ONLINE BUSINESS MODELS AND TYPOLOGIES

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Abstract
The Internet had a remarkable impact on the exchange of information in many aspects of our daily lives and the electronic commerce is not an exception. According to Eurostat, buying over the Internet has become very popular in the EU, with more than half (55 %) of the EU population declaring having bought online in the previous 12 months. Becoming a common activity of the Internet, online shopping or ecommerce attracted in short time the attention of several studies that began tracking the new business actors and their roles.
This article does not only provide knowledge and understanding but also addresses business issues to practical managerial matters for the business models that are using the online channel in order to support organizational problem solving in the field.

Keywords
E-commerce; business model; digital consumer.

JEL Classification
L81; D12

Introduction

With a long history in the economic literature the "business model" becomes a key concept in specialty literature with the development of the first online businesses in the mid 90's. The term e-commerce came into popular use in 1995, signifying the rapid development of commercial applications of the Internet, which will be the dominant pattern of Internet use in the mid-1990s. Also in 1995 Amazon online store is launched and in the first year manages to achieve a turnover of 16 million dollars. Two months after, eBay launches the first online auction site in the world and short after, in 1997 the commercial domain (.com) overcomes the educational domain (.edu) (Kim, 1998). The almost instantaneous success of the first online stores attracted more and more investors, businessmen and consumers and the Internet became the technology with the most rapid economic growth in history. The spectacular growth rate is best reflected by the increase in sales of Amazon.com: from $ 16 million in 1996 to $ 1.6 billion in 1999 (Eduardo da Costa, 2001).

Methodology and research objectives

The birth of E-commerce caused dramatic changes in how the new companies handled their business processes and marketed their products and services, so there was a need for a new referent to capture the newly developed modes of operation (Vasiliu et al., 2016).
This research is focused on the business model concept and in particular in online business model typologies and aims to provide knowledge and understanding by exploring the

economic literature. In terms of methodology this study is based on a literature review approach in an attempt to assembly definitions and typologies of the online business model.

Research – literature review

The first research upon the long-term use of the business model concept was performed by Ghaziani and Ventresca (2005) who examined its frequency in academic journals from 1975-2000. There were 1,729 publications containing the expression "business model". Only 166 were published between 1975 and 1994. The remaining 1,563 appearances were part of the 1994-2000 period. After an extended analysis up to 2009, Zott, Amit and Massa (2011) reveal a dramatic increase in the appearance of the term in academic journals (1,202 new appearances), but even more spectacular in non-academic ones (8,062 appearances).

But the explosive interest and extensive use promoted the dispersion rather than the convergence of perspectives. Numerous definitions have been proposed, the business model being described either as an architecture (Timmers, 1998) or as a conceptual tool (George & Bock, 2009; Osterwalder, 2004; Osterwalder, Pigneur, & Tucci, Casadesus-Masanell & Ricart, 2010), a mix of elements (Johnson, Christensen & Kagermann, 2008) or even a company description (Magretta, 2002).

Among the many attempts to define the business model, two aspects appear repeatedly: the business model as a representation of the logic of creating and capturing value and the model as a structure, architecture or general business framework (Ahokangas P. and Myllykoski J., 2014).

Table no. 1. Selection of definitions for the Business model concept

Author	Definition
Timmers, 1998	The business model is "an architecture of the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; a description of the sources of revenues" (p. 2).
Casadesus-Masanell & Ricart, 2010	"A business model is . . . a reflection of the firm's realized strategy" (p. 195).
Johnson, Christensen, & Kagermann, 2008	Business models "consist of four interlocking elements, that, taken together, create and deliver value" (p. 52). These are customer value proposition, profit formula, key resources, and key processes.
Magretta, 2002	Business models are "stories that explain how enterprises work. A good business model answers Peter Drucker's age old questions: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?" (p. 4).

Source: Zott, Amit and Massa, 2011, p. 6.

Although we do not want to limit the business model to these issues, we believe that they allow the concept to connect the theoretical thinking with the implementation at a practical level. Therefore, we will implement them as principles of use in this study for the described business model.

