

Digital business models

Lecture 12. E-commerce Business Models

Content

- **What is e-commerce and e-business?**
- **Advantages and benefits of e-commerce**
- **The types of e-commerce Business Models (B2C,B2B,C2B and C2C)**

What is e-commerce and e-business?

What is e-commerce ?

- **a communications perspective** – the delivery of information, products or services or payment by electronic means.
- **a business process perspective** – the application of technology towards the automation of business transactions and work-flows.
- **a service perspective** – enabling cost cutting at the same time as increasing the speed and quality of service delivery.
- **an online perspective** – the buying and selling of products and information online.

What is e-business ?

All electronically mediated information exchanges, both within an organization and with external stakeholders supporting the range of business processes.

E-commerce Business Models

Business model

e-commerce Business Models is -"a set of planned activities designed to result in a profit in a marketplace"

Business plan

business plan is -"a document that describes a firm's business model "

E-commerce business model

e-commerce business model is-"a business model that aims to use and leverage the unique qualities of the Internet and the World Wide

Components of E-Business



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E-business category

- **E-banks**
- **E-trade**
- **E-consulting**
- **E-engineer**
- **E-learning**
- **E-mail**
- **E-marketing**
- **E-transactions**

The relationship between the concepts of e-commerce and e-business

The relationship between the concepts of e-commerce and e-business. E-commerce is generally understood to be a sub-set of e-business. E-commerce refers to financial and non-financial transactions between organizations. These transactions are often considered in the context of a supplier organization distributing and selling its product to consumers. E-business includes transactions from a buy-side and sell-side e-commerce perspective and also the use of communications technology to improve internal process efficiencies

The relationship between the concepts of e-commerce and e-business

- sell-side e-commerce: Sell-side e-commerce concerns transactions related to the sale and distribution of goods such as a supermarket selling direct to its customers
- buy-side e-commerce: Buy-side e-commerce refers to electronic transactions concerned with the purchase and inbound logistics of goods such as a supermarket coordinating purchases from its suppliers
- internal use of electronic communications to support business processes
- E-business is generally understood to include all three elements. E-commerce is commonly used to refer to either the first one or first two of these elements, but less commonly the third. E-business is broader in scope than e-commerce

