

Chapter 5

B2C Digital Business Models: Commerce



The commerce business model deals with the initiation, negotiation and/or settlement of transactions over the Internet and is a very important partial model of the 4C-Net Business Model. While Sect. 5.1 initially outlines the basic features of the commerce business model, Sect. 5.2 describes its different types. Section 5.3 explains its underlying value chain based on different core assets and competencies. Finally, Sect. 5.4 provides a case study of the online auctions platform eBay.¹

5.1 The Commerce Business Model

The commerce business model entails the initiation, negotiation and/or settlement of transactions over the Internet (Solaymani et al. 2012). Its aim is an online-based supplement or even substitution of traditional phases of a transaction (Wirtz and Kleineicken 2000). The business model can be further subcategorized into the business model types e-attraction, e-bargaining/e-negotiation and e-transaction. E-tailing, as a further type, covers the entire process of selling goods and services to consumers over the Internet. Figure 5.1 provides an illustration of the commerce business model.

¹See also for the following chapter Wirtz (2018b).

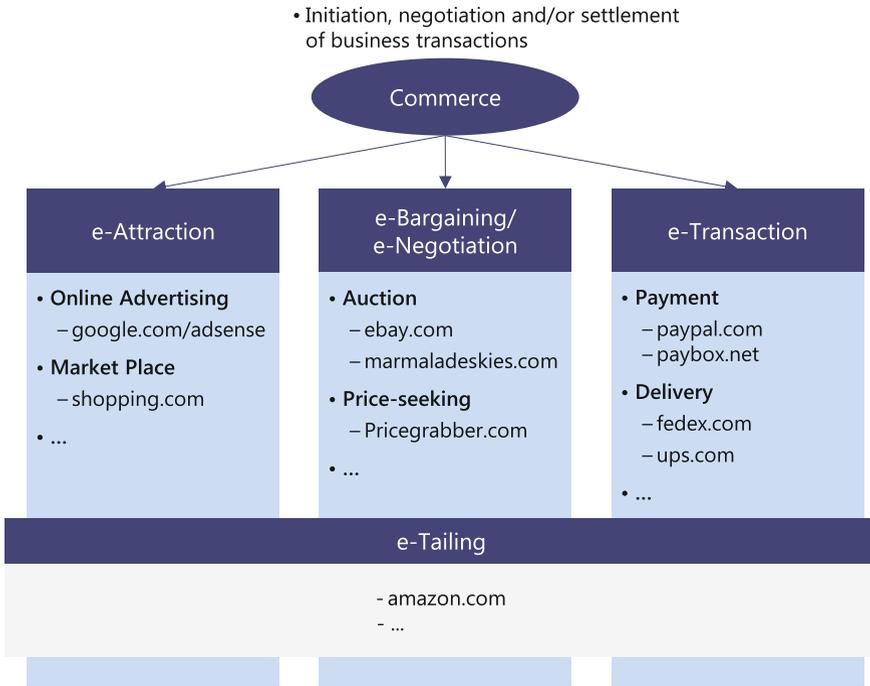


Fig. 5.1 The commerce business model. *Source* Wirtz (2001a, 2018b)

The business model type of e-attraction refers to all measures that support the initiation of transactions. These factors, for example, include online advertising (e.g., banner placement) and the provision of marketplaces. Hence, other commerce business models are, in turn, possible in these marketplaces. In this connection, the sector pertaining to the business relationship among consumers, so-called C2C-relationships, is becoming increasingly relevant. Such relationships arise, for example, over the eBay platform when a private provider sells to a private bidder. Since a large number of professional providers meanwhile also use eBay, the latter also handles B2C transactions and even B2B.

The business model type of e-bargaining/e-negotiation focuses on the negotiation of terms and conditions. An important parameter that is often subject to negotiation with regard to a given product or service is often only the price or other conditions of purchase. Auctions represent a pricing mechanism frequently used in this context. The provider of the service does not necessarily have to moderate or take on the role of conducting the negotiations in such business models. The well-known example of the auction house eBay shows that the subject of the business model can already pertain to the provision of the technical platform, on which the providers and buyers then conduct their negotiations.

Price-seeking is another approach of the bargaining/negotiation type, in which customers make their offers known for the desired product. Then, the company determines the fairest offer for the product selected. Price-seeking offers have gained increasing relevance in recent years. An example of this business approach is pricegrabber.com.

The business model type of e-transaction addresses the settlement of transactions conducted via the Internet. The transaction type, in turn, can be subcategorized into payment and delivery. A payment system specifically designed for settling transactions via the Internet is, for example, PayPal that enables Internet users to send and receive money in over 200 countries (PayPal 2017).

In addition to payment, delivery may also count as a subcategory of the transaction type of the commerce business model. The distribution of information-based products such as software takes place directly over the Internet. Physical products, in contrast, are shipped by traditional means to the customer. As far as the domestic distribution capacities of the manufacturer or another dealer are not used, the assumption of the shipping services is borne by external service providers, such as FedEx or United Parcel Service (UPS).

