

Business Models

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Introduction

Some concepts in today's business are as generally elaborated-and as infrequently systematically researched-as the theory of business models (Cyr, Dhaliwal and Persaud, 2002). Several individuals contribute to the efficiency of organizations like Dell, Amazon and eBay, for instance, to the methods they employed innovative technologies-not merely to enable their features more effective-but to overall generate innovative business models (Augeneder, 2014). However, despite of all the discussions regarding business models, there have been hardly any substantive empirical researches of them. For instance, people do not even know how general the various types of business models are working in the market and whether few business models have improved performance as compared to others.

Fundamentally, a business model is the level of how a business works. In detail, a business model elaborates how an organization competes in the market, utilizes its assets, establishes its associations, interacts with consumers, and generates and acquires value to maintain its business in the industry. The major component in a business model comprise of the following (Augeneder, 2014):

- The value proposition of customers which determines how will the organization generate value.
- The profit model which expresses how will the business make profit.
- The major assets required to offer the consumer value proposition.
- The organization's major competencies like internal potentials or skills that facilitate the business to handle the operations in a manner that creates value.

There are numerous generic types of business model. However, eventually every organization's business model is exclusive since it is dependent on the resource base it managers and the potentials

that the business possess (Evans, 2003). Stealing another organization's business model is not likely to be effective. However, with time rivals will be capable to imitate the individual functions of an innovative business model. Alterations in the external business context may also decrease the effectiveness of a business model. Organizations thus require to constantly review and reform their individual business model (Chesbrough, 2013).

As a crucial feature of a detailed business strategy, an organization's business model is a showcase of its basic business operations. in spite of the volume or market in which a company functions (Great Britain. Parliament. House of Commons. Committee of Public Accounts, 2010), a business model expresses how a business generates and offers services or products, particular business procedures, frameworks, strategies for acquiring customers and the desired consumer base. E-commerce is one of the type under which organizations can function their business. In the existing business scenario, business models present a range of frameworks that comprise direct sales, subscription, freemium or franchise models (Chesbrough, 2013).

Figure 1: Business Models in Business inputs



A business model creates on a range of business areas, such as economics, finance, operations, marketing, strategy, and entrepreneurship (Great Britain. Parliament. House of Commons. Committee of Public Accounts, 2010). The business model is a crucial determinant of the business success and revenues to be generated through an innovation. An average innovation along with an enormous business model might be more effective as compared to an enormous innovation with an average business model. In a study, Rosenbloom and Chesbrough researched literature through the business press and academics and recognized few common areas. They determined the following elements of the business model (Chesbrough, 2013).

- Value propositions
- Market segment
- Structure of value chain
- Margins and revenue generations
- Competitive edge
- Position in value network

One of the basic features for generating an effective business over a wide period of time is to recognize technological vibes from an initial phase and to use the prospects that innovative technologies present for product creativity. However, aspects like the widely dramatic theme of technological advancements make it hugely complex for organizations to comprehensively recognize technology related prospects and to encourage them in a determined way (Hiam, 2010). An important prerequisite for effective technology development thus depends in the potential of a business to constantly and effectively adjust the needs of the industry with the potential presented by innovative technologies and to incorporate the outcomes in its exclusive procedures and products (Foss and Saebi, 2015).

Selection of Conceptualization

A retail business model expresses how a retailer generates value for its consumers and assumes value from the industries. Innovations integrated in business models are hugely important for creating sustainable competitive edge in an industry determined by insistent change, rising consumer expectations, along with aggressive competition (Foss and Saebi, 2015). Creating from existing strategy as well as retailing study, it is supposed that innovations in retail business models are perceived most effective as shifts in three elements of design elements: i) the manner in which the actions are categorized, ii) the form of actions that are implemented, and iii) the level of contribution of the contributors in performing those actions. There are six important manners in which retailers could create their business models to improve value generation and appropriation beyond the extents afforded by conventional methods to retailing (Johnson, 2013).

e-commerce is not a new concept in history of business world. Globally, specifically in the Europe and United States, general utilization of e-commerce goes back more than that (Kaplan, 2012).

