

## A Model for a Superior Electronic Business in Line with Strategic Objectives of Organization

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### ABSTRACT

Trading and business methods are some of the most important areas which have been rapidly and highly affected by the developments in information and communication technologies and the Internet. Many of the traditional methods of making money have evolved and several new methods and values have emerged. Business model is a method for business so that the organization can maintain its survival and raise revenue in order to achieve its strategic objectives. In general, it can be said that e-business includes applying all information systems to improve and control business processes. The present study attempts to investigate the business models in order to achieve a comprehensive and efficient model for e-business.

**KEY WORDS:** Business Models, New Technologies, New Electronic Business Models

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### 1. INTRODUCTION

Semantically, a "new business idea" has a close relationship with creativity and lack of a standard and inclusive definition for creativity makes it difficult for us to provide a comprehensive definition of a "new business idea", and consequently the process of "generating a business idea". However, the engineers are contented with the functional definitions of the concepts as well.

Functionally, a "new business idea" has a close relationship with the "innovation in redesigning an existing business model".

There is an unwritten widespread public belief that is very strict. According to this belief, a "new business idea" requires creating an innovative new business model that has never existed. That requires innovative design of all elements of a business model canvas, something that has never crossed anyone's mind.

In a correct view, a "new business idea" requires innovation in redesigning one or more basic elements of the business model and imitating other basics from the competitors. Innovation is a plan to generate competitive differentiation. To put more briefly, a part of the work should be different from other competitors and this distinction should create a competitive advantage for you.

It doesn't require entering a market with no competitor; that is, generating a business that has never crossed anyone's mind. The art of entrepreneurship is that with a little but creative change in an existing business (the existing business model) you would be able to attract your competitors' customers. That is why "generating a new business ideas" means "innovations in redesigning an existing business model." [In English the word "generation" is fittingly used to refer to building a business model. It means making something new based on the changes and improvements in existing things. While translation of this word into "creation" in Farsi is far from this meaning; it means creating a totally new thing regardless of the existing things].

In this article it has been tried to change the existing business model to achieve a better model.

### 2. Manuscript Structure

Business model is a good starting point for the process of "generating new business ideas". Therefore, it's better to use "business model canvas" as a tool for beginning "generation of ideas".

According to the book "Generating Business Model", all 9 basic constituent elements of business model canvas can be a starting point for generating new business ideas. For "generating ideas", these 9 components can be divided into four main innovation centers: in terms of source (three components: key partners, key activities and key sources), the value proposition, the client (including the three components: customer, relationship with customers and distribution channels) and financial resources (including income and expenses).

It is necessary to consider the following points before explaining each of the four centers described above:

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Each of the four centers can be the start of a big change in the business model and it is very likely that they affect other parts of the business model.

Sometimes, the process of generating new ideas requires innovation in several centers.

Identifying the intended centers and innovation in them is another topic which is not in the scope of the present article.

The following steps can be taken to generate a new business idea:

1. Choose the area of your business.
2. Select one of the existing business models.
3. Analyze the strengths and weaknesses and identify opportunities and threats to generate innovation in one of the centers that generate ideas.
4. Evaluate your business models by considering the customer.

### **3-Innovation**

In terms of source, innovation has its root in the infrastructure (including source and key activities) and the existing key partners. The basic idea of this strategy is creating a new opportunity or taking advantage of an existing opportunity to improve efficiency and to increase productivity in business processes. Different methods can generate innovation in the center:

1. The use of existing resources or new resources which are not accessible to the competitors.
2. More efficient redesigning of key activities that can be based on new technologies.
3. Easy access to a unique business partner that supports your business processes with higher quality.

These tactics increase productivity and consequently will create a competitive advantage over the competitors.

For example, the Amazon Web Service Cloud was formed based on a processing infrastructure and powerful servers which were available to support the retail in Amazon site. Amazon's new service includes providing server processing capabilities and storage space to other companies.

### **4- Innovation based on value proposition**

Innovation based on proposition includes the generation of new value propositions that affect other constituting components. This innovation can mean providing a new, distinct and rising value, or may mean providing existing market values along with taking into account some distinct features.

Innovation in the value proposition can take one of the following forms:

1. Quantity: such as price, speed, performance, risk and...
2. Quality: such as design, user experience, brand, convenience, freshness, and customization...

Example: When the company Cemex (Mexican cement manufacturer) undertook to deliver the refined cement in 4 hours instead of the usual 48 hours it had to change its business model. This innovation helped Cemex turn from a local cement manufacturer in Mexico into the second largest producer of cement in the world.

### **5. Customer-based Innovation**

Customer-based innovations are generated by considering clients' needs and increasing their ease of access and convenience. This center includes the following three components. Redesigning each of them to differentiate them from the competitors could lead to the generation of a business idea:

Customer sector: Target the new customers, identify hidden and unresolved needs, focus on a specific group of customers or turn the market into a mass market. The aim is to provide value to those who are willing to pay your company rather than your competitors.

Customer relationship: Try to attract, retain and increase customers by finding innovative ways. Information and communication technologies provide the businesses with new solutions to form a distinctive business model.

