

## Chapter 22

# Business Models: An Illustrative Study of E-Commerce Businesses in India

**Badar Alam Iqbal**  
*Monarch University, Australia*

**Arti Yadav**  
*Delhi University, India*

### ABSTRACT

*The concept of business model is not new now, but organizations construct, identify, and innovate their models from the beginning of the business itself. The purpose of this study is to understand the importance of e-commerce business models and explore their connections to provide an overview of the concept of business model. In this study, the authors describe the business model concept in an organization, how the same works as the blueprint of how a company does business. Further, it provides an insight to understand the importance of e-commerce business models and explore their connections with various e-commerce businesses prevailing currently in India.*

### INTRODUCTION

The thought of a business model may be new, but the fundamental of business model found its roots since the inception of the organizations. The East India Trading Company and Henry Ford had good business models, whether they were called business models or not (Muehlhausen, 2013). Similarly, the development and complexity of the e-commerce sector has increased the demand for companies to grab and develop their business models, as well their credit risk management activities, so as to be profitable and create value for their long term survival. Therefore, in the line of entering the Digital Economy, the competitive landscape had change, making companies to face new challenges (Ghaziani and Ventresca, 2005). As for the time, being the small startups became quickly able to compete with well established organizations, even on a global level. (Jetter, Satzger and Neus, 2009).

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## **Business Models**

A business model is not just essential to secure financial support at the start-up phase, but is an essential aid to manage the business more effectively. A model can facilitate in setting up specific objectives and goals along with the resources required to achieve these goals. By understanding business and the market through its model, will help in providing an environment to ensure long-term success of the organization. During their life cycle, most businesses face investment decisions during the course of their lifetime, and many of these opportunities cannot be funded by internal funding alone as the business also need external funding. Although in spite of the fact that the market for funding is highly competitive, the potential lenders require access to the company's recent income and financial statement, along with their current business model. A good number of the recent research on business models in the strategy area shows the business model as something real. Most of the articles investigates the associations between choice of business model and competitive advantage linked with the business (Amit and Zott, 2001; Zott and Amit, 2007). Further, some of the studies are not in sync to the prominence of the competitive advantage may be because the claims are not validated enough or can be criticized (Durand and Vaara, 2009; Durand et al., 2008). The business model is, in addition, an imperative strength of character for technological artifacts, because it leverages their accomplishment and assists the achievement of planned aims together with economic value. Therefore, to endure and to be successful, business organizations must develop a business model that makes sure the synchronization among business strategy and the business processes. Furthermore, a business model for a digital business organization is supposed to be evaluated repetitively, so that it will be in shape with the multifaceted, uncertain and swiftly varying external environment.

With India having a population of more than 1.2 billion people having numerous challenges is also a promising economy which offers billions of opportunities. The growth prospective in e-commerce business in India has caught the attention of not only several regional players, like Flipkart, Snapdeal, Urbanladder, Olx etc., but also of global giants like Amazon, Alibaba, Ebay etc. So, for an e-commerce business, a well defined business model can assist in building prospective investors, making them feel confident and in the thoroughness in the future scenarios. Therefore, for the e-commerce sector, the business model can be a useful representation of how the organization builds itself through transforming and transferring substance, by depicting on available factors that is also managed by the economic engine associated with the business. The social and economic value of business model is personified in matter that may be digital in terms of information, analog in terms of tangible assets, private, public, or other categories of factors which may consist of resources, capabilities, interdependent networks, structures or governance choices (Arend, 2013). In this study, we study the business model concept in an organization, how the same works as the blueprint of how a company does business. Further, it provides an insight to understand the importance of e-commerce business models and explore their connections with various e-commerce businesses prevailing currently in India.

### **Business Model: Conceptual Overview**

The concept of Business model was given in 1994 by Peter Drucker, who never used the expression. His theory was based on the assumption of what are the things that a business will, or not, do in the market, including the technology and its dynamics, about a company's strengths and weaknesses (Ovans, 2015). A business model is a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific organization. As a result, the organization should consider which concepts and relationships allow a uncomplicated description and representation of what

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