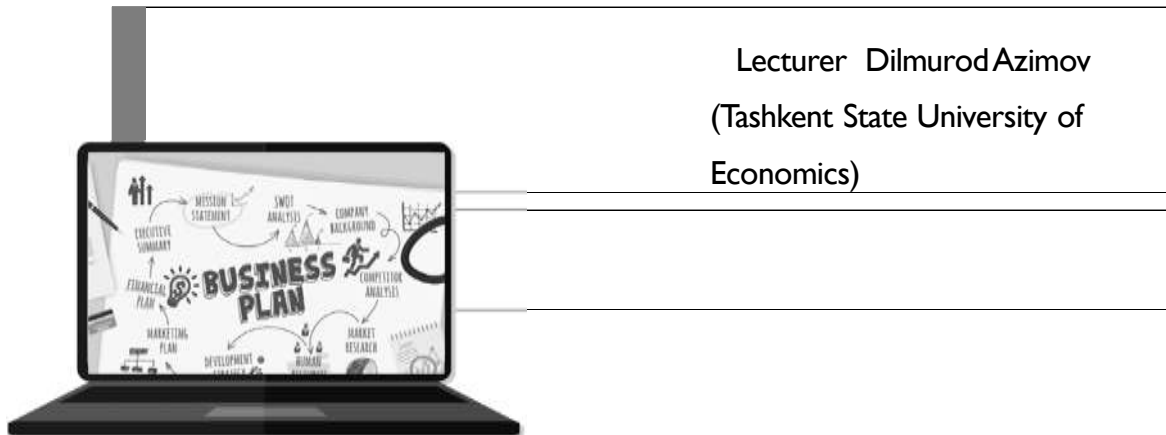


# Online Business Model



## Contents

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- Intro. to Business Model
- Platform Business
- Key Mobile Platform

# Intro. to Business Model

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## Business Model:

Rationale of how an organization creates, delivers, and captures value, in economic, social, cultural or other contexts

[wikipedia, 2018]



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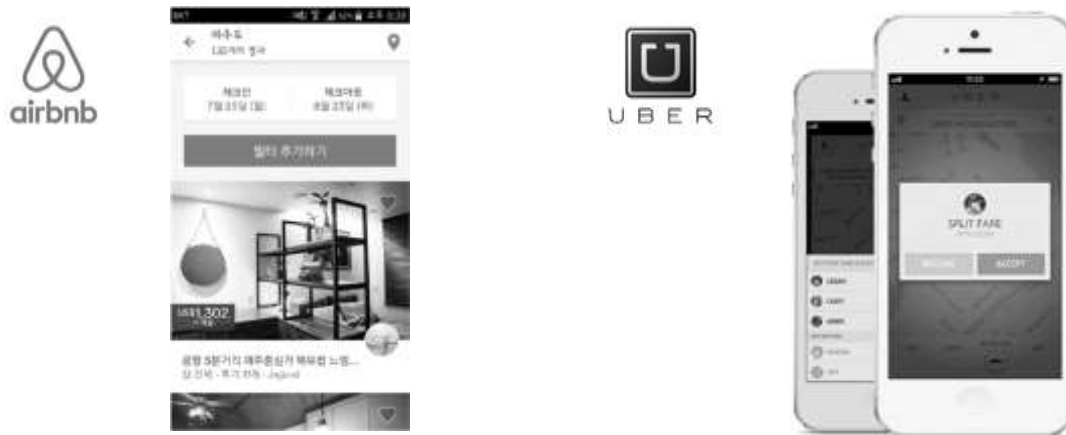


# Example of Online Business Model

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## Sharing Economy:

Economic system with a collaborative consumption approach with multiple shares of manufactured goods

