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Business Models and Business Strategy – Phenomenon of Explicitness

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Abstract

The paper briefly provides the comparison of various business model approaches in terms of definitions, frameworks and ontologies, and then it discusses various characteristics of business model. On the basis of these characteristics, a framework termed as 'Business Model Explicitness' is proposed. The framework states that a business model can be made explicit to the outer world and it can be evaluated in terms of its effectiveness. In order to evaluate the practical implications of the proposed framework, evaluations of different e-business models are also presented in this paper. This is concluded from this evaluation that an organization's business model can be made explicit through its website. Since a business model has been considered as the blue print of money earning logic, therefore, it has a logical link with the strategy. The theoretical as well practical contributions of the proposed framework of BME are also discussed in this paper. Thus, the paper is an important contribution to the conceptual aspects of business models. It is also concluded that a company's website can be an important tool for companies to manage and develop their business models explicitly.

Keywords: Firm Business Model Definitions, Business Model Frameworks, Strategy, Framework of Business Model Explicitness, Website Evaluation, Value Proposition, and Partners

Introduction

In today's world where destabilized economic situation, war on terror and natural calamities have put halt to economic development, companies are still trying to extend their business boundaries in order to earn extra profit and to balance out the economic turmoil. This not only creates intense competition among manufacturers, retailers and suppliers but also make it difficult for consumers to choose the desired product or service. The economic and political turmoil has also affected the types of relationships among suppliers, manufacturers and retailers. The advent of Information Technology (IT) has also played a vital role in the development of today's economic upheaval. In this situation, it is very important for companies to target right market segment, develop 'value creation' and 'value delivery' processes, utilize minimum but appropriate resources, establish clear links with their suppliers and partners and yet, reduce cost and maximize profit. A business model concept can be an important aspect which can help managers and entrepreneurs not only to retain their profit margins but to extend their business boundaries as well.

The history of the term 'business model' reveals that this term has been in use since 1947 where it was reported in a paper abstract (Lange, 1947), it again appeared in a listing of subject terms published in 1949 (Santos *et al*., 2009). Later on, it appeared in an article with the reference of constructing business games portraying various aspects of economic and industrial interactions (Bellman *et al*., 1957). In 1960s, the term was again used in the context of teaching business games by educators (Jones, 1960). The last decade of 20th century has seen a sharp rise in the awareness and usage of this terminology (Osterwalder *et al*., 2005). However, most often the term remained associated with the business over the Internet. With the rupture of the dot.com bubble by the end of the twentieth century, some important contributions were made to understand the exact nature of this term. Therefore, the history of the concept development for business models is almost a decade long.

The concept of business models has been used to describe the earning of money logic. Much of the literature available for this term is conceptual in nature (Mustafa and Hannes, 2010). Some have defined and categorized business models in the context of electronic commerce (Venkatraman and Henderson, 1998; Timmers, 98; Rappa, 2000), while others have described proposed frameworks based upon nature and kinds of transactions, actors involved and financial performance (Malone *et al.,* 2006). A few have developed the concept for Information Science (IS) domain (Gordijn, 2001; Osterwalder, 2004). In this paper, the framework of Business model Explicitness (BME) is proposed which states that a business model can be made explicit to the outer world and it can also be evaluated in terms of effectiveness. This proposed framework also provides a common vocabulary for managers and entrepreneurs to develop and at the same time manage different types of business models. This proposed framework may help business managers to identify those areas of their businesses that need improvement or innovation. Hence the proposed framework of business model explicitness (BME) is an important tool to innovate business models. The practical implications of BME framework are then supported in this paper by arguments developed through evaluating various business models categories and frameworks. In order to support these arguments, the BME framework is then tested on various e-business models through website evaluations. The findings of these evaluations have also supported the viability of this proposed framework and are also reported in this paper.

This paper consists of four parts. In the first part, a brief comparison of various approaches for business model definitions, frameworks and ontologies and their components and elements is provided. Related areas like strategy and its link with business models and value chain and characteristics of business models are also discussed in the first part. The second part of the paper defines and explains in detail the framework of Business Model Explicit (BME) along with its proposed elements. The proposition of the BME framework is supported by evaluating various business models categories and frameworks. To further support the practical contributions of this framework, a case is presented in the third part where different e-business models have been analyzed through detailed analysis of different websites for companies doing business over the Internet. The last part of the paper presents conclusions along with the theoretical and practical implications and open research issues. From this research it can be concluded that a business model can be made explicit to its customers and it may help to identify different elements/attributes of business models to redesign and innovating business models to deliver higher value proposition. It can also be concluded from this paper that a business model can be made explicit through a company's website, hence, a website can be an important tool for companies to manage and develop their business models explicitly.