Electronic retailing (also referred to as e-tailing) covers the entire process of selling goods and services to consumers via the Internet. Online retailers therefore often offer integrated solutions, comprising multiple commerce services—from the presentation of the offer up to the settlement of the transaction. Some major online retailers meanwhile even provide e-bargaining offers. Amazon.com can be cited as an example of a successful online retailer.

Although the offer mainly pertains to books, DVDs, CDs and computer games, it also includes electronic devices, toys and garden accessories. After various manufacturers have added their products or services to the Amazon platform, they are collected and then systematically presented to the customer. Incoming customer orders are processed upon payment (e.g., direct debit or bank transfer) and further internally routed, before the products are packed and shipped.

5.2 Commerce Business Model Types

The following presents the services offered by the different business model types e-attraction, e-bargaining/e-negotiation, e-transaction, and e-tailing in more detail. The explanations are dedicated to the characteristics and specifics of the individual business model types and examples are given for a better understanding.

- E-Attraction

The initiation of transactions is the core of the commerce business model type of attraction. In this context, the design, marketing and placement of advertising space on the Internet is the core of the activity that is offered by Internet attraction providers.

A usual service that is offered by many firms is general promotion and advertising on the Internet. Specialized firms, such as the company GLISPA, offer various online advertising (e.g., banner advertising) measures, in particular, for mobile devices. There is a multitude of measures that raise attention online. With an increasing use of mobile devices but also of the Internet as such, the attraction type becomes more and more important to retailers, brands and everyone else that depends on awareness.

Google offers advertising services such as Google AdSense and AdWords. Their algorithm analyzes content on the clients' websites and prioritizes the matching search results on the Google result list. It therefore scans content from sites and places ads that are potentially relevant to the target audience.

Figure 5.2 shows the example of a search on Google for the search term "digital business models". The search results are complemented by a related ad of Accenture an IT consulting firm. The appearing ads vary when the search is repeated.

The image shows a Google search interface for the query "digital business models". The search bar at the top contains the text "digital business models" and a magnifying glass icon. Below the search bar, there are navigation tabs for "All", "Images", "News", "Videos", "Shopping", "More", and "Search tools". The search results section indicates "About 15,700,000 results (0.96 seconds)".

The first search result is a link to "Business Strategy Model - accenture.com" with the URL "www.accenture.com/strategy". A dashed blue box highlights this result, and a dashed line points from it to the text "Context-specific advertising" on the right. Below this link is a snippet: "An Agile Global Operating Model Helps Your Competitive Edge."

Below the first result is a section titled "Scholarly articles for digital business models" with a sub-heading "Business - Katakota - Cited by 2705". It lists several articles, including "The economics of digital business models. A ..." by Pénard (Cited by 54) and "2.0. Design patterns and business models for the next ..." by O'Reilly (Cited by 11099).

Below the scholarly articles is a large advertisement for "The 10 Business Models of Digital Disruption (and how to respond to ...)". The ad includes a text snippet: "Includes taking a commission from people with money but no time who pay for goods and services delivered or fulfilled by people with time but no money. The Ecosystem Model (Apple, Google) Disrupts by selling an interlocking and interdependent suite of products and services that increase in value as more are purchased. May 18, 2014". To the right of the text is a graphic with the text "INSIGHT REPORT FREE DOWNLOAD". Below the ad is a link to "digitalintelligencetoday.com/the-10-business-models-of-digital-disruption-and-how-to-r-..." and a small "About this result" link.

Fig. 5.2 Example of context-specific advertising of Google. *Source* Google (2016)

Another way to support the initiation of transactions is the operation of market places on the Internet. A respective provider offers suppliers/retailers a platform to present their goods and services on the Internet. An example of a market place is shopping.com. It allows to customers to search for particular goods. Once a potential product is identified, shopping.com forwards the customer to the respective webshop.

Market place operators generate revenue primarily through retailing or commissions from providers for the goods traded through their platform (pay-per-transaction) and in some cases charge monthly fees for their services. In addition, advertising banners and links to the websites of the manufacturers of offered products are possible, whereby the market place operator usually requests a fee per click (pay-per-click). In addition, data mining revenues based on user and customer profiles that emerge from their business transactions.

- E-Bargaining/E-Negotiation

The business model type e-bargaining/e-negotiation focuses on the negotiation of business transactions. In the case of a given product or service, the price or purchasing conditions are often considered to be important parameters to be negotiated. Essential pricing services are auctions and the search for the cheapest product or service (price seeking).

An auction service, well-known due to the success of the online market place eBay, is using an interactive price-setting approach. An important advantage of auctions is that they offer a standardized mechanism that reveals supply and demand in a market. The consequence is an increase in market transparency. In addition, online auctions are suitable to attract a large number of bidders, due to the amount of people using the Internet. Four basic types of auctions can be distinguished on the basis of the number of actors on the buyer and seller side. Figure 5.3 illustrates these types of auctions.

		Seller	
		One	Multiple
Buyer	One	Not applicable	Reverse Auction
	Multiple	Forward Auction (English or Dutch Auction)	Double Auction

Fig. 5.3 Types of auctions. Source Wirtz (2010b, 2018b)

Only three of the combinations illustrated describe auctions in the strict sense. In the event that only one buying party meets a selling party due to a lack of alternatives, their respective market power determines the price and no auction takes place. This constellation hardly plays a role on the Internet, due to the high number of potential buyers or sellers that are available as possible alternatives.

