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Electronic Business

# Concepts and Models of Electronic Business

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# Model

- The word 'model' - in the broadest sense - means a general pattern of behavior, structure, and action.
- Narrower meaning: A business model is the organization of production processes, services, and information flows, aimed at achieving profitable operations and satisfaction for all participants in the business.
- Broader meaning: A business model is a strategy with methods, a plan, objectives, and resources that a company uses to generate profit from its products and services offered to the market.
- In some countries, business models are forms of intellectual property and can be protected by a patent."



Business models are interesting from two perspectives:

- Existing companies need to find new, innovative business models in order to survive in a market with rising competition.
- New businesses and entrepreneurs need to find a business model through which they can enter an oversaturated market, often in a marketing niche (a very small and specific part of the market).

The innovativeness of a business model is as important as the innovativeness of a product/service.

The digital economy and ICT provide opportunities for adopting completely new business models - models of electronic business!"



A business model has 9 building blocks:

- Market value
- Target customers
- Communication methods with customers and delivery of products and services
- Customer relationships
- Key requirements - resources - for implementing the model
- Key actions for market realization
- Key partners
- Revenue generation model
- Costs of implementing the model"



Oliver Gassman views the business model through 4 dimensions:

- Who - who is the customer
- What - what is offered to the target customer
- How - how to create and deliver the proposed value to the target customer
- Value - the value of the model from a profit perspective

Gassman lists 55 most general models.



Some of the general patterns are:

- Affiliation - AFFILIATION - the focus is on supporting others to sell their goods and earn money (example: Amazon)
- Auction - AUCTION - selling goods and services to the highest bidder based on the principle of who bids higher (example: eBay)
- Digitalization - DIGITALIZATION - adopting existing products or services in a digital environment (example: Spiegel Online, Wikipedia, Facebook, Dropbox)
- Direct Selling - DIRECT SELLING - eliminates intermediaries in sales, achieving better prices (example: Dell, Nestle Nespresso)
- Freemium - FREEMIUM - offering a service with limited features for free, in order to attract and gain customers (example: Hotmail, LinkedIn, Skype, Dropbox)
- Hidden Revenue Model - HIDDEN REVENUE"



"Customer Data - LEVERAGE CUSTOMER DATA - collecting data about individuals and processing it for sale to third parties (example: Twitter)

Open Documentation - OPEN SOURCE - earning from maintenance services (example: IBM, Red Hat)

Long-term - LONG TAIL - offering a large number of small, specific products and services, instead of one blockbuster (example: Apple iPod/iTunes, YouTube...)"

MICHAEL RAPPA:

A business model is the method of operation by which a company survives and earns!"



# Rappa's 9 categories of models:"

1. Broker - Brokerage - connecting sellers and buyers, and earning from completed. sales (eBay, PayPal, Amazon),
2. Advertising - Advertising - (Yahoo, NYTimes, Google),
3. Intermediary in customer and product data - INFOMEDIARY - (DoubleClick),
4. Merchant - Merchant - retail (Amazon, Apple iTunes Music Store),
5. Manufacturer-Seller - Manufacturer (Direct) - direct purchase from the manufacturer."
- "6. Affiliation - Affiliate - (eBay, PayPal, Amazon),
7. Social Community - Community - (Red Hat, Wikipedia),
8. Subscription - Subscription - (Netflix, Classmates, America Online, Listen.com),
9. On-demand Service - Utility - paid per use of the service when it is needed by the user (Slashdot).





# MODEL 1: Shop....

**Store (shopfront) - STOREFRONT** - is an e-business model where the customer and seller interact directly, and online payment transactions can also be conducted.

## Features:

- Merchants create online catalogs of goods and services,
- Ensure secure electronic payment transactions,
- Collect and manage customer data (profiles),
- Customers use virtual shopping carts  
(*shopping cart*).
- **EXAMPLES:**
  - [www.wolfram.com](http://www.wolfram.com) - leading mathematics software,
  - [www.keytometals.com](http://www.keytometals.com) - founded by Viktor Pocajt,
  - [www.more.com](http://www.more.com) - for cosmetics,
  - [www.ticketmaster.com](http://www.ticketmaster.com) - for ticket sales,
  - [www.amazon.com](http://www.amazon.com) - shopping cart implementation (1994),
  - [www.etoys.com](http://www.etoys.com) - virtual carts - modern, own, and third-party,
  - [www.ecrater.com](http://www.ecrater.com), [www.shopping.com](http://www.shopping.com), [www.shopzilla.com](http://www.shopzilla.com) - online shopping malls.