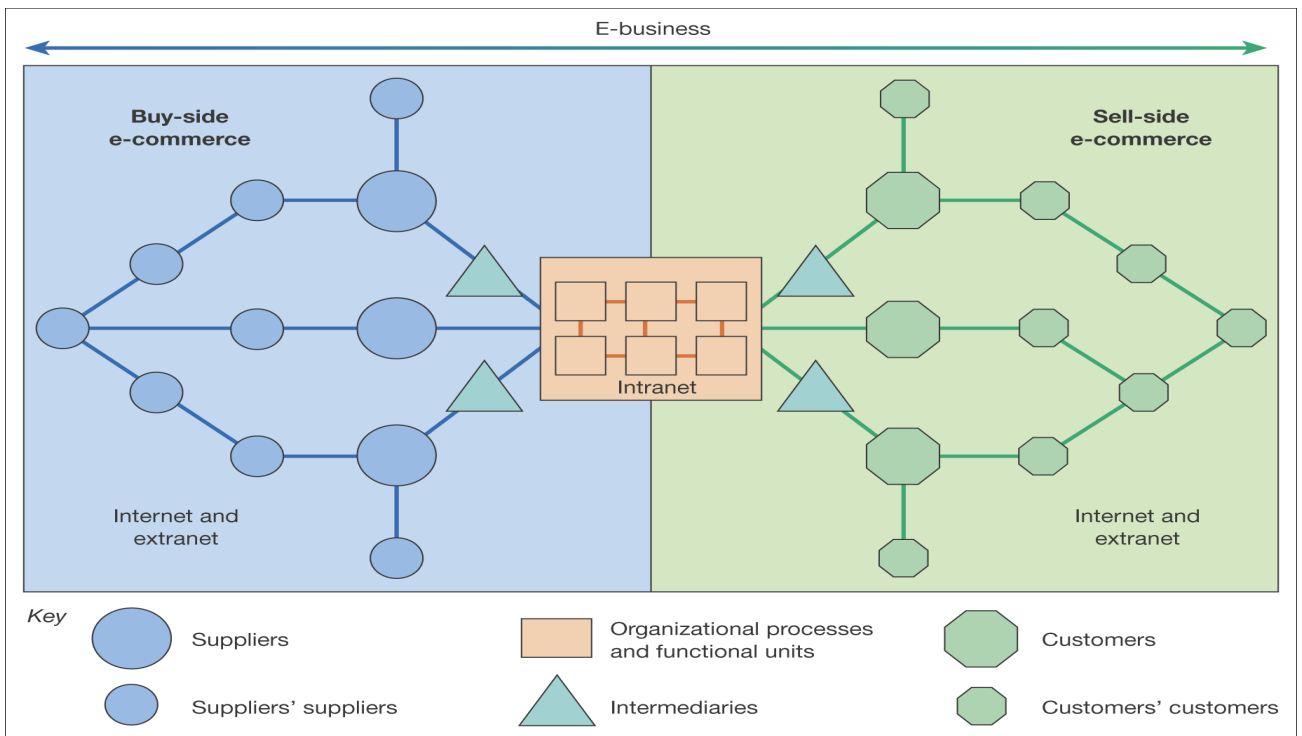
Two sides of e-commerce

Buy-side e-commerce

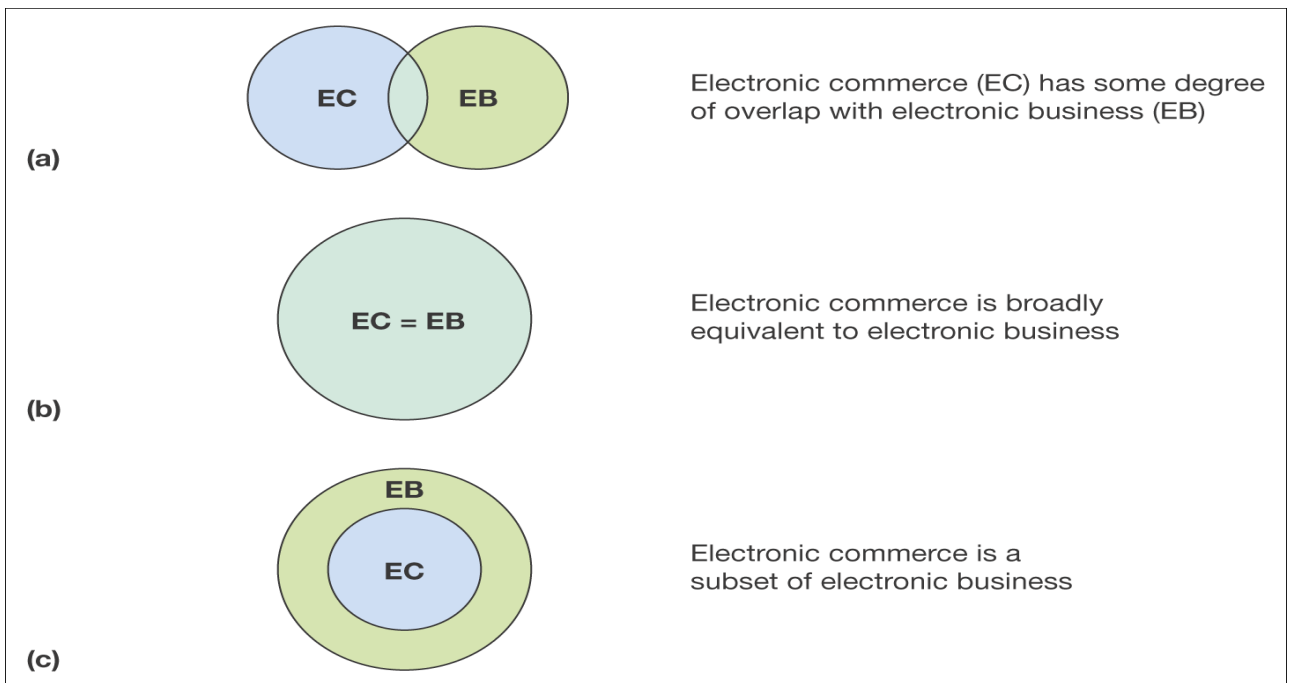
- E-commerce transactions between a purchasing organization and its suppliers.