Channels: Redesign five different phases of the business channels: 1. how do you introduce your products to your customers? 2. How do you allow them to evaluate your value proposition? 3. How can the consumers buy the products? 4. How do you deliver your value proposition to customers? 5. How do you provide after sales services to customers?

### **6. Finance-based**

This category includes innovations derived from new income streams, pricing mechanisms or reduced cost structures. Innovation in this center can be divided into two parts:

Reducing costs: Think about the required processes, activities and key resources. Try to find ways to reduce the running cost. Sometimes, the clever use of resources and cost reduction can lead to a better profit margin comparing with the competitors in the market.

Increasing incomes: there are many income models. Many business models create considerable competitive differentiation just by changing their income streams and method. Income method must be chosen by considering the interest of the clients; in that case they will choose you to reduce their costs.

### **7- Multiple innovations**

These are innovations that are generated by several centers and have significant impact on several components of business model.

For example, Hilti, a global manufacturer of professional construction tools, changed its way from selling the products into renting the tools to the customers. This was a huge change in the Hilti's value proposition. On the other hand, the company's income streams changed from revenues from selling of the products once into revenues from recurring services.

### **8- Online Business**

Internet penetration is growing so immensely that we cannot imagine life today without it. Entertainment, communication, education, business, law, and even personal relationships are affected by this technology and new horizons have been opened for people and companies. Information and communication technology in the field of trade has provided the traditional companies and service providers with various facilities and has greatly improved them. It has also caused generation of new enterprises which either only provide services on Internet network or work in parallel in both traditional and modern areas. The development of the Internet generated new needs, new resources, new products, new views and approaches to business and new values for the firm and the client. It also raised topics such as the digital economy with an outlook to reduce the price of products/service for the consumers almost to zero and to make money by other ways [1].

New values resulting from this technology are divided into two categories: the first category is the values that were previously proposed but did not have proper context. An example is the ease of access to various resources or customer power in pricing in the new space named as Trapped Value. The second category includes the values that did not exist in the past and only developed due to the new advancement in technologies. Some of them include the possibility of offering customized products to each customer or forming virtual communities. An important factor is unique ability of the Web in generating new methods of business, new values for customers and numerous resources and benefits for companies and differentiation from traditional and physical businesses. For example, online auction (such as eBay in the world and junk shop in Iran) that allows the participation of people from different geographical locations in the sale and remote purchase of goods, or easy transfer of digital goods such as music and books at any time and in any place and, in general, the new offers of companies to customers such as the right to choose or a broad control over the products were impossible without features of online space [2].

### **9. Online business models**

Online business models are the concepts that have been widely discussed but the debates have resulted in few understanding and consensus. (Michael Rapa)

To put simply, the business model is a method that the company has adopted in the business activities to maintain its stability by earning money. Considering the available resources and customer's need, in this model the customers are offered their desired value proposition which provides the company with benefits and income. In another words, the business model specifies how the money is made by an enterprise through identifying its position in the customer value chain.

The ways the enterprises and online businesses can earn revenue should be examined. Finally, different business models should be analyzed by combining customer interests and the interests of enterprises and methods for earning revenue.

A number of ways for making money online which have been collected in this study include:

1. Transaction fees: Company receives a commission for each transaction.
2. Hosting fees: payment for hosting applications and other transactions through enterprise's e-business media (ASP Models)
3. Referral Fees: commercial sites provide the customer with information about the products and services of other sites and when the customer visits the site, the referred site will pay commission to the first site.
4. Subscription fees: Regular payments for access to information and the provided services
5. License fees: receiving fees for the processes the company has a share in. Amazon's "One-Click Ordering" is an example of this system. This license has been granted to many companies.
6. Pay-per-view: the payment of fees per each access to information.
7. Pay-per-performance: charging fees for full performance.
8. Micropayment: receiving very trivial trading fees but in large numbers.
9. Advertising: It enables the e-commerce organization of the company advertise for other companies. MyNiaz.com is an example of such sites.
10. Sponsorships: fees for sponsorship for other electronic sites in the organization.
11. Ransom Model: sharing part of information for free and charging the customer for further information or access. Example: Stephen King offers a section of his book for free and receives commission if customer wants to read all of the books or the next chapters.
12. Sale of goods / services: The most common model which includes the supply of goods and services on the Internet and receiving fee for them.
13. Sale of customer data: collecting customer information and selling it to others. This activity is forbidden in Europe but is quite common in North America.
14. Offline customer response: The Internet is used to attract customers. More profitable activities are done offline and outside the Internet.
15. Efficiency & effectiveness gains in trades: business operation efficiency increases due to fewer errors and more and precise information

- 16. Value-added services (Linux model): receiving commission for new services offered for the free goods and services on the Internet.
- 17. Virtual real-estate: the constant presence of the company in the Web to gain an outstanding position in the hope to sell or rent the position to others [3].

