



Atomic Business Models for e-Commerce



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 Lecture

▼ Agenda

- Atomic and hybrid e-business models
 - RBV interpretation of e-commerce models
 - Who owns relationship, data, & transaction

▼ Sustainable Competitive Advantage

1. Human resources/expertise
2. Technology Infrastructure
3. Relationships

Core Competencies
(You are better than others at this!)

Proprietary Information (about partners in relationship, including customers) γ

-Source: Evans & Wurster (1997)


▼ What is Really Happening?

- Where are the sustainable competitive positions, if any, in EC?
 - ★ Production costs lowered?
 - ★ Business exchange costs down?
 - ★ Or...exploitation of information asymmetries?

γ

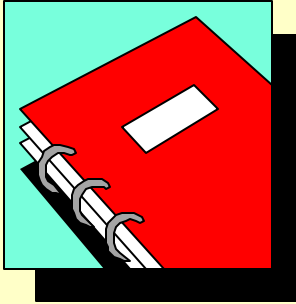
α

β



▼ Atomic & Hybrid e-Business Models

- The following models (and related material) are based on a brilliant new book by Peter Weill and Michael Vitale
 - *From Place to Space: Atomic Business for e-Commerce*, Harvard Business School Press, 2001



▼ Atomic & Hybrid e-Business Models

1. Content Provider
2. Direct to Consumer
3. Full Service Provider
4. Intermediary
5. Shared Infrastructure
6. Value Net Integrator
7. Virtual Community
8. Whole of Enterprise (renamed here as "Single Point of Contact")

-Peter Weill and Michael Vitale, *From Place to Space: Atomic Business for e-Commerce*, Harvard Business School Press, 2001

▼ Atomic & Hybrid e-Business Models

The business model you choose will allow you to own:

1. The relationship with the customer (or revenue-producing relationship with the complementor)
2. The data
3. The transaction

The more of these you own, the better

-Peter Weill and Michael Vitale, *From Place to Space: Atomic Business for e-Commerce*, Harvard Business School Press, 2001

▼ 1. Content Provider

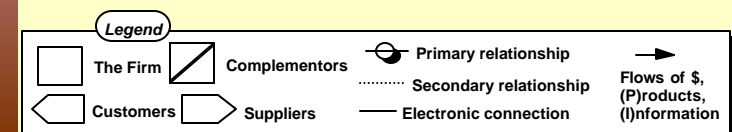


Examples

Accuweather
Lonely Planet

Examples

Yahoo!
CNN Interactive
Dow Jones Retrieval



Resources Owned in Atomic Models

Firms can own: the relationship, data, or transaction, valuable resources in that order

Rel	Relationship: Who the customer perceives as providing the service or products; this is the primary relationship with customer [In certain cases, revenue is exacted from complementors, in which case this relationship becomes key.]
Data	Data about the customer [complementor], often but not necessarily part of the transaction
Trans	Transaction: Party with whom the customer [complementor] perceives the transaction to be; assuming that customers are aware of the Web site they have accessed, the current URL will distinctively identify who owns the transaction

For example, in the two models illustrated below, content providers do not own any of these resources. Direct-to-consumer models own all three resources.

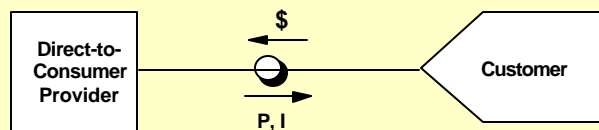
	Description	Rel	Data	Trans
1. Content Provider	Provides content (e.g., information, digital products & services via intermediaries)			
2. Direct-to-Consumer	Provides goods or services directly to customer often surpassing traditional channel players	✔	✔	✔

1. Content Provider: Resources



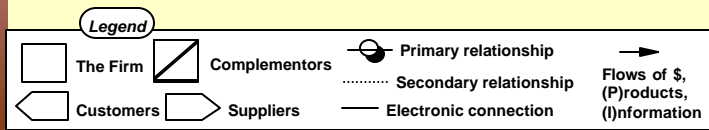
Rel	Content providers tend not to own the relationship with the customer. They provide information to complementors, who resell their services to customers, for subscriptions, as in the Wall Street Journal Interactive. Please note that they may sometimes share the customer relationship with the customer if they brand their content, as in the case of Yahoo and Lonely Planet.
Data	Rarely do content providers have direct access to customer data, but a strategic partnership could realize this potentiality
Trans	Customers perceive that they are dealing with CNN Interactive. Even if the content is branded, customers know which Web site they are working with.