Sell-side e-commerce

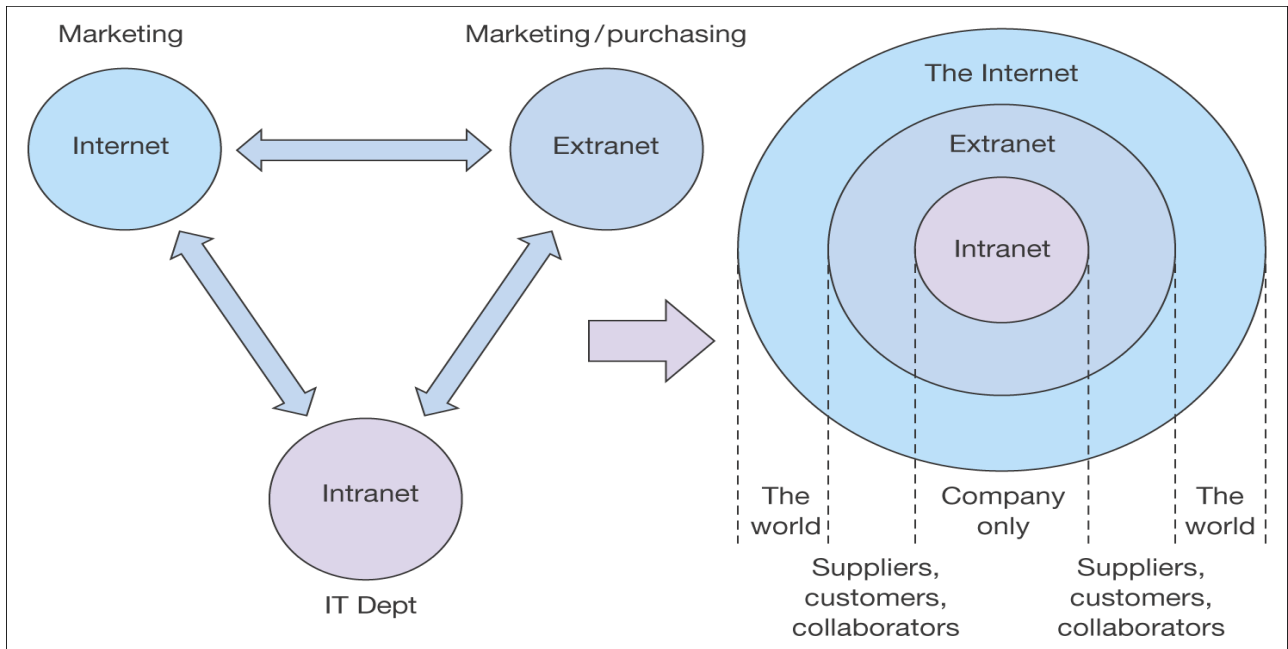
- E-commerce transactions between a supplier organization and its customers.



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Concept of e-commerce

- e-commerce is the area of commerce that is conducted via computer networks and information systems.
- e-commerce started among businesses (supply markets), and expanded into consumer markets when Internet moved to businesses and homes in the mid-1990.
- Moving into B2C or B2B is an important business strategy leading to increasing market share, integrating supply chains, improving financial results. E-commerce strategy is made possible by modern digital technologies (Web, e-payment, e-banking, e-supply chain).

What is the aim of e-commerce?

- E-commerce business model aims to use and leverage the unique qualities of Internet and Web.
- The primary goal of e-commerce is to reach maximum customers at the right time to increase sales and profitability of the business. Functions of e-commerce include buying and selling goods, transmitting funds or data over the internet.

- When you're starting an e-commerce business, it's important to have a strong e-commerce business model in place. Your business model helps determine how you're going to reach and retain customers, stand out in the marketplace - and how customers are going to get a hold of your products.

What is the main purpose of a business model ?

The **main purpose of a business model is identifies the products or services the business plans to sell, its identified target market, and any anticipated expenses.** Business models are important for both new and established businesses. They help new, developing companies attract investment, recruit talent, and motivate management and staff.

What is e-commerce and its business model?

- The term electronic commerce (e-commerce) refers to a business model that allows companies and individuals to buy and sell goods and services over the Internet.
- E-commerce operates in four major market segments and can be conducted over computers, tablets, smartphones, and other smart devices.

E-Commerce Framework

Five support areas for EC applications

- People
- Public policy
- Marketing and advertisement
- Support services
- Business partnerships

Examples of E-Commerce

Sites	Description
Amazon.com	Provides access to several million books electronically. It also sells music CDs, electronics, software, toys, video games, prescription drugs, and much more.
Drugstore.com	Refills and sells new drugs and vitamins and other health products online.
Apple Computer (apple.com).	sells computers online
Peapod.com	sells groceries over the Web

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How the Internet and the Web Change Business

E-commerce changes industry structure by changing:

- Rivalry among existing competitors
- Barriers to entry
- Threat of new substitute products
- Strength of suppliers
- Bargaining power of buyers

E-commerce Enablers: The Gold Rush Model

E-commerce infrastructure companies have profited the most:

- Hardware, software, networking, security
- E-commerce software systems, payment systems
- Media solutions, performance enhancement
- CRM software

- Databases
- Hosting services, etc.

Advantages and benefits of e-commerce

Advantages of e-commerce

- Electronic commerce will substantially lower the transaction cost.
- It eliminates many fixed costs of maintaining brick and mortar shops.
- This allows the companies to enjoy a much higher margin of profit.
- It provides quick delivery of goods with very little effort on part of the customer.

