

# E-Commerce Models

**Active reader task.**  
 You will find it easier to assimilate the information if you apply it to a case study or better still a business that you know or want to start yourself.

By now you will appreciate that 'e-commerce' is a fast developing area of both practice and research. Much of what you read will use the terms e-business model(s) and e-commerce model(s) interchangeably. The explanation that follows makes a broad distinction between the two.

- i. **e-business model** which is a 'framework' for classifying e-businesses in terms of strategic business objectives, and
- ii. **e-commerce model**, which is a schema for business, processes that shows, in general terms, where the goods and money flow.

**Active reader task.**  
 Study the information on the Value Matrix and ask yourself "Where will I Play".

## Where will you play? Example of an E-business Model: The Internet Value Matrix developed by Cisco Systems

Cisco Systems has developed an Internet Value Matrix that summarises where today's e-business players are operating. (You can see the matrix at <http://www.cisco.com>, search for Internet Value Matrix, the pages keep moving!).

The matrix is worth pondering because it is used as a predictor to advise sophisticated investors on which companies are likely to increase profits and market share through e-business. The vertical axis is the level of 'business criticality' with low at the bottom and high at the top. The horizontal axis describes degree of 'newness', with low on the left, and high on the right.

**Active reader task.**  
 Find examples of businesses that fit into the different quadrants. Is this model helpful for strategic planning?

High ^ business criticality	<b>Operational Excellence</b>	<b>Early Movers</b>
	<b>New Fundamentals</b>	<b>Experimentation</b>
Low v	Low < newness > High	

### New Fundamentals

These companies are taking the low risk road. They use the Internet as a new channel for doing old things, for example streamline operations, to achieve cost saving. Catalogue companies are in a good position to open an e-shop outlet because they already have fulfilment and distance selling infrastructure. The main danger is that e-commerce develops as an island in the traditional business and the growing chasm between the two could compromise the whole business.

### Early Movers

Like Amazon these are the bold players venturing into new markets, new channels and new products. Their focus is on competitive advantage through new ways of managing relationships and doing business.

### Operational Excellence

Business in this section, are using the Internet technologies to improve management of customer services and for value innovation. They ask themselves questions like:

- ◆ What percentage of customer orders are clean.
- ◆ How can we reduce returns and refunds?
- ◆ What percentage of customers' problems are resolved on first contact?
- ◆ How much customer information can be viewed on one screen?
- ◆ Are we increasing inventory visibility across the entire supply chain?

### Experimentation

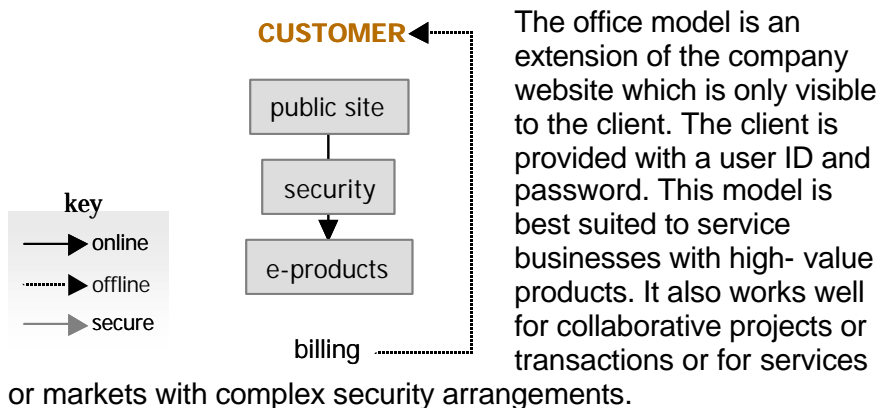
These businesses want to become learning organisations. They are exploring the Internet and Intranet and funding small scale experiments to see if value can be leveraged inside the organisation. They experiment with new market segments, sources of revenue and ways of doing business but not in a way, which can compromise the main business activities. They are hoping that the experiments will lead to breakthrough strategies or operational excellence described in 'Operational Excellence' and 'Early Movers'.

Active reader task.  
 Study the information on e-commerce models, and ask yourself:  
 "What do I want to do?"  
 What is missing from all the models?

### What do I want to do? E-Commerce Models.

E-commerce is the buying and selling of goods and services over electronic networks. The models map out different configurations for the flow of goods and money.