The standard case of online auctions is the English auction, in which one supplier faces many potential buyers. The bidding can take place in two ways: In the case of the ascending auction, the potential buyers make bids and at the end of a fixed time frame the highest bid wins the auction. In the case of the descending auction, the sales price drops at certain time intervals until the first buyer places a bid (Dutch auction). On eBay, the English auction is the usual auction procedure.

The reverse auction is the basis of a public tender: A demanded service is circumscribed and potential suppliers bid at what price they could perform or supply the demanded service or product. Without considering other factors, the lowest bid wins the auction. The tendering service: marmaladeskies.com, for instance, allows individuals to enter flight inquiries and private pilots can bid for the flight to be carried out with their private jet. The lowest offer wins the reverse auction.

The best example of double auctions, in which many suppliers meet many buyers, is the formation of stock prices on the stock market, which are now essentially handled via electronic trading platforms. The Internet provides timely information and participation in the market for private and institutional investors. Such a procedure in which several identical items are offered in an auction is the basis of world markets of commodities, shares and bonds.

Strategic price-seeking is another common online approach. It describes a situation in which the customer specifies a desired product and a provider then determines the most cost-effective offer for the selected product. Examples of an implementation of this business model type is Google Shopping (google.com/shopping). Criteria for a listing on Google Shopping are, among other things, that the products offered are available at online stores, shipping costs are priced in and data on customer reviews of the external service is available.

E-bargaining/e-negotiation providers in the area of price seeking can generate advertising revenues and transaction-based dealer commissions. The transaction-dependent commission usually depends on the respective market power of the e-bargaining/e-negotiation provider. E-attraction providers can distinguish between pay-per-transaction, pay-per-click or as a lump-sum model. Auction service providers, in contrast, mainly generate revenue from transaction-related fees.

- E-Transactions

The business model type e-transaction relates to the handling of transactions on the Internet. E-transaction can be divided into payment processing and delivery. A payment system specifically for online transactions is PayPal, for instance. It allows users in more than 200 countries to transfer money via the Internet. Once users have registered for a PayPal account, they can then pay and receive money with their PayPal account that uses direct debit, credit card or bank transfer. PayPal offers the buyer several security measures. Particularly important to most users is that no bank connection or credit card data is exchanged between buyers and sellers. Moreover, PayPal offers a so-called buyer protection. This includes that

payments can be returned if the transaction is not implemented in accordance with the agreed contract.

In addition to payment processing, the delivery of purchased goods is an important aspect. In case of information-based products, such as software, the distribution can take place directly over the Internet. Physical products, in contrast, must be transported to the customer in a traditional way. Unless own distribution capacities of the manufacturers or dealers are used, the transport is usually outsourced to external service providers such as DHL or United Parcel Service (UPS).

- E-Tailing

Electronic retailing, or e-tailing, covers the entire process of initiating, negotiating and handling transactions with consumers via the Internet. Online retailers therefore often supply an integrated offer of several commerce services—from the presentation of the offer to the handling of monetary and physical transactions. Some of the major online retailers are also even include e-bargaining offers.

An example of a successful online retailer is Amazon. Starting out as an online bookshop, Amazon.com emerged as the world's most valuable retailer, surpassing Walmart in 2015 (Kantor and Streitfeld 2015). Nowadays, Amazon not only offers a wide range of services and products such as cloud computing, tablet computers, books and toys it also offers a market place to other retailers.

Apart from Amazon and other pure online retailers, traditional retail companies with real-world shops increasingly establish e-commerce platforms on the Internet. Websites such as walmart.com offer customers products online that can be either delivered to the buyers' home or can be picked-up at the store right away.

Particularly suitable for the distribution over the Internet are goods with the following characteristics: High brand value, for example, through high brand awareness or guarantees; digital goods (e.g., software and music); rather low-value as well as regularly acquired and standardized goods (for example, office materials, books), where an assessment of the physical product is unnecessary before the purchase. The same applies to goods in standard packages that are known from classical retail trade and generally not opened or inspected there.

Since the travel and tourism industry is one of the most successful business segments online, it serves as a good example. Online travel booking and planning includes both flight and hotel bookings as well as all other travel services, such as car rentals or related insurances. Travel websites such as expedia.com offer a wide range of travel-related services as indicated in Fig. 5.4.