The Benefits of E-Commerce

Benefits to Organizations

- Expands the marketplace to national and international markets
- Decreases the cost of creating, processing, distributing, storing and retrieving paper-based information
- Allows reduced inventories and overhead by facilitating “pull” type supply chain management
- The pull type processing allows for customization of products and services which provides competitive advantage to its implementers

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Benefits to Organizations (*cont.*)

- Reduces the time between the outlay of capital and the receipt of products and services
- Supports business processes reengineering (BPR) efforts
- Lowers telecommunications cost - the Internet is much cheaper than value added networks (VANs)

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Benefits to Customers

- Enables customers to shop or do other transactions **24 hours a day**, all year round from almost any location
- Provides customers with **more choices**
- Provides customers with **less expensive** products and services by allowing them to shop in many places and conduct quick comparisons
- Allows **quick delivery** of products and services in some cases, especially with **digitized products**

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Benefits to Customers (cont.)

- Customers can receive relevant and **detailed information in seconds**, rather than in days or weeks
- Makes it possible to participate in **virtual auctions**
- Allows customers to interact with other customers in **electronic communities** and exchange ideas as well as compare experiences
- Electronic commerce **facilitates competition**, which results in substantial discounts.

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Benefits to Society

- Enables more individuals to **work at home**, and to do less traveling for shopping, resulting in less traffic on the roads, and lower air pollution
- Allows some merchandise to be sold at **lower prices**
- Enables people in third world countries and **rural areas** to enjoy products and services which otherwise are not available to them
- Facilitates **delivery of public services** at a reduced cost, increases effectiveness, and/or improves quality

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The types of e-commerce Business Models

What are the Main Types of e-commerce Business Models?

- B2C – Business to consumer. B2C businesses sell to their end-user. ...
- B2B – Business to business. In a B2B business model, a business sells its product or service to another business. ...
- C2B – Consumer to business. ...
- C2C – Consumer to consumer
- Other Business Models

B2C Business Models

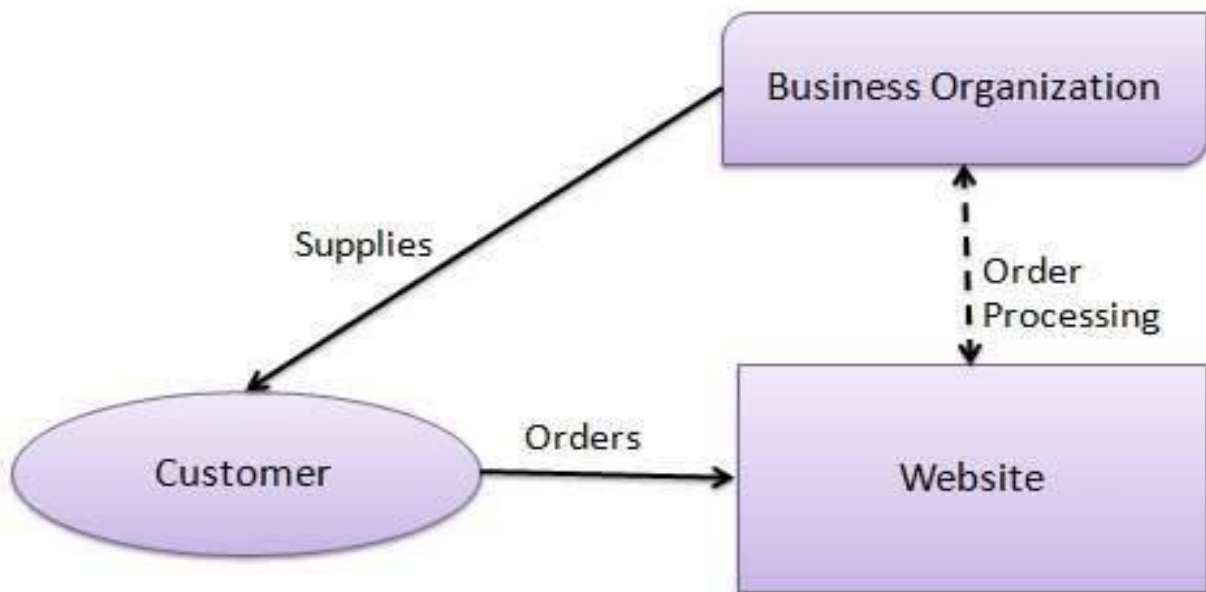
B2C E-commerce

- Boom 1994-2000, crash in 2001, recovery afterward. Pure vs. hybrid models.
- Share of B2C e-commerce in total retail* in 2019:
 - - World 14%
 - - in Canada 10%, in U.S.A. 11%, in UK 22%, in China 37% (and nominally largest, 1.9 trillion vs 587 billion in US)
- Global reach & 24/7 sales
- Savings on physical stores
- Direct marketing (customer profiling via clickstream or search tracking systems*; personalized Web storefronts)
- Cross selling (automatic matching of customer profiles)
- Consumer: Convenience, selection, some savings

What is Business to Consumers (B2C) ?