To further support the practical contributions of this framework, a case is presented in the third part where different e-business models have been analyzed through detailed analysis of different websites for companies doing business over the Internet

Business Models as a Concept

The term 'business model' is composed of two different words. The word 'business' stands for a commercial activity which has different aspects, i.e., the activity of providing goods and services involving financial, commercial and industrial aspects (WordNet Search 3.0), while a *model* is '*a standard or example for imitation or comparison*' (Osterwalder, 2004). Thus, the both terms 'business' and 'model' suit well for the proposed framework of BME. In simple words, the term business model can be described as a conceptual description about how a company buys and sells goods & services and earns money. A unified approach towards defining a business model describes business models as "an articulate structure for sharing products, services, resources, assets and knowledge flow among interacting partners (including external and internal customers, consumers, competitors and the environment) in order to exchange potential benefits from specific resources of revenue with the capability of flexible boundaries"(Mustafa & Werthner, 2008).

The literature review of the business model concept reveals that many researchers have discussed more than one aspect of the term business in their business models definitions. For example, some (Timmers, 1998; Zimmermann, 2000; Weill and Vitale, 2001; Dubosson and Tobay *et al.,* 2003) have emphasized the description about the offers, customers, architecture or structure to offer or deliver value (operation, production, marketing, etc.) and others (Picken and Dess 1998; Rappa, 2000; Slywotsky and Morrison, 1997; Stewart and Zhao, 2000) have described it as a pure business logic to earn money (revenues, profits, etc.).

The literature on business model can be differentiated into three major categories, the business model definitions, the business model frameworks and ontological modelling of business models. However, this differentiation, so far, is not strict and definitive due the fact that various authors have used similar definitions, classifications and components for describing the business model concept. Table 1 presents a brief overview of selected business model concepts (definitions, frameworks and ontologies) to help readers to understand the conceptual foundations of the proposed BME framework.

Table 1: Overview of the contributions made into business model literature

Research Contribution	Definition	Framework	Ontological modelling
Paul Timmers (1998)	✭	✭	
Venkatraman & Henderson (1998)	✭	✭	
Tapscott *et al*. (2000)	✭	✭	
Rappa (2001)	✭	✭	
Petrovic et al. (2001)		✭	
Gordijn & Akkermans (2002)			✭
Stahler (2002)		✭	
Osterwalder (2004)	✭	✭	✭
Richardson (2005)		✭	
Chesbrough (2006)	✭	✭	
Lambart (2007)		✭	✭
Conte (2008)		✭	

Business Model Definitions

The term 'business model' was first defined by Paul Timmers in late 90's as a pure business concept explaining the logic of doing business of a firm in the context of electronic commerce. Venkatraman and Henderson (1998) have defined the business model concept as a strategic implementation of the information technology that can be extended into three vectors, i.e., the customer interaction, the asset configuration and the knowledge leverage. Rappa (2001) has defined the business model as a method of doing business to generate profit by specifying its position in the value chain. Petrovic *et al*. (2001) have defined business model as the description of the logic of a 'business system' for creating value that lies behind the actual processes. Weill & Vitale (2001) have explained the business model as a tool for relationship among actors; Linder & Cantrell (2000) described the business models as change models. Gordijn & Akkermans (2001) proposed the concept of the e3 value model, a graphical representation of business models. Tapscott *et al*. (2000) introduced business webs as "a distinct system of suppliers, distributors, commerce services providers, infrastructure providers, and customers that use Internet for their primary business communications". Amit and Zott (2001) defined the business model that "depicts the design of transaction content, structure and governance so as to create value through the exploitation of business opportunities". All these definitions have emphasized that concept of business model is related with the strategic implementation of Information Technology (IT) for customer interaction, value creation and exchange of information and knowledge. The business model is also a source to generate profit by attaining specific position in the value chain. A business model represents a set of systems and processes that create value and it helps managers to develop relationships with actors (partners involved).

Business Model Frameworks

Along with defining business models, researchers have also proposed various frameworks and categories of business models (Timmers, 1999; Venkatraman & Henderson, 1998; Tapscott *et al*., 2000; Rappa, 2001; Petrovic *et al*., 2001; Stähler, 2002; Osterwalder, 2004; Richardson, 2005; Chesbrough, 2006; Lambert, 2007; Conte, 2008). Each business model framework is composed of different components and building blocks; however, quite often different terms are repeatedly used to describe similar components in each business model framework. These terms have been referred as 'elements' 'building blocks', 'functions', 'components' or 'attributes' of business models (Pateli, 2002).

Ontological Modelling

Most of the researchers have worked to develop the theoretical concepts of business models, however, a few contributions have been made to provide technical aspects of business model. These contributions are made in the domain of Ontological Modeling. The first approach, referred here, comes with the lightweight engineering perspective, i.e., the e3 value, developed by Gordijn and Akkermann (2001). The core objective of this approach was to develop a methodology for identifying flow of value among different partners during business transaction. The second approach, referred here as BMO, is developed by Osterwalder (2004) as a conceptual tool to describe core business logic. This approach also incorporates different business actors and the mechanisms of value exchange among these actors. The additional benefit of this approach is that it also incorporates the cost and revenue models of an organization. All these efforts in the domain of ontological modeling have opened the path to visualize the concept of business models at business operational level (Huemer et al., 2008).

