

# *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
- Monetizing – the efforts to convert site visits to purchases

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## *More Definitions*

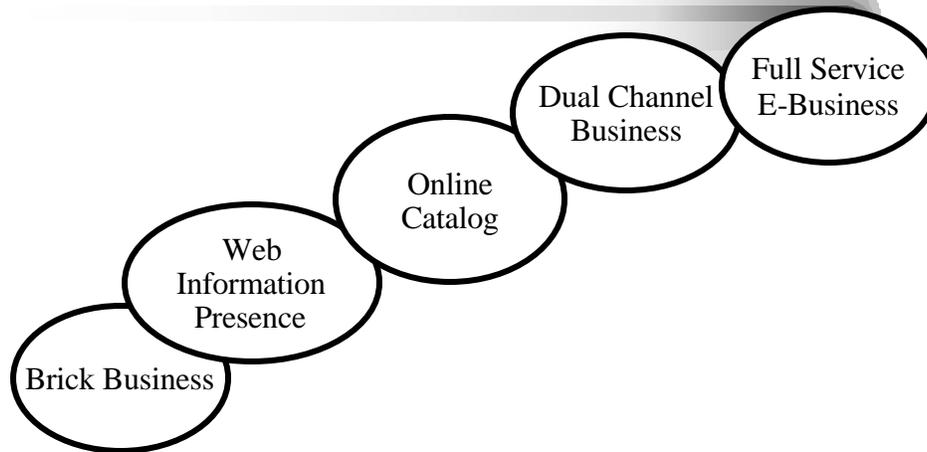
- Cookies – a record stored on a client machine that contains information from a particular site
- Wallet – a collection of information about a user maintained on a server to automate the purchase process (using a cookie id)
- Reverse auction – an auction in which the buyer indicates a goal and sellers 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

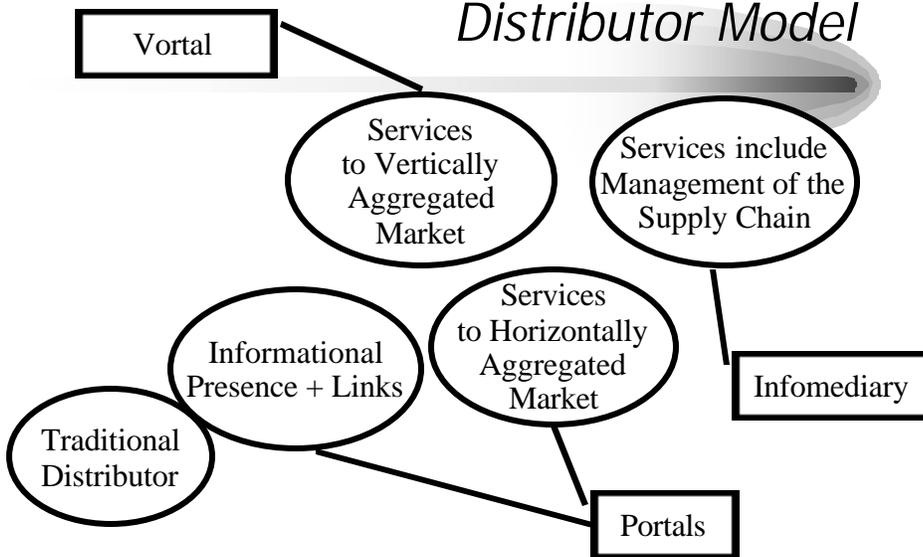


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## Evolution of E-Business Distributor Model