- Refers to businesses selling products or services to end-user consumers.
- B2B stands for transaction activities involving two business entities (business-to-business transaction). B2C stands for transaction activities involving a business and a consumer (business-to-consumer transaction).
- Electronic commerce comprises commercial transactions, involving both organisations and individuals. From the technical point of view e-commerce is the processing and transmission of digitised data. E-commerce decreases the distance between producers and consumers. Consumers can make their purchase without entering a traditional shop.

B2C Business Models



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B2C Business Models

- B2C Business Models is a **business-to-consumer**, or B2C, business model is one in which a company sells a service or product directly to a consumer.
- B2C is the alternative of the business-to-business model (B2B) in which a

company sells their products first to another business, which will then sell the product to another business or a customer with a mark-up.

- B2C as a business model typically involves a higher volume of clients, but a lower revenue per client with shorter sales cycles.

Major B2C Business Models

- E-tailer
- Community provider (social network)
- Content provider
- Portal
- Transaction broker
- Market creator
- Service provider

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
- e.g.: Facebook, LinkedIn, Twitter, Pinterest
- Revenue models

- Typically hybrid, combining advertising, subscriptions, sales, transaction fees, affiliate fees

B2C Business Models: Content Provider

- Information and entertainment companies that provide digital content over the Web
- Second largest source of B2C e-commerce revenue in 2002
- Typically utilizes an subscription, pay for download, or advertising revenue model
- Syndication a variation of standard content provider model

B2C Business Models: Portal

- Offers powerful search tools plus an integrated package of content and services
- typically utilizes a combines subscription/advertising revenues/transaction fee model
- May be general or specialized (portal)

B2C Business Models: Transaction Broker

- Processes online transactions for consumers
- Primary value proposition – saving of time and money
Typical revenue model – transaction fee

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
- e.g.: Priceline, eBay
- Revenue model

- Transaction fees

B2C Business Model: Service Provider

- Offers services online, e.g.: Google, Google Maps, Gmail, etc.
- Value proposition – valuable, convenient, time-saving, low-cost alternatives to traditional service providers
- Revenue models – subscription fees or one-time payment

B2B Business Models

B2B Business Models

- Business to Business (B2B) is a business model that focuses on **transactions that occur between businesses**. The companies conduct business with each other without involving the final consumer.
- For example, if a business sells a piece of software to another business in another industry, this would be classed as a B2B transaction.
- B2B sales cycles tend to be longer since the deals and transactions involved tend to be of high value and will often be recurring orders.
- B2B marketing, customer success and loyalty tend to be entirely different, too.

What is Business to Business (B2B) ?