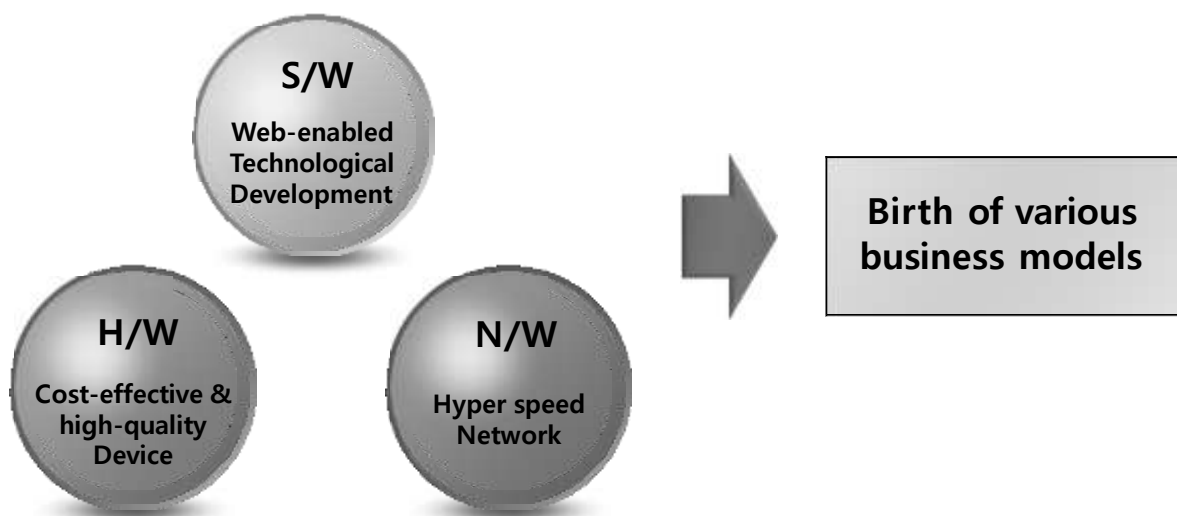


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# Birth of Web and Business Innovation

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**For businesses,  
Opportunity for easy global market access & constant  
challenges for change and adaptation**

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# Offline vs. Online

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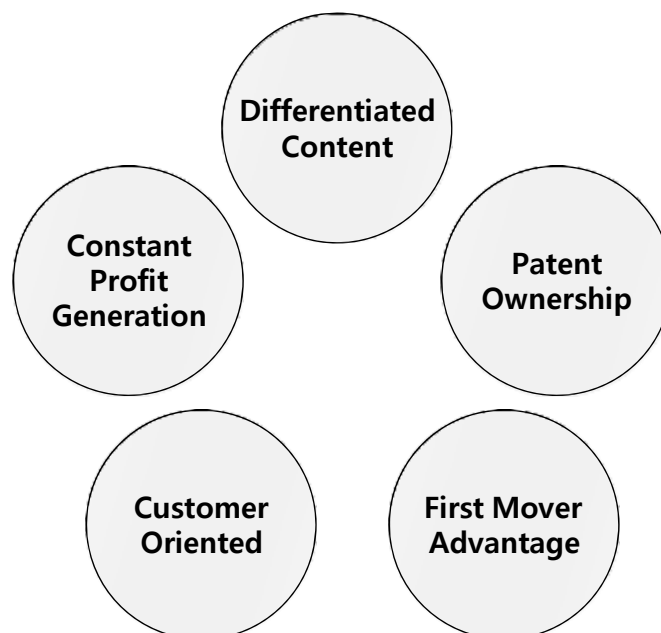


## O2O (Offline to Online, Online to Offline) Model

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# 5 Success Factors of Online BM

