

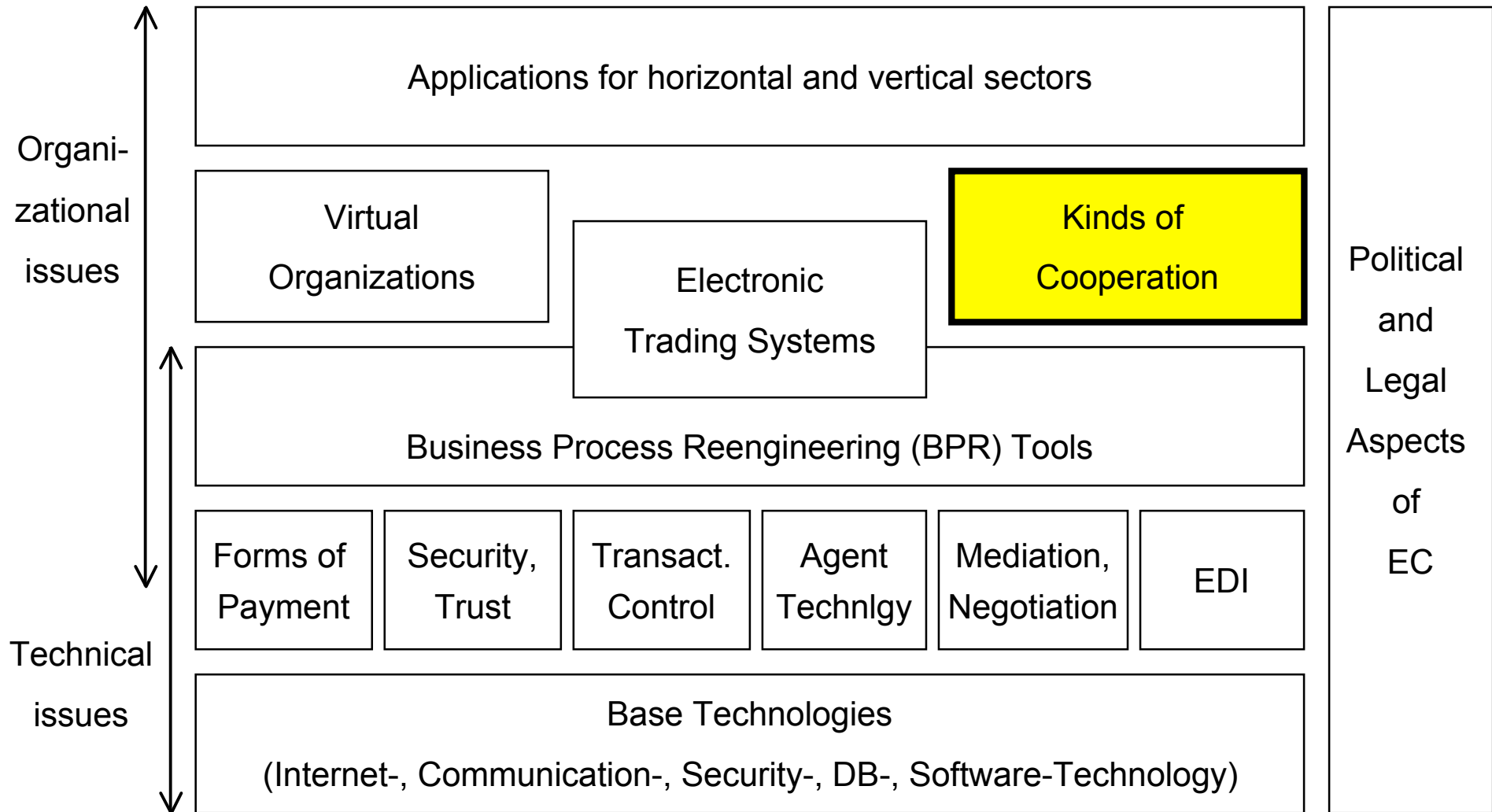
2. EC from a Business Perspective

2.1 A Taxonomy of EC Business Models [Rappa02a]

- Advertising Model
- Affiliate Model
- Broker / Brokerage Model
- Community Model
- Infomediary Model
- Manufacturer Model
- Merchant Model
- Subscription Model
- Utility Model

2.2 Trends & Directions

ECommerce Reference Model



[MeTuLa99]

Further Reading

Most of the following is taken as is from the ecommerce lecture of Michael Rappa [Rappa02a].

Michael Rappa, Business Models on the Web:
<http://digitalenterprise.org/models/models.html>

Business Models

Current business models are:

- Advertising Model
- Affiliate Model
- Broker / Brokerage Model
- Community Model
- Infomediary Model
- Manufacturer Model
- Merchant Model
- Subscription Model
- Utility Model

Some of these business models are still successful, whereas other have not proven to be accepted by Internet customers.

Business Models: Brokerage Model

Brokers are market-makers: they bring buyers and sellers together and facilitate transactions. Those can be business-to-business (B2B), business-to-consumer (B2C), or consumer-to-consumer (C2C) markets. A broker makes its money by charging a fee for each transaction it enables. Brokerage models can take a number of forms.

Specializations:

- Auction Broker, Reverse Auction (Demand Collection System)
- Marketplace Exchange
- Buyer Aggregator
- Search Agent
- Business Trading Community or Vertical Web Community
- Virtual Mall
- Buy/Sell Fulfillment
- Distributor
- Bounty Broker
- Transaction Broker

Brokerage Model: Auction Broker

A site that conducts auctions for sellers (individuals or merchants). Broker charges seller a fee, which is typically scaled with the value of the transaction. Seller takes highest bid(s) from buyers above a minimum. Auctions can vary in terms of the offering and bidding rules.

Examples: *eBay* (www.ebay.com),
ricardo.de (www.ricardo.de).

Auction Catalog: *AuctionNet*
(www.auctionnet.com).



www.ebay.com

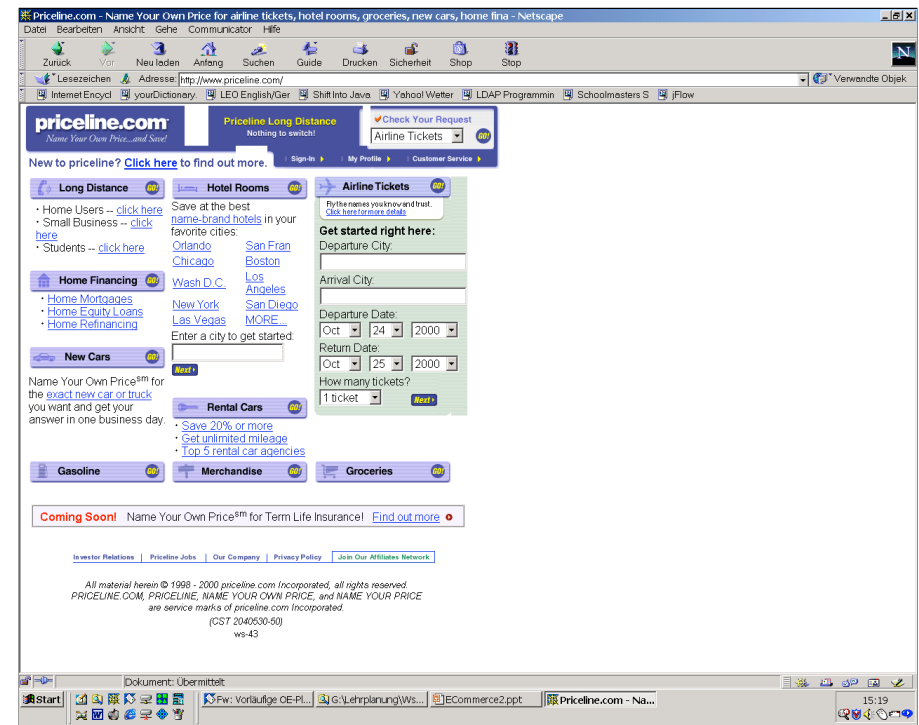
Brokerage Model: Reverse Auction

The "name-your-price" business model, also called "demand collection," pioneered and patented by *Priceline* (www.priceline.com).

Prospective buyer makes a final (usually binding) bid for a specified good or service, and the broker seeks fulfillment. The broker's fee is the spread between the bid and fulfillment price and perhaps a processing charge.

Examples:

PriceLine (www.priceline.com),
Respond (www.respond.com).