2. Direct to Consumer

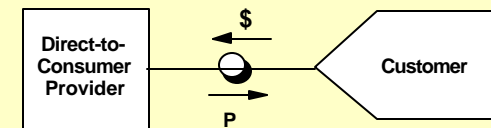


Examples

e-Trade
Dell
Home Depot

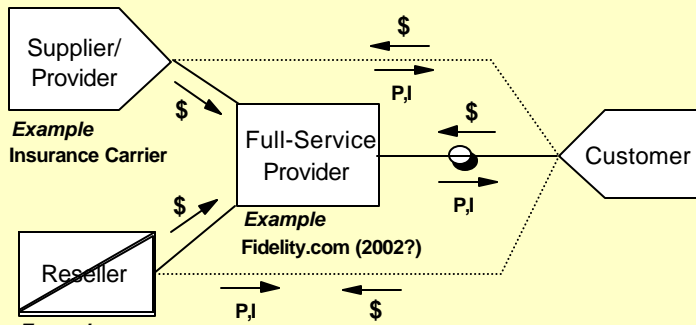


2. Direct to Consumer: Resources

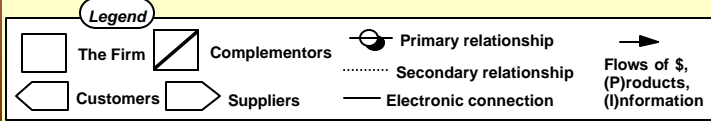


Rel	Direct-to-consumer models own the relationship as they are the firm of record for all services and good dispensed to the customer.
Data	This model also owns the behavioral data related to the customer purchases and after sales interactions.
Trans	Customers perceive that they are dealing with Dell or e-Trade. Even if the hosting of the transaction is outsourced, the URI of note is that of the firm. This is a very powerful model for e-Commerce, with respect to resources.

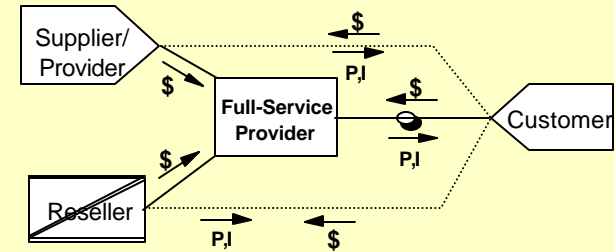
3. Full Service Provider



N.B. Adapted from Weill & Vitale, 2001

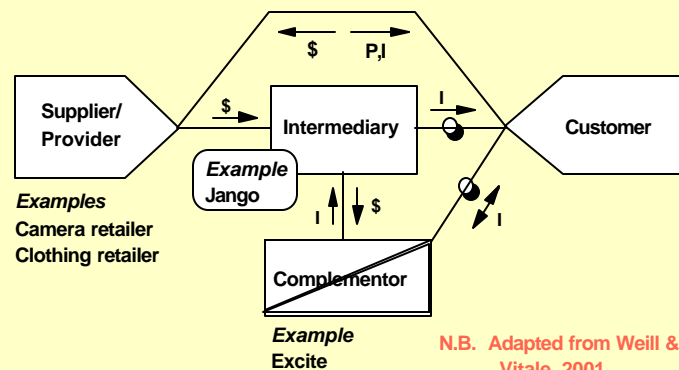


3. Full Service Provider: Resources

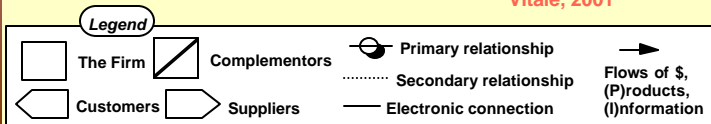


Rel 	Full-Service providers own the primary relationship with the customer, although nothing prohibits the customer from interacting directly with a supplier or a reseller. There are few examples of mature firms in this category, but Prudential's Advisor and Bank One's Wingspan are close. Fidelity would be a likely possibility for initiating this model.
Data 	They also own the data, and share with suppliers or resellers only to the extent that there are mutual benefits accruing from the partnerships.
Trans 	Customers perceive that they are dealing with the full-service provider. Even if the content is branded, customers know which Web site they are working with.