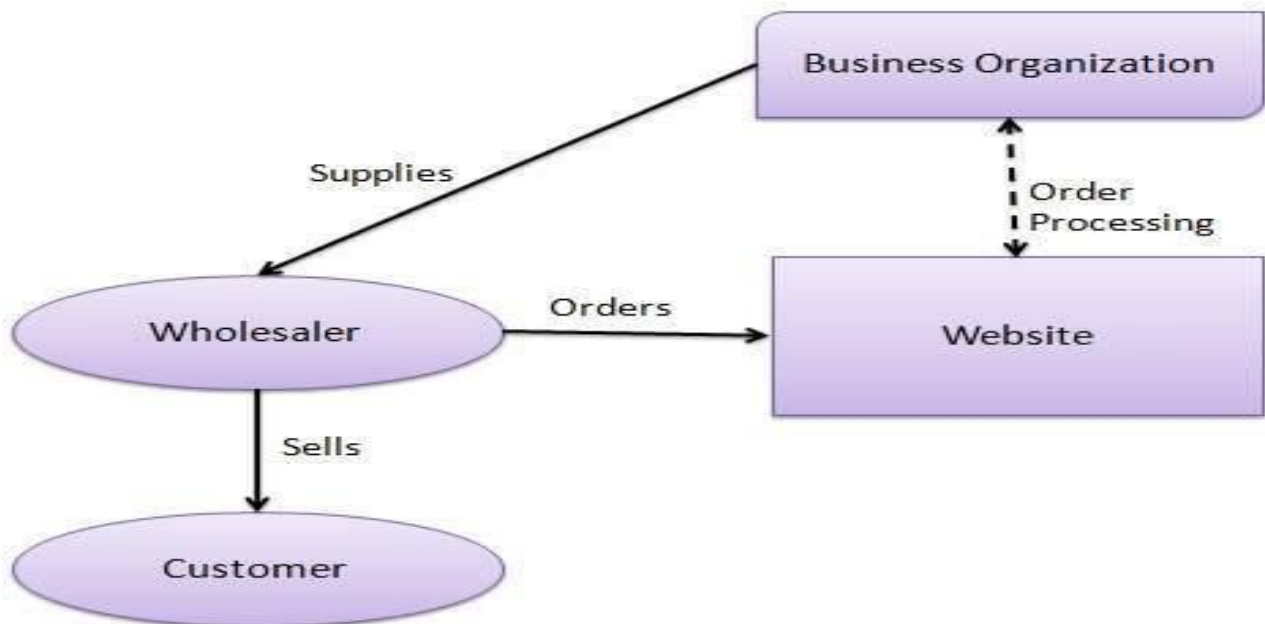
- B2B stands for "business-to-business," as in businesses doing business with other businesses. The term is most commonly used in connection with e-commerce and advertising, when you are targeting businesses as opposed to consumers
- On the Internet, B2B (business-to-business), is the exchange of products, services, or information between businesses. B2B is e-commerce between businesses. B2B Communication using XML over HTTP B2B - the basics
- Business-to-business electronic commerce (B2B) typically takes the form of

automated processes between trading partners and is performed in much higher volumes than business-to-consumer (B2C) applications

What is it B2B Business Models ?

- Business-to-business (B2B), also called B-to-B, is a form of transaction between businesses, such as one involving a manufacturer and wholesaler, or a wholesaler and a retailer. Business-to-business refers to business that is conducted between companies, rather than between a company and individual consumer.
- Business-to-business (B2B) is a transaction or business conducted between one business and another, such as a wholesaler and retailer.
- B2B transactions tend to happen in the supply chain, where one company will purchase raw materials from another to be used in the manufacturing process.
- B2B transactions are also commonplace for auto industry companies, as well as property management, housekeeping, and industrial cleanup companies.

B2B Business Models



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B2B Business Models

- Net marketplaces
- e-distributor
- e-procurement
- exchange
- Industry consortium
- Private industrial network

B2B Models: E-distributor

- Companies that supply products and services directly to individual businesses are
- e-distributors. e.g.: Grainger.com
- Owned by one company seeking to serve many customers
- Revenue model
- Sales of goods

B2B Models: e-procurement

- Creates digital markets where participants transact for indirect goods
- B2B service providers, application service providers (ASPs)
- e.g.: Ariba
- Revenue model
- Service fees, supply-chain management, fulfillment services

B2B Models: Exchanges

- Independently owned vertical digital marketplace for direct inputs
- Revenue model
- Transaction, commission fees

- Create powerful competition between suppliers
- Tend to force suppliers into powerful price competition; number of exchanges has dropped dramatically

B2B Models: Industry Consortia

- Industry-owned vertical digital marketplace open to select suppliers
- E.g.: Exostar
- More successful than exchanges
- Sponsored by powerful industry players
- Strengthen traditional purchasing behavior
- Revenue model
- Transaction, commission fees

Exchanges (B2B Hubs)

- An electronic digital marketplace where suppliers and commercial purchasers can conduct transactions
- Usually owned by independent firms whose business is making a market
- Generate revenue by charging transaction fees
- Usually serve a single vertical industry
- Number of exchanges has fallen to around 700 in 2003

Consumer-to-Consumer (C2C) Business Models

What is C2C e-commerce ?

C2C e-commerce is a type of trade relations where both sellers and buyers are consumers, not businesses. It presupposes interaction between parties through a third one, mostly an online auction or trade website. Due to this phenomenon, selling and buying via the Internet has never been so easy. Various internet resources help sellers and buyers to find each other by charging a small fee or commission. Outstanding examples of C2C e-commerce sites are Fiverr, Amazon and Flipkart.

What is Consumers to Consumers (C2C) ?

