Revenue models for online business

Fee-for-Transaction revenue model: (cont..)

- **Travel business:**
  - Traditional travel agency revenue model: receives fee for facilitation of customers.
  - Travel agents adds information and filtering values.

- Web based travel agencies are new entrants in business.
- For example: Travelocity, Expedia and Hotels.com etc.
- These websites provides so many customized features and other related services.
  - For Example: Travelocity provides relatively cheap rates and their main attractive feature is free cancellation on most hostels.

Revenue models for online business

Fee-for-Transaction revenue model: (cont..)

- **Automobiles sales:**
  - Many websites implement fee for transaction revenue model.
  - For example:
  - CarsDirect.com, It is American online automotive research portal and car buying service. This company allows customers to research price , purchase, insure and finance a vehicle online. The company also provides referral services to auto dealers.
- Similarly websites like CarGurus, CarMax are also performing similar business.

- Car salesperson: disintermediation
- Website: new intermediary (reintermediation)

Revenue models for online business

Fee-for-Transaction revenue model: (cont..)

- **Stockbrokers:**
A professional trader who buys and sells shares on behalf of clients.

Traditional stockbrokers charge relatively high commission.

- Now there are web based brokerage firms.
  - For Example: companies like E-Trade and Datek.
    E-Trade is an electronic trading platform that provides different services like trading stocks, investment advise etc.
  - Online brokers offer transaction cost reduction.

Revenue models for online business

Fee-for-Transaction revenue model: (cont..)

- **Insurance Brokers:**
- Many websites provide insurance policy information and help customers choose best plans for their needs.
    - For Example: Insurance.com, It is an online company that help customers to compare insurance rates from top companies.
    - Insurify.com is another online insurance company that provides an easy interface and help users to compare insurance quotes and advise best suitable plan for user's need.

Revenue models for online business

Fee-for-Transaction revenue model: (cont..)

- **Event Tickets:**
- Web allows event promoters to sell tickets from one virtual location to customers worldwide.

- Online agencies earn a fee on every ticket sold.
    - For Example: Ticketmaster, is an American ticket sales and distribution company. They buy and sell tickets concert sports and other events taking place near customers' location.

- StubHub.com is another ticket exchange and resale company that provides services of buying and selling of tickets.

Revenue models for online business

6. Fee-for-service Revenue model:

- Companies provide <u>online services</u> to customers and in return they charge a certain fee.
    - Fee is not based on broker service.
    - Fee is not based on transaction size or number.

Online Games, E-gaming:
- Video games is a billion dollar industry. Although many sites that offer games relied on advertising revenue in the past, a growing number include premium games in their offerings.

- Site visitors must pay to play these premium games, either by buying and downloading software to install on their computers, or by paying a subscription fee to enter the premium games area on the site.

Revenue models for online business

Fee-for-service Revenue model (cont..):

- Online Doctors/ Law firms consultation:

    Many medical, legal, and other professional practices allow people to make appointments online, and an increasing number of professionals do online consultations.

- Although a large number of Websites offer general health information to patients,
  some Websites offer online mental health services to patients.

- Many law firms provide online services regarding legal issues, tax issues and other related services.

Revenue models in transition

- Many companies have gone through transitions in their revenue models as they learn how to do business successfully on the Web.

- Companies often find that they must change their revenue models to meet the needs of those new and changing Web users.

Many famous companies like Saloon.com (online magazine company) and Slate magazine (by Microsoft) changed their revenue models for better revenue generation.

Creating an Effective web presence

- Traditional businesses have always created a presence in the physical world by building stores, factories, warehouses, and office buildings.

- An organization's **presence** is the public image it conveys to its stakeholders.

- The **stakeholders** of a firm include its customers, suppliers, employees, stockholders, neighbors etc.

- On the Web, presence can be much more important.
- Many customers and other stakeholders of a Web business know the company only through its Web presence.

- Creating an effective Web presence can be critical even for the smallest and newest firms operating on the Web.

Creating an Effective web presence

Identifying Web Presence Goals:

• For traditional business:

When a business creates a physical space in which to conduct its activities, its managers focus on very specific objectives.
The new company should find a suitable location for its customers, an inventory storage space, cost of place and goods.

• For Online business:

On the Web, businesses and other organizations have the luxury of building their Web sites with the main goal of creating a distinctive presence.

A good Website design can provide many image-creation and image-enhancing features very effectively.

Web presence Objective and Strategies

Objectives	Strategies
Attracting visitors to the Web site	Include links to the Web site (or specific pages) in marketing e-mails
Making the site interesting enough that visitors stay and explore	Product reviews, comparison features, advice on how to use a product or service
Convincing visitors to follow the site's links to obtain information	Clearly labeled links that include a hint of the information to be obtained by following them
Creating an impression consistent with the organization's desired image	Using established branding elements such as logos, characters used in other advertising media, slogans, or catchphrases
Building a trusting relationship with visitors	Ensuring the validity and objectivity of information presented on the site
Reinforcing positive images that the visitor might already have about the organization	Presenting testimonials, information about awards, links to external reviews or articles about the organization or its products and services
Encouraging visitors to return to the site	Featuring current information about the organization or its products and services that is regularly updated

Website Usability

- Research indicates that few businesses accomplish all of their goals for their Web sites in their current Web presences.

- Even sites that succeed in achieving most of these goals often fail to provide sufficient interactive contact opportunities for site visitors.

- This failure to understand how the Web is different from other presence-building media continues to be an important reason that so many businesses do not achieve their Web objectives.

- A website should give the visitor easy access to the organization's history, a statement of objectives, information about products or services, and a way to communicate with the organization.