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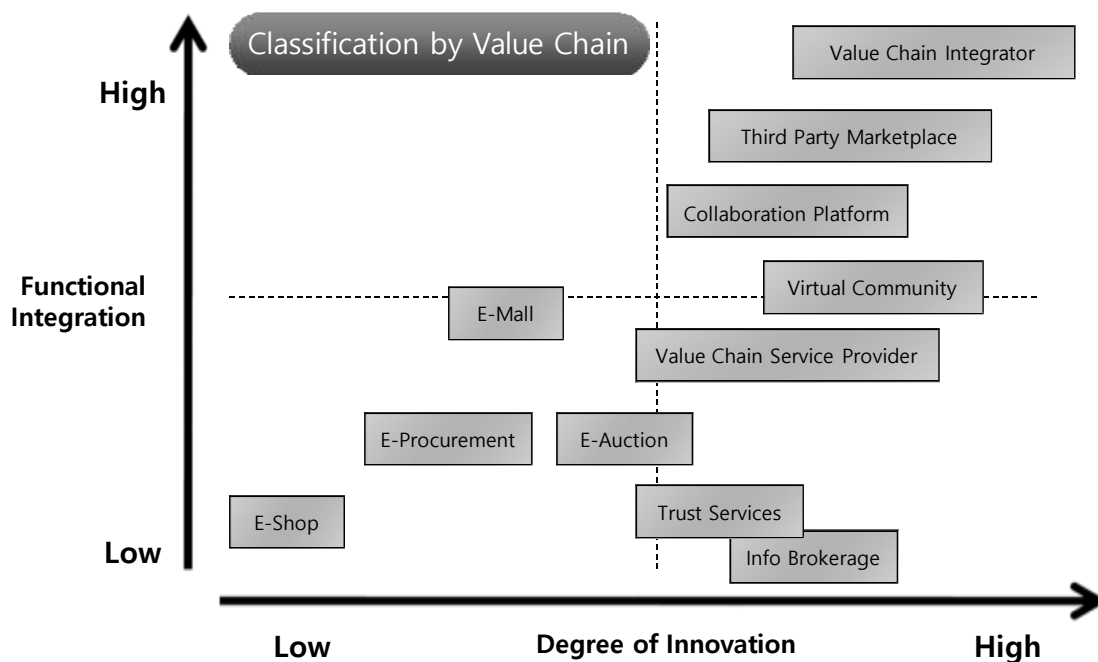


# Physical Goods vs. Digital Goods

	Physical Goods	Digital Goods
<b>Form</b>	Being able to touch and experience in real life	No physical form, being able to experience with other media such as computers
<b>Duplication</b>	Hard to duplicate	Infinite replication is possible
<b>Durability</b>	<ul style="list-style-type: none"> <li>Reduced quality when copying or moving</li> <li>Fading gradually with time</li> </ul>	<ul style="list-style-type: none"> <li>No quality differences with repeated duplication</li> <li>Can be preserved permanently</li> </ul>
<b>Deformability</b>	Once produced, difficult to transform	Can be modified repeatedly
<b>Production Cost</b>	High variable cost for repetitive production	High fixed cost for initial production

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# Classification of Online BM

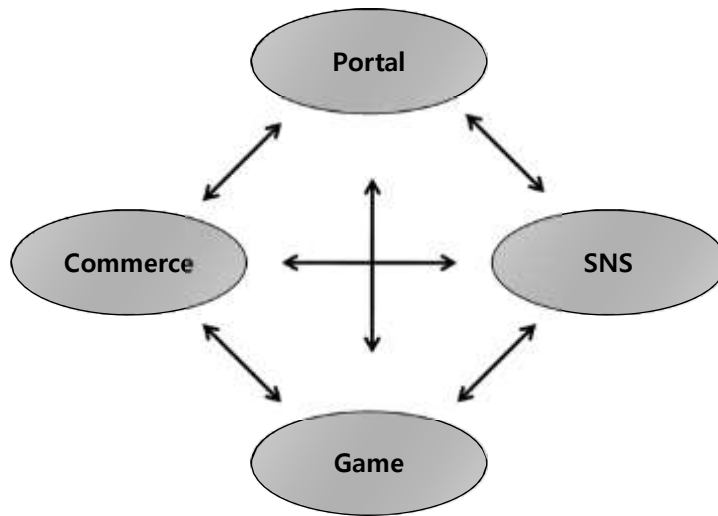


[Source: Timmers, P. (1998) "Business Model for Electronic Markets," electronic Markets, 8(2), pp.3-8.]