Typology of the business models

The early e-commerce literature attempted to provide a conceptual framework for classifying business models developed in the online environment according to the operations performed. Timmers (1998) uses two dimensions (functional integration and innovation) to individualize multiple model classes and identify 11 business models deployed in the electronic environment, mostly developed through the evolution of the Internet and basic technology:

a) ***virtual shop (e-shop).*** A virtual store is implemented through a website. In the first phase, the site is designed to promote the goods and services offered by the company. Additionally, you can add placement or take-over facilities, and the extended option also includes online payments (by card or other electronic options).

b) ***electronic procurement (e-procurement)***. For procurement of goods and services, companies or public authorities organize auctions on an electronic platform. The benefits are: a wider range of bidders, lower costs, better quality and transparency in the procurement process.

c) ***electronic auction (e-auction)***. Electronic auctions with the help of the Internet are an electronic implementation of the traditional bidding mechanism. An auction is defined as the public sale of goods and services where potential buyers bid until the highest price is reached. Thus, online auctions are hosted on a bidding website, in real-time, and run for varying periods of time (hours, days or weeks). When the end of the bidding period ends, the most advantageous offer receives the auctioned item. Benefits for bidders and buyers are increased efficiency and time savings, as well as global presence, eliminating the need for transport where the auction takes place.

d) ***universal e-shop (e-mall).*** As in the real world, the e-commerce store gathers a collection of virtual shops (e-shops). The operators of these universal stores get income from the perceived share of total sales, either from advertising space rental and for many online merchants, the e-mall can be an optimal solution for doing business because they do not have enough budget allocated for marketing and advertising of their distributed products. The consumer benefits are similar to those obtained from an individual electronic store, plus easy access to other stores and a common navigation interface. In addition, if the universal electronic store is also owned by a known company, then the buyer's safety is increased because the company is seen as a guarantor of the other less known firms.

e) ***business concession (3rd party marketplace).*** It is a model for companies that decide to leave the Internet trade to other commercial entities specialized in this, often companies specialized in developing and maintaining virtual stores.

f) ***virtual communities*** can be set up either on private initiative or on the initiative of a company to gain an edge on a market or segment by winning the loyalty of members of the community concerned. Thus, the value of a virtual community is given by its own members who can come up with their own information over a base environment provided by the company.

g) ***value-added service providers***. They specialize on specific functions, such as logistics, electronic payment or production and stock management, with the intention of transforming this specialization into competitive advantage

h) ***value-added services integrators*** for e-commerce channels(value chain integrator). They integrate more services with the potential to exploit the information flow between them and a separate service. Most of the time, travel companies that sell services offered by third parties (airlines, hotels, car rental companies, etc.) act in this respect. Revenues come from consultancy fees or percentage of transaction value.

i) ***collaborative platforms*** provide a set of tools and informational media for collaborating between different companies, involving teams from different geographic areas with different knowledge. Thus, communication platforms provide a means of communication and contribute to the division of labor. Earnings come from the management of the platform (membership fee or usage fee), either from the sale of specialized instruments or from the charging of fees for the consultancy offered.
j***) brokerage information and other services***. A new range of services has emerged to add value to the large amount of data available online. Examples include customer catalogues classified by profile, sales of business opportunities, specialized field consultancy. The payment of information and advice is usually done by paying a subscription or a usage fee. A special category is represented by the guarantee services provided by certificated authorities. They certify certain products or services, providing a higher degree of consumer confidence.
Despite the pure play online models described above, when the boudries between Old Economy and New Economy are fading, and traditional Brick and Mortar retailers are starting to engage in various activities on the Internet combining the electronic commerce with traditional operation this attracted the attention of researchers on a new business model that begins to integrate these two channels (physical and electronic). To capture the synergies resulting from the integration of physical with the online activity, the literature has used different terms - "hybrid e-commerce", "click and mortar", "surf and turf", "multichannel", "bricks and clicks", etc. - (Gulati and Garino, 2000) to define the new model. Today, the online retail business models have two major categories classified according to percentage of the transactions through the Web: Pure Play (meaning they sell exclusively through the Website) vs. Bricks and Clicks, meaning they make only some of their sales through it (Y. Zhuang., A. Lederer, 2008).
Some authors (Steinfield, Bouwman and Adelaar, 2001; Pitta, 2002) have suggested that Bricks and Clicks model is the fittest species of the Internet retailing, better positioned to capture the benefits of Internet retailing. Other authors stated that traditional companies will be able to expand in a less expensive manner and will better serve consumers if they will open a virtual store (Alba et al., 1997). Furthermore, Friedman and Furey (2003) have argued that adding an electronic channel will increase the market coverage and thus the profit.

