

E business revenue models marketing essay



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Web Catalogue Revenue Model

Though the goal of an e-business can be to reduce cost or improve customer service, however, the primary aim of most e-commerce sites is to generate revenue and earn profit. This is the most simple and common type of e-business model for generating revenue. This model would use electronic catalogue and shopping cart providing access to customers throughout the world. Businesses using this type of a model include online sellers of computers, electronic items, books, music, videos, toys, flowers, gifts, clothes etc. Payment received from customers is the source of earning revenue.

Digital Content Revenue Model

Web serves as a very efficient distribution mechanism of content. Therefore, one finds many e-businesses that offer different types of information services such as legal information, corporate information, government information, news and resources for libraries etc. These services can be customized by an e-business for different firm sizes depending upon their needs and usage pattern. Normally, a customer has to subscribe to such services by paying certain amount as subscription fee. This fee becomes the main source of generating revenue for the e-business. Instead of subscription fee, a credit card charge option can be made available for infrequent users. Online journals, newspapers, libraries fall under this category. Note that E-publishing eliminates high costs of paper printing and delivery of digital content is much quicker.

Advertising-Supported Revenue Model

In this model service/information is provided free of any charge to certain audience and the advertising revenue is sufficient to support the operation of the business and its cost. For example, Yahoo portal provides useful information and a search engine free of cost, but earns revenue through advertisements on its portal web site to bear the operational cost.

Advertising-Subscription Mixed Revenue Model

In this type, subscribers pay a fee and accept some level of advertising. Thus an e-business can earn its revenue from both the sources, that is, through subscription and advertisements. On web sites that use this model, normally, the subscribers are subjected to much less advertising than they are on advertising-supported sites. For instance, in case of certain online newspapers, a customer has to pay subscription fee for certain services/information whereas some services are free of charge as they are supported by advertising.

Fee-for-Transaction Revenue Model

There are businesses offering services for which they charge a fee based on the number or size of transactions they process. The business provides information to the customers which is required to complete a transaction and revenue is purely earned on that basis. For example, online travel agents receive a fee for facilitating a transaction that includes the making of travel arrangement for their clients, as well as, advising them about lodging, transportation etc. Stock brokerage firms also use this model as they charge their customers a commission for each transaction of stocks/shares executed through them.

Fee-for-Service Revenue Model

This model does not relate to services provided by agents or brokers to complete a transaction (the above case). Rather, the fee is charged on the basis of value of some service rendered. Professional services provided online by lawyers, doctors, accountants etc. relate to this type of revenue model. E-businesses that provide online entertainment and online games are also the examples of this type. In case of online games,

131 visitors pay to the business either by buying and installing game software on their computers or by paying a subscription fee for playing online for a limited time. This earns revenue for the business.

Establishing/Setting up Transaction Revenue Business

Internet Marketing

Internet has opened a new door of marketing opportunity to the marketers.

Consequently, a new branch in the field of marketing has developed very rapidly in the past few years known as internet marketing or emarketing.

This topic can be covered under following main headings: Market

Segmentation E-mail Marketing Banner Advertising Promotions Public

Relations Partnering Customer Relationship Management Creating Brands on the Web Affiliate Programs Search Engines Global marketing

Market Segmentation

Businesses need to identify specific portions of their markets in order to target them with specific advertising messages. The practice called market segmentation divides the potential customers into segments or groups.

Segments are defined in terms of demographic characteristics such as age,

gender, marital status, income level and geographic location. For example, unmarried men between 19-25 years of age may be called one segment. Traditionally, marketers have used three types of variables to define three different market segmentations, namely, geographic segmentation, demographic segmentation and psychographic segmentation.

Geographic segmentation

In this type, customers are divided into groups on the basis of where they live or work. For example, urban and rural customers can be the two segments on the basis of geography. Different marketing plan would be required for each segment.

Demographic segmentation

Here segmentation is done on the basis of demographic variables such as age, gender etc. Customers belonging to different age groups may have different product requirements. This type of market segmentation helps in identifying those requirements of different groups of customers.

Psychographic segmentation

Here customers are grouped by variables such as social class, personality or approach to life or lifestyle. For example, a car manufacturing company may direct advertising for a sports car to customers who have a particular life style and like thrill in their lives. Variables used in different segmentations can be combined. So, income level can be combined with location to create a particular segment.

Market Segmentation on the web

Note that the concept of market segmentation is equally applicable to e-businesses as it applies to physical businesses. Moreover, one can easily provide a particular sales environment in case of an e-business as compared to offline business. In a physical store, one cannot easily change the environment for different

132 customer segments. Therefore, display options, lighting, music, sales persons remain the same for all customers groups in a physical shop.

However, web gives opportunity to present different store environment online to different customer segments. So, a web site may have a web page for children with the right kind of web design for children, and have a different web page designed exclusively for the old people. In other words, web can easily and usefully provide separate virtual spaces for different market segments. Some web retailers allow their customers to create their own product. For example there are computer companies online that allow their customers to choose component of a computer to configure their own computer according to their need. This is called one-to-one marketing.

Behavioral segmentation

Creation of separate experiences for customers based on their behavior is called behavioral segmentation. Three identified behavioral modes of the customers on the web are: Browsers - customers who just browse through the site with no intention of buying Buyers - customers who are ready to buy right away Shoppers - customers who are motivated to buy but want more information An e-business site should devise right combination of marketing

strategy to lure visitors in different behavioral modes to become its customers.

Choosing a Domain Name

Choosing a suitable domain name is the first thing to be considered at the start of an online business. Due to the worldwide nature of the web, choose a domain name that people coming from different countries/cultures will be able to recognize, remember and type easily.

Marketing Research

It consists of interviews, paper and phone surveys, questionnaires, findings based on previous investigations etc. to find strengths and weaknesses of your business and the business of your competitors. It also includes the analysis of opportunities and threats to your business. In case of e-businesses, marketers have a faster option to find/analyze information about the industry, customers or competitors, because the information is just a few clicks away. This kind of marketing research can be extremely beneficial for the success of an e-business.

Web design

Basically, the only interaction of an e-business with its customers is through the web site. So, a good web design is another very important factor for the success of an e-business. Note that in online environment the competitors of an e-business are just a few clicks away, so if your web site design is not catchy or useful enough the visitors might not wait and immediately switch to a competitor's site. The cost of switching to competitors site is also very low in online environment. All this makes e-commerce very competitive. An

internet marketer should particularly pay attention to the following considerations as regards web site design: Easy site navigation - give a site map Frequently asked questions (FAQs) section Conveniently located contact information Multimedia - use streaming video and audio - be aware the time each element takes to get loaded Privacy policy - outline the policy about intended use of customers personal details General outlook of the web site should be attractive making it sticky