

E- Business Models and its Applications

¹Ms. Gira Singh and ²Dr. Pramod Gupta

¹Ph.d. Research Scholar, Department of Commerce, Sunrise university, Alwar, Rajasthan

²Department of Commerce and Management, IET Group of Institutions, Alwar, Rajasthan

Abstract

"All intelligent thoughts have always been thought, what is necessary is to try and think them again."

Johann Wolfgang Von Goethe

The intelligent thought here is e-business and continuous thinking, rethinking and exploring which led to its growth over decades making things easier round the globe for both entrepreneurs and customers. To put simply an e-business is defined as a company that has an online presence while the e-businesses that have the ability to sell, trade, barter and transact over the web can be considered e-commerce business.¹ Lyman Frank Baum wrote "The road through the city of Emeralds is paved with yellow brick." Various e-Business Models are those yellow bricks which direct us all to global cyber city of e-business. Some prominent e-Business Models are extensively discussed here to develop an understanding of the foundation of e-business.

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*Author's Correspondence

👤 Ms. Gira Singh

📍 Ph.d. Research Scholar, Department of Commerce, Sunrise university, Alwar, Rajasthan

✉ girasingh19@gmail.com

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E-Business Models

I. Storefront Model – This model's features are the foremost things which strike people when they hear the word e-business. The storefront combines aspects like online payments, information storage, transaction processing, security etc. facilitating sale of products on web. In order to perform storefront e-business, merchants and traders organize an online catalog of products, take orders, accept payments, dispatch merchandise and manage customer data e.g. profiles. EDI is often used wherein purchase orders and invoices are standardized to share information electronically. Until of late, only large companies were using this model to conduct e-business but now many small and medium sized companies have also stepped in their shoe. Leading storefront model companies are B2C companies for e.g. More.com (www.more.com) is a health and beauty e-commerce site that uses shopping cart to allow customers to shop, buy and arrange shipment. Different approaches used to apply this model are -

- A) Shopping Cart Technology** – This is the predominantly used e-commerce enablers, wherein customers accumulate items they desire to buy. There is a product catalog on merchant server (i.e. merchants' data storage and management system) in the form of a database (a part of merchant server for storing and reporting information like item description, customer details etc.), Amazon.com uses 'client/server application' in which server side's database allows customers on the client side to reach for products in a variety of ways. Amazon database comprises of product specification, stock levels, on-order information, prices, sales histories, publishers of books, reviews etc. This extensive feature makes cross reference of products possible for e.g. a novel may be listed under categories viz. fiction, best-sellers and recommended titles. Even returning customers are provided services as their previous transaction record is intact. Even personalized services are rendered without human interaction. Customers rely this

¹Bernard W. Writz (2021), *Digital Business and Electronic Commerce: Strategy, Business Models and Technology*, Springer text in Business and Economics, Speyer Germany (E-Book).

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technology as the database monitors the status of all shipments and customers can track theirs. www.etoys.com, www.webvan.com provide enough information about the e-businesses which have found success using this technology.

B) Online Shopping Malls – This platform opens window for a wide selection of products and services. It is more convenient as customers can search and shop for a variety of products rather than making several separate purchases. Mall's shopping-cart technology can be used to purchase items from many stores in a single transaction. Online malls like Mall.com (www.mall.com) features many brick-and-mortar mall vendors, offline retailers like Harrods, etc.²

II. Auction Model – This is another model gaining popularity as various auction sites are offered on web which pinpoint the lowest prices on an available item. The auction sites act as a platform through which internet users can log-on and assume the role of either bidder or seller. As a seller, one can post the item to be sold, its maximum/minimum price chargeable and deadline for auction close. As a bidder, one may search for the availability of desired item, the current bidding activity and place a bid.

Contrary to the auction model features is the reverse-auction-model which permits buyers to fix prices and sellers compete to match or even beat it for e.g. Liquidprice.com which processes auction within two days.

It is to mention here that auction do not deal with payment or delivery aspects. They are just forums for online buying and selling for which they often charge commission on sale for e.g. 'Auction web' formed in 1995 (which was later renamed e-bay) by Linda Omidyar and Pierre Omidyar only serves as a liaison between the seller and the buyer and has emerged to be the leading company in this form of e-business. To brief its functioning, e-bay charges submission fee in addition to a percentage on sale amount, the former based on amount of exposure a business wants for its item. For e.g. higher fee is charged for listing item on e-bay's home-page and even higher if bold-face font is to be used. To auction a product, the seller builds a product profile (e.g. product description, keywords, price etc.), specifies minimum bid and posts it. Reserve price (minimum price) may be set. Opening bid can even be lower than the reserve price for a favourable kickstart. Potential buyers may participate and when a successful bid is made, other negotiations can be done.