# MODEL 2: Bidding (Auction, Auction....)

**Bidding** - a model in which a website functions as a forum

## **Model Features:**

- Visitors register and create their accounts.
- They can act as both buyers and sellers.
- The seller sets the starting price and the deadline for the auction.
- A local search engine on the auction site allows buyers to search for items/services of interest.
- Revenue is generated by taking a percentage of participants' transactions as well as from third-party advertising.

## **Examples:**

- [www.ebay.com](http://www.ebay.com)
- [www.sothebys.com](http://www.sothebys.com)
- [www.ubid.com](http://www.ubid.com)
- [www.ibidilive.com](http://www.ibidilive.com)
- [www.sothebys.com](http://www.sothebys.com)

There is also a reverse model: the buyer states what they need, specifies the maximum price they are willing to pay, and sets a deadline for sellers to submit their offers.



# Model 3: Portal...

Portal is a model that allows users to find almost everything in one place.

## Model Characteristics:

- Frequent publication of news and useful information, such as weather forecasts, sports event results, the latest economic and political news, stock market updates, and internet search functionalities.
- Revenue is generated through third-party advertising, rarely from direct sales.

## Two Types of Portals:

1. **Horizontal Portal** - A portal that collects and connects information across a wide range of topics.
  - It functions as an **Internet search engine**.
  - **Example:** [www.yahoo.com](http://www.yahoo.com)
2. **Vertical Portal** - A portal focused on a specific area of interest, providing in-depth information within that domain.
  - **Examples:** [www.imdb.com](http://www.imdb.com), [www.hotels.com](http://www.hotels.com), [www.booking.com](http://www.booking.com), [www.paris.com](http://www.paris.com)



# Model 4: Click-and-Screen

"Click-and-monitor" is a model that includes both traditional brick-and-mortar business operations and online business through clicks.

Example 1: Barnes & Noble sells books and has both physical and virtual stores at <http://www.barnesandnoble.com>. Example 2: The European major bookseller Foyles (dating back to the 19th century) has Google Maps on its website that precisely locates its stores (bookstores).

GOAL: To combine traditional and modern business practices that complement and enhance each other.



# Models based on participants...

B2B - Business collaboration between legal entities, companies, which involves the exchange of information, products, and services through electronic networks, most often via the internet.

Advantages: business transactions are facilitated, supply chain integration is enabled, and online procurement of goods from one company to another is possible.

B2C - Direct business collaboration between a company (legal entity) and individuals, customers (natural persons), where the company sells a product/service/information to the customer through electronic networks, most often via the internet.



# Models based on participants...

C2C (Customer to Customer, Consumer to Consumer, Citizen to Citizen) - a business collaboration model between two citizens (individuals) who exchange products/services/information through electronic networks, most often via the internet.

These types of collaborations are most commonly facilitated through online intermediaries - such as auction sites or marketplaces.

B2E (Business to Employee) - a relationship between a company (legal entity) and an employee (individual), within which work procedures within the company are defined, and both the employee and the company are expected to adhere to them.

Typically, the B2E model is based on the company's intranet, through which employees are informed about their rights and obligations, work procedures, relationships with colleagues and customers, hierarchical organization, and responsibilities.



# E-services of government authorities...

E-government (G2B, G2C, G2G) - is a form of business between:

- the government and legal entities,
- the government and individuals,
- government institutions, or
- the government and a foreign state.

Goal: Bringing the government closer to citizens, businesses, or taxpayers, enabling administrative tasks to be carried out without waiting in lines at government institutions' counters.

Example: Obtaining documents (birth certificate, citizenship records) via the internet.



# E-services of government authorities...

B2B2C – an e-business model that combines the B2B and B2C models.

Example of this model: the collaboration of multiple companies (legal entities) to improve the system of customer relationship management (CRM).

Advantages: On one hand, it enhances business operations through mutual assistance between companies, while on the other hand, it better satisfies customer needs and potential demand, as multiple companies together offer a range of services and after-sales support.


C2B2C – an e-business model representing a transaction between citizens (individuals) through an intermediary – a business website.

Example: <http://www.autotrader.com> – buying and selling cars.

Explanation:

The site represents a company, a legal entity, which sells cars to citizens (individuals) – B2C.