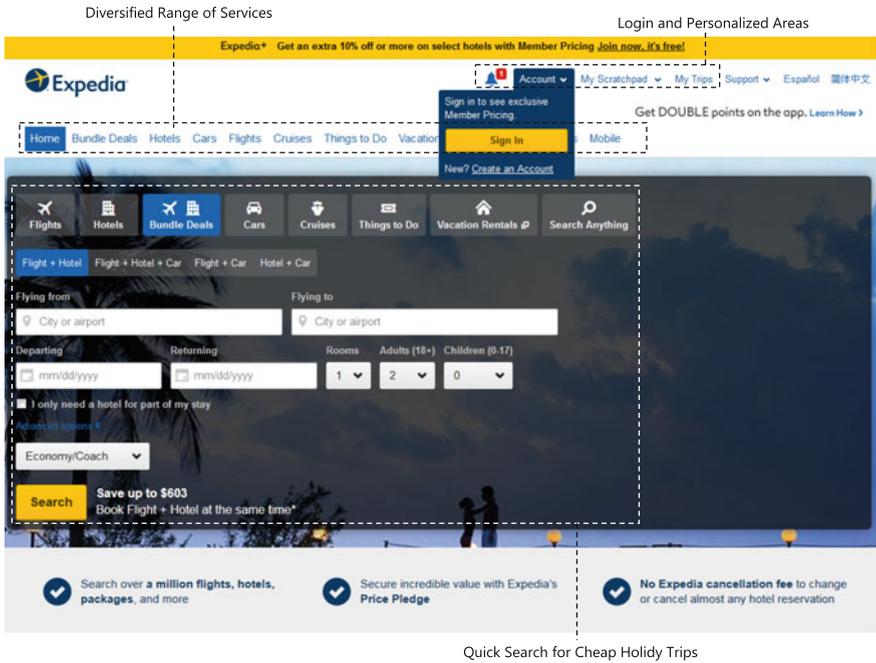


Fig. 5.4 Services of Expedia.com. Source Expedia (2017)

These travel services are usually standardized products that need little explanation beyond the information available online. For hotel reservations, there are specialized online hotel booking services such as booking.com that offer comprehensive hotel booking, review and payment services with listed hotels in most places around the world.

5.3 Value Chain, Core Assets and Competencies

This section presents the characteristics of a commerce-oriented digital business model. As presented in Sect. 2.5, a business model is based on the concept of providing value to respective customers. The value chain describes this value creation. The value creation process itself results from the right usage of company resources, i.e. a company's core assets and competencies. This section describes both aspects for the commerce model.

- Value Chain of the Commerce Business Model

The general value chain presented can be adapted to the specifics of a commerce model in e-business. Just like in the case of content providers, the value chain of this business model type encompasses specific commerce aspects of all essential partial models, as indicated in Fig. 5.5.

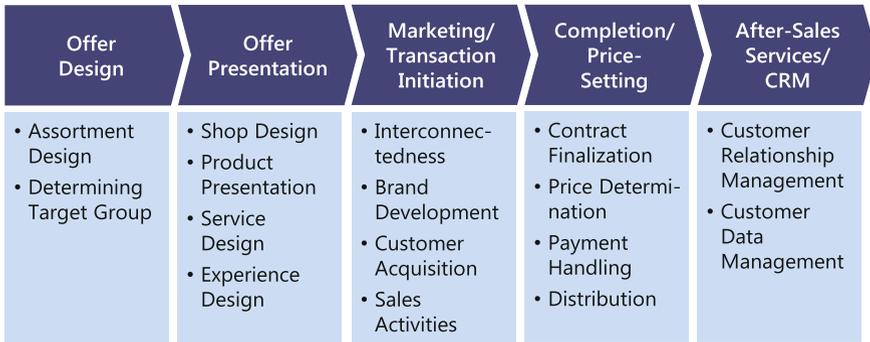


Fig. 5.5 Value chain commerce business model. Source Wirtz (2010b, 2018b)

Designing a business model starts with the intent to create value for the recipient. This is why the beginning of the value chain is marked with considerations on the contribution of the company. In other words, which services or products are to be offered to which target group? The service offered by the commerce business model can be traced back to the areas of initiation, negotiation and settlement. The service offer can be understood as a service to help the target groups to purchase the desired products online. In this context, the assortment design is of particular importance. Certain strategies such as service/assortment differentiation and niche retailer are of particular interest.

While Amazon, for example, is an allround provider on the Internet, specialized e-commerce businesses such as inkjetsuperstore.com are focusing on specific products, such as toners and cartridges for computer printers. The selected strategy strongly also determines the relevant target group. While inkjetsuperstore.com is predominantly targeting price-conscious customers and small companies as buyers, the target group of Amazon is more heterogeneous, thus making a concrete target group determination rather difficult.

Once the segment, the assortment and target groups are defined, the service offer must be presented to the target groups within the next step of the value chain. In this context, the e-shop design is particularly important in order to be successful on the Internet. In order to achieve a successful, virtual shop design, the aspects of product awareness, service quality, shopping experience and customer risk must be taken into account. Product perception depends, to a large extent, on the presentation of goods on the Internet.

In this context, it is necessary that the presentation of goods is carried out in a way that is appealing to the customer and that the product details as well as the price are presented in a uniform and clear manner. The quality of the presentation of goods determines the perceived service quality. In addition to the user-friendliness and the quick response time of the website, a simple purchasing process is crucial for successful e-commerce services, as it makes shopping easier for customers and increases further sale opportunities.

The repeated use of the e-commerce offer also depends on the buying experience itself. E-commerce vendors therefore must increasingly integrate an experience design into the presentation of the offer. For example, the auction process on eBay to determine the product price is a special experience for many users, since the price can be actively influenced and thus may be perceived as exciting. Other providers on the Internet deliberately rely on the world of multimedia experience and integrate product videos and feedback systems and other interactive features into their presentation in order to offer an experience beyond mere purchase.