Companies like ebay make investments in high availability computing to minimize downtime and in continuous-availability computing to eliminate downtime completely. www.stratus.com and www.tandem.com provide details to these two technologies respectively. Other famous auction sites are – yahoo's auctions.yahoo.com, Sotheby's www.sothebys.com. Auctions are also performed by B2B sites viz. Dovebid Inc. (www.dovebid.com), U-Bid-It.com (www.u-bid-it.com).

Auctions have therefore proved that these are a good way out to sell off excess inventory by a company by reaching out to price sensitive customers.³

III. Portal Model – Portal sites provide opportunities to the visitors to find nearly all they are looking for. Portals can be classified as-

a) Horizontal Portals – These furnish information on a broad range of topics.

b) Vertical Portals – These are rather specific and provide immense information on a single topic.

Portals connect consumers to online merchants, online shopping malls and auction sites. However, it requires consumers to be tech-savvy as each portal structures itself differently. For e.g. GoTo.com charges merchants on per customer basis whereas Altavista.com do not charge. To brief, Yahoo is a horizontal portal which a customer accesses by clicking on the 'shopping' link at the top of yahoo's home-page and searches for the desired product by selecting a category or visiting one of the featured stores.

Vertical Portal and Community Sites – Vertical portal provides great deal of information on single product. 'Community sites' is another nomenclature for vertical product as special interest groups can be found online and these sites create customer loyalty by providing a platform for the users to chat with friends etc.

² E-Business Models, P.74

Downloaded from University of Craiova

URL-- <http://software.ucv.ro/~cbadica/didactic/ce/document/ModelEBusiness.pdf>.

³Opp.cit. Pp. 75-79.

Portal sites like www.webmd.com, a medical community site helps to find doctors and medical professionals as physicians are also members of WebMD. Similarly, legal portals like www.lexis.com and its partner www.nexis.com are fee based and purchased on license basis by law firms. Other examples could be Bolt.com, an online teen community, IVillage.com, a portal site for women etc.⁴

IV.Dynamic Pricing Models – The advancements have altered completely the way business is run and the mechanism of pricing of products. Companies like Priceline (www.priceline.com) and Imandi (www.imandi.com) empowers customers to name their prices for travel, house, automobiles and consumer goods.

Pricing Strategies:

- a) Decrease price by joining with other buyers and execute bulk buying.
- b) Free products and services by forming strategic partnership and selling & advertising.
- c) Bartering and granting rebates to lower the price

Some pricing models adopted preferably are –

- A) Name Your Price Model** – Businesses often form partnerships with Industry leaders like retail, travel etc. and permit customers to choose their own price for a product/service and goods can be sold to the customer if the chosen price is reasonable. Else, the customers reconsider their price prompted.
- B) Comparison Pricing Model** – Here customers poll a number of sellers and zero down to a product/service at the lowest price e.g. Bottomdollar.com. These sites generate their revenue through partnerships with particular merchants and use intelligent-agent technology to search the web where customers can search over 1000 online retailers to find the desired product at best price and that too can be done in less than one minute.⁵
- C) Demand-Sensitive Pricing Model** – The philosophy underlying this model is that, the more the people to buy a product in a single purchase, the lower the cost per person. www.mercata.com uses this model for sale of electronics, computers etc. and gain customer loyalty. Another example is www.mobshop.com which offers comparable services. However, one must visit several sites before making an honest purchase. www.deja.com is yet another multifaceted site offering shopping, discussion groups, customer ratings and comparison shopping. Users of service can also write opinions in review section.
- D) Bartering Model** –To Barter means to offer one item in exchange for another. Hence Bartering got its origin as one of the method of conducting e-business through sites like www.ubarter.com. Here, the individuals and companies can post their listings and make an initial offer with the purpose of bartering to reach a final agreement with the buyer. Bartering is one of the best ways to get rid of overstocked products. Sites like www.isolve.com facilitates this. Deal may be often part barter and part cash.
- E) Rebates** – Shopping sites like eBates offer rebates to customers on every purchase. Some companies even offer "everyday low prices" and "specials" to maintain permanent customers. eBates forms partnerships with wholesalers and retailers, who will offer discounts and by passing the benefit to customers, it creates customer satisfaction and loyalty.
- F) Free Products and Services** – Many entrepreneurs are developing their business models around advertising-driven revenue streams. For e.g. Radio stations, Magazines, etc. use advertising to finance their day to day operations. Some sites enter into partnership with companies to exchange products and services for advertising space and vice-versa. For e.g. www.frelotto.com offers free contests supported by advertising revenue. It awards millions of users in cash and prizes through its online lottery system. The site generates its revenue through the sponsors and it is mandatory for the registered frelotto user to write to the sponsoring website in return for their visit to frelotto website. There are some other websites like free-programs.com, emazing.com etc. that offer resources.
- G) Online Trading and Lending Models** – Online trading in securities is a rapidly advancing field as it cut downs costs on brokerage, provides prompt information etc. Sites like Charles Schwab (www.schwab.com) www.dljdirect.com offer related services. E-TRADE, a company founded in 1982 created a website