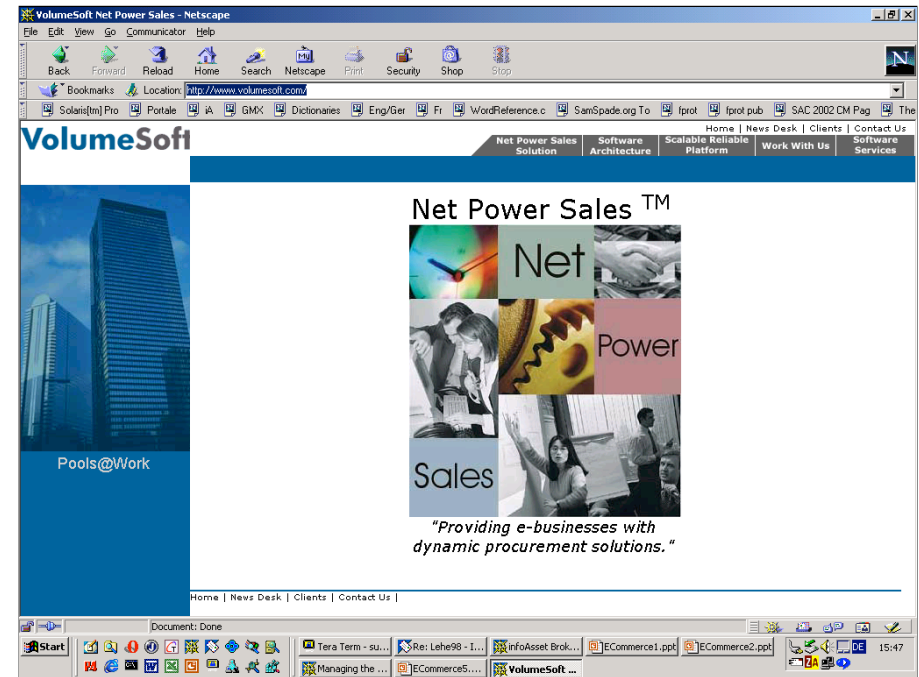


www.priceline.com

Brokerage Model: Buyer Aggregator

Model pioneered by *Accompany* (www.accompany.com), which describes buyer aggregation as the process of bringing together individual purchasers from across the Internet to transact as a group so they can receive the same values traditionally afforded to organizations who purchase in volume. Sellers pay a small percentage of each sale on a per-transaction basis.

Volumebuy (www.volumebuy.com).



www.volumebuy.com

Brokerage Model: Marketplace Exchange

Model especially common in B2B markets for basic materials and industrial intermediates.

In the exchange model, the broker typically charges the seller a transaction fee based on the value of the sale. The pricing mechanism can be a simple offer/buy, offer/negotiated buy, or an auction offer/bid approach.

Example:

Orbitz(www.orbitz.com)

ChemConnect's World Chemical Exchange (www.chemconnect.com).

The screenshot displays the ChemConnect website in a Netscape browser window. The page title is "The World Chemical Exchange - Open for trading at ChemConnect - Netscape". The browser's address bar shows the URL "http://www.chemconnect.com/". The website header includes "The World Chemical Exchange" and "Open for Trading at ChemConnect". Navigation links include "Home", "World Chemical Exchange", "Market News", and "Membership". A "Welcome" message is displayed, along with a date of "23 Oct, 2000 GMT".

The main content area features an "ExchangeWatch" section with a table of "Selected Categories" showing "Sells" and "Buys" counts. The table data is as follows:

Selected Categories	Sells	Buys
Agrochemicals	27	8
Basic Industrial Chemicals	108	86
Fine and Specialty Chemicals	153	40
Industrial and Specialty Gases	22	5
Petrochemicals	21	27
Pharmaceuticals	33	10
Plastics and Polymers	72	28

Below the table, there is a search box and a "Search" button. The page also includes sections for "Chemical Industry News", "CHEMICAL WEEK NEWS", "REUTERS NEWS", and "CIMAI REPORTS". A "Corporate Trading Rooms" section is visible on the left side of the page. The footer contains "Legal Info and Privacy Policy" and "ChemConnect" branding.

www.chemconnect.com

Brokerage Model: Business Trading Community or Vertical Web Community

A concept pioneered by *VerticalNet* (www.verticalnet.com). It is a site that acts as an "essential, comprehensive source of information and dialogue for a particular vertical market." (B2B)

Such communities contain product information in buyers' guides, supplier and product directories, daily industry news and articles, job listings and classifieds. In addition, *VerticalNet's* sites enable B2B exchanges of information, supplementing existing trade shows and trade association activities.

Further example:

Buzzsaw (construction industry B2B vertical community) (www.buzzsaw.com).



www.verticalnet.com

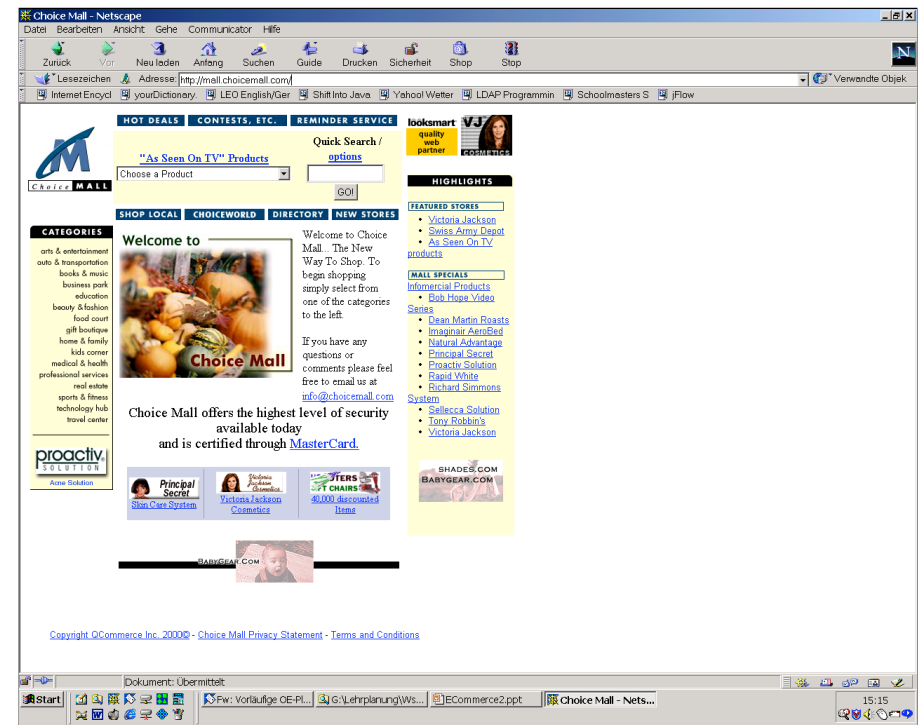
Brokerage Model: Virtual Mall

A site that hosts many online merchants. The Mall typically charges setup, monthly listing, and/or per transaction fees

The virtual mall model may be most effectively realized when combined with a generalized portal. Also, more sophisticated malls will provide automated transaction services and relationship marketing opportunities.

Examples:

Yahoo! Shopping (shopping.yahoo.com),
ChoiceMall (www.choicemail.com),
Women.com's Shopping Network (www.women.com).



www.choicemail.com

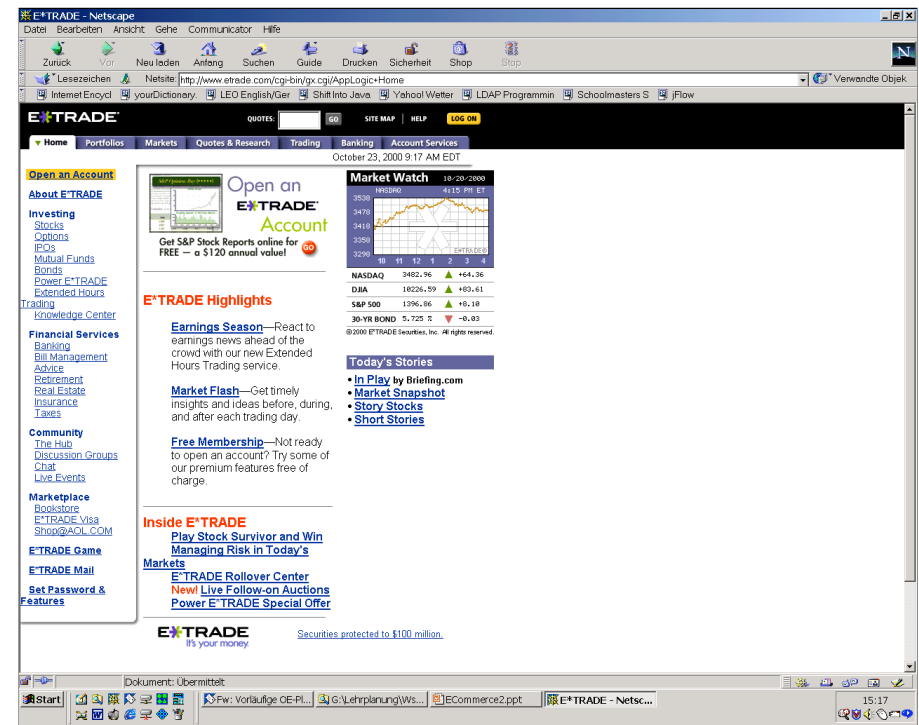
Brokerage Model: Buy/Sell Fulfillment

This can be an online financial brokerage, like *eTrade* (www.etrade.com), where customers place buy and sell orders for transacting financial instruments.