Moreover, transaction security and privacy are highly important to the customer. In addition to a positive reputation, the certification of the commerce offer is particularly important in order to be recognized as a trustworthy supplier.

The activity of marketing and transaction initiation increasingly contains the networking through the Web 2.0 and social media, which establishes and maintains a close contact to customer, as well as a constant promotion of brands and sales activities. Due to the ever-increasing networking between users, consumption patterns are also changing drastically. Commerce provides need to take this into account in order to take appropriate marketing measures. In the context of Web 2.0 and/or social media, it is important that customers actively communicate their opinions on products and services to the provider. Positive buying experiences and public customer feedback are important requirements of referral marketing. Internet users' buying behavior is often guided by the opinions of other users rather than by their trust in corporate advertising.

The same applies to the use of brands. Brands are also of particular importance in the area of commerce, as they generate reputation effects and create trust. In the case of e-commerce providers, both the own and marketed brands are important. A further aspect that lies within the scope of the e-commerce provider is, the so called product bundling and the individualization of offers. Such measures offer bundles of products that suit the selected product in the cart or the wish list. They may also offer specific products that suit individual preferences that are known from user profiles or other data available. As an example, Fig. 5.6 presents personalized product recommendations on Amazon.

Personalized Recommendations According to Interests of Other Customers Who Bought the Same Item

Customers who bought this item also bought Page 2 of 14 Start over

<small>The Lean Product Playbook: How to Innovate with Minimum Viable... * Dan Olsen ★★★★★ 112 Kindle Edition \$18.99</small>	<small>Brand Identity Breakthrough: How to Craft Your Company's... * Gregory Dietl ★★★★★ 117 Kindle Edition \$9.99</small>	<small>Michael Porter's Value Chain: Unlock your company's competitive... * SOMNITES.COM ★★★★★ 12 Kindle Edition \$3.40</small>	<small>Narrative and Numbers: The Value of Stories in Business (Columbia... * Aswath Damodaran ★★★★★ 17 23 Kindle Edition \$15.65</small>	<small>Strategy That Works: How Winning Companies Close the Strategy-to-... * Paul Leonard ★★★★★ 25 Kindle Edition \$19.24</small>	<small>Irresistible: The Rise of Addictive Technology and the Business of Keeping... * Adam Alter ★★★★★ 99 Kindle Edition \$18.99</small>	<small>Overcrowded: Designing Meaningful Products in a World Awash with Ideas... * Roberto Verganti ★★★★★ 12 3 Kindle Edition \$18.14</small>

Sponsored products related to this item (what's this) Page 3 of 14 Start over

<small>Social Media Marketing when you have NO CLUE! YouTube, Instagram, Pinterest... Gardí Gabriele Proven, easy-to-follow strategies for growing a large following on social media. Learn how to monitor each platform and market your brand effectively. ★★★★★ 24 Kindle Edition \$2.99</small>	<small>Wake Up Call: How To Take Control of Your Morning And Transform Your Life Thibault Mourisse Do you want to go from hitting the snooze button to waking up excited every morning? This book will teach you exactly how to do that. ★★★★★ 9 Kindle Edition \$0.99</small>	<small>10-Minute Mindfulness: 71 Habits for Living in the Present Moment (Mindfulness Books... S.J. Scott Want to reduce your stress and anxiety? Discover 71 mindfulness habits to live in the present moment and enjoy inner peace and happiness. ★★★★★ 72 Kindle Edition \$3.99</small>	<small>The Anti-Procrastination Habit: A Simple Guide to Mastering Difficult Tasks S.J. Scott Want to stop procrastinating? Learn how a simple anti-procrastination framework can help you master those difficult tasks you keep putting off. ★★★★★ 24 Kindle Edition \$2.99</small>	<small>Published: The Proven Path From Blank Page to Published Author Chandler Bolt 8% of people want to write a book. Only 2% do. Why? They don't have a proven plan! This book changed the face of publishing: let it change your life. ★★★★★ 434 Kindle Edition \$3.99</small>	<small>Time to get launched: 7 Keys to Succeed with Your Startup Stavka Tani Develop your startup today with getLaunched, the startup building platform. The book Time to getLaunched will guide you to your startup success. ★★★★★ 4 Kindle Edition \$9.99</small>	<small>Enlightened Entrepreneurship: How to start & scale your business without... Christopher Myers Enlightened Entrepreneurship provides the invaluable insights and tips you need to start and scale a business without losing your sanity. ★★★★★ 20 Kindle Edition \$2.99</small>

Ad Feedback

Fig. 5.6 Personalized product recommendations on Amazon. Source Amazon (2017)

In the course of marketing and sales, a commerce provider can try to uncover the specific needs of the customer through data mining. This is done by analyzing the shopping behavior of the customers and by identifying similar patterns of other customers. Further information can be drawn from customers profiles or third-party data, for instance of linked social media profiles.

Once users are aware of the e-commerce shop and want to conduct a transaction, the next value chain process, the transaction and the pricing process is initiated. In the commerce business model, this means bringing together the suppliers and buyers in order to create a legally binding contract.