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## Changes in Online Business Environment

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- Continuous Creation of New Business Models
- Competing with competitors in the same or similar industry, as well as with completely other industry players



**Age of Unlimited Competition**

# Platform Business

# Definition of Platform

- Place to get on and off a train in a station
- A set of components shared by several vehicle models



Hyundai Sonata vs. KIA K5

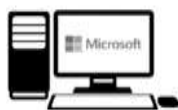


Hyundai Avante vs. KIA K3

# PC Platform: MS Windows



+



+



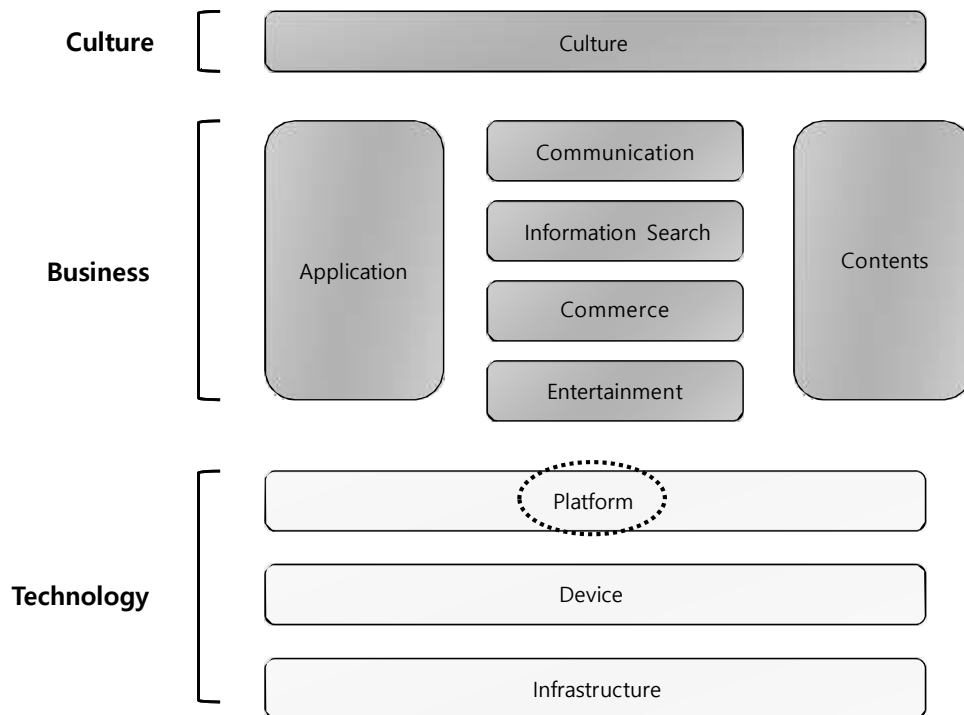
**Age of Wintel**

- Boom of IBM compatible PC: developing applications for specific clients only
- Able to minimize costs and maximize revenues

**Vendor Lock-in:** IT environment becoming stuck with a particular vendor, reducing the user's choice, and being possible to cause technological stagnation

# Technology & Business & Culture

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## Technological Aspect

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### ▶ Infrastructure

- ▶ Network environment such as broadband, LTE, 5G, etc.
- ▶ IT Infrastructure requiring large-scale initial investment
- ▶ Korea: world top-class wired & wireless network environment

### ▶ Device

- ▶ Smart devices such as Smartphone, PC, Tablet, Smart TV, etc.
- ▶ N screen

### ▶ Platform

- ▶ Software technology base
- ▶ Korea's weak point

# Business Aspect

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- ▶ Revenue generation driven by combining applications and content on the platform
  - ▶ Requiring software-driven convergence and tightly-coupled collaboration with partners
- ▶ Korea: world's most dynamic lifestyles market
  - ▶ Lifestyle impact area: communication, information search, commerce, entertainment
  - ▶ High technological acceptance
  - ▶ Smartphone repurchase frequency, fast diffusion of new tech/service

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# Cultural Aspect

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- ▶ The relationship between technology and culture is like the relationship between body and spirit
- ▶ Same technology/business model differs greatly in usage and performance by country/region
  - ▶ ex) Facebook
- ▶ Understanding country/region trends is important for a successful platform business
  - ▶ Korea: strong collectivism tendency
  - ▶ Lack of diversity