Also, travel agents fit into this category. In this the broker charges the buyer and/or seller a transaction fee.

Some models work on volume and low overhead to deliver the best negotiated prices.

Example: *CarsDirect* (www.carsdirect.com).

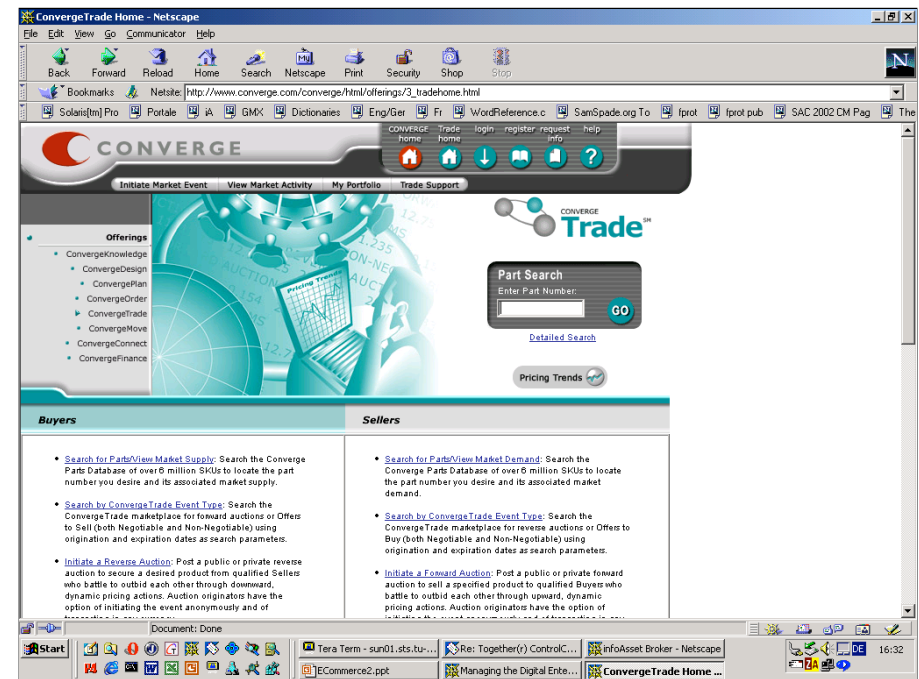


www.etrade.com

Brokerage Model: Distributor

A catalog-type operation that *connects a large number of product manufacturers with volume and retail buyers*. B2B models are increasingly common. Broker facilitates business transactions between franchised distributors and their trading partners. For buyers, it enables faster time to market and time to volume as well as reducing the cost of procurement. By providing the buyer with a means of retrieving quotes from preferred distributors - showing buyer-specific prices, lead-time, and recommended substitutions - transaction are more efficient. For distributors, it decreases the cost of sales by performing quoting, order processing, tracking order status, and changes more quickly and with less labor.

Example: ConvergeTrade
(www.converge.com/converge/html/offerings/3_tradehome.html).



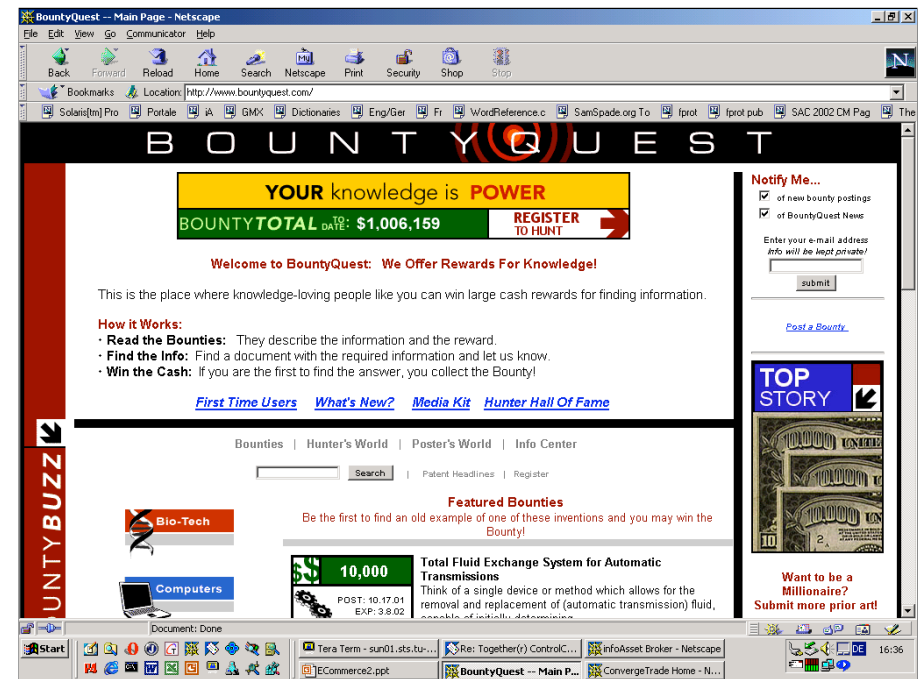
www.convergeTrade.com

Brokerage Model: Bounty Broker

The offer of a reward (usually a significant monetary sum) for finding a person, thing, idea, or other desired, but hard to find item. The broker may list items for a flat fee and a percent of the reward, if the item is successfully found.

Example: BountyQuest (www.bountyquest.com), which lists reward offers for uncovering prior art related to patents (i.e. it lists rewards for people who find patents that illegally claim existing, state-of-the-art procedures, technology as part of the patent).

(prior art = [patent right term for] state-of-the art, current).



www.bountyquest.com

Brokerage Model: Transaction Broker

Provides a third-party payment mechanism for buyers and sellers to settle a transaction.

Examples:

Paypal (www.paypal.com), Escrow (www.escrow.com).



The screenshot shows the PayPal website homepage. At the top, the PayPal logo is on the left, and navigation links for "Sign Up", "Log In", and "Help" are on the right. Below the logo is a dark blue navigation bar with buttons for "Welcome", "Send Money", "Request Money", "Shop", and "Sell". The main content area is divided into two columns. The left column has a "Welcome" section with "PayPal members" (with a "LOG IN" button) and "New user?" (with a "SIGN UP" button). Below that is an "In the News" section with an update about eBay acquiring PayPal and two award announcements. At the bottom of this column are logos for Visa, MasterCard, Discover, and American Express. The right column features the headline "The way to send and receive money online" and two main buttons: "Send Money" (with subtext "Pay anyone with an email address") and "Request Money" (with subtext "Send a personal or group bill"). A blue oval callout says "Get \$5 for signing up!". Below this is a yellow banner that says "Sign up for your FREE PayPal Account!". A "Spotlight" section follows, with "Businesses" (describing PayPal as an easy payment method for small businesses) and "Auctions" (describing it as a fast and secure payment method for auctions).

www.paypal.com

Auctions (1)

A speech bubble-shaped box with a black border and a tail pointing towards the definition text. The word "Definition" is written inside in red.

Definition

An **auction** is a market institution with an explicit set of rules for determining resource allocation and prices on the basis of bids from the market participants.

Overview of auctions formats [ecommerce.ncsu.edu02, LR99]:

- Classic English
- Classic Dutch
- Sealed Bid (First-bid and Second-bid)
- Reverse Auction
- Double Auction
- Multi-Item Auction

Auctions (2)

Classic English

- ❑ An auctioneer stands up in front of the room
 - Outcry: bidders call out prices
 - Silent: auctioneer calls prices and bidders signal silently
- ❑ Highest bidder gets the object

Comparison of traditional auction / Internet auction:

Traditional:

- Bidders present in the same room, the auctioneer closes the auction using the traditional “going... going... gone!” procedure.