Business Model Components and Elements

As explained earlier, various researchers have repeatedly used different terms to describe similar components and elements related to different business model concepts. However, various efforts have been made to extract these terms (elements and attributes) from different business model frameworks (Pateli, 2002; Osterwalder et al., 2005; Al-Debei, 2010). Table 2 presents various elements or building blocks extracted from different models or frameworks to describe business model components.

Based on external environment, an organization determines its target customers and brings products and services according to their requirements. This creates value to the customers; however, this value creation should match with the inner capabilities and production models of the organizations. It should also create value to its partners and suppliers which create a value network for the organization. While on the other hand, the cost structure and the revenue model align the value creation processes with the value delivery processes. Therefore, in order to create value, organizations require common vocabulary to share their business models with their partners in a networked environment. The comparison provided in table 2 reveals that various business model frameworks share common elements and building blocks. Thus, a business model concept can be described through a shared vocabulary. This may lead us to a conclusion that designing an evaluation framework requires a balance of different perspectives of the business model concept. Since the BME framework is constituted by a number of elements, therefore, the essential elements of this proposed framework will be discussed in the following sections of this paper.

"What is strategy"?

As we already discussed in the previous sections, the business model is the blue print of the strategy. The Chandler's (1962) point of view on strategy definition is about determining basic goals and objectives of the organizations and course of action and allocation of necessary resources for carrying out these actions. Thus, the strategy is not only a planning but an action oriented process that leads companies to achieve a certain competitive advantage. According to Mintzberg (1978) various definitions of strategies treat the concept as (a) explicit, (b) developed consciously and purposefully and (c) made in advance of specific decisions to which it applies. Thus the core idea to develop a strategy is in the activities choosing to perform differently than the competitors. The notion of being explicit reveals that yet being public, it is difficult to imitate by its competitors. However, what makes it different from its competitors is the scenario or the core logic behind developing strategies. A company may choose its business strategies depending upon market segments, the

Table 2: Elements/Building Blocks of different business model frameworks

Element/Building Block	Description	Cited in
Value Model	Logic of what core products, services and experiences are delivered to the customers Petrovic et al. (2001).	Petrovic *et al.* (2001)
Value Proposition	A value proposition is an overall view of the company's bundles of products and services that are of value to the customer (Osterwalder, 2004).	Stähler (2002) Osterwalder (2004) Richardson (2005) Lambart (2007)
Products and Services	Product or service acts as a link between the firm and the customer that serves foundation for value proposition and generates promised benefit to the customer (Stähler, 2002).	Conte(2008) Richardson (2005) Lambart (2007) Stähler (2002)
Customers	The group of customers who are addressed (Conte, 2008) with service or product portfolio and for whom value is being created to fulfill their needs (Stähler, 2002).	Lambart (2007) Conte (2008) Stähler (2002) Osterwalder (2004)
Resource Model	Resources as part of value configuration are necessary to create value for customer (Osterwalder, 2004)	Petrovic *et al.* (2001) Lambart (2007) Richardson (2005)
Production Model	Includes value configuration as a part of infrastructure management to create value for the customer.	Petrovic *et al.* (2001) Stähler (2002) Lambart (2007) Osterwalder (2004) Conte (2008) Richardson (2005)
Partnership	A voluntarily initiated cooperative agreement between two or more companies in order to create value for the customer (2004).	Stähler (2002) Conte (2008) Osterwalder (2004)
Revenue Model	Combination of sources generate revenue for the firm (Stähler, 2002).	Stähler (2002) Lambart (2007) Petrovic *et al.* (2001) Osterwalder (2004)
Cost Structure	Expenditures connected with creating, offering and distributing goods and services (Conte, 2008).	Osterwalder (2004) Conte (2008)

product it offers (Porter, 2001), the services it designs, the capabilities it has, the partners it has, the cost structure and the revenue model it follows. A mix of all these elements gives companies a unique and a distinct position in the market that makes others difficult to imitate.

Analysis of strategy reveals that it is a link between the organization and external environment (Grant, 2010). The organization has its own goals, objectives, processes, capabilities and resources which should be matched with its external environment containing its competitors, partners and customers. Implementing a business strategy needs organizations to trade-off these goals, objectives, processes and capabilities according to the limitation of the external environment. This trade-off function gives organizations a distinct position and it can be encapsulated as a distinct business model. Thus, a business model concept can be coupled with the strategy.