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# Successful Platform Business Case I

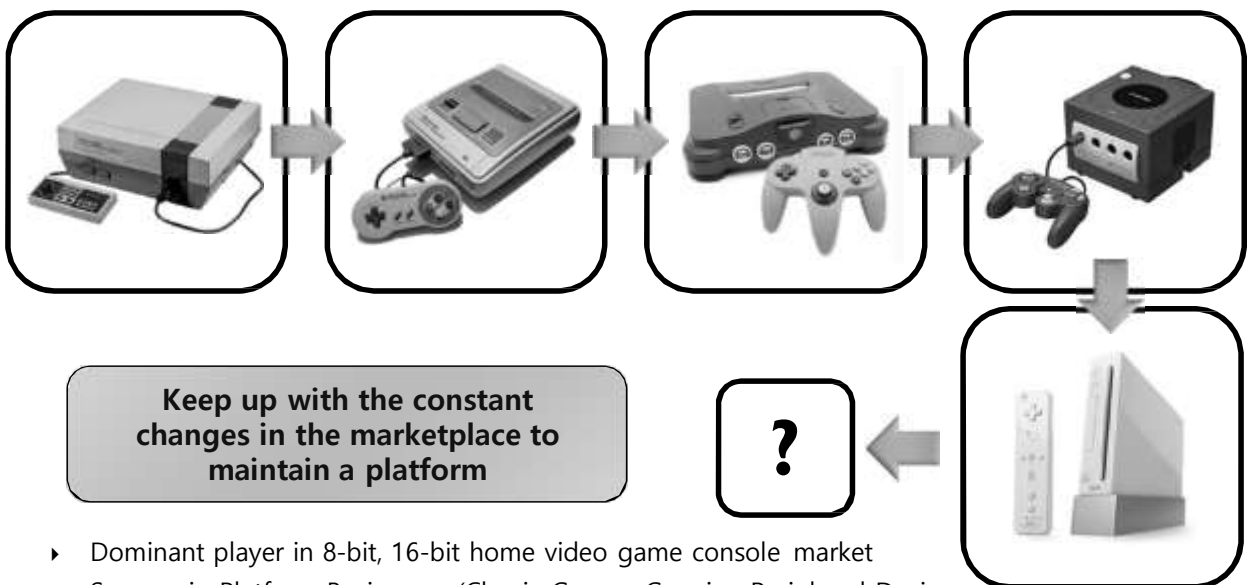


Apple II

**S/W is more important than H/W in a platform competition**

- ▶ Introduced in 1977, it contributes greatly to the prevalence of personal computers
- ▶ Explosive growth with VisiCalc, the first killer app (ancestor of MS Excel)
- ▶ Since then, many applications have been delivered, creating an ecosystem
- ▶ Adhere to Apple's platform business strategy

# Successful Platform Business Case II



**Keep up with the constant changes in the marketplace to maintain a platform**

- ▶ Dominant player in 8-bit, 16-bit home video game console market
- ▶ Success in Platform Businesses (Classic Games, Growing Peripheral Device Market)
- ▶ Revive with Nintendo Wii after 32-bit, 64-bit game console failure
- ▶ Severely damaged by smartphone game market growth

# Platform Business Component

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- ▶ **H/W: device**

- ▶ **S/W: operating system & SDK**

- ▶ **Killer App.**

- ▶ Powerful incentives for users to use the platform
- ▶ Critical in early platform deployment

- ▶ **3<sup>rd</sup> Party App. Market**

- ▶ Providing various functions to satisfy users ' diverse needs
- ▶ Maintaining the ecosystem by creating profits for developers