Internet:

- Geographically diverse bidders generally placing their bids over a period of days or weeks. Sellers appear to prefer a closing time and date set in advance.
- “Sniping”: practice of waiting until the last minute before the auction ends, and trying to submit a bid which just barely beats the high bid and gives the rival bidder no time to respond.

Auctions (3)

Classic Dutch

- ❑ Price clock starts at too high of a price
- ❑ Price descends in real time
- ❑ First bidder to signal gets the goods at the price on the clock

Sealed Bid Auction

- ❑ Everyone puts their bid in an envelope and submits it to the auctioneer
- ❑ At a designated time, the auctioneer opens the envelopes and determines the highest bidder
- ❑ Two strategies:
 - First-price sealed bid: Highest bidder pays his bid
 - Second-price sealed bid (also called *Vickrey auction*): Highest bidder pays one increment over the second-highest bid received.

Auctions (4)

Reverse Auction

- Single buyer
- Lowest seller gets to sell the object
- Used for procurement

Double Auction

- “Trading floors” auction
- One virtual trading floor for each type of goods
- Many buyers and sellers on one trading floor
- Updates of offers by sellers as well as bids by buyers. They “meet in the middle”:
Sellers may lower ask prices, buyers may place higher bids.

Auctions (5)

Multi-item Auction

- Additional to existing auctions
- Single seller
- N units for sale
- N highest bidders get objects and pay

German UMTS Auction

Auction where 3rd generation mobile communication frequency blocks were sold.

Rules of the first auction:

- ❑ In the first round, participants may bid secretly and synchronously for at most 3 blocks.
- ❑ In the following rounds, every participant may bid for at most as many blocks as he has bid in the first round.
- ❑ Every round takes 40 min.
- ❑ For every block, every valid bid must surpass the last round's highest bid by a minimum increment, chosen by the auctioneer (10% of last round's highest bid, at the end 5%).
- ❑ The auction ends when no valid bid is given for any block.
- ❑ After the end of the first auction, only telcos which purchased successfully could purchase further blocks in a second auction.

NOTE: These rules were developed using game theory, ensuring the auction would raise much money (approx. 50 billion €).

[RegTP00]

Business Models: Community Model

The viability of the community model is based on user loyalty (as opposed to high traffic volume). Users have a high investment in both time and emotion in the site. In some cases, users are regular contributors of content and/or money. Having users who visit continually offers advertising, infomediary or specialized portal opportunities. The community model may also run on a subscription fee for premium services.

Specializations:

- Knowledge Networks / Expert Sites
- Voluntary Contributor Model

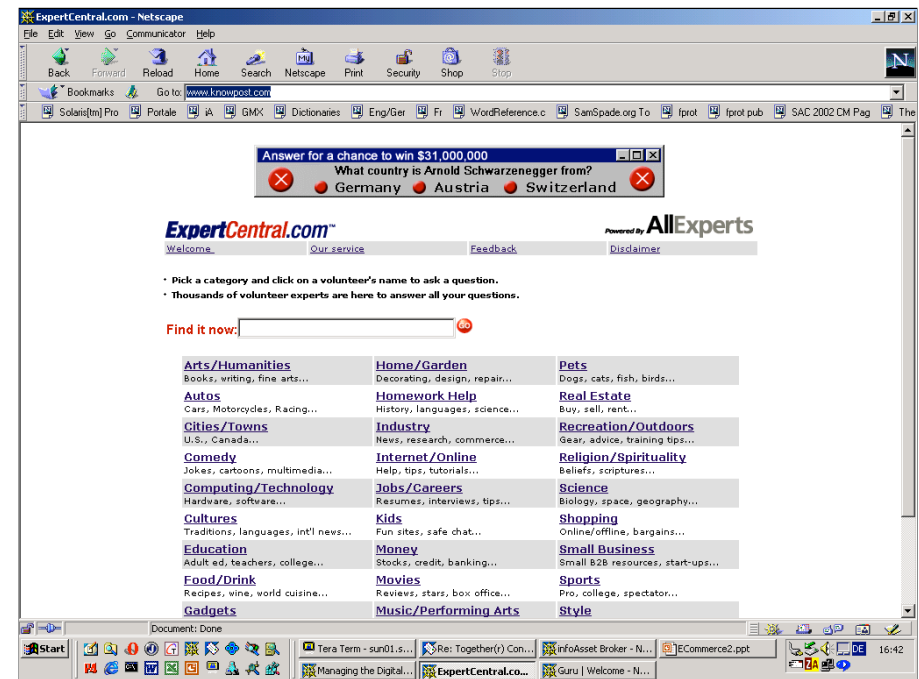
Community Model: Knowledge Networks / Expert Sites

Provide a source of information based on professional expertise or the experience of other users. Sites are *typically run like a forum* where persons seeking information can pose questions and receive answers from (presumably) someone knowledgeable about the subject. The experts may be employed staff, a regular cadre of volunteers, or in some cases, simply anyone on the web who wishes to respond.

Examples:

ExpertCentral (www.expertcentral.com),
AskMe (www.askme.com), NY Times
Abuzz (www.abuzz.com).

Quite some companies have turned away from this business model (guru, exp).



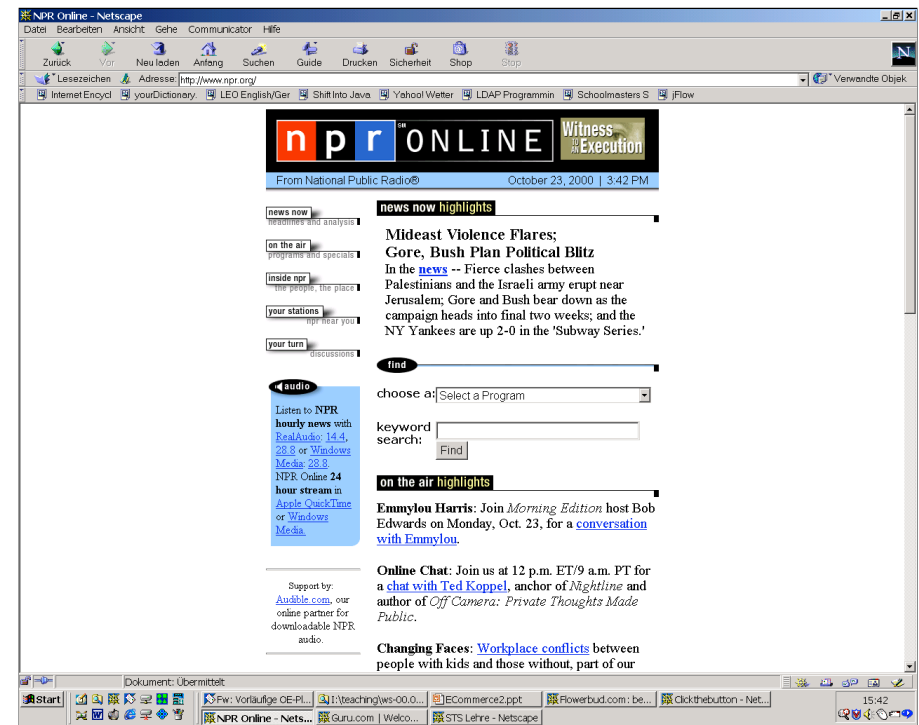
www.expertcentral.com

Community Model: Voluntary Contributor Model

Sometimes referred to as the "NPR model," -- the listener contributor method used by National Public Radio in not-for-profit radio broadcasting. The model is predicated on the creation of a community of users who support the site through voluntary donations. Not-for-profit organizations may also seek funding from charitable foundations to support the organization's mission.

Examples:

National Public Radio (www.npr.org),
The Classical Station (www.WCPE.org).



www.npr.org

Business Models: Infomediary Model

Data about consumers and their buying habits are extremely valuable. Especially when that information is carefully analyzed and used to target marketing campaigns. Some firms are able to function as infomediaries by collecting and selling information on buyer habits to other businesses. An infomediary may offer users free Internet access in exchange for detailed information about their surfing and purchasing habits. This is more likely to succeed than the pure advertising model.

The infomediary model can also work in the other direction: providing consumers with useful information about the web sites in a market segment that compete for their dollar. One such example is Gomez.