- Presentation is important, but so is realizing that the Web is an interactive medium.
- The Web gives even large companies the ability to engage in two-way, meaningful communication with their customers. Companies that do not make effective use of this ability will lose customers to competitors that do.

Website Usability

How the web is different:

- Simple mid-1990s websites:
  Conveyed basic business information
  No market research conducted

- Web objectives achievement
  Failed due to no understanding for web presence building
media

- Websites designed to create an organization's presence:
  Contain links to standard information set
  Success dependent on how this information offered.

Website Usability

Meeting the needs of website visitors

- Successful web businesses:
  - Realize every visitor is a potential customer (partner)

- Web presence is an important concern
  - Know visitor characteristic variations.
  - understand that the visitor is at the site for a reason.

- Varied motivations of web site visitors
  - Why visitors arrive at web sites
  - Learning about company products or services.
  - Buying products or services.
  - Obtaining warranty, service, repair policy information.

Website Usability

Meeting the needs of website visitors (cont..)

- Varied motivations of website visitors:
  Why visitors arrive at websites:
    - Obtaining general company information
    - Obtaining financial information
    - Identifying people
    - Obtaining contact information
    - Following a link int the site while searching for Information about a related product, service or topic.

- Challenging to meet all motivations
    - Visitors arrive with different needs, experience and expectation levels.

Website Usability

Accessibility goals for business websites:

- Offer easily accessible facts about the organization

- Allow visitors to experience the site in different ways and at different levels

- Provide visitors with a meaningful, two way interactive communication with organization

- Sustain visitor attention and encourage return visits

- Offer easily accessible information about products and services and how to use them.

Website Usability

Rating Electronic commerce websites

- Companies routinely review ecommerce websites for:

  - Usability, customer service, other factors
  - Sell the fathered information directly to the companies operating the websites
  - Include suggestions for improvements

- Comparisons performed by online companies:
  - For example: Bizrate.com is an online company that provides comparisons of various shopping websites, among various brands.
  - Compiles ratings by conducting surveys of sites, evaluating customers' feedbacks.

Website Usability

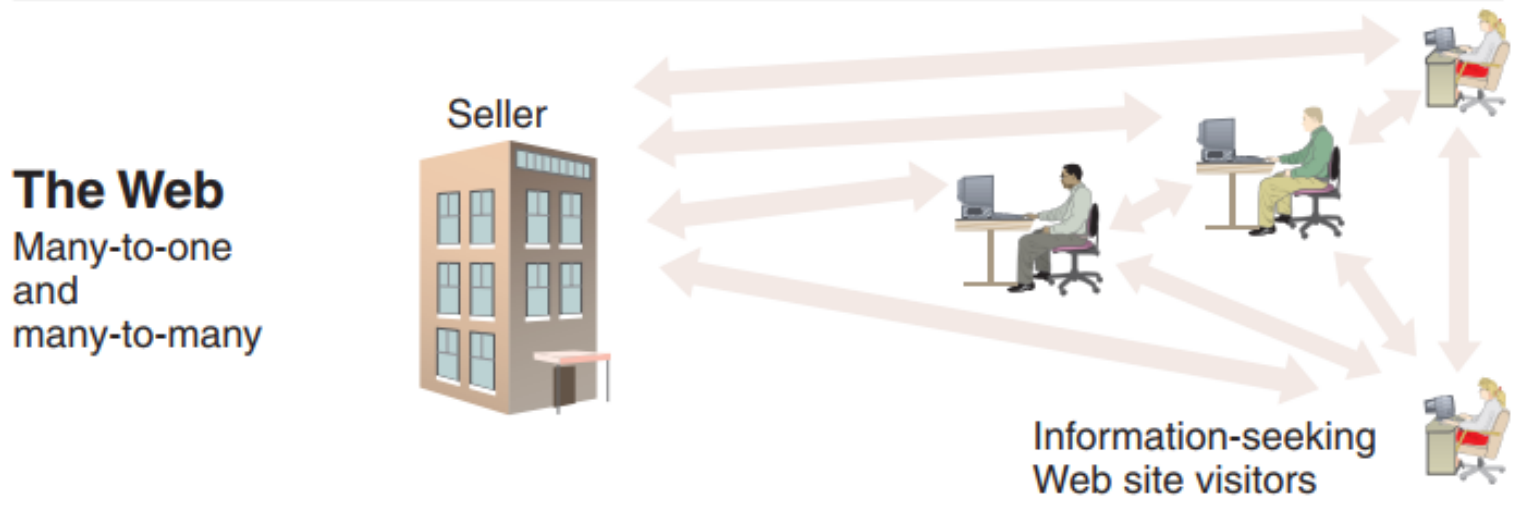**Customer-centric website design**

- Important part of successful electronic business operation

- Focus on meeting all site visitors' needs

- Customer-centric approach

  - Putting customer at center of all site designs.
  - Follow guidelines and recommendations
  - Make visitors' web experience more efficient, effective and memorable.

- Webby awards website:
  - Examples of good web site designs.

Communication on web

Communication modes:

- Personal contact:
  Employees individually search for, qualify, contact potential customers.

- Mass media:
  Deliver messages by broadcasting

- Addressable media:
  Advertising efforts directed to known addressee.

Communication on web

Mass media
One-to-many

Seller

Sends a few carefully crafted messages to all

Thousands or millions of viewers, listeners, or readers

The Web
Many-to-one
and
many-to-many

Seller

Information-seeking Web site visitors

Personal contact
One-to-one

Salesperson

Customer or prospect

Summary

- Revenue models
- Different business types use different revenue models
- Companies change models or shift from one model to other as they learn.
- Effective web presence for online businesses.
- Website utility in ecommerce.
- Website visitors arrive with varying levels of Expectations, skill level.
- Communication modes between customers and companies.

Thank you