- Abbreviation for consumer-to-consumer commerce; that is, commerce with no middle business people. The most notable examples are Web-based auction and classifieds sites. Most large venues for such models (for example, eBay and Classifieds2000) are quickly permeated by consumers who participate so actively and regularly that they become small businesses for them
- C2C stands for consumer to consumer electronic commerce. The Internet has facilitated new types of C2C although it is important to note that this kind of commerce -- in the form of barter, yard sales, flea markets, swap meets, and the like -- has existed since time immemorial. Notably, most of the highly successful C2C examples using the Internet actually use some type of corporate intermediary and are thus not strictly "pure play" examples of C2C

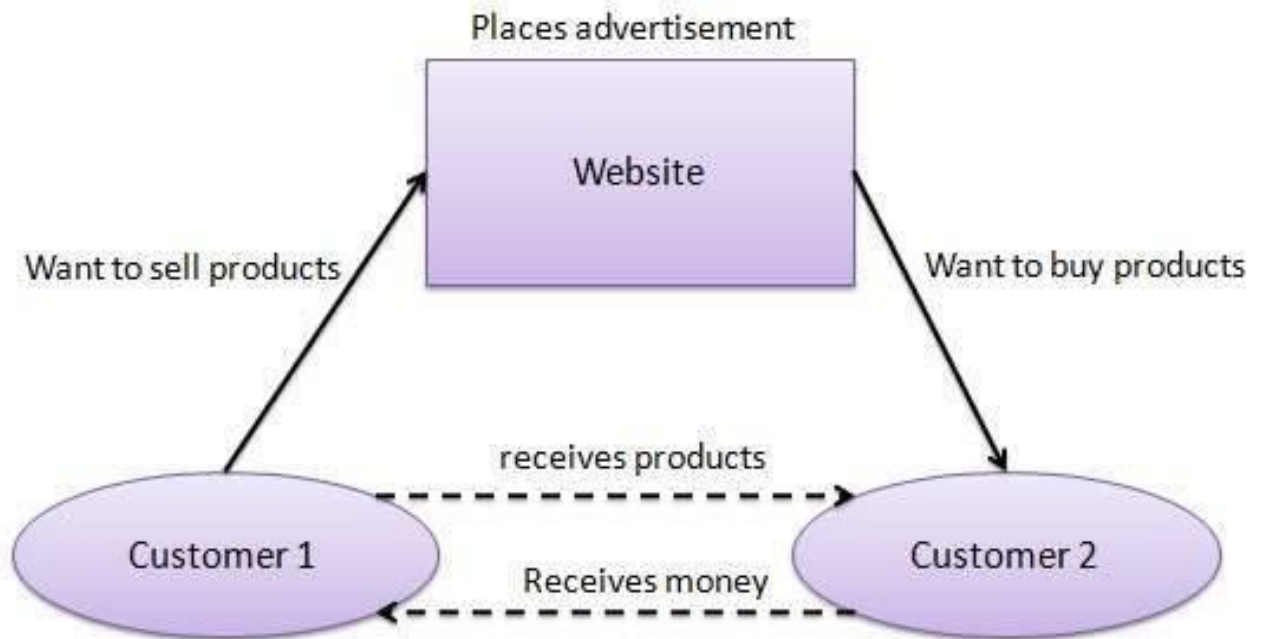
C2C – Consumer to consumer

- A C2C business — also called an online marketplace — connects consumers to exchange goods and services and typically make their money by charging transaction or listing fees.
- Online businesses like Craigslist and eBay pioneered this model in the early days of the internet.
- C2C businesses benefit from self-propelled growth by motivated buyers and sellers, but face a key challenge in quality control and technology maintenance.

What Is the Consumer to Consumer (C2C) Business Model ?

Consumer to consumer (C2C) is a business model in which third-party companies facilitate transactions for products or services between private consumers without a business participating on either end of the sale

C2C Business Models



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Consumer-to-Consumer (C2C) Business Models

- The customer-to-consumer model is where consumers trade goods with one another online. Some famous examples of consumer-to-consumer platforms are eBay, Gumtree, and Craigslist.
- Provide a way for consumers to sell to each other, with the help of a online marketmaker

How C2C platforms work

Everything is simple — vendors sell their products on the site and buyers purchase what they want. C2C websites benefit from commission fees for listing goods that are normally paid for by the seller. Transactions are made through online payment systems such as PayPal or credit card. Speaking of PayPal, each online transaction is charged a small percentage of the paid sum. Anyway, e-commerce websites are only intermediaries and are not liable for product quality, payment security or refunds.

Main C2C e-commerce advantages

The main advantage of C2C business is that sellers and buyers are reachable. It is also effortless and handy and does not take much time to use. Moreover, it is possible for one customer to be a seller as well as a buyer. What is more, it provides a rich social linking. Numerous community and forum discussions are available.

C2C advantages for Buyers

Buyers benefit greatly from using C2C websites mostly because of the reduced price. What is more, they can deal with different sellers. Besides this, searches using criteria are available. For example, it is possible to select the best sellers, most popular products or offers from your area and much more. One more important thing is that users may choose the best proposal, contacting you directly without intermediary assistance.