Connecting business models with strategy and value chain

As described, business models are connected with the strategy, thus developing strategy is linked with innovation in the business models. However, Strategy and the concept of the business model have been used as poorly defined terms due to the overlap (Seddon & Lewis, 2003). The goals of the strategy are to 'achieve a superior long-term return on investment' (Porter, 2001). On the other hand, 'business models are stories that explain how enterprise works' (Magretta, 2002). The literature review suggests that the business model concept is a different approach and should be treated separately from the strategy (Shafer et al., 2005; Lambart, 2007; Richardson, 2005; Santos et al., 2009; Stähler, 2002; Magretta, 2002; Osterwalder, 2004; Macaulay, 2004). Strategy deals with making decisions, setting priorities and vision and is influenced by market place derived strategies (Joyce & Winch, 2004). Teece (2010) has also strongly propagated that business strategy is not quite the same as business model. The business model may articulate the logic, the data and other evidences supporting delivery of value proposition customers, revenue and cost models and partners liabilities. The business model may be "ineffective" and merely an "imitation", if not supported by appropriate strategies. Thus, change in business models or business model innovations are supported by strategies that lead firms to achieve competitive advantages. Apple was not the first one to bring digital music player to the market. However, it did a far smarter move, took the technology, and wraps it in a great business model (Johnson et al., 2008). Table 3 represents how business model can be distinguished from the strategy.

Table 3: Comparison of the Business Model Concept and the Strategy Concept

Business Model	Strategy
Definition: A blue print of the strategy (Osterwalder *et al*., 2005)	**Definition:** determining basic goals and objectives of the organizations and course of action and allocation of necessary resources for carrying out these actions (Chandler, 1962)
Products	Why to offer these products?
	What should be the value proposition associated with this product?
Value proposition	How this value proposition can be increased for the customers?
Target Customers	What should be the characteristics of the target customers (who are the customers)?
	How to target a particular customer segment?
	How the target customer's needs to be satisfied?
The distribution channel to reach the targeted customers	Why the company use this distribution channel to reach the target customer?
	What are the advantages to use this distribution channel?
	What other distribution channels can be used to reach customers?
Types of relationships/links established by the company to the customers	Why these relationships/links are necessary to establish by the company?
	Which relationship mechanisms are important to link with the customers?
The activities and resources necessary to create value for the customers	What are the most essential activities and resources required to create value?
	How to perform these activities efficiently?
	What are the critical resources a company needs to create value?
The capability to create value for the customers	What are the core capabilities of the company to create value?
	What are the outsourced capabilities a company need to create? Value?
The partners who are part of value creation processes	Who are the partners?
	What are the selection criteria of these partners?
	Why to choose these partners to create value for the customers?
The revenue sources	Why these sources generate revenue for the company?
	How to increase revenue from a particular source?
	How to retain these revenue generation sources for a long time?
The cost structure	Where the high cost comes from?
	How to reduce the cost of a particular process?
	How to reduce the cost of maintaining a particular source?

The table clearly states the position of business models and the business strategies. Business model is more generic in nature whereas, developing business strategy needs defining specific activities. Business models articulates the flow of the products, services, relationship among partners, the cost incurred for delivering value to its customers and the specific revenue sources (Timmers, 1998). However, on the other hand, the strategy expresses who the customers are, what are their requirements needed to be addressed, selection of a distribution channels, choosing different partners, and reducing costs and increasing sources of revenues.

A strategy is a specific set of actions that are designed to achieve organizational goals and objectives while remaining competitive in nature. Therefore, the concept of strategy can also be linked with the concept of value chain. A value chain is a tool that can be used for examining different activities of the firm and analyzing sources of competitive advantage (Porter, 1998). It can be defined into two aspects that are related to the organizational boundaries, the external value chain and the internal value chain. An *external* value chain explains how a firm establishes contacts with its partners, customers and consumers to create value. The *internal* value chain of a company provides an overall picture of how a firm creates value by incorporating different partners at various stages and delivering it to its customers through different processes (Figure 1). The value chain can be divided into three sections, depending upon the nature of activities and their objectives.

In figure 1, the section I consists of primary and support activities that are related with the value proposition and customers. Companies use several strategies to offer products and value propositions to their targeted customers. The main focus of all activities and efforts is delivering value to the customer.

The section II of the generic value chain consists of those primary and support activities that are mainly focusing on creating value, viz., *inbound logistics, operations*, and *outbound logistics*. Companies pursue various strategies to answer few questions, e.g., why a company uses specific distribution channel, how to perform production related activities efficiently, what are core competencies of the company to create value and who are the partners and why they are selected, etc. The main focus of these activities is value configuration.

The section III includes *margin* that is the primary logic behind every business activity. Porter (1998) defined margin as a difference between total value and the collective cost of performing the value activities that can be measured in many ways. It can be described in terms of the cost structure and the revenue model.

As described earlier the business model concept describes about: the products and services offered the targeted customers; the partners or allies who take part in operations, outbound logistics, resource management, etc.; the cost and revenue models of the firm, etc.; the efficient methods to deliver the offerings and the potential revenues and sources of profits. In other words, the description or definition of business model should be consistent with the generic value chain concept.