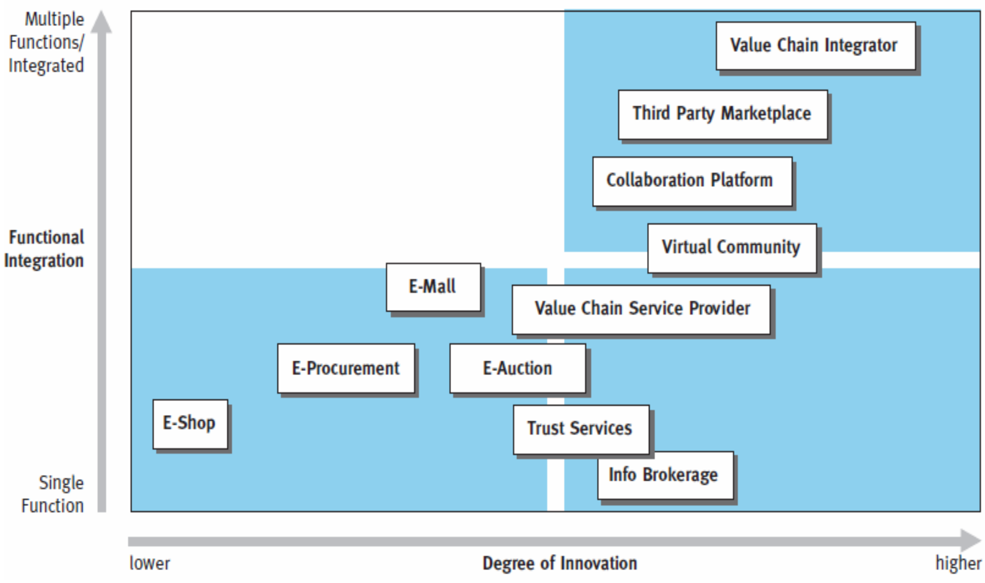

Fig. no.1. Online Business Models
Source: Timmers, 1998, p. 7.

Other positive effects are also attributed to the electronic channel: strengthens the relationship with existing customers, reinforces customer loyalty and as a result increases the profitability. Stating that each channel offers different advantages, some authors (Schoenbachler and Gordon, 2002) argued that in the future consumers will tend to choose the best channel for their purchases, thus opening an online channel increases the addressability of the company. From the marketing perspective, opening an electronic channel has the potential of a closer approach to the customer and the capacity to collect additional information about the profile and expectations of the consumers.

Conclusion

This article gives an overview of the business model in literature with focus on the online typologies. It is clear that the Internet has become a channel of distribution that generated a variety of innovative business models and marketing opportunities and attracted in short time the attention of several studies that began tracking the new business actors and the new types of operations.

Electronic commerce has diversified over the years by creating new markets or competing with the traditional store. Some of the emerged models are designed to work purely online but some models found synergies with the traditional commerce generating positive effects by strengthening the relationship with existing consumers, reinforcing loyalty, and consequently increases profitability.

Nonetheless the predictions of the mid-90s that online retailers would replace traditional store-based retailers did not become reality. Instead, traditional retailers have adapted to the new conditions and consumer needs and have expanded their business in the online market. Taking into consideration only the online retail we can easily see a separation of the main actors in two directions. One direction is populated with the Bricks and Clicks retailers that dominate the mass business in the market. This trend is encouraged not only by the online success of the traditional retailers but also by Pure Players that are beginning to establish physical locations. The other direction is the consolidation process in e-tailing. Of course, the online retailers still account for a very small proportion but with each year they become considerably stronger.

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