Gradually, limited and mostly unaffordable internet accessibility, combined with lax adaptation of security systems for creating online transactions and giving sensitive data, were major reasons for the delay in implementing e-commerce. One of the most famous activities on the Internet is shopping that has much attraction in it-people can buy at their leisure, anywhere and anytime. E-tailing or e-retailing needs businesses to customize conventional business models to the quickly shifting face of the World Wide Web and its users. E-retailing is not limited only to the Internet and they also operate web pages to reach customers (Johnson, 2013).

Comparison to an alternative conceptualization

Through e-retailing, businesses have the opportunity to reach a bigger market space. Through a physical outlet, particularly if it is a flagship outlet, the consumers are limited to that specific region alone, or within the region that the company is able to offer (Pinchot and Pellman, 1999). With e-retailing, the business has the potential to market to people residing in other regions and countries without boundaries. E-retailing is cost effective. Certainly, the initial expense for a huge e-commerce website may be expensive, however commonly these expenditures are recovered within a short period of time. Moreover, consider the reality that the company overheads will be least, and will majorly comprise routine maintenance of the website. What the company would not be paying for is an outlet and all the expenses that incur with it (Johnson, 2013). Also, marketing expenses are also decreased, since internet marketing jobs, like PPC marketing, cost much less and are more targeted as compared to the print advertising. The products and services in e-retailing are more convenient to source. E-commerce eradicates the effort made to search for a particular product. The products are listed in categories that makes easier for consumers to search what they are looking for. All the consumers require to do is to insert their desired product into the search

box and they will be able to locate instantly if the company is selling the product or not (Kaplan, 2012).

E-retailing provide all the details of the products or services that the consumers demand. Every product or service can attain complete details about it, how it functions along with user reviews. Much improved and efficient feature than elaborating service or product specifications within an outlet to the consumers over and over again. Brand awareness as well as consumer involvement are not merely reserved for bricks and mortar outlets, they adopt through e-commerce websites as well. Through web. A business can have several platforms through which they can involve consumers and potential consumers (Pinchot and Pellman, 1999). Moreover, if a business has a strong SEO policy in action, it can predict to rank higher in search engine listing, which refers that consumers are capable to locate the product quicker. For instance, if consumers enter 'rare dealers of coin' into the search box, they can easily find that company's website which has strong SEO strategy and navigate for their desired product. It is also probable that they will return to the website at some time, or convey it to their friends and social circle regarding the website, either online or in person. Through this way, the business can benefit through direct word-of-mouth marketing (Kaplan, 2012).

As a whole, it is worth noticing the fact that there is no doubt about the future of traditional retailing, since they have massive amounts and have been in those parts around the globe where e-retail stores are inaccessible to several individuals (Stampfl, 2015). However, it is better to consider an effective combination of an e-retailing website with a physical store, which can efficiently target both ends of a brand' consumers: those who prefer the physical outlet experience as well as those who are not interested in going to a physical store or do not have time to go out and shop. Either side, it can be expected to observe much more of this fusion approach towards

retailing (Osterwalder and Pigneur, 2013).

In relevance to a real-life innovation

Amazon has been the world's most effective company which practices a continuous business model innovation. The company's basic e-retailing model along with its hyper-effective supply chain management, it has changed the retail world altogether. It has eventually introduced three sequential business models during the past five years. Amazon's Prime subscription model currently offers near to one billion dollars of revenues. Through its e-reading portal, Kindle the company conveniently markets low-cost gadgets and generates money. Also, through the business of Amazon Web Services, the company has established a multibillion dollar trade through shifting its internal technology innovation ability into an influential cloud computing facility (Osterwalder and Pigneur, 2013).

Conclusion

In this paper, the efficiency and importance of business models have been discussed through highlighting a selected business model in comparison to an alternative approach. A business model is a framework of particular procedures; operations or actions a business utilizes to generate consumers' services or products in the business context. Companies generally establish a business model to assure they can generate services and goods in the most effective and efficient way possible. The paper also explained that business models can facilitate benefits if organizations properly execute and sustain a mode. Where standard business models persist, companies can create or select to generate their individual business model. Creating a business model exclusive to company features can improve a competitive edge for the business. A competitive edge is the potential for a firm to generate services and goods better than other firms in the business arena.

Thus, an effective utilization of a business model by a firm can boost the overall performance and output for the business and can maintain its sustainability for a longer period of time.

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