The above discussion reveals that the structure of a generic value chain can be a link between the business model concept and the strategy. Emphasis on internal capabilities, resources and partners allows organizations to identify their uniqueness among competitors and design strategies that shape their business models. The business model is a logic to generate profit by specifying its position in the value chain (Rappa, 2001), logic of a 'business system' for creating value that lies behind the actual

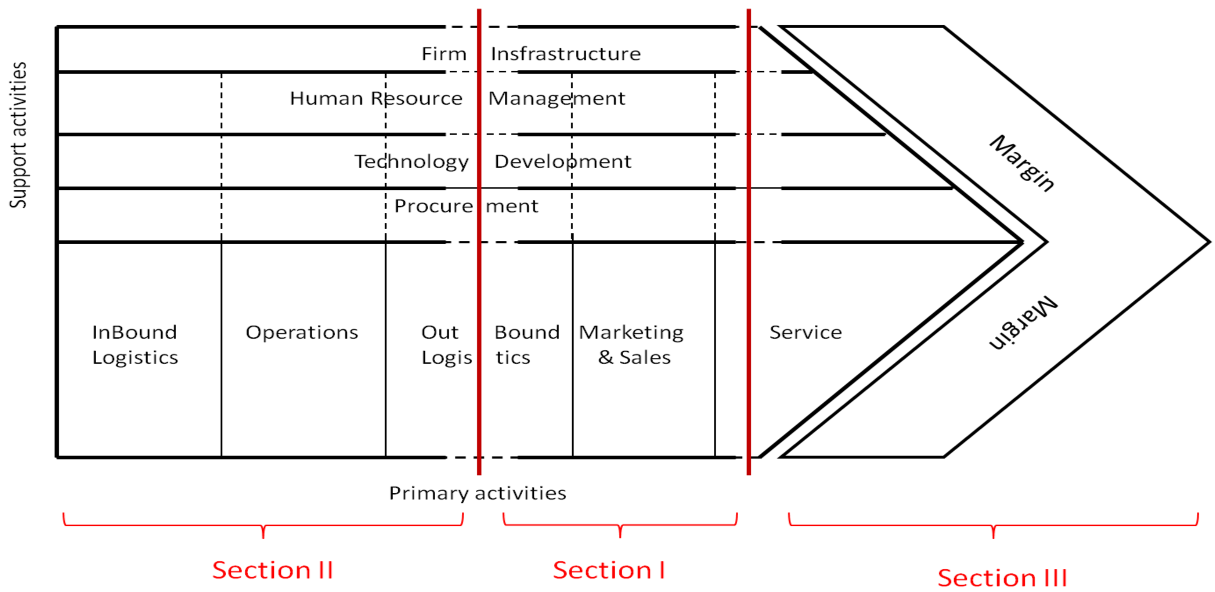

Figure 1: The Generic Value Chain

processes (Petrovic et al., 2001), a tool for relationship among actors (Weill & Vitale, 2001), a change model (Linder & Cantrell, 2000), and not only creating value but capturing a part of this value (Chesbrough, 2006).

Characteristics of Business Models

Build on the discussion in the previous paragraphs, it is depicted that business model may possess various characteristics. In order to create value, business models can be treated as a *relationship tool* which connects various partners in a value chain. Weill & Vitale (2001) defined the business model concept as a description of the roles and relationships among a firm's consumers, customers, allies and suppliers and it identifies the major flow of products, information and money, as well as the major benefits to the participants. It is a well known phenomenon that organizations use various strategies to collaborate in a network (Baughn *et al*., 1997). Since the business model is the concept or a description of the various agents and their roles and protocols of interaction (Zimmermann, 2000), therefore, the organizations can define in the framework of the business model that who are the partners and actors and what are the protocols of interaction.

Linder & Cantrell (2000) described business models as organization's core logic for creating value which can be represented in different ways, i.e., components of the business model, real operating model and the *change model*. A change model is core logic for how a firm will change over time to remain profitable. Therefore, the business models can be evolved over a period of time due to dynamic environment to remain sustainable. The firm's business model remains under pressure by various factors including innovation in technology, changes in government's economic policies, change consumer's preference pattern and competitors. One example is the Internet that is the dynamic environment causing organizations to change their business models frequently to remain profitable. Therefore, it seems necessary for organizations to continuously revisit their business models in the perspective of market and the technological driven strategies.

The framework of BME is built around the perspectives of strategy formulation and a company's internal value chain. It consists of three basic elements, named as Content, Structure and Context.

Based on the concept of organization's interaction pattern and role of actors in a business model, the concept of *business modeling* has been developed. According to Osterwalder *et al*. (2005) "*a business model is a conceptual 'tool' containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm.* The business model is the simple representation of the complex reality of a particular organization, whereas, the business modeling is about to create a model that represents the reality of businesses (Bridgeland & Zahavi, 2008). In terms of business model functions, (Chesbrough, 2006) business models can: 1) define the structure of the value chain, 2) and describe the position of the firm within value network.