#### Private Office Model

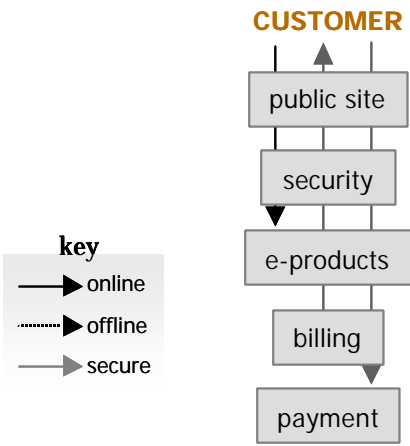


The office model is an extension of the company website which is only visible to the client. The client is provided with a user ID and password. This model is best suited to service businesses with high- value products. It also works well for collaborative projects or transactions or for services

**Active reader task.**  
 If you have never bought anything online you should visit an online store now. You need to experience being a customer to understand the realities of e-commerce.

**Notice:** in this model invoicing and payment are separated which could mean higher manual costs.

**Shop Model**



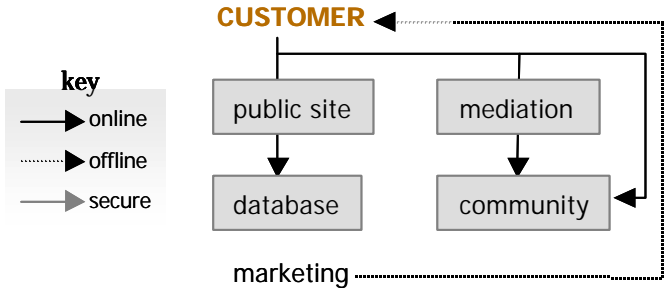
This is the familiar e-shop. The basic core is a catalogue. Customers search and browse the catalogue choose items, which are added to a virtual basket or trolley. The 'shopping' is moved to the checkout area which is a secure area. Payment can be verified and funds transferred, while the customer is online. It is suitable for shippable and downloadable products and low human intervention means a potential

cost saving but also potential risk. You will know the largest online stores and high profile websites that use this model. What is perhaps not obvious is that most successful sites are supported by:

- ◆ Innovative online processes e.g. record of previous transactions, targeted sale on entry, accounts maintenance, '1click' to system for subsequent orders.
- ◆ High quality offline processes, such as customer service, delivery speed, telesales, and cross-selling programmes.
- ◆ Integration of business processes with the shop front and back ends.

**Active reader task.**  
 A highly recommended site on e-commerce is: [www.wilsonweb.com](http://www.wilsonweb.com)  
 It is maintained by a US-based consultant, called Ralph Wilson, who has been publishing a newsletter on Web marketing since 1995. Good introductory material is free and, before you know it you are looking at becoming a member. It is a reasonable subscription for more up-to-date quality literature!! This is membership model in the good form.

**Membership Model**

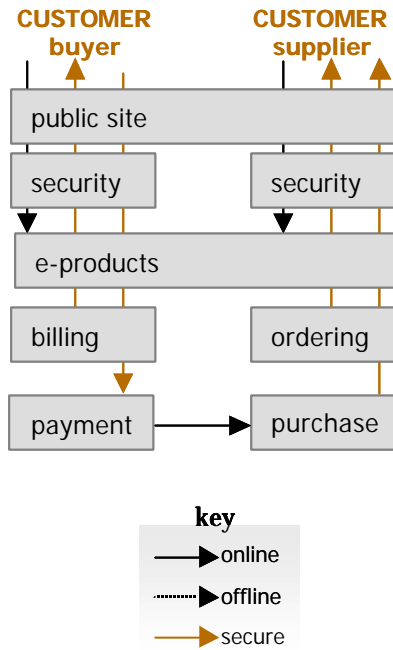


The membership model is about creating communities that are of commercial interest to

the business. Superficially the membership model seems to have no obvious business value. Actually it is a very creative marketing strategy where all parties can benefit. Companies can often afford to give away expertise in specialist areas e.g. online newsletter on antique clocks, posting facility for the active knitting community. For the business, self-selecting buyers come to the business. It can be so rewarding to create a community that it is all too easy to lose sight of the commercial goals. It is therefore important to plan the commercial activity before designing the membership system.

### Market Portal Model

The market portal connects the suppliers and buyers and adds features or functions, which makes it possible for the two groups to do business.



Both the groups are customers for the portal, which is best suited to agencies and dealerships or new Internet businesses. Portals are aggressive, they cut out the middle layers and create the phenomena of disintermediation where even small businesses and start-ups can overtake the competition by becoming the domain source of goods or services in a specific market sector.

A highly specialist vertical portal is called a 'vortal'. For example 'building-materials-online' is a portal; 'total-glass-solutions' would be a vortal.

**Active reader task.**

Have you worked out what is missing from all the models?

**Where do the e-commerce model(s) integrate with the other business processes? Think about: order management, stock control, accounts, distribution and fulfilment and customer services?**

Map out a hybrid e-commerce model for a small business and add on the other business processes.

### Hybrid

Most sites are a combination of these models. For example amazon.com is a membership model combined with a shop model; buzzsaw.com is a membership and portal combination.