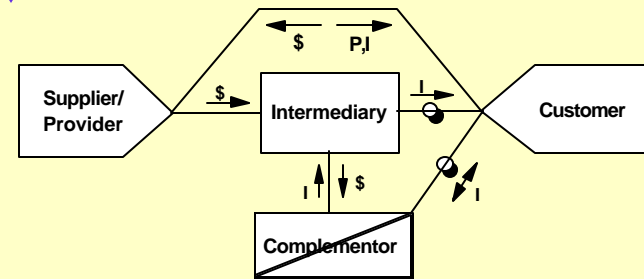
4. Intermediary



N.B. Adapted from Weill & Vitale, 2001

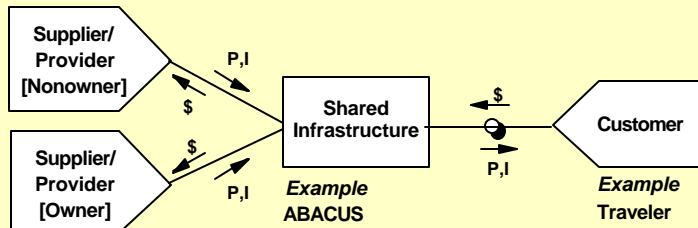


4. Intermediary: Resources



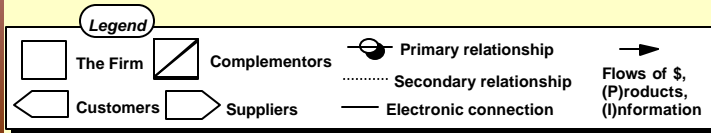
Rel 	Intermediaries are the primary contact point with the customers, so they own the relationship. Secondarily, they refer customers to suppliers or complementors, who do not own the relationship with the customer.
Data 	In fact, intermediaries can learn a great deal about customer comparison shopping behavior, but they may or may not have access to the customer purchasing behavior data. That may be retained by the supplier.
Trans	The supplier conducts the transaction at their site, and the customer is well aware of this since they are hyperlinked to another site.

5. Shared Infrastructure (Supplier-owned)

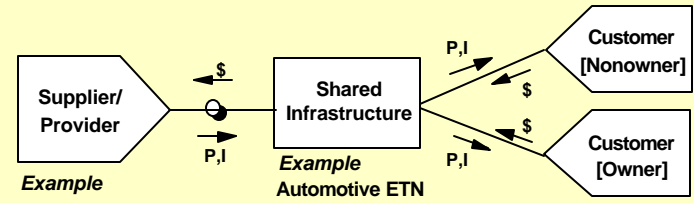


Examples
United, Delta, SABRE

N.B. Concept adapted from Weill & Vitale, 2001



5. Shared Infrastructure (Customer-owned)

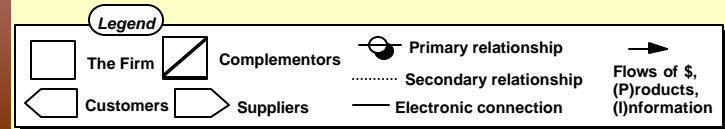


Example
Supplier of car radios

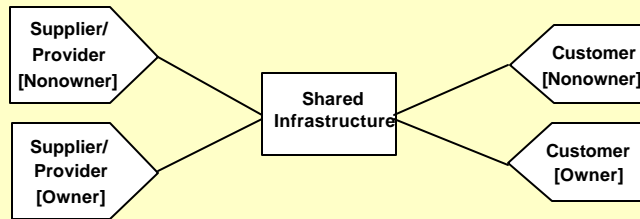
Example
Automotive ETN

Example
GM/Ford/
Daimler

N.B. Concept adapted from Weill & Vitale, 2001

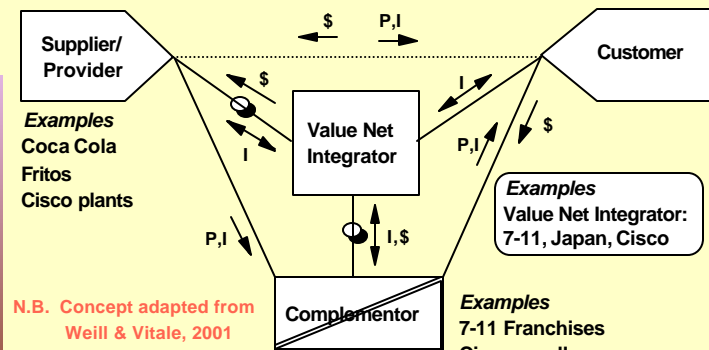


5. Shared Infrastructure: Resources



Rel	Shared infrastructure models have several advantages, but owning the relationship is not one of them. In fact, from the standpoint of an individual owner firm, it is advantageous that the buying or selling party identifies with themselves rather than with the infrastructure. Were it otherwise, this model would not work.
Data	The owners of the shared infrastructure own data relating to their own activities. Nonowners may or may not be given access to this data.
Trans	Owners and nonowners own the transaction since the buyer or seller, as the case may be, is eventually revealed. A traveller eventually knows that it is United Airlines that the ticket is being purchased from, for instance.