After half of the century to World War II, the business scenario was changed with the uprising of many international business ventures from different continents like Europe and Asia. Development in the structure innovation dimension paved the way to evolve the idea of *business webs or b-web*. The concept lying behind b-web was to integrate the Internet in the business to interlink suppliers, manufacturers, distributers, service providers, customers, etc., who use the Internet for business communication and transactions. The organizational boundaries of the organization are more flexible as compared to other businesses as they tend to change and navigate with changes in the environments. Thus, business models shall immediately respond to the stimuli of change in order to recreate value preposition, market share, earn revenues and (in some cases) also generate shareholder value.

With the development of technologies and the Internet, business models can be used not only to create value but also for the purpose of capturing part of the value. The concept of *Open Business Model* reveals the fact that exchange of products and services in a value chain not only create value, but this also enables partners to capture part of the value. A specific example can be given from the knowledge economy where the technologies and innovations should either be licensed or be shared with other companies in case these technologies do not fit well with the company's own business model.

According to the resource based theory of the firm, organizations are bundles of different resources, e.g., financial, physical, know-how, human capital. These resources are converted into final goods or services by utilizing other assets. On the other hand, capabilities are the firm's capacity to deploy resources, usually in combination, using organizational processes to achieve a desired result. These resources, when combined with other organizational capabilities, e.g., information, are turned into knowledge assets. Thus, resources and capabilities are the two important constituents of the money earning logic of the firm. The business model is the conceptualization of the money earning logic of a firm and knowledge is an important strategic asset that can provide the direction for a firm's strategy. Therefore, knowledge can serve as competitive resource for designing business models for business organizations in a network environment.

Defining Business Model Explicitly

It has been argued in the previous sections that the better we understand the structure of business models, the better we will be at creating them. A business model can be defined in terms of four interlocking, interdependent elements, namely: Customer Value Proposition, Profit Model, Key Resources and Key Processes (Johnson, 2008). According to this definition, all these four elements are linked with each other to make business model explicit for internal as well as external stakeholders. Numerous taxonomies, frameworks and classifications, found in the literature, represent different opinions on the business model concept. However, a very few have discussed the concept of explicitness of business model. The dictionary meaning *'explicitness'* stands for 'clarity as a consequence of being explicit', 'being explicit', precisely and clearly expressed, readily observable, very specific, clear or detailed, explicate (a Latin verb means *'to unfold'*) (WordNet search 3.0). Therefore, on the basis of these definitions, the term is found suitable to describe a business model in the perspective of strategy and value chain. Despite extended literature search, a formal framework is difficult to be explored that can evaluate different business models and that can present a unified overview of different business model concepts, taxonomies and frameworks. The framework of BME can be defined in three simple terms: a description of '*WHAT*' (value object) an organization or company may offers to its potential customers, a description of '*HOW*' an organization offers or delivers value objects to its customers, and a description of '*WHY*' a company offers or delivers value objects to its customers. This framework is built around the perspectives of strategy formulation and a company's internal value chain. It consists of three basic elements, named as Content, Structure and Context. These elements are proposed on the basis of various characteristics of business models as described earlier.

Elements of the BME Framework

The framework of BME consists of three elements; the 'content', which is the description of products and services an organization offers to its customers; the 'structure', which is the description of value configuration and resource management; and the 'context', which is the description of cost and revenue models of the firm. In order to distinguish and highlight these elements, it is suggested to use capital letters surrounded by square brackets '[ ]'. Table 4 represents the proposed elements of the BME framework and their important constituents.

In the following section, each of these elements is discussed in detail.

[CONTENT]

The concepts of products, services, value proposition and types of customers are expressed with the term [CONTENT] in BME framework. The products, services and value propositions are the main content of the business transaction that are required to serve customers needs (Petrovic *et al.*, 2001; Stähler, 2002; Osterwalder, 2004). A company's business model must address these concepts while exchanging value with its partners in a value chain. A bundle of specific product/service along with the set value proposition should be targeted to the right market segment. Addressing the specific needs and demands of the

Table 4: Proposed Framework of Business Model Explicit (BME)

<table>
<tr><th>Element</th><th>Description</th><th>Element</th><th>Description</th><th>Element</th><th>Description</th></tr>
<tr><td rowspan="3">CONTENT</td><td>Product or Service</td><td rowspan="3">STRUCTURE</td><td>Value Configuration
Distribution Channels
Communication Channels
Customer Interface
Customer Integration</td><td rowspan="3">CONTEXT</td><td rowspan="2">Revenue Model</td></tr>
<tr><td>Value Proposition</td><td>Resources
Information Technology
Software
Hardware
Intellectual Property
Financial Resources
Physical Resources
Human Resources</td></tr>
<tr><td>Customer
Individual
Customers
Businesses</td><td>Partners
Suppliers
Complementors
Customers
Competitors
Other Stakeholders</td><td>Cost Structure</td></tr>
</table>

target market allows companies to attain specific strategic position. It aligns all primary and support activities of the value chain which are related with the process of value creation and delivery.