The site also acts as an intermediary between citizens selling their cars and buying used vehicles, which is C2B2C.





# Business model...

Al-Dabei et al.

*„The business is an abstract representation of an organization, be it conceptual, textual, and/or graphical, of all core interrelated architectural, cooperational and financial arrangements designed and developed by an organization presently and in the future, as well as all core products and/or services the organization offers, or will offer, based on these arrangements that are needed to achieve its strategic goals and objectives.”*



# Start-up

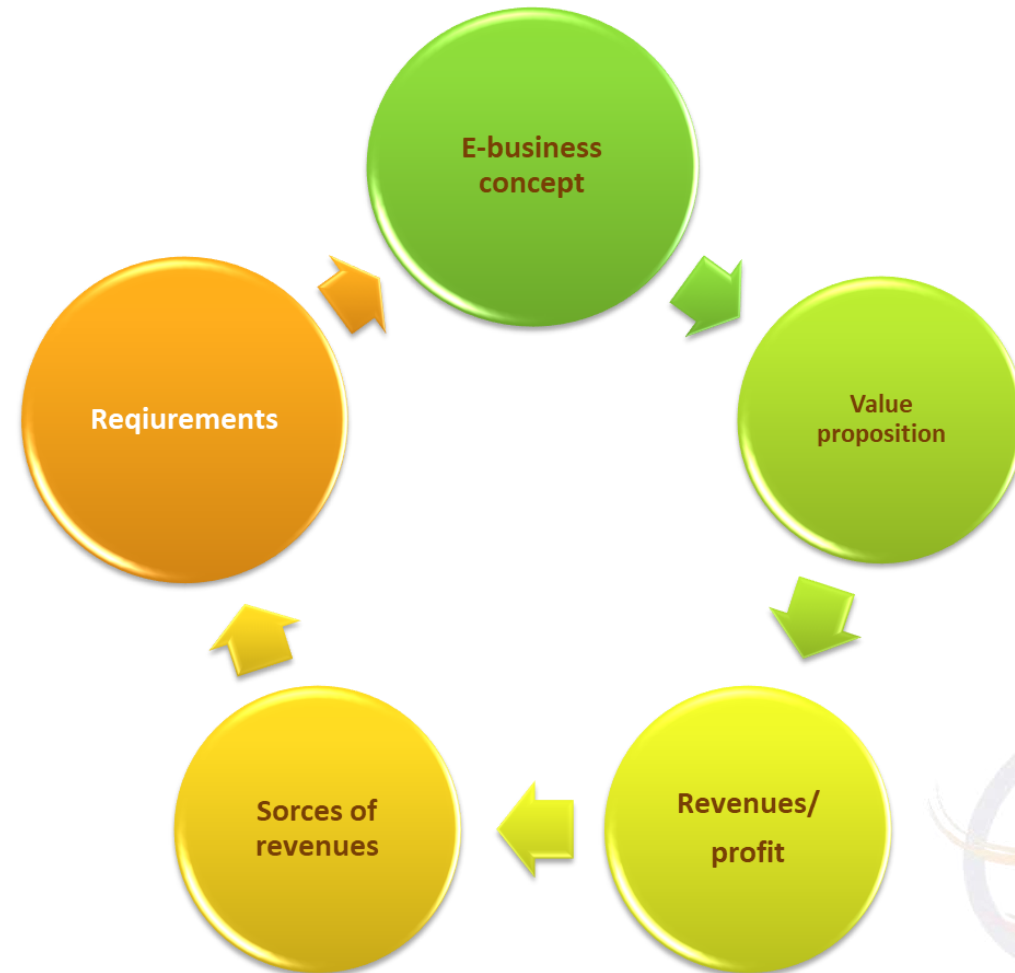
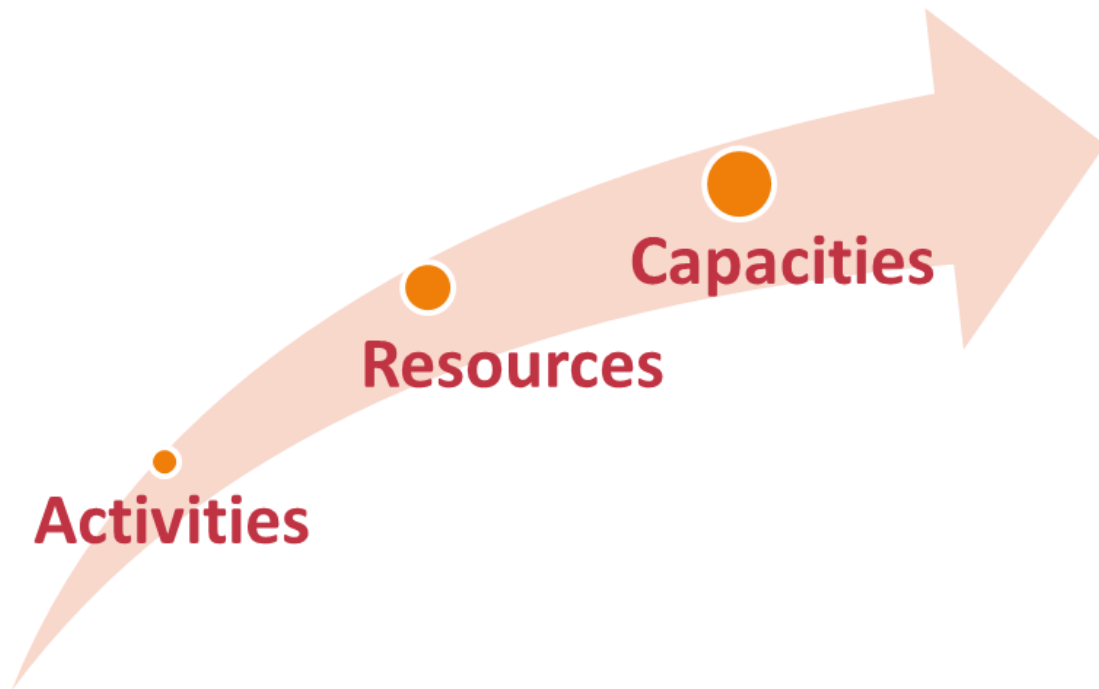
Opportunities...

