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# CHAP 5 BUSINESS MODEL



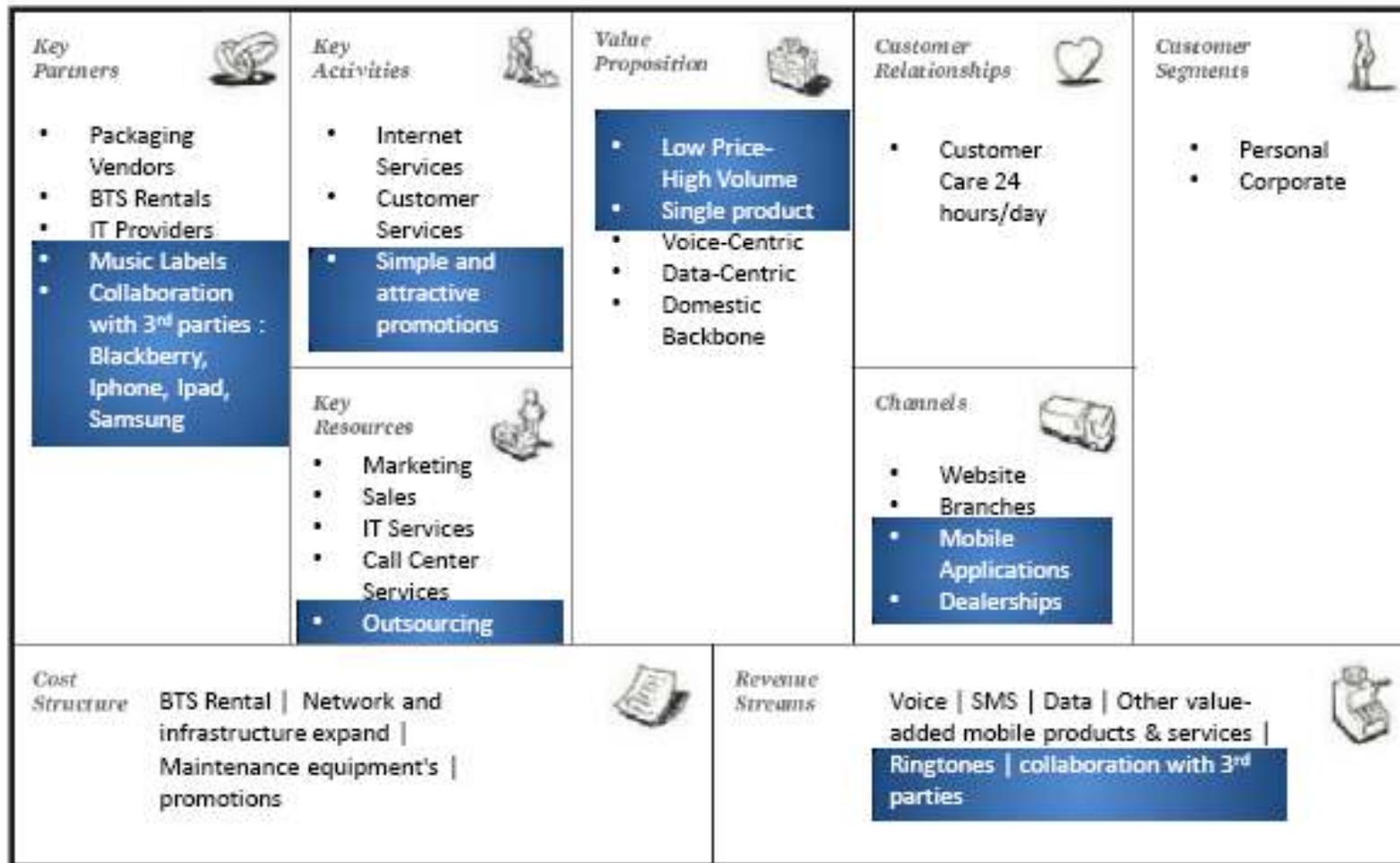
## Business Model

### XL Axiata Business Model before year 2010

<p><i>Key Partners</i> </p> <ul style="list-style-type: none"> <li>• Packaging Vendors</li> <li>• BTS Rentals</li> <li>• IT Providers</li> </ul>	<p><i>Key Activities</i> </p> <ul style="list-style-type: none"> <li>• Internet Services</li> <li>• Customer Services</li> <li>• Complicated promotions</li> </ul>	<p><i>Value Proposition</i> </p> <ul style="list-style-type: none"> <li>• High Price with low volume</li> <li>• Voice-Centric</li> <li>• Data-Centric</li> <li>• Domestic Backbone</li> <li>• Various of products category</li> </ul>	<p><i>Customer Relationships</i> </p> <ul style="list-style-type: none"> <li>• Customer Care 24 hours/day</li> </ul>	<p><i>Customer Segments</i> </p> <ul style="list-style-type: none"> <li>• Personal</li> <li>• Corporate</li> </ul>
<p><i>Key Resources</i> </p> <ul style="list-style-type: none"> <li>• Marketing</li> <li>• Sales</li> <li>• IT Services</li> <li>• Call Center Services</li> </ul>			<p><i>Channels</i> </p> <ul style="list-style-type: none"> <li>• Website</li> <li>• Branches</li> </ul>	
<p><i>Cost Structure</i> </p> <p>BTS Rental   Network and infrastructure expand   Maintenance equipment's   promotions</p>			<p><i>Revenue Streams</i> </p> <p>Voice   SMS   Data   Other value-added mobile products &amp; services  </p>	