[STRUCTURE]

The second proposed element of BME is the [STRUCTURE]. The review of different business model definitions, taxonomies and classifications also provide insight on this element of the BME framework (Timmers, 1999; Dubosson-Tobay *et al*., 2002; Bieger *et al*., 2002; Slywotsky, 1996). Being an architecture that describes the flow of products, services and information, the business model also includes the description of various actors (partners), their roles, creating, marketing and delivering value to the customer and capabilities and core competencies of the organization. This element addresses the primary and the support activities of the value chain that are related with the operations and logistics. This element of BME framework encapsulates various strategies that are related with the distribution channels, core competencies, production models, suppliers and partners. Value configuration, resources and partnership are the main constituents for the [STRUCTURE] element of the BME framework.

[CONTEXT]

The third proposed element of the BME framework is the [CONTEXT] element. The term 'context' can be defined as *'the set of facts or circumstances that surround a situation or form the setting for an event, statement, or idea'* (WordNet Search 3.0). Since, earning money is the core logic behind every business transaction, therefore, the Cost and Revenue Models of the firm can be categorized as the [CONTEXT] element of BME Framework.

Evaluation of Existing Business Models in the Framework of BME

As discussed above, there was a little precedent for such framework wherein the basic parameters were defined and operationalized to evaluate different business models, it deemed necessary to implement this framework over a variety of business models. In general, there are two broad categorizations for business models, 1) electronic business models, and 2) traditional business models. An effort has been made to evaluate both types of business models in the perspective of this proposed framework. For this purpose, a couple of business model taxonomies from Timmers's classification were chosen along with Business Model Ontology (BMO) by Osterwalder.

Business Model Taxonomies

Paul Timmers (1999) has proposed various business model taxonomies to categorize businesses over the Internet. For example, the simplest business model classification is the electronic shop. E-shop is the representation of the company's offerings over the Internet. The virtual community and the collaboration platforms are rather complex type of business model taxonomies. The description for e-shop or e-mall in terms of the BME framework is described in Table 5.

Table 5: Evaluation of E-Shop & E-Mall through BME Framework

	Brand specific Product/s (with different products)		Online presence through website		Price model for partners i.e. displays product catalogues including product prices, advertisement fee etc.
	Brand specific Service/s		Website describes customization or non-customization of the product, i.e. which product is for which customer		
Content	Specific about customers i.e. market segmentation	**Structure**	Online presence for 24 hours	**Context**	Sources of revenue are reduced cost of marketing, increase in sales, membership fee and advertisement fee.
	Offer additional information, e.g. where to buy, delivery, product selection, product discounts etc (Value proposition)		Physical store sells product to the customers		
			Partners can be identified e.g. the company itself, the end consumer, the website visitor, the ISP provider, the domain owner, Advertisers, Bank etc		

The element [CONTENT] can be described in terms of the product, customer and value proposition models. These models depicts that information is the main product the focal company offers to its potential customers. The target market is segmented to focus particular customer needs.

The [STRUCTURE] element includes a web portal, the online opportunity for collaboration or discussion, and partners and their role identification. The website of the company specifies information according to the customers' interests. For example, Fisher-price offer parenting advice for grandparents to spend quality time with their grandparents or Amazon offers its customers to join various communities according to their interests, e.g., computer & internet, family & home, hobbies & crafts, literature, arts & science and so on (www.amazon.com/communities).

More detailed analysis of these websites reveals that these businesses offer online opportunities for the members to participate in discussions, counseling or consulting. From these websites, the presence of the partners can also be identified, e.g., on Amazon's virtual communities, the partners are: Amazon itself, the customers who purchased the products, the customers who sell the products, third-party service providers, e.g., postal services, telecom operators, financial institutions, banks, etc. On these websites, the [CONTEXT] element of the business model includes identification of sources of revenue such as membership fee, advertisement fee or counseling fee, etc.

Business Model Taxonomies by Michael Rappa: Michael Rappa (2001) has presented nine categories of business models over the Internet. He defined business models as doing business to generate profit. Thus Rappa's exclusive attention is to identify the sources of revenues for different types of business models. An important aspect he has described about business models is 'the constant evolution of different types of business models due the evolving nature of the internet'. It is also interesting to note that Timmers and Rappa, both have described the similar types of business models and secondly, both have stated that an organization doing business over the Internet can adapt various business model taxonomies. The example which is discussed here from Rappas' classification is the commonly found 'advertising model' over the Internet. When evaluated in within the framework of BME, one can identify all three elements in this model (Table 6).