Specializations:

- Attention / Incentive Marketing
- Recommender System
- Metamediary
- Audience Measurement System
- Advertising Networks

Infomediary Modell: Attention / Incentive Marketing

The "pay for attention" model - pays visitors for viewing content and completing forms, or sweepstakes, or frequent flyer-type point schemes. The attention marketing approach has the most appeal to companies with very complex product messages, which might otherwise find it hard to sustain customer interest.

The concept was pioneered by *CyberGold* (www.cybergold.com [*ceased operations*]), with its "earn and spend community" that brings together advertisers interested in incentives-based marketing with consumers looking to save. To facilitate transactions, the company developed and patented a micropayment system.

A current loyalty-based relationship marketing approach is *CoolSavings* (www.coolsavings.com).



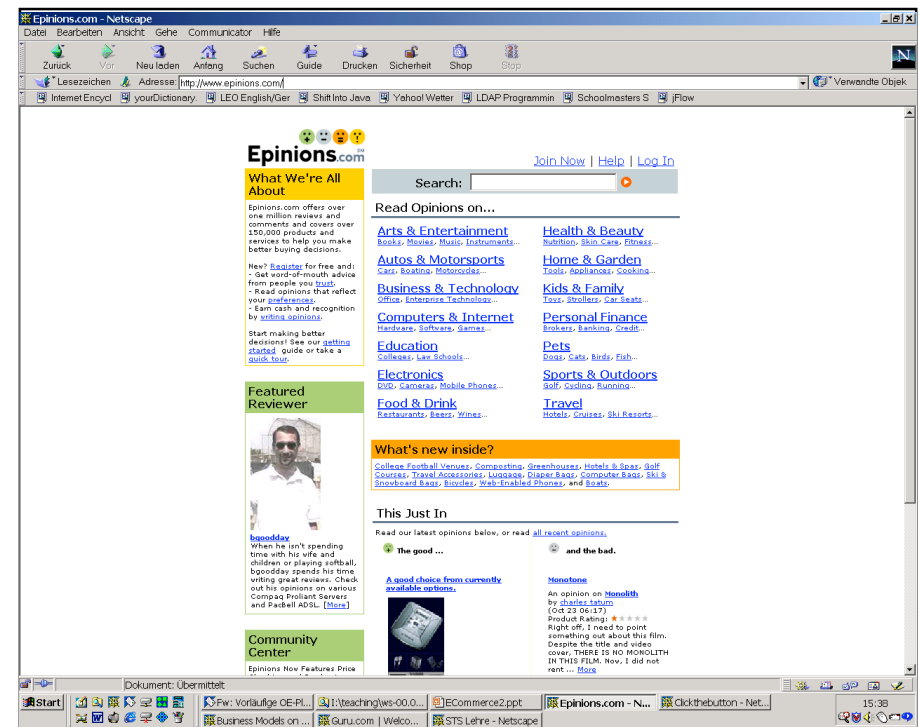
The screenshot displays the CoolSavings.com website interface. At the top left is a piggy bank wearing sunglasses. The main header features the text "Welcome!" in large yellow letters. Below the header, there is a purple banner with the text "enroll now and start saving!". To the left of the enrollment form is a "MANUFACTURER'S INSTANT COUPON" sample with a barcode and the text "Save money with tons of coupons you can print from your computer every time you go shopping!". Below the coupon is a list of categories: "Save BIG with:" followed by a list of items with checkmarks: Grocery Coupons, Store Coupons, Online Coupons, FreeStuff, Free Samples (from top brands), Gift Certificates, Rebates, and Newsletters. The enrollment form on the right includes fields for First Name, Last Name, Address, City, State, Zip, Area Code (Phone), Your Gender, Have Children?, and Birthday. The form also includes a "enable secure enrollment" button and a "required fields" indicator.

www.coolsavings.com

Infomediary Model: Recommender System

A Recommender System is a site that allows users to exchange information with each other about the quality of products and services -- or the sellers with whom they have had a purchase experience (good or bad). Example: *ePinions* (www.epinions.com).

ClickTheButton (www.clickthebutton.com, currently down) takes the concept a step further by integrating the recommender system into the web browser. Such agents monitor a user's habits, thereby increasing the relevance of its recommendations to the users needs -- and the value of the data to the collector. Recommender systems can take advantage of the affiliate model offered by merchants to augment revenue from the sale of consumer information.



www.epinions.com

Infomediary Model: Metamediary

It is a virtual mall, but one that will process the transaction, track orders, and provide billing and collection services. The metamediary protects consumers by assuring satisfaction with merchants. The metamediary charges a setup fee and a fee per transaction.

In general, it is a business that brings buyers and online merchants together and provides transaction services such as financial settlement and quality assurance.

Examples: Amazon's zShops (www.amazon.com), Edmunds (www.edmunds.com).

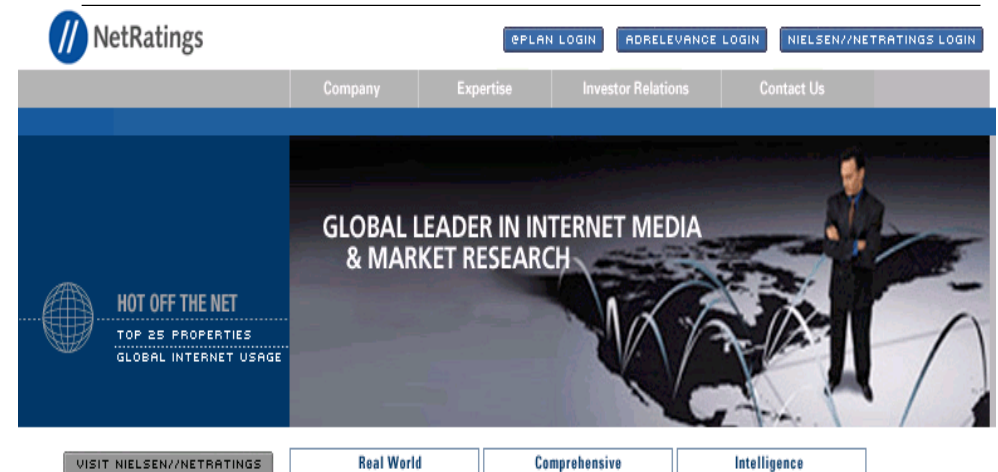
The screenshot shows the Edmunds.com website. At the top is a blue navigation bar with the Edmunds logo and the tagline "where smart car buyers start". Below this is a yellow banner with the text "Don't get taken for a ride!". The main content area is divided into several sections: "Future Vehicles" with a sneak-peek of next year's models; "Manufacturer Spotlight" for GM, highlighting the 2003 Corvette; "Just Starting?" with links for new and used car pricing, finding vehicles, and financing; "Comparison Shopping" for comparing vehicles; "THIS WEEK AT EDMUNDS" featuring a review of the 2003 Saturn Ion; "Special Report" on the Best Cars of 2003; "Fast Find" search filters for year and type; "Auto Refinance" with a 5.49% APR offer; "Buy or Sell in Your Area" with links for finding, buying, and selling vehicles; "Dealer Locator"; and "Finance and Insurance".

www.edmunds.com

Infomediary Model: Audience Measurement Services

Online audience market research agencies.

Examples: *Nielsen//Netratings*
(www.netratings.com).



NetRatings Inc. is a leader in providing timely, actionable Internet audience information and analysis that is required for strategic decision making in today's Internet economy. Nielsen//NetRatings services offered in partnership with Nielsen Media Research and ACNielsen provide accurate information about how people use the Internet.

The basis for the audience measurement data and analysis provided by Nielsen//NetRatings is actual click-by-click Internet user behavior measured through a comprehensive, real-time meter installed on individuals computers worldwide both at home and at work.

www.netratings.com

Infomediary Model: Advertisement Networks

Service that feeds banner ads to a network of sites, thereby enabling advertisers to deploy large marketing campaigns. By using cookies, the Ad Network operator collects data on web users that can be used to analyze marketing effectiveness.

Example: *DoubleClick*
(www.doubleclick.com).

DoubleClick

search: go

Products Customer Solutions Corporate International Privacy Contact Us

DARTmail ListDriver puts you in control. Find out more

DARTmail ListDriver Launches

Automate your list rental management, deployment and reporting with this web based tool. Designed specifically for list owners, managers and brokers.