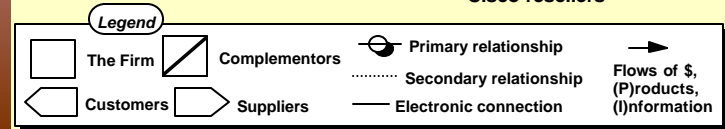
6. Value Net Integrator



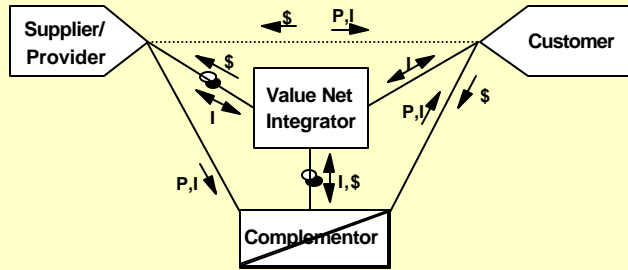
Examples
Coca Cola
Fritos
Cisco plants

Examples
Value Net Integrator:
7-11, Japan, Cisco

Examples
7-11 Franchises
Cisco resellers

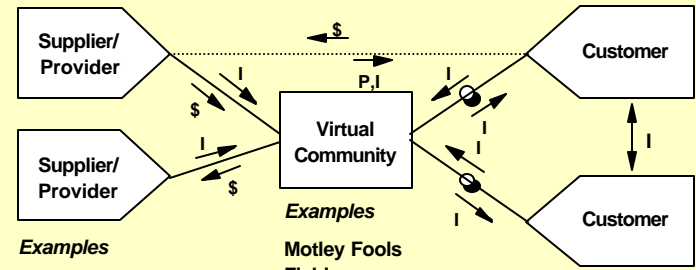


6. Value Net Integrator: Resources



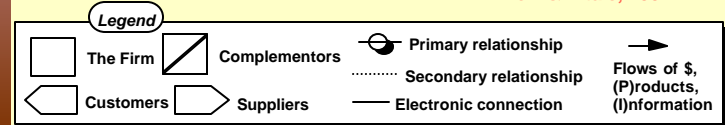
Rel	Value Net Integrators (VNIs) are cybermediaries with few physical assets. They coordinate the flow of goods and, hence, own the relationship with the complementors (who pay for the integration), but not the customer.
Data	VNIs specialize in managing information, including data about the customer purchasing behaviors, and supplier and complementor capabilities. This is their core competency.
Trans	The transaction with the customer is owned by the complementor, who shares the information with the VNI. But the customer perceives the transaction to be with the complementor.

7. Virtual Community

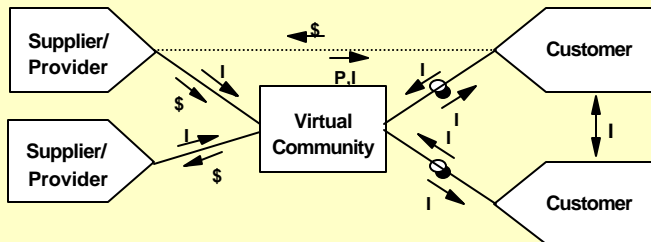


Examples
 Brokerages
 Fishing retailer
 Lonely Planet

N.B. Concept adapted from Weill & Vitale, 2001

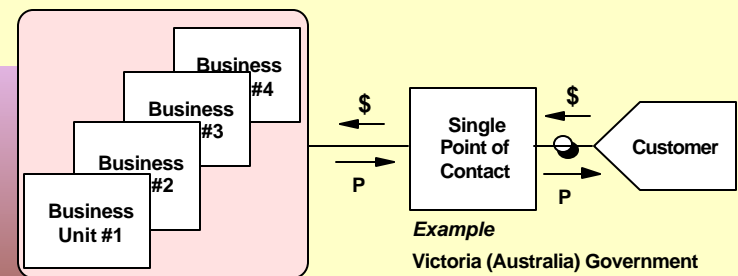


7. Virtual Community: Resources



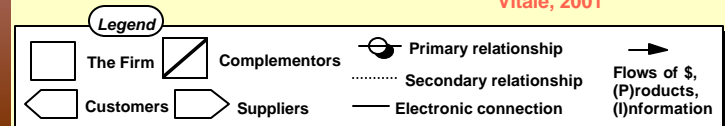
Rel	Virtual communities are most often free services that aggregate information for customers, but they may also serve as an appendage for a business, as in the case of Lonely Planet, amazon, MetLife, and so forth. The primary relationship in the model is between customers and the virtual community.
Data	Data about customer interests resides with the virtual community. This could be a source of independent revenue for the firm.
Trans	There are no transactions to speak of with this model. Organizations use virtual communities as value-added differentiators. They receive money indirectly, through their other sales channels, but not through this firm.