Individual e-commerce businesses have their own e-commerce system but usually rely on third-party providers with regard to payment. This can be PayPal or other software that is directly linked with credit card providers such as Visa or Mastercard. Amazon Marketplace, for example, offers external suppliers the opportunity to sell new or used goods at a fixed price on Amazon. Users can shop as usual on the Amazon platform, and use their established payment systems. In most cases, they are also protected by Amazon’s warranty against bad service of the providers.

In the case of online auctions, a different type of price-setting is done in an interactive way between the bidders and sellers. Independent platform providers such as eBay have positioned themselves in this sector and have established an infrastructure for auctioning and the subsequent payment processing. Concerning

the payment, eBay, for example, offers buyers and sellers either to process their payment on a platform-independent basis or use the PayPal system that used to be part of the eBay company until 2014.

In order to comply with the concluded purchase agreement, the commerce provider also has to arrange the distribution of the goods. In the case of digital goods (software), this can be done, for example, by means of a personalized data access to protected areas of an Internet platform or a product release code for software on a disc. The delivery of physical goods is more challenging it must be organized and the seller will be kept responsible for it in most cases. In the case of a e-commerce platform, the distribution is usually provided by the external retailer involved, whereby the intermediary in this context can give guarantee services (Amazon).

The after-sales aspect is particularly important for commerce providers, since customer loyalty cannot be reached by means of personal contacts, local proximity etc., like in traditional retailing. Concerning personalization, data mining and analysis is considered to be one the most important elements in the after-sales area, as companies can analyze the needs of their customers and anticipate respective purchasing behavior.

In this context, a best practice example is Amazon that derives customer wishes by analyzing their customers' purchasing history and surfing behavior, offering them personalized product recommendations. In doing so, preferred genres of the customers or the last articles viewed are repeatedly displayed in order to encourage the user to buy. There is also the possibility to place discounts and incentives for goods in order to influence the resale behavior.

- Core Assets and Competencies of the Commerce Business Model

In addition to a customer base or network, core assets of businesses that follow the commerce model are, for instance, customer data, sales and technical infrastructure, all of which are crucial factors for success in the Internet.

The attractiveness of an online presence for commercial partners largely results from its popularity indicated by the number of visitors and thus the potential customer base of the market place. If customers are registered, they have confirmed their interest in purchasing and provided crucial data to the platform. The more potential customers are registered on a commerce platform and use it on a regular basis, the greater the probability of purchasing. In this context, a core asset of a business that follows the commerce model is the scope of its customer base.

This critical size of a customer base is closely connected to the networks of its customers. The permanent linking and collective opinion formation among users in the context of Web 2.0 or social media makes shopping experiences or service quality increasingly public and may trigger network effects. In the case of positive feedback from the customer base, it can be assumed that the number of users and thus the potential customer community of a commerce platform increases through

word of mouth. Strong brands with a good reputation can further strengthen the positive attitude towards the business.

The customer database is one of the major core assets. Data mining techniques enable to identify structures, patterns and relationships that are economically usable. Such information may be either sold or used for company-specific purposes of customer relationship management, in particular, for individually promoting products and services. Companies that recognize cross-selling and up-selling (sales of supplementary or higher-quality products) potential among customers at an early stage can increase sales through a targeted promotion approach.

Finally, the sales infrastructure, such as a joint payment system of the marketplace or concerted marketplace advertising is important for the development of core assets of a digital commerce provider. In this way, synergy effects can be exploited on a platform-wide basis through a uniform payment procedure and, in addition, the risk perception of the buyer can be minimized. This, in turn, can lead to a higher service quality and thus to a larger customer base.

In addition to transaction processing, the sales infrastructure should also ensure the rapid and reliable distribution of the products. It is a core asset of a business to have a smooth physical distribution system that minimizes distribution costs, for instance, through long-term agreements with logistics service providers.

The customer base in the commerce area can only be maintained through efficient price benchmarking with direct competitors or relevant incentives, for example discounts or special services. A closely connected capability is the bundle competence. In this context, an additional service can be provided to the customer when the retailer submits proposals for complementary products based on historical consumer data. This ability is also expected to include similar products and the use of cross-selling or up-selling potentials. In addition to the conception of product bundles, bundling of prices in the commerce sector is of particular importance.

The ability to develop experiences is also a core competence in light of the increasing experience orientation among consumers. This can be achieved, for example, through a special design of the webshop or through the aforementioned aggregation of various service offers. For this purpose, the special properties of the Internet can be used in a targeted way, for example, through multimedia content, such as images, music or video sequences. In addition, involving actors and other users in the platform offer, may lead them to identify themselves with the platform in the sense of belonging to a community, thus creating a lock-in effect.

For a commerce vendor, the ability to efficiently manage the existing technical infrastructure is important. In this context, both the hardware and the software used for the technical infrastructure can be expected. The simultaneous access of various stakeholders to the commerce offer means that the provider must ensure that the technology used is functioning properly.

The software used must also enable error-free and intuitive data management for potential external suppliers to provide the product. Figure 5.7 summarizes the core assets and core competencies of the commerce model.