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# Key Mobile Platform

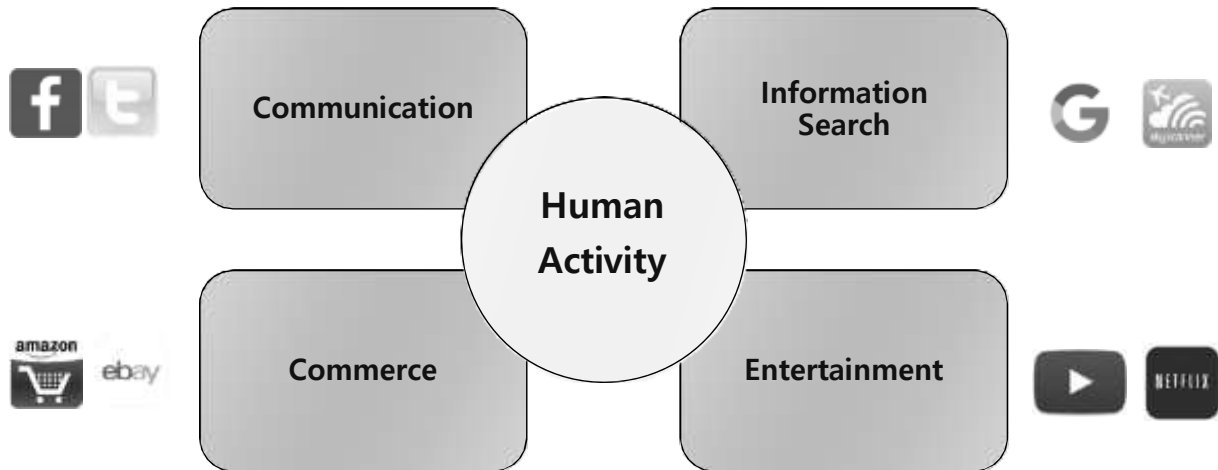
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## 4 Basic Human Activities

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- ▶ 4 activities that humans spend time, attention and money
- ▶ Possible platform business area



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## 4 Types of Service Platform

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### ▶ **Communication**

- ▶ Human is a social animal
- ▶ Meet and talk with family, friends, colleagues, and even strangers

### ▶ **Information Search**

- ▶ Humans search for and consume information for learning, work and daily life

### ▶ **Commerce**

- ▶ Consumption is a must for humans
- ▶ Purchase a product or service for survival / daily life

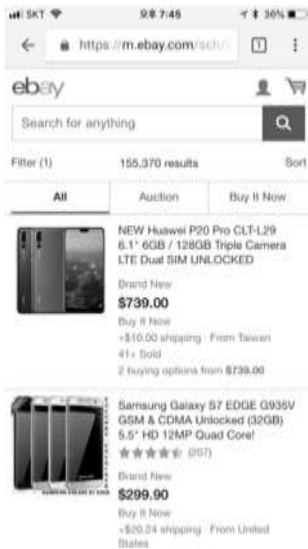
### ▶ **Entertainment**

- ▶ Human is a creature to seek pleasure

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# Commerce Platform Business Case



- ▶ The world's largest open market operator
- ▶ In Korea, AUCTION Gmarket M&A
- ▶ Using PayPal, a P2P financial service, as a key tool for mobile strategy
- ▶ Active for spreading web 2.0 trends such as introducing Open API

**Active Platform Proliferation Efforts  
including Developer Conferences**

# Mobile Platform Case I



- ▶ iOS' strengths and weaknesses
- ▶ The world's largest paid digital content market
- ▶ Customer base with strong loyalty
- ▶ Ability to provide optimized user experience combined with H/W, S/W and services
- ▶ Unique but comparatively small number of friendly forces in industry

