

Chapter XIII

Interconnecting E-Business Model Components

Eva Söderström, University of Skövde, Sweden

Vinay Kumar Mandala, HB Technologies Inc., USA

Abstract

This chapter is about electronic business (e-business) models that have emerged and altered the traditional ways in which to do business. An e-business model is a specialisation of a business model, and is an organisational plan for how to work with the products or services intended to bring profit and revenue, and using ICT and the Internet in doing so. E-business models consist of components. Components constitute a business concept, i.e. an idea that an organisation wants to bring into reality. Our research has focused on the interconnections between e-business model components. The analysis of the e-business model components and their interconnections results in a framework in the form of a model displaying the connections between the clustered components. The purpose of the chapter is to explain an overview of e-business

model components and show how value is created and added at each component level.

Introduction

Electronic business (e-business) can be defined as the use of information and communication technologies (ICT) to support business activities (Davis, 2004). It poses significant challenges for organisations as it affects both how organisations relate to external parties (customers, suppliers, partners, competitors and markets) and how they operate internally in for example management activities, processes, and systems (Hayes & Finnegan, 2005). Part of the complexity is that e-business in many cases underlies organisational change, which is displayed in the business models that came with the commercialization of the Internet during the 1990's. These models reflect organisational change, technology sophistication and so on. An e-business model is a specialisation of a business model, and the concept is discussed frequently in literature, for example: Business models on the web (Rappa, 2003), Internet business models (Afuah & Tucci, 2001), B2B and B2C Business models (Alt & Zimmerman, 2001), and business model for electronic markets (Timmers, 1998).

In essence, an e-business model is an organisational plan for how to work with the products or services intended to bring profit and revenue, and using ICT and the Internet in doing so. The concept is often used to describe key aspects of a given business (Hedman & Kalling, 2003; Afuah & Tucci, 2001; Osterwalder & Pigneur, 2002). E-business models consist of components that are related, or interconnected, in terms of a logical flow of value, i.e. the order in which each component is defined and how it affects the value of other components (Pateli & Giaglis, 2004; Morris, Schindehutte, & Allen, 2005). So far, not much research has focused on the interconnections between components. Even so, the topic is important, since e-business model success depends on the fit between components, how each component is defined, and how they affect each other (Hamel, 2000; Morris et al., 2005; Shafer, Smith, & Linder, 2005; Afuah & Tucci, 2001; Osterwalder & Pigneur, 2002). Our work concentrates on interconnections.

Even though there seems to be a relative consensus when it comes to identifying the constituent elements of an e-business model, these elements – components – are given various names and definitions in literature (for our definition, see section 3). Component themselves are an essential aspect in the

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