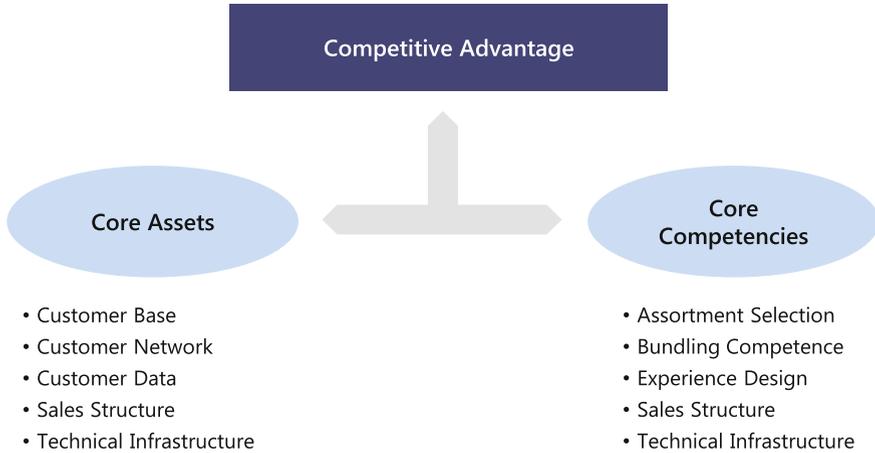


Fig. 5.7 Core assets and competencies of the commerce model. *Source* Wirtz (2010b, 2018b)

5.4 Case Study: eBay

eBay is currently the most successful online platform for online auctions and is also one of the first Web 2.0 applications ever. The auction house is primarily the product of the joint activities of its users who can purchase and sell items on the digital marketplace.

The U.S. company eBay Inc. was founded by Pierre Omidyar in San José, California in September 1995. Already in September 1998, eBay had its successful IPO with listed shares on NASDAQ (eBay Inc. 2016). Since then, eBay's expansion course has continued steadily.

For example, eBay Inc. acquired the Internet payment service PayPal and the real-estate portal Rent.com in 2004. A year later, the purchase of Shopping.com and Skype followed and a continuous purchase of foreign auction sites (eBay Inc. 2016). In 2015, PayPal was separated from eBay as independent and listed company.

Besides the acquisition of various companies, eBay Inc. also focused on take-overs that the global company successfully integrated into its own business model. In 2004, eBay Inc. acquired the German online advertising market for vehicles, mobile.de, the Swedish Internet-advertising portal Tradera.com and the auction-processing tool Afterbuy in 2007. Further acquisitions by eBay include the local shopping search engine Milo in 2009, the shopping portal brands4friends in 2010, as well as the e-commerce company GSI Commerce in 2011 (eBay Inc. 2016). Since its foundation, eBay has become one of the largest marketplaces on the Internet and a profitable company. According to its own figures, it is the most high-selling online auction provider in the world with more than 171 million active

users worldwide (eBay Inc. 2017). In the second quarter of 2017 alone, the value of services and goods reached 21 billion USD (eBay Inc. 2017).

The user interface of eBay is continuously changing in accordance with long-term design trends, product trends, the country it is used from or the respective season of the year. Due to the wide variety of products it is necessary to structure the website in a way that users can intuitively find the products demanded. There are two ways of identifying the respective product: the search function and the category search. After entering a specific search term, a list of offers appears. While some offers can be purchased immediately (fixed price offers), others can be acquired by means of an auction.

eBay's business model is based on providing an online platform for the purchase and sale of any commodity. In doing so, the company itself does not act as a seller, but only provides the infrastructure that sellers and buyer can use. Since the platform acts as an intermediary for sales, it can be regarded as a service. The digital good that eBay provides is therefore the use of the auction and sales platform, which together with the brand name of the digital marketplace generates a high number of potential customers.

The business model of eBay is clearly assigned to the commerce business model. This approach can be divided in the processes initiation, negotiation and processing of business transactions. The services within the framework of the commerce business model can be subdivided into three further business model types, whereby eBay as an auction platform mainly belongs to the type of the e-bargaining/e-negotiation. The business model type of e-transaction is also applied through the purchase of the Internet payment service provider PayPal, which has been integrated into the eBay business model. The focus of the eBay business model is, however, on the e-bargaining/e-negotiation.

Starting out as a pure C2C platform, eBay has later also become a platform for professional sellers and thus expanded to a B2C platform. There are three possible sales variants: selling to the highest bid (auction), selling at a fixed price (immediate purchase) as well as a permanent offer. Figure 5.8 shows the simplified business model of eBay.