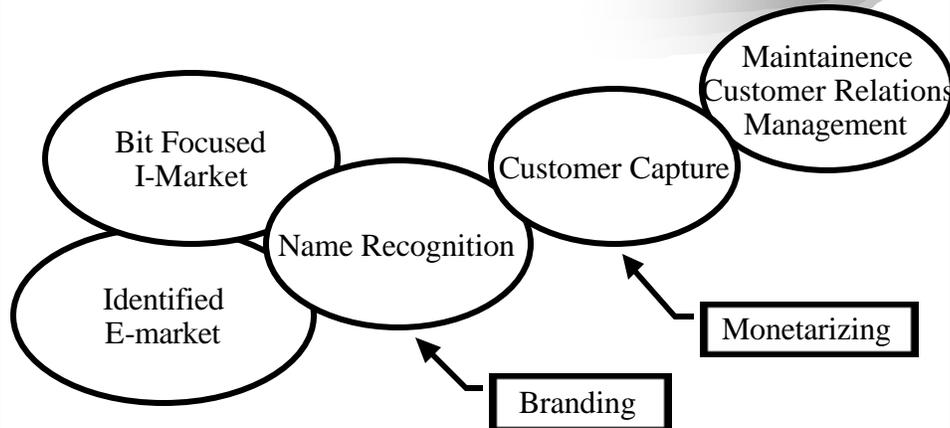


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## Evolution of E-Business Start-up Model

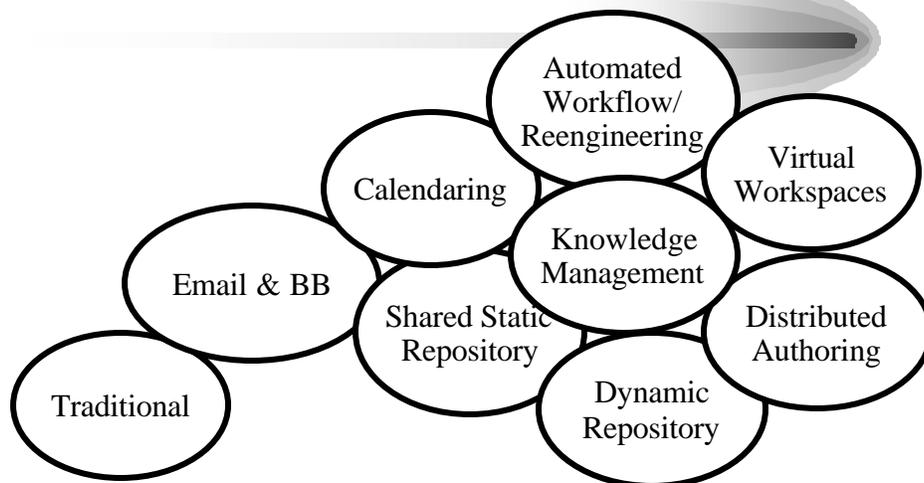


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## Evolution of E-Business Intranet Model



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## *Business Models -- Timmers*

- Paul Timmers of the European Commission defines a series of models  
(at [www.electronicmarkets.ch/netacademy](http://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](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*

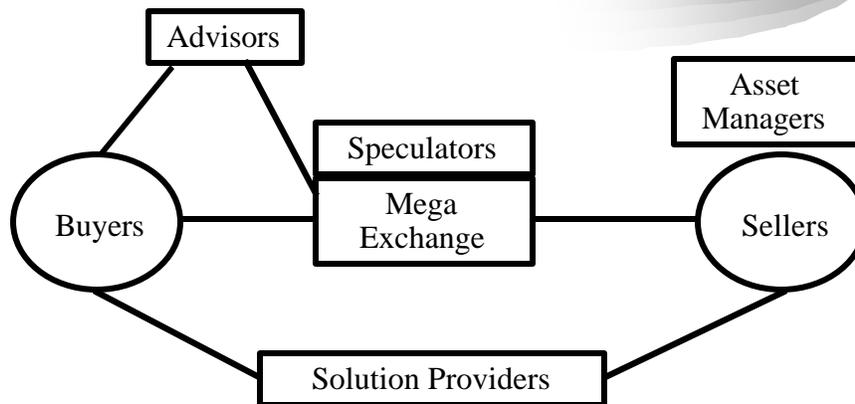
- Transactions are becoming more complex
  - Loans have been packaged to reduce complexity
  - Freemarkets has begun to help develop RFB
- Exchanges have spawned secondary activities that operate on transactions -- speculation
- People want total solutions and not just raw transactions
- Organizations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