# Mobile Platform Case II

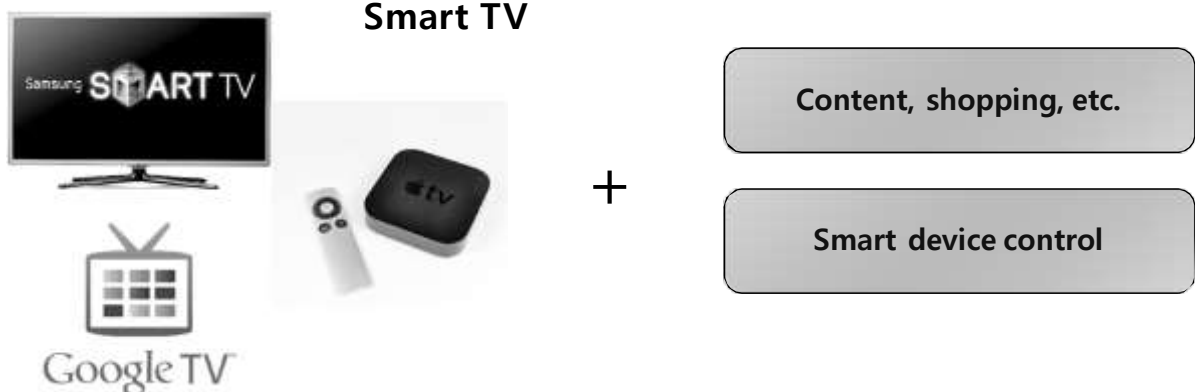
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- ▶ Android's strengths and weaknesses
  - ▶ Many companies are working together to develop Android ecosystem
  - ▶ Fragmentation Issue
  - ▶ Lower rate of paid purchases compared to iOS
  - ▶ A number of patent disputes

# Possible Platform Business Area I

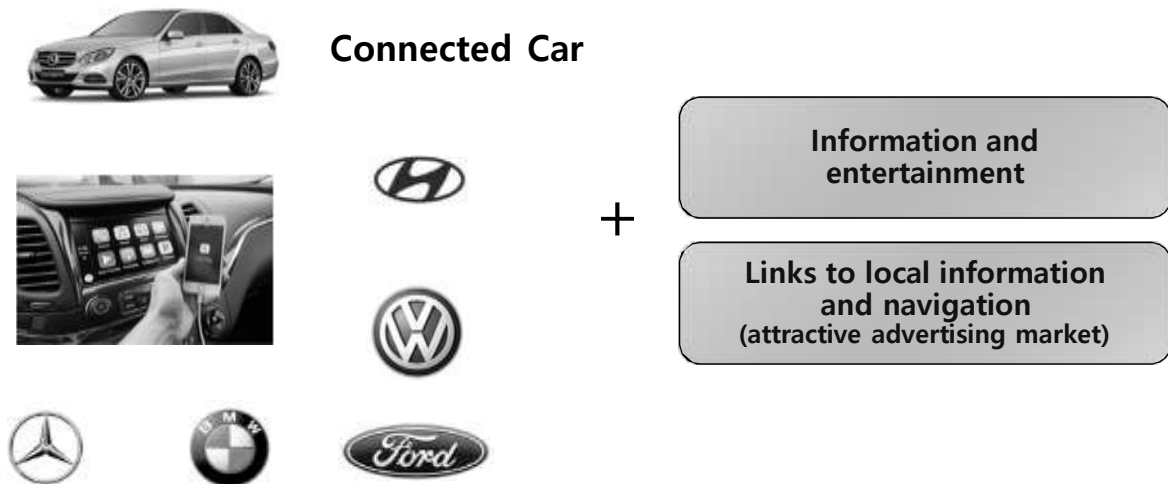
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- ▶ Efforts to improve user experience such as voice support and motion recognition
- ▶ Smart device as 2nd screen

## Possible Platform Business Area II

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- ▶ Competition among telecom, IT, car companies for the market
- ▶ Car as an electronic product or IT device

## Characteristics of Smart Home

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- ▶ **Smart Control**
  - ▶ Improved control including voice control, motion control, etc.
  - ▶ Easy connected with smart devices

- **Smart Save**
  - Minimizing power consumption according to electricity bill system and consumer usage patterns
  - Important economic value of smart home
- **Smart Application**
  - Expanded capabilities and increased utilization of home appliances

# Future of Mobile Platform

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## ▶ Life Log

- ▶ Recording all your daily information with smart devices and mobile networks
- ▶ MS Lab: MyLifeBits Project (A research on how to store all records of human life)

## ▪ Linked to AI Technology

- Linked to Internet of Things and Big Data Analytics
- Offering differentiated personalized services based on collected daily life data

Possible for the birth of Virtual Brain & Life Log Platform

# 3 Factors for Good Services

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