

A framework for defining e-business models

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Nowadays new business models are constantly emerging in electronic commerce and can become a major stake in the e-business game. It is even possible to patent them in some countries. Understanding them and helping to design them are important issues.

We propose a framework or ontology for defining business models. Our e-business model ontology outlines what value a company offers to which customer segments. It describes the architecture of the firm and its network of partners for creating, marketing and delivering value and relationship capital, in order to generate profitable and sustainable revenue streams.

We design this ontology based on an extensive literature review on business model and on enterprise ontology. By merging the conceptually rich business model approach with the more rigorous ontological approach and by applying it to e-business, we achieve an appropriate foundation for tools that would allow the understanding, sharing and communication, change, measuring and simulation of e-business models.

Our e-Business Model Ontology is the conceptualization and formalization into elements, relationships, vocabulary and semantics of the essential objects in the e-business model domain. The ontology is structured into several levels of decomposition with increasing depth and complexity. The first level of decomposition of our ontology contains the four main pillars of a business model, which are the products and services a firm offers, the relationship it maintains with its customers, the infrastructure necessary in order to provide this and finally, the financials, which are the expression of business success or failure (see figure 1).

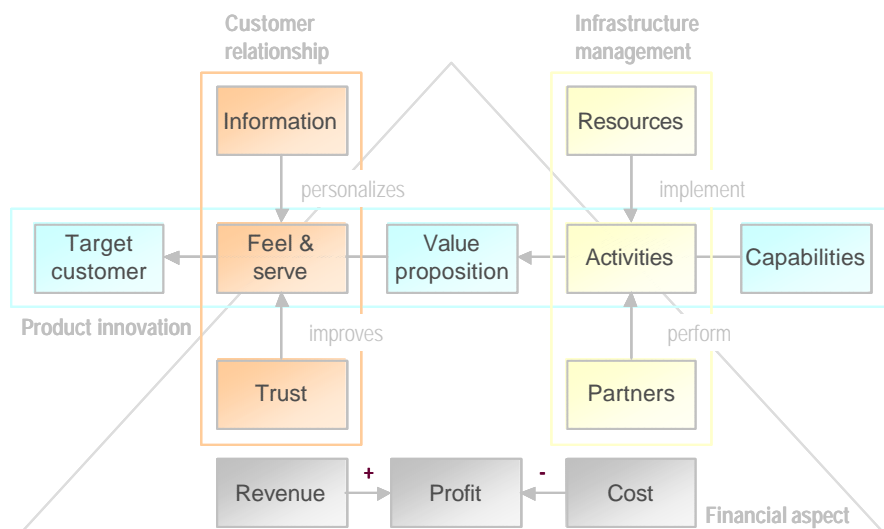


Figure 1. The main components of the Business Model Ontology

The **product** component of the e-business model framework describes the *value proposition* a firm wants to offer to a specific *target customer segment*. To deliver this value, the firm has to possess a certain set of in-house and/or outsourced *capabilities*.

ICT offer a range of opportunities to create new and exploit existing **customer** relationships to *feel and serve for* customers and develop an enduring relationship with them. In order to improve the customers experience in doing business, the firm has to gather and exploit *customer information*. More then ever before, the focus has to be on a positive customer relationship which will result in customer *trust* and *loyalty*.

In the product component of the e-business model framework we have described the capabilities which are needed in order to create and deliver the value proposition. The **infrastructure** component describes the value system configuration that is necessary to deliver the value proposition; in other words, the relationship between in-house *resources and assets*, the *activity and process configuration* of the business the firm is operating in and the firms *partner network*.

Of course, the **financial** perspective also belongs to our e-business model framework. Financial aspects can be understood as *costs* required to get the infrastructure to create value and as *revenues* of sold value. The difference between revenues and costs determines the *profitability* of a company.

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