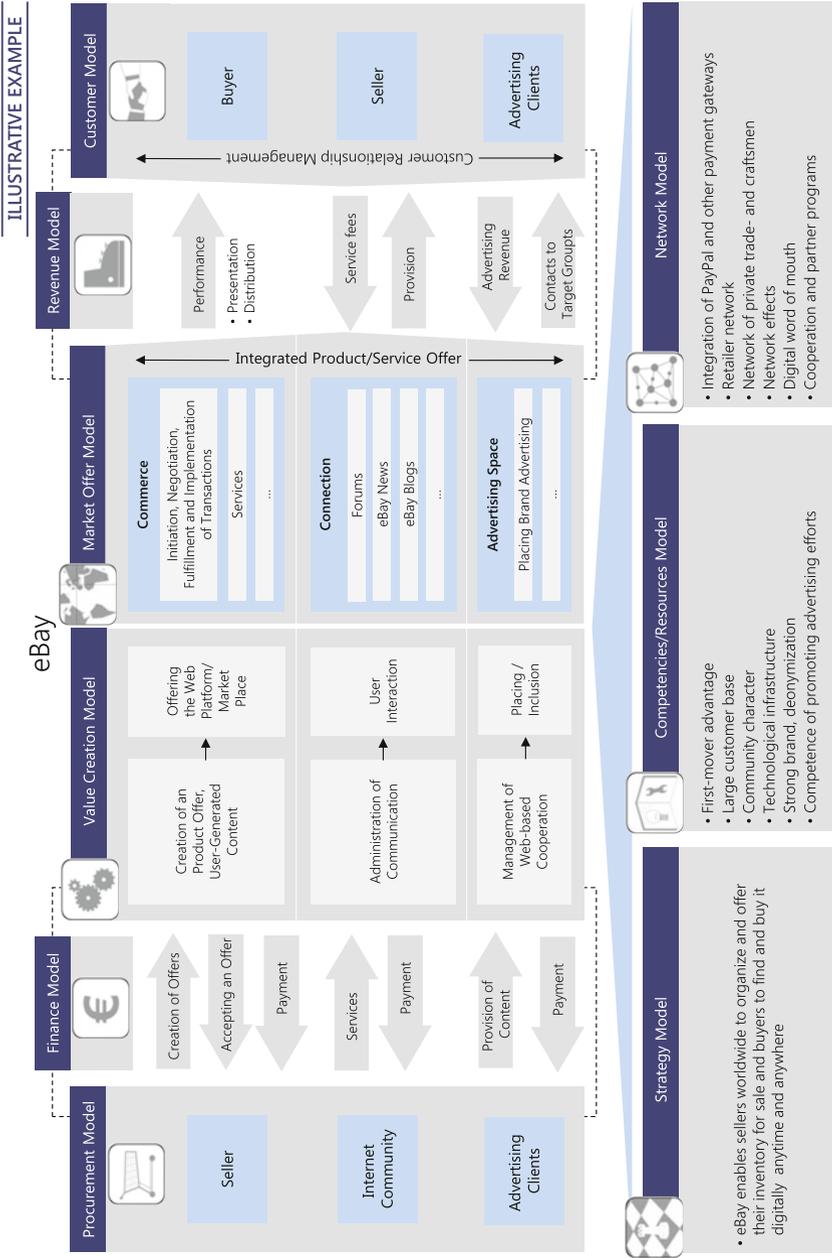


Fig. 5.8 The business model of eBay. *Source* Based on Wirtz (2010b, 2018b) and own analyses and estimations

Commercial suppliers usually do not use the auction type, but rather the immediate purchase. This type of offer largely corresponds to the classic webshop. In the case of a permanent offer, the so-called eBay shop presents the offers that are for sale without a specific end date.

eBay's revenue rests mainly on fees. In addition, eBay generates revenue through advertising placed on its websites. The seller fees consists of a so-called setup fee and a commission. Thus, the supplier has to pay a non-refundable charge and a charge depending on the starting price. Additional setting options, such as highlighting the auction offer in the search results, an exposed placement of the auction or a higher number of several images, are subject to additional costs, but can, in turn, generate higher auction prices. Apart from the setup fee, eBay charges a commission between 2 and 12% depending on the final price.

An integral part of eBay's business model and a major core asset of the company is the online community or the wide customer network and the large customer base connected by various additional services. This also relates to the company vision that seeks to create and promote a web community.

The customer base of eBay results from the large number of users that have sold or purchased on eBay over the last 20 years. Additional confidence-building measures between buyers and sellers, such as the internal rating system, have further reinforced the standing of eBay. Those aspects are the basis of the success of this digital marketplace. The large number of users is the central argument for using eBay as a sales platform. Sellers accept the relative high transaction costs due to the large group of potential buyers, which would be difficult to reach with a classic webshop.

The successful use, combination and development of core assets requires core competencies. These lie mainly in the provision and operation of the technical infrastructure, in particular, the smooth use of the Internet platform as well as the broad assortment design, which attract a large number of users. Another core competence of eBay refers to its successfully implemented and efficient customer. Figure 5.9 shows eBay's strategic orientation, its business model, as well as its service spectrum and the success factors.

	Aspects
Strategy	<ul style="list-style-type: none"> • Provision of online auction platform and market place • Further services related to the negotiation/ bargaining as well as the processing of transactions through the Internet • Market leader of online auctioning
Business Model	<ul style="list-style-type: none"> • Commerce aspect: initiation, negotiation and processing of business transactions • Business model types: e-bargaining/e-negotiation
Service Offer	<ul style="list-style-type: none"> • Provision of a simple online platform to present and offer products, as well as an optional auction-based pricing tool • Extended services to increase visibility, market products, as well as the integration of different payment options • Community features
Success Factors	<ul style="list-style-type: none"> • First-mover advantage, well- nown brand • Large customer base, high number of users • Community aspect • Worldwide market leader in online auctions

Fig. 5.9 Strategic orientation of eBay. *Source* Wirtz (2010b, 2018b)