8. Single Point of Contact

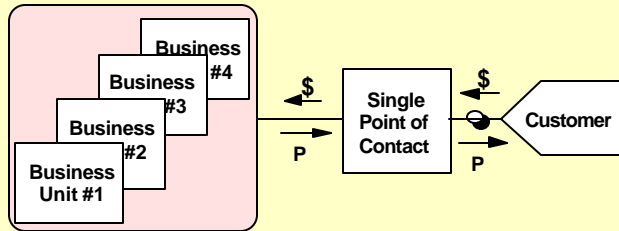


Example
 Victoria (Australia) Government

N.B. Adapted from Weill & Vitale, 2001



8. Single Point of Contact

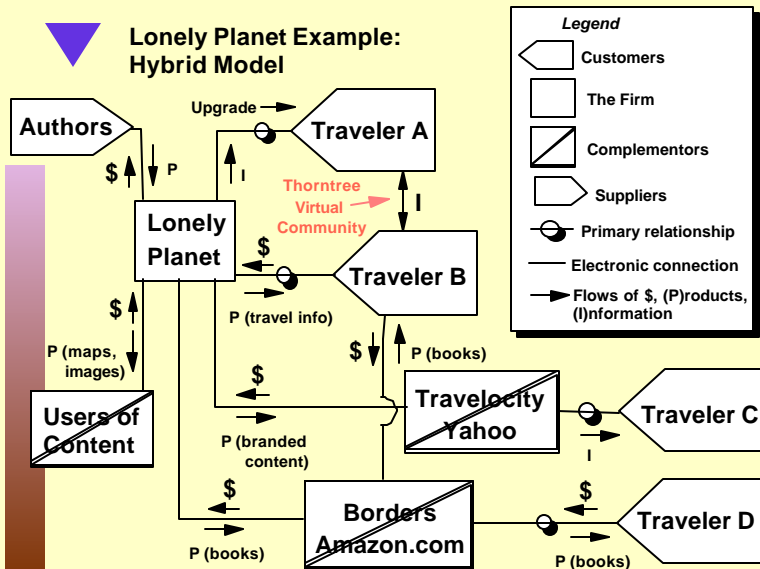


Rel	Single point of contact (called "Whole of Enterprise" in Weill & Vitale) shares some of the characteristics of the direct-to-consumer model. It owns the relationship, since that is, in fact, the entire idea behind the model. Customers should not have to seek beyond the single point of contact to have their needs met. There are few mature examples of this model.
Data	Naturally, data is owned by the single point of contact, who attempt to answer questions and direct customers to the products and services they seek.
Trans	Customers perceive that they are dealing with the single point of contact, and that Web site is their access point.

Atomic & Hybrid e-Business Models

	Description	Rel	Data	Trans
1. Content Provider	Provides content (e.g., information, digital products & services via intermediaries)			
2. Direct-to-Consumer	Provides goods or services directly to customer often surpassing traditional channel players	✔	✔	✔
3. Full Service Provider	Provides a full range of services in one domain (e.g., financial, health care) directly & via complementors attempting to own the primary customer relationship	✔	✔	✔
4. Intermediary	Brings together buyers & sellers by concentrating information (e.g., search engines, auctions)	✔	✔	
5. Shared Infrastructure	Brings together multiple competitors to cooperate by sharing common IT infrastructure		✔	✔
6. Value Net Integrator	Coordinates value net (or value chain) activities by gathering, synthesizing, & distributing info		✔	
7. Virtual Community	Facilitates & creates loyalty to an online community of people with a common interest enabling interaction and service provision [N.B. & cross- & up-selling]	✔	✔	
8. Single Point of Contact	Provides a firm-wide single point of contact consolidating all services provided by a large, multi-business organization (by customer events)	✔	✔	✔

Lonely Planet Example: Hybrid Model



Weill & Vitale Followup Studies

	Description	Profitable?
1. Content Provider	Provides content (e.g., information, digital products & services via intermediaries)	
2. Direct-to-Consumer	Provides goods or services directly to customer often surpassing traditional channel players	
3. Full Service Provider	Provides a full range of services in one domain (e.g., financial, health care) directly & via complementors attempting to own the primary customer relationship	
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