More >>

What's New

[DOUBLECLICK AND MACROMEDIA FORM STRATEGIC ALLIANCE TO DEVELOP RICH MEDIA SOLUTIONS TO IMPROVE EFFECTIVENESS OF ONLINE ADVERTISING](#)
New York, NY, and San Francisco,, October 15, 2002

More News >>

Knowledge Central

[Q2 Email Trend Report](#)
Benchmarking statistics for email performance.

[Media Mix Modeling Case Study](#)
Online advertising proves its efficiency.

More Research >>

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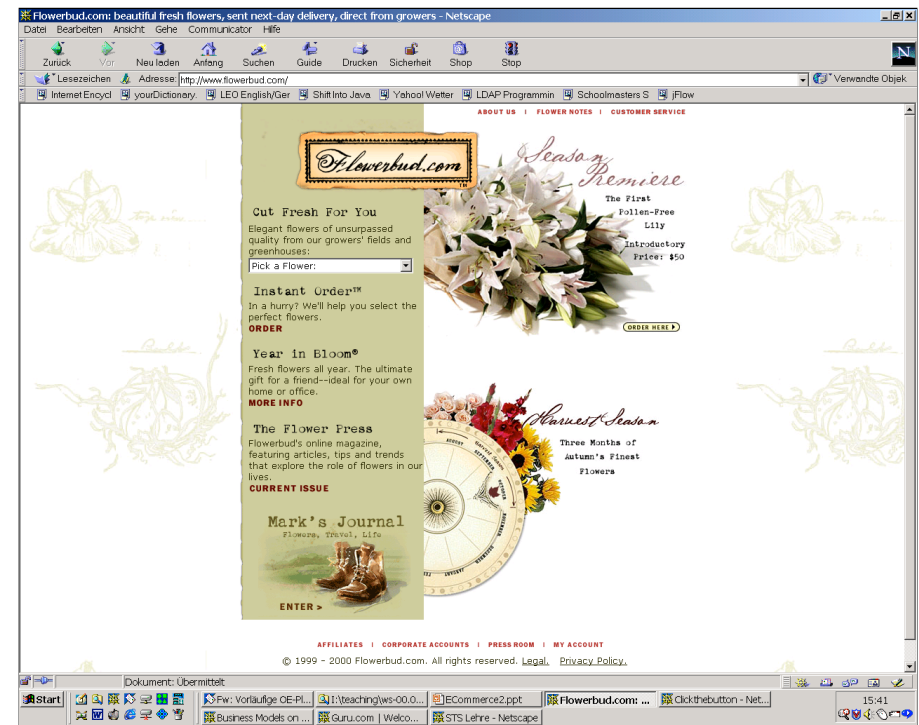


www.doubleclick.com

Business Models: Manufacturer Model

This model is predicated on the power of the web to allow manufacturers to reach buyers directly and thereby compress the distribution channel (i.e., eliminate wholesalers and retailers). The manufacturer model can be based on efficiency (cost-savings that may or may not be passed on to consumers), improved customer service, and a better understanding of customer preferences. Perishable products that benefit from fast distribution, like fresh flowers (example: *Flowerbud*, www.flowerbud.com), may prove advantageous by eliminating middlemen. The model has the potential for channel conflict with a manufacturer's established supply chain. Examples: *Intel* (www.intel.com), *Apple* (www.apple.com).

Specialization: Brand Integrated Content



www.flowerbud.com

Manufacturer Model: Brand Integrated Content

Traditionally, manufacturers rely on advertising to build customer awareness. Commercials via broadcasters like radio, television and mass market publishers (newspapers and magazines), or through product placement in TV and motion pictures, has been a mainstay of modern business. The Web enables a manufacturer to integrate their brand more intimately with the content.

The innovator in this respect is the luxury automobile maker, BMW (Bayrische Motorenwerke AG). The web site www.bmwfilms.com is a creative blend of advertising with entertainment that paves the way for a new approach that might be called "advertainment" - taking the idea of product placement advertising to the extreme.



www.bmwfilms.com

Business Models: Merchant Model

Implements classic wholesalers and retailers of goods and services (increasingly often referred to as "e-tailers"). Sales may be made based on list prices or through auction. In some cases, the goods and services may be unique to the web and not have a traditional "brick-and-mortar" storefront.

Specializations:

- Bit Vendor
- Catalog Merchant
- Surf-and-Turf
- Virtual Merchant

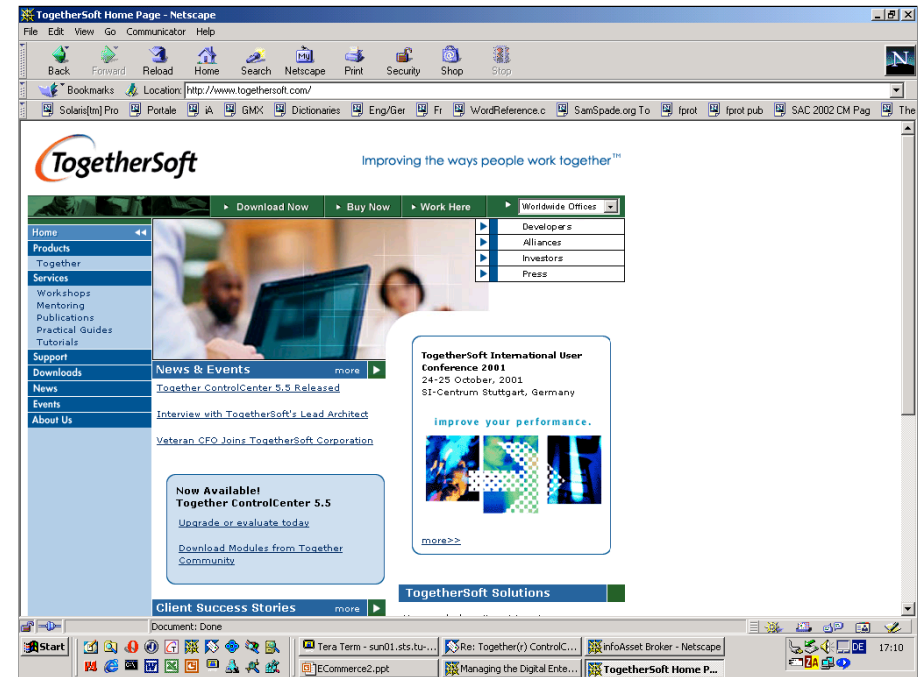
Merchant Model: Bit Vendor

A merchant that deals *strictly in digital products* and services and, in its purest form, conducts both sales and distribution over the web.

Examples:

Software companies: *Objectspace* (www.objectspace.com), *TogetherSoft* (www.togethersoft.com).

Multimedia content provider: *Eyewire* (www.eyewire.com).



www.togethersoft.com

Merchant Model: Catalog Merchant

The migration of mail-order to a web-based order business.

Example:

Chef's Catalog (www.chefscatalog.com),
OTTO (www.otto.de), *Lands' End*
(www.landsend.com).



www.chefscatalog.com

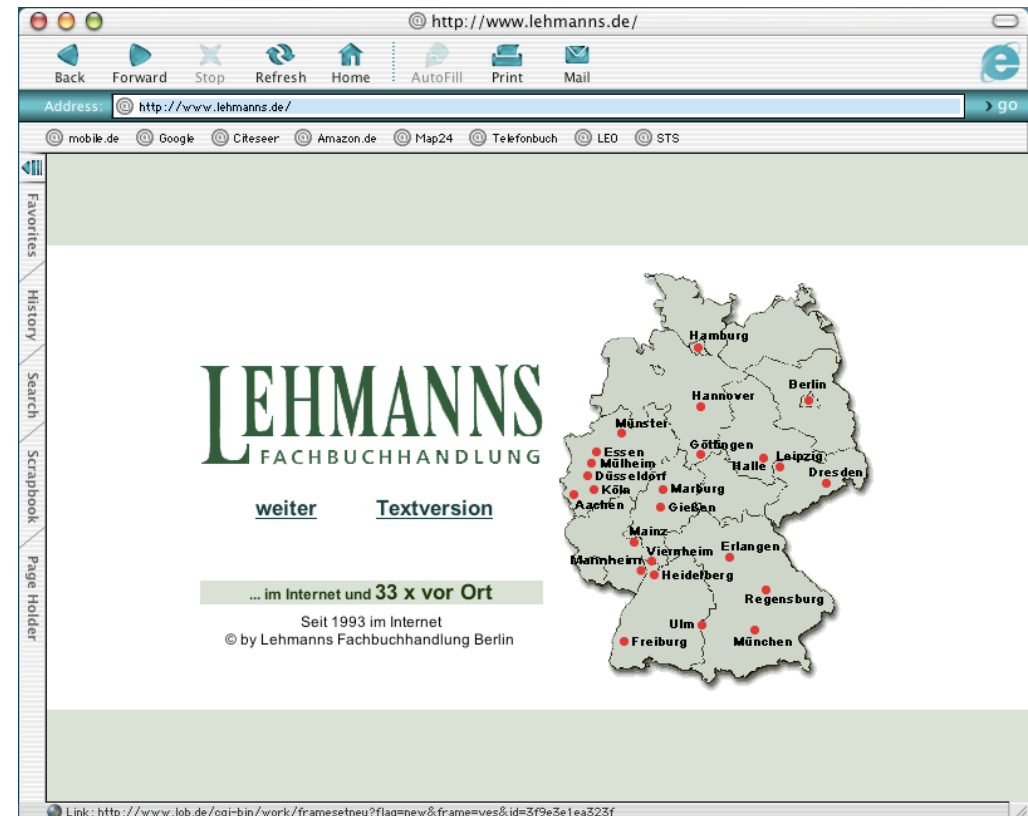
Merchant Model: Surf-and-Turf

Traditional brick-and-mortar establishment with web storefront (a combination of physical and web-enabled store).