# Business Model

## XL Axiata Business Model after year 2010





# **E-commerce Business Models— Introduction**

- Business model – set of planned activities designed to result in a profit in a marketplace
- Business plan – document that describes a firm's business model
- E-commerce business model – aims to use and leverage the unique qualities of Internet and Web

# Key Ingredients of a Business Model

Table 2.1, Page 62

<b>TABLE 2.1</b>		<b>KEY INGREDIENTS OF A BUSINESS MODEL</b>	
<b>COMPONENTS</b>		<b>KEY QUESTIONS</b>	
Value proposition		Why should the customer buy from you?	
Revenue model		How will you earn money?	
Market opportunity		What marketplace do you intend to serve, and what is its size?	
Competitive environment		Who else occupies your intended marketplace?	
Competitive advantage		What special advantages does your firm bring to the marketplace?	
Market strategy		How do you plan to promote your products or services to attract your target audience?	
Organizational development		What types of organizational structures within the firm are necessary to carry out the business plan?	
Management team		What kinds of experiences and background are important for the company's leaders to have?	



# Revenue Model

- Describes how the firm will earn revenue, generate profits, and produce a superior return on invested capital
- Terms financial model and revenue model often used interchangeably
- Major types:
  - Advertising revenue model
  - Subscription revenue model
  - Transaction fee revenue model
  - Sales revenue model
  - Affiliate revenue model



# Advertising Revenue Model

- Web site that offers content, services and/or products also provides a forum for advertisements and receives fees from advertisers
- Example: Yahoo.com



# Subscription Revenue Model

- Web site that offers users content or services charges a subscription fee for access to some or all of its offerings
- Examples:
  - Consumer Reports Online
  - Yahoo! Platinum



# Transaction Fee Revenue Model

- Company that receives a fee for enabling or executing a transaction
- Examples:
  - eBay.com
  - E-Trade.com



# Sales Revenue Model

- Company derives revenue by selling goods, information, or services to customers
- Examples:
  - Amazon.com
  - LLBean.com
  - Gap.com
  - Olx.com
  - Lazada.com



# Affiliate Revenue Model

- Sites that steer business to an “affiliate” receive a referral fee or percentage of the revenue from any resulting sales
- Example:
  - [MyPoints.com](http://MyPoints.com)

# Five Primary Revenue Models

Table 2.2, Page 66

TABLE 2.2		FIVE PRIMARY REVENUE MODELS	
REVENUE MODEL	EXAMPLES	REVENUE SOURCE	
Advertising	Yahoo.com	Fees from advertisers in exchange for advertisements	
Subscription	WISL.com, Consumerreports.org Sportsline.com	Fees from subscribers in exchange for access to content or services	
Transaction Fee	eBay.com, E-Trade.com	Fees (commissions) for enabling or executing a transaction	
Sales	Amazon.com, LLBean.com, Circuit.com, Sears.com, JCPenney.com	Sales of goods, information, or services	
Affiliate	MyPoints.com	Fees for business referrals	

# B2C Business Models

Table 2.3,  
Page 72

TABLE 2.3		B2C BUSINESS MODELS		
BUSINESS MODEL	VARIATIONS	EXAMPLES	DESCRIPTION	REVENUE MODEL
Retail	Horizontal/General	Yahoo.com eBay.com MSN.com	Offers an integrated package of content services and content search, news, e-mail, chat, music downloads, video streaming, calendars, etc. Seeks to be a user's home base.	Advertising, subscription fees, contribution fees
	Vertical/Specialized (Retail)	Seafood.com	Offers services and products to specialized marketplace	Sales
E-tailer	Virtual Merchant	Amazon.com	Online version of retail store, where customers can shop at any hour of the day or night without leaving their home or office.	Sales of goods
	Clicks and Bricks	Wal-Mart.com Sears.com	Online distribution channel for a company that also has physical stores	Sales
	Catalog Merchant	Levi'sInc.com LLBean.com	Online version of direct mail catalog	Sales
Content Provider	Manufacturer direct	Dell.com Compag.com		Sales of goods
		MSN.com, Sports Illustrated CNN.com, Blueprint.com ESPN.com	Information and entertainment providers like newspapers, sports sites, and other online sources that offer customers up-to-date news and special interest how-to guidance and tips and/or information sales.	Advertising, subscription fees, affiliate referral fees
Transaction Broker		E-Trade.com Expedia.com eBay.com Travelocity.com Hotel.com Orbitz.com	Processors of online sales transactions, such as stock brokers and travel agents, that increase customers' productivity by helping them get things done faster and more cheaply.	Transaction fees
Market Creator	Auctions	eBay.com PrisMedia.com Amazon.com	Web-based businesses that use Internet technology to create markets that bring buyers and sellers together	Transaction fees
Service Provider		HighConcepting.com iSearch.com offices.com myCPA.com	Companies that make money by selling users a service, rather than a product.	Sales of services
Community Provider		About.com iManga.com iStock.com Geogebra.com Fountain.com	Sites where individuals with particular interests, hobbies, and common experiences can come together and compare notes.	Advertising, subscription, affiliate referral fees