C2C advantages for Sellers

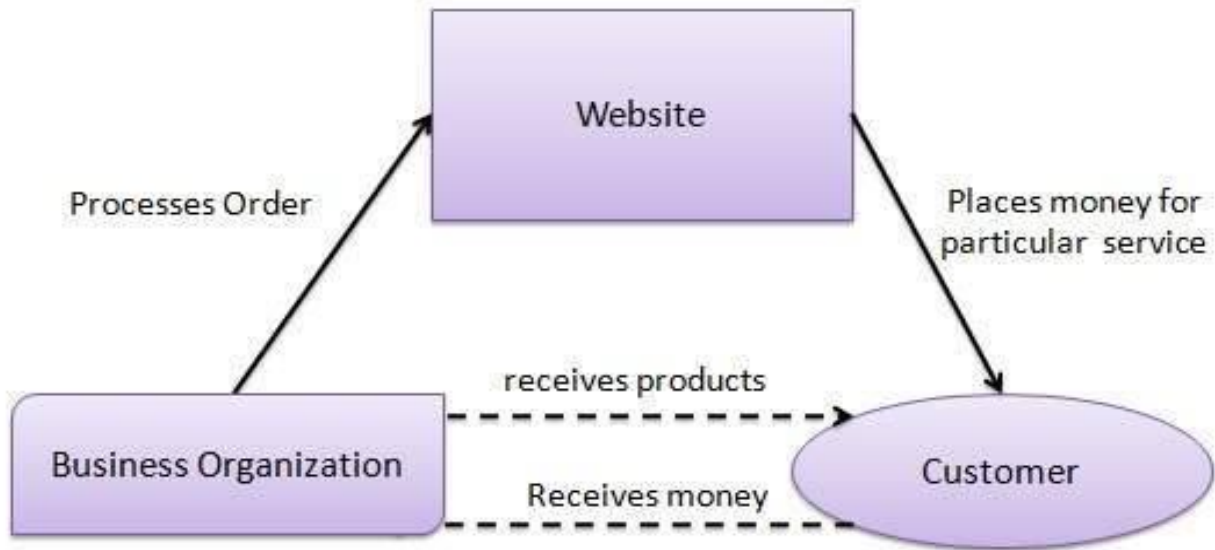
The main pros of C2C for vendors are high profitability due to direct sales. Sellers avail themselves mostly through overhead cost reduction. For entrepreneurs, this means that there is no need to spend money on facilities like rent, office supplies or salaries. Furthermore, this type of e-commerce broadens the range of potential clients as it covers not only national but also the international market. That the transaction cost is not high is definitely a plus. Last, but not least, is efficiency in selling personal or unique goods, including handmade products.

Consumer - to – Business (C2B)

What is C2B consumer-to-business model?

- A consumer-to-business model, or C2B, is a type of commerce where a consumer or end user provides a product or service to an organization
- C2B businesses focus on generating value from their customer base by crowdsourcing ideas, soliciting feedback and more

Consumer - to – Business (C2B)



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Consumer to Business (C2B)

- This business model involves individuals **selling goods and services directly to companies**.
- The most well-known platforms operating this kind of business model are freelance platforms such as Fiverr and Upwork.
- Q-commerce, or Quick Commerce, is another form of C2B - delivery drivers/couriers collect orders on behalf of someone else and deliver them.
- On these platforms, individuals will market their services.
- Businesses or individuals looking for a certain job or task to be fulfilled can bid on or order an individual's services to fulfil that task.
- Common services that can be found on these platforms are:
 - Software and app development
 - Copywriting, content writing services

Consumer - to – Business (C2B)

In C2B model, a consumer approaches a website showing multiple business organizations for a particular service. The consumer places an estimate of amount he/she wants to spend for a particular service. For example, the comparison of interest rates of personal loan/car loan provided by various banks via websites. A business organization who fulfills the consumer's requirement within the specified budget, approaches the customer and provides its services.

The Future of B2C

- E-commerce is here to stay. From 2000 to 2009, sales grew over 500%, and that trajectory continued throughout the 2010s. E-tailing will continue to evolve and expand, thanks to the growing use of tablets and smartphones. These mobile devices have become an integral part of the communications culture. Social media has become the primary marketing tool for businesses.
- U.S. retail e-commerce sales grew from \$34.1 million in 2009 to \$154.5 million in 2019, fueled by new technologies and a decade of U.S. economic recovery. The next decade will no doubt provide new challenges and some corrections as we test the limits of these expanding technologies.

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