The model has the potential for channel conflict. Physical stores can prove to be an asset if cleverly integrated into web operations. Also known as "bricks-and-clicks".

Examples:

www.lehmanns.de



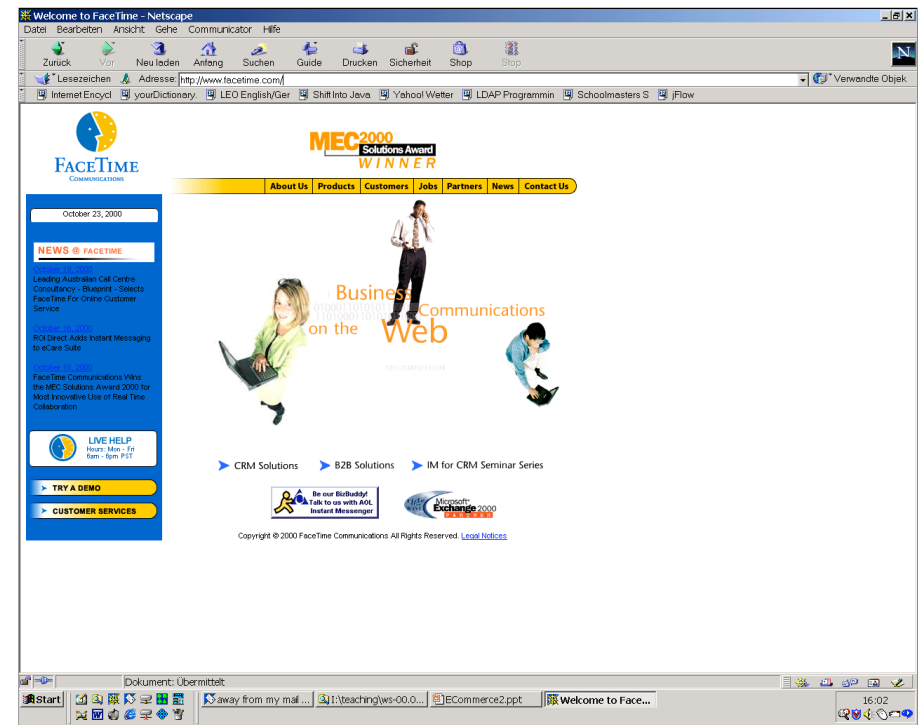
www.lehmanns.de

Merchant Model: Virtual Merchant

A business that operates only over the web and offers either traditional or web-specific goods or services (a.k.a., pure-play e-tailers). The method of selling may be list price or auction. An example of a service merchant is *Facetime* (www.facetime.com), which calls itself an "application service provider". It offers live customer support for e-commerce web sites.

More examples of virtual merchant:

Amazon (www.amazon.com).



www.facetime.com

Business Models: Subscription Model

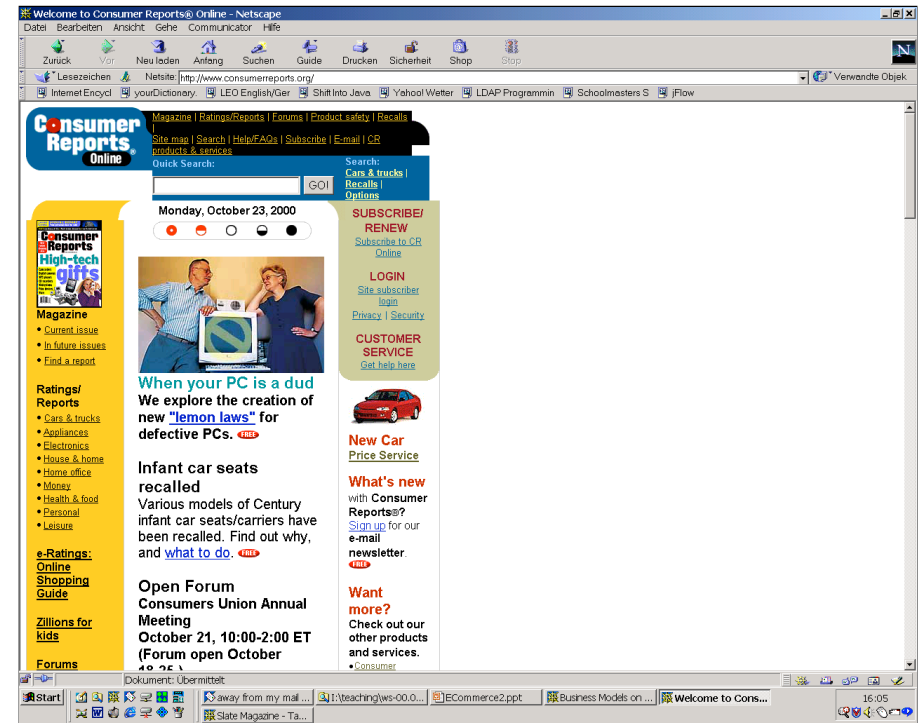
Users pay for access to the site.

High value-added content is essential (example: *Consumer Reports* (www.consumerreports.org)).

Generic news content, viable on the newsstand, has proven less successful as a subscription model on the web.

Examples: Slate (www.slate.com), Salon: (www.salon.com).

A 1999 survey by Jupiter Communications found that 46 percent of Internet users would not pay to view content on the web. Some businesses have combined free content (to drive volume and ad revenue) with premium content or services for subscribers only.



www.consumerreports.com

Business Models: Subscription Model

Users are charged a periodic -- daily, monthly or annual -- fee to subscribe to a service. It is not uncommon for sites to combine free content with "premium" (i.e., subscriber- or member-only) content. Subscription fees are incurred irrespective of actual usage rates. Subscription and advertising models are frequently combined.

Specializations:

- Content Services
- Person-to-Person Networking Services
- Trust Services
- Internet Service Provider

Subscription Model: Content Services

Beyond newspapers and magazines, the Web has encouraged the use of the subscriber model for music and video, as well.

Examples:

Listen (www.listen.com),

Netflix (www.netflix.com),

the new Napster will be like this (www.napster.com).

The screenshot shows the Listen.com website homepage for Rhapsody Digital Music Service. The header includes the Listen.com logo and navigation links: Home, Get Rhapsody Now, About Rhapsody, The Music, FAQs & Help, and About Listen.com. The main banner features the text "RHAPSODY™ DIGITAL MUSIC SERVICE" and a collage of five artists: Faith Hill, The Who, Ozzy Osbourne, Diana Krall, and Bob Marley. Below the banner, there are three promotional sections: "The Celestial Jukebox" describing unlimited access to over 15,000 albums, "The Mercury News" quote "Rhapsody is the best choice", and a "Get the 7-Day FREE Trial!" offer with a "START HERE" button. A "MINIMUM SYSTEM REQUIREMENTS" box at the bottom right lists: Windows PC, 350 MHz, 250 MB HD Space.

www.listen.com

Subscription Model: Person-to-Person Networking Services

Person-to-Person Networking Services are conduits for the distribution of user-submitted information, such as individuals searching for former school mates.

Example: *Classmates*
(www.classmates.com).



classmates
the world's best place to reunite

30 Million Friends & Growing!

Rediscover your past!

Begin by finding your school.