**13. Successful Business Models in Iran:**

In the absence of required legal, technical and cultural contexts, Internet business is not currently flourished in Iran. Some of the main problems are lack of appropriate culture in this regard and therefore distrust of users towards e-business systems, and absence of pervasive electronic payment which especially is a barrier to the growth of e-commerce. Considering the above-mentioned restrictions (which are not within the scope of this article), a number of business models have not been very effective in the current situation in Iran and are less likely to be successful. But currently it seems that the following models are in better conditions:

**1. Communication services**

Currently the web-based communication has found its place among users and is competing seriously with traditional Telecommunication. Providing this service on the Internet and presenting or extending the service - even with the current semi-online payment systems and buying credit- is a good business method in this field.

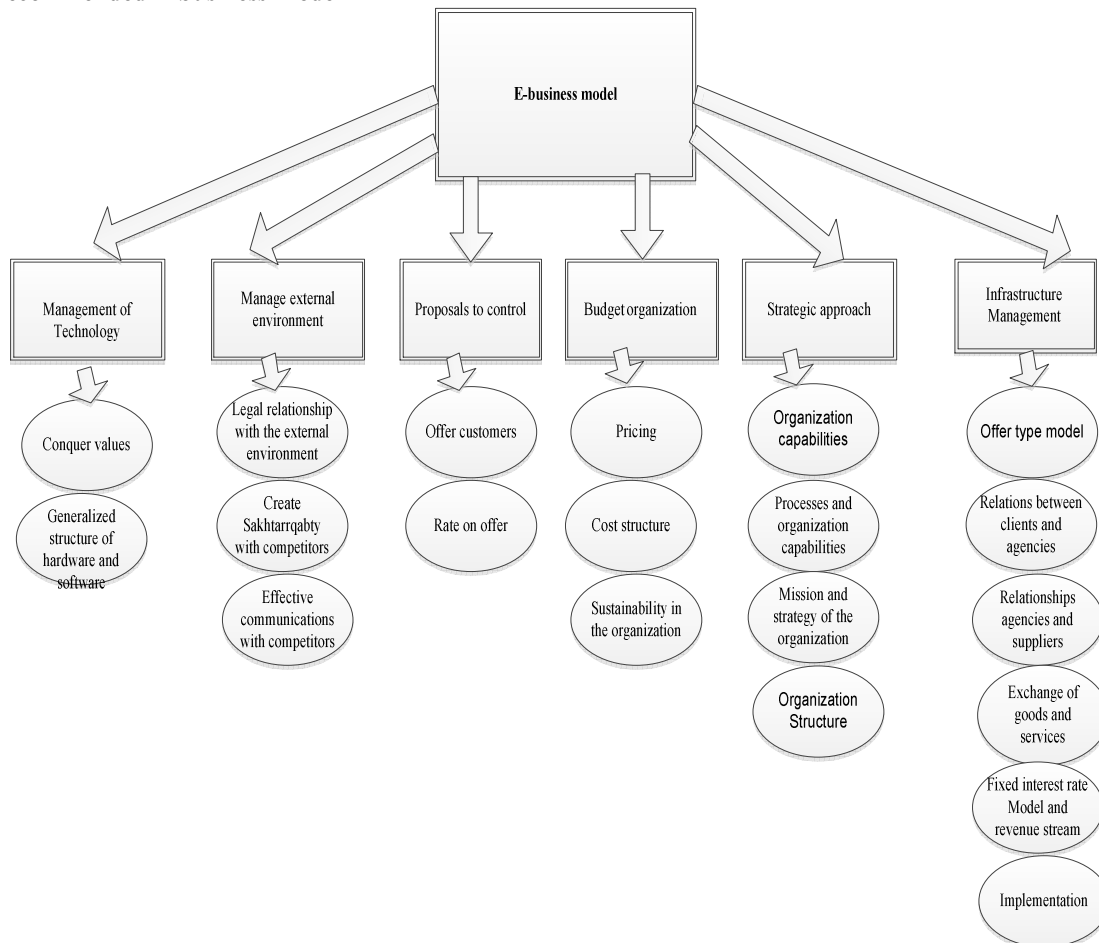
**2. Content Provider**

If there is ability to provide new and interesting content and news, attracting advertisement in the content providing market is currently possible, although its dimension is not enough to be suitable for financing medium and large companies. It appears to be a suitable model in certain cases, such as the establishment of e-learning and providing valid certificates for distinguished non-online educational and training institutions - such as prominent universities in the country.

**3. Salesmanship and doing transactions or Brokerage**

This method does not seem appropriate due to the impossibility of online payment (in an extensive scope), customers' uncertainty in receiving the products on time, and the absence of affordable products on the Internet. However, it appears that there are fewer problems regarding digital goods such as phone and internet cards, software, and host and domain sales service. As after the payment of goods the products can be received instantaneously and in any place the users would be motivated to use the model if these services are provided with fewer prices than the traditional market.

**14- Recommended E-business Model**



**Fig 1. Recommended E-business Model**

## **CONCLUSION**

The use of e-business systems is essential in today's complex world. The present article examined the concept of electronic business and types of available models of e-business. Finally, the paper presented a comprehensive model based on customer's needs which complements the previous electronic business models, is consistent with the business context, and takes into account the customer's concerns and needs. The researchers will attempt to evaluate the presented model and will implement it in an organization in future.

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