⁴Opp.cit. Pp.80-81

⁵Opp.cit.Pp.82-84.

www.etrade.com where no brokers were required to deal in securities as it provided a dummy sale and purchase platform for the amateurs to get well-versed with the dealing process before entering the actual trade in securities, like stocks, bonds etc. As there is no risk of losing real money, the players freely experiment the virtual and fake trading. Two games are provided by the website for this purpose and to motivate players to enter real securities, the site even rewards 32 players having highest-valued portfolios at the end of each game which lasts a month.

H) Others – there are an array of other models of e-business which have given an impetus to e-commerce. Some of these can be illustrated as follows –

- 1) Sites like www.eloan.com offers loan at a lower rate of interest, credit-card services etc. Companies like eCredit (www.ecredit.com) meet financial requirements of e-business by entering into partnership with leading lenders. Hewlett-Packard and Intel along with many are eCredit customers.
- 2) Online recruiting sites like monster.com provides a platform for recruiting and job searching for employers and a job seeker respectively. There are other famous sites rendering multifarious services viz. www.guru.com (for contractual employees), www.sixfigurejobs.com (for executives) and www.refer.com (for job referrals and if referred person is hired, commission is offered for referring).
- 3) In this information age, online news service is also furnished like 'The Wall Street Journal' (www.wsj.com) provides 24 hours' updates, www.barrons.com acts as a database of articles by renowned investment analysts and ESPN.com offers live text, audio and video of games and highlights. News organizations like CNN offer a range of news through its specialized channels viz: for financial news and securities data there is CNNFN, for politics and politicians 'CNN all politics' etc.
- 4) Online travel service is another captivating form whereby different sites help customers find discount fares for airline tickets, hotel rooms, cruise vacations and rental care. Examples of such sites are – www.cheaptickets.com, BizTravel.com, GetThere.com (www.getthere.com) etc.
- 5) Online entertainment platforms like OTT are another form of e-business variant. Multimedia-rich entertainment sites like www.icast.com even provides free audio and video downloads of popular music and films. Other well-designed and easily maneuverable sites are www.imdb.com and it must be noted that IMDB is a part of Amazon.com network of websites.
- 6) Yet another aspect of e-business model in online automotive sites which not only offers users to research and purchase new and used vehicles viz. cars but these online automobile appraisers also offer users leverage in price negotiation. To name a few, www.autobytel.com is a one-stop-shop to search classified ads for used cars or find best price of a new car, Autoparts.com is an online auction site facilitating buying and selling of autoparts once the user registers him/herself.
- 7) Online Energy exchanges are also set up by many companies allowing buyers and sellers to buy, sell or distribute energy like crude oil, electricity, natural gas and the products and systems for distributing these. Sites viz: www.houstonstreet.com, www.altranet.com also facilitate the energy exchanges. Power Marketing Association has even designed www.retailenergy.com, a directory for the energy industry.
- 8) Online selling of Brainpower viz. patents, intellectual property etc. is much in vogue in the form of e-business model. Sites like HelloBrain.com help merchants in need of human resource (intellectual) by enabling them post their projects to be undertaken and compensation they wish to pay. Another contribution is by www.yet2.com, an e-business which helps raise capital by selling intellectual property such as patents and trademarks.
- 9) Online outlet over the web for art dealers is gaining hype and one may find more than 7000 products on the art dealer Guild.com. A promising film site www.atomfilms.com which does not bring its content to the big screen, provides its members an access to award-winning short films and animations delivered by streaming videos.
- 10) Last but not the least in the bunch of models is the Click and Mortar Business (a variant of Brick-and-Mortar-Business on web) which is an integration of online and offline platforms. Some companies have emerged successful in integrating the Internet into offline business viz. Barnes & Noble (www.bn.com) is a bookseller both online and offline providing the facility to the customer purchasing books online, to return it to their local brick-and-mortar B&N store. Other examples are www.1800flowers.com which enables viewing pictures of floral arrangements before purchase, and www.curcuitcity.com wherein

electronic dealers grant option to the customers to order products online and pick it up at their local stores leading to more customer satisfaction.

The list of e-business models is however not exhaustive and it is no exaggeration to endorse that many more models are being developed aiming to cater a wide range of users and capture enormous field of business, hence paving an easy path to be tread by the users in the business world.