The digital economy and e-business enable small businesses and individuals to enter the market with minimal initial investments.

To start your business, you need to:

- Dedicate time to developing a good business idea (e-business concept),
- Clearly identify and define the value you offer to the market (value proposition),
- Assess revenue (revenues) and estimate profit (profit),
- Consider sources of revenue (sources of revenues),
- Evaluate the requirements (requirements) that need to be met to launch the business.





# Business idea...



*Business Idea*

*Profit*



# Business concept

The business concept is based on:

- Strategic, main goals, and
- Operational objectives.

Strategic goals are either achieved or not,

Operational objectives are:

- Measurable
- Achieved: fully or partially  
or, for example, in e-business: 15 units sold  
per day.



# Price of the product/service...

The price of the product/service is an important part of the business concept.

The price depends on:

- The purchasing power of target customers,
- Competition (competition),
- The quality of the product/service,
- Demand...

E-business enables easier access to information (searching competitor websites, contacting customers via Skype, email, SMS).



# New value (added value)

The new value you provide to customers is the value you offer.

It should be recognized by the target customers.

Based on this value, they decide to choose OUR product/service, rather than a competitor's.

The new value can be:

- Lower price,
- Improved service,
- Simpler and more convenient shopping (e.g., one-click purchase),
- Fast delivery,
- Short response time for support or after-sales support.



# Sources of income and profit...

Sources of income and profit depend on the business concept and the adopted e-business model.

They are usually multiple sources.

Common sources of income are:

- Direct selling,
- Indirect selling,
- Advertising,
- Affiliation,
- Charging a fee or commission for third-party services,
- Sponsorship,
- Subscription,
- Charging for one-time services...





# Requirements (business requirements)...

Requirements form a whole network of:

- Actions (activities),
  - Resources (materials), and
  - Capacities (capabilities)
- in order to start the business and begin earning.

Activities encompass a wide range of tasks, from:

- Obtaining permits and other legally required documents,
- Conducting market research, and
- Preparing the workspace.

Resources may include:

- Workforce (human resources, HR),
- Materials,
- Equipment,
- Workspace,
- Transportation, and
- Time (timeline, timeframe).



# Social and economic environment (e-business environment)

The social and economic environment (e-business environment) is a set of all factors that influence business, which the entrepreneur (you) cannot control.

These may include:

- Tax changes,
- Technological changes,
- Legal changes,
- Exchange rates...

When creating a business model, changes in the near future must be anticipated and assessed, at least for the next three years.

Due to rapid technological changes, predicting beyond three years is often unrealistic.





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# Questions & Answers

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