UNITED STATES

Alabama	Kentucky	North Dakota
Alaska	Louisiana	Ohio
Arizona	Maine	Oklahoma
Arkansas	Maryland	Oregon
California	Massachusetts	Pennsylvania
Colorado	Michigan	Rhode Island
Connecticut	Minnesota	South Carolina
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District Of Columbia	Missouri	Tennessee
Florida	Montana	Texas
Georgia	Nebraska	Utah
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www.classmates.com

Subscription Model: Trust Services

An independent third party that engenders trust between unfamiliar parties entering into a transaction. The need of trust increases with the value and complexity of the product or service that is sold. Trust services typically come in the form of membership associations that abide by an explicit code of conduct, and in which members pay a subscription fee.

Example: *Truste* (www.truste.com).

More on security and trust in chapter 5.

Make privacy your choice.™ **TRUSTe**

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Spotlight

Trusted Sender Program: TRUSTe and ePrivacy Group have teamed up to build trust in email through this new seal and certification program. [» Learn More](#)

About TRUSTe

TRUSTe: In the evolving networked world, TRUSTe enables individuals and organizations to establish trusting relationships based on respect for personal identity and information. [» Learn More](#)

Consumer Education

Consumer Education: Education is the number one priority in privacy protection.

- [» Privacy Partnership](#)
- [» Join the Privacy Partnership](#)
- [» Privacy Protection Guidelines](#)
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TRUSTe has moved to San Francisco! For new contact information, click [here](#).

For Consumers

Reviewed by **TRUSTe's Privacy Seal:** When you see the TRUSTe seal, you can be assured that you have full control over the uses of your personal information to protect your privacy. [» Learn More](#)

File a Complaint: TRUSTe's Watchdog Dispute Resolution mechanism. If you believe your privacy has been violated, click here for help. [» Learn More](#)

Special Note To Consumers: If you got here by clicking on our trustmark, you may have visited a fraudulent website. To contact us, [Click here](#)

For Businesses

How To Join: Web sites displaying the TRUSTe Privacy Seal are committed to abiding by a privacy policy that gives users notice, choice, access, security, and redress with regard to their personal information. [» Learn More](#)

Privacy Resources: Everything you need to know about responsible privacy practices, including the Privacy Resource Guide, statistics, public policy developments, and more. [» Learn More](#)

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Subscription Model: Internet Service Provider

Offer Internet connectivity and related services on a monthly subscription.

Example: AOL (www.aol.com).

The screenshot shows the AOL Anywhere website interface. At the top, there is a navigation bar with links for Main, My AOL, Mail, People, Search, Shop, Channels, and Devices. The main content area is divided into several sections:

- AOL Members Sign On:** A blue section with a sign-in form. It includes a "ScreenName" field, a "Password" field, and a "Sign On" button. Below the form, it says "Sign in above to get your:" followed by icons for Mail, Portfolio, My AOL, and Calendar.
- Search:** An orange section with a search input field and a "Search" button. Below the input field, there are links for "white pages", "yellow pages", "e-mail finder", and "maps".
- Shop@AOL:** A teal section with a "Titanium Visa Power: Low 9.9% Fixed APR*" banner. It lists several product categories: "Cell Phones", "Hot Cameras", "Scanners", "Buy her jewelry she'll love.", and "Click for a fall fashion preview".
- People & Chat:** A light blue section with links for "Groups@AOL", "Hot Chats", "Love@AOL", "Home Pages", and "AOL Instant Messenger".

On the right side of the page, there are several promotional banners:

- all new AOL 8.0:** A yellow banner with the text "Connecting you to the people and things you care about!" and "News, scores and more". It also says "Register today for 1025 FREE HOURS" and "No credit card required for 45 days".
- FREE ICQ Instant Messenger by AOL:** A banner with a mouse cursor pointing to a "FREE" button and the text "Chat with friends!".
- Fit in Minutes:** A banner with a photo of a woman and the text "10-20-30 Minute Workouts", "Should You Lift Weights?", and "Search Health Headlines".
- Top Sites on AOL:** A list of links including "Channels", "Find a Job", "House & Home", "Free Greetings", "Weather", "Games", "Travel", and "Local Guide".
- AOL High Speed Broadband:** A banner with the text "AOL brings you the Internet in an instant! Click for info!" and an "AOL HIGH SPEED" logo.

www.aol.com

Business Models: Utility Model

The utility model is a metered usage or pay-as-you-go approach.

Unlike subscriber services, metered services are based on actual usage rates.

Traditionally, metering has been used for essential services (e.g., electricity water, long-distance telephone services). Internet service providers (ISPs) may operate as utilities, charging customers for connection minutes (in Germany: Internet Call-by-Call, e.g. Freenet), as opposed to the subscriber model (e.g., Flat Rate)

Its success depends on the ability to charge by the byte, including micropayments (that is, those too small to pay by credit card due to processing fees).

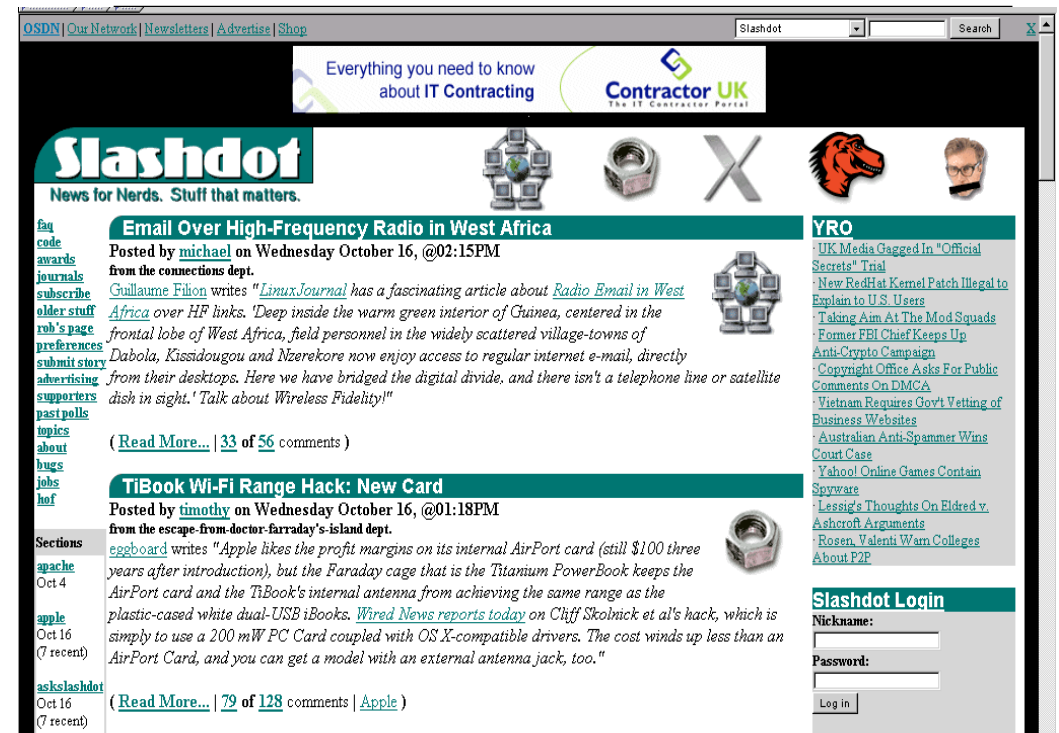
Utility Model:

- Metered Subscriptions

Utility Model: Metered Subscription

Metered Subscriptions: Subscribers purchase access to content in metered portions (e.g., numbers of pages viewed).

Example: *slashdot* (slashdot.org).



www.slashdot.org

2. EC from a Business Perspective

2.1 A Taxonomy of EC Business Models

2.2 Trends & Directions

General Trends

B2C and B2B business model trends

Trends and Directions (1)

General trends:

- ❑ No venture capital anymore, plunging and volatile stock markets => Few start-ups; rather mergers and acquisition
- ❑ Instability:
 - Technology (e.g., EJB vs. .NET component architecture, interoperability of different software systems is still problematic)
 - Staff (lay-off, qualification of staff, loyalty in times of lay-off)
 - Funding
- ❑ Merging of Content, Commerce and Community

Trends and Directions (2)

Business model trends:







B2C

- Shops: Saturation
- Advertising and community models: Do not create revenues anymore
- Virtual merchants: Few profitable remaining
- Surf-and-turfs: Successful business model

B2B

- Marketplaces: Gaining importance in some industries
- Auctions: Popular in B2C; but much more important in B2B for dynamic price-finding.

References & Further Reading

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