# **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 (vortal)



# **B2C Business Models: E-tailer**

- **Online version of traditional retailer**
- **Types include:**
  - **Virtual merchants (online retail store only)**
  - **Clicks and bricks (online distribution channel for a company that also has physical stores)**
  - **Catalog merchants (online version of direct mail catalog)**
  - **Manufacturer-direct (manufacturer selling directly over the Web)**



# **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: 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 Business Model: Market Creator**

- Uses Internet technology to create markets that bring buyers and sellers together
- Examples:
  - Priceline.com
  - eBay.com
- Typically uses a transaction fee revenue model



# **B2C Business Model: Service Provider**

- Offers services online
- Value proposition – valuable, convenient, time-saving, low-cost alternatives to traditional service providers
- Revenue models – subscription fees or one-time payment



# B2C Business Models: Community Provider

- Sites that create a digital online environment where people with similar interests can transact, communicate, and and receive interest-related information.
- Typically rely on a hybrid revenue model
- Examples:
  - Epinions.com
  - Oxygen.com
  - About.com

# B2B Business Models

Table 2.4, Page 82

TABLE 2.4		B2B BUSINESS MODELS	
BUSINESS MODEL	EXAMPLES	DESCRIPTION	REVENUE MODEL
<i>(1) NET MARKETPLACES</i>			
E-Distributor	GrainGel.com FindMRO.com Scaples.com	Single-firm online versions of retail and wholesale stores; supply maintenance, repair, operation goods; indirect inputs	Sales of goods
E-Procurement	Ariba.com CommerceOne.com Siemens	Single firms creating digital markets where thousands of sellers and buyers transact for indirect inputs	Fees for market-making services; supply chain management, and fulfillment services
Exchanges	Exchange.eSteel.com IMX.com GEPolymerland.com	Independently owned digital marketplaces for direct inputs. Vertical industry orientation	Fees and commissions on transactions
Industry Consortia	Covalent.com Sciquest.com Pactirisnet.com	Industry-owned vertical digital markets open to select suppliers.	Fees and commissions on transactions
<i>(2) PRIVATE INDUSTRIAL NETWORKS</i>			
Single-firm networks	Wal-Mart Procter & Gamble DaimlerChrysler Ford Motor Co.	Company-owned networks to coordinate supply chains with a limited set of partners	Cost absorbed by network owner and recovered through production and distribution efficiencies.
Industry-wide networks	Nisava Inc. Globalnetexchange.com UCCnet.org Worldwidetaillexchange.org	Industry-owned networks to set standards, coordinate supply and logistics for the industry	Contributions from industry member firms and recovered through production and distribution efficiencies; fees for transactions and services



# E-distributor

- Company that supplies products and services directly to individual businesses
- Owned by one company seeking to serve many customers
- Examples:
  - Grainger.com
  - GE Electric Aircraft Engines (geae.com)



# E-procurement Companies

- Create and sell access to digital electronic markets
- B2B service provider is one type – offer purchasing firms sophisticated set of sourcing and supply chain management tools
- Application service providers a subset of B2B service providers
- Examples:
  - Ariba
  - CommerceOne



# 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

# Business Models in Emerging E-commerce Areas

Table 2.5, Page 88

TABLE 2.5		BUSINESS MODELS IN EMERGING E-COMMERCE AREAS		
BUSINESS MODEL	MODEL	EXAMPLES	DESCRIPTION	REVENUE MODEL
Consumer-to-consumer	Market Creator	eBay.com Half.com	Helps consumers connect with other consumers to conduct business	Transaction fees
Peer-to-peer	Content provider	Kazaa.com Grokster.com Lime.com	Technology enabling consumers to share files and services via the Web, without common servers	Subscription fees, advertising, transaction fees
M2-Commerce	Various	Amrison Skyline Direct	Extending business applications using wireless technology	Sales of goods and services



# Consumer-to-Consumer (C2C) Business Models

- Provide a way for consumers to sell to each other, with the help of a online marketmaker
- Best example: eBay.com



# Peer-to-Peer (P2P) Business Models

- Links users, enabling them to share files and common resources without a common server
- Challenge is for P2P ventures to develop viable, legal business models
- Example: Kazaa; Groovenetworks



# M-Commerce Business Models

- Takes traditional e-commerce business models and leverages emerging new wireless technologies
- Key technologies are telephone-based 3G; Wi-Fi; and Bluetooth
- To date, a disappointment in the U.S.
- However, technology platform continues to evolve