Table 6: Evaluation of Advertising model (Michael Rappa) in terms of BME Framework

	List items for sales or purchases (**Classifieds**)		Online presence through website or web portal (**Portal**).		Price model include transaction fee, service fee, advertisements etc
			Offer favorable link position or advertising keyed to particular search term (**query based paid placements**)		
	Advertisements (**Intromercials, Ultramercials and content targeted advertising**)		Provide content specific and user behavior sensitive freewares, pop-ups etc. (**Contextual advertising/behavioral marketing**)		
Content	Market segmentation as B2B, B2C, or C2C	Structur e	Provide virtual market place like e-mall or a hosting service for online merchants	Context	
			Provide user registration facilities for customized information (**user registration**)		Sources of revenues are banner ads, advertisements, sponsored links etc.
	bringing large number of visitors as potential buyers/sellers (Value proposition)		Offer online services e.g., transaction processes, market assessment, e-bidding, e-auction etc)		
			Partners are identified as visitors (potential buyers or sellers) , ISP providers/service operators, broadcasters (owner or distributer of the content, advertisers, transaction brokers,		

The [CONTENT] element can be identified by observing a list of items for sale or purchase (classified) provided by the website owner or broadcaster. Let's take an example of Amazon that presents listings of different products ranging from antiques to video games to everything else from different sellers. Intromercials and ultramcercials are third party 'advertisements' that lead visitors to their websites along with browsing the desired content. Since such advertisements are content specific, thus they offer new information on the hot topics or issues that are related to the main site where they are placed. These models describe that customers are identified as buyers, sellers, traders (market segmentation), etc. Such models provide description of value proposition to bring visitors to the website as potential buyers or sellers. The [STRUCTURE] element of the BME can also be observed when the advertising model of the website is analyzed. The web presence is necessary for them; these models may offer virtual market place opportunities for buying, selling or auctions. These websites may also provide user registration facility to assist search facilities. These search facilities are often associated with temporarily or permanent gathering of personal information about customers in order to perform contextual advertising or behavioral marketing. For example, Amazon stores previous browsing history of the customer and made recommendation about his/her future buying from the Amazon website. Identifying sources of revenue is an important constituent of the [CONTEXT] element of the explicitness. The sources of revenue for advertisement model are banner ads, advertisements (intromercials, ultramercials and content targeted advertisement) and sponsored links, etc.

Business Model Ontology

Another example can be taken from the Business Model Ontology (BMO) by Osterwalder (2004). The BMO consists of four pillars, each pillar is then further divided into nine building blocks.

The BMO is self-descriptive when evaluated in the framework of BME. The product and the customer related building blocks, i.e., target customer, can be placed under the heading of the [CONTENT] element of BME framework. The building blocks related with the customer interface and infrastructure managements can be categorized as the [STRUCTURE] element of the BME framework, whereas, financial aspects of BMO can be categorized as the [CONTEXT] element of the BME framework.

The above examples have revealed that the business model taxonomy or framework can be explained in the perspectives of the business model explicitness (BME). Different components of each framework or taxonomy describe different areas of a generic value chain. These areas have been proposed in terms of three elements of the business model explicitness and a business model can be successful if it depicts all these three elements.

The Website Evaluation - Application of BME Framework

The website evaluation has been a popular topic especially in tourism and hospitality management domains. However, websites are often not as effective as they are supposed to be (Morrison *et al*., 2005). The web has been used to accomplish complex tasks, e.g., learning, retrieving information, interaction and collaboration (Nikolaos *et al*., 2003). Therefore the content and the design of the website are the most important elements for designing websites for businesses. The question whether the contents and design also represent a company's business model will be addressed and answered in the following pages.

Research Methodology

The main purpose of website evaluation in this paper was to investigate whether the business model of a company can be made explicit through its website. For this exploratory study, eight different categories have been selected randomly from e-commerce domain for this evaluation. These categories include: beauty, biotechnology and pharmaceuticals, business services, consumer goods and services, information technology, retail trade, shopping and telecommunication. These categories are represented by companies whose websites have been evaluated through the framework of BME. Companies like Bath & bodyworks, Merial, PriceWaterhouseCoopers, Chinavasion, Fisher-Price, Sansha, Swarovski, Whirlpool, Hasbro, Lego, Rila Solutions, Play It Again Sports, Amazon, game Stop, Gap, H&M, Ikea, e-Bay, Nokia, and T-Mobile were selected from the category-wise list of top websites in the domain of e-commerce. For this purpose, simple random sampling method has been used to select websites for the evaluation.

For this evaluation, an evaluation form has been designed. Each section of the evaluation form represents one element of BME framework. The first section of the evaluation form gathers information about the [CONTENT] element of BME framework. The second section of the website evaluation form gathers information regarding the [STRUCTURE] element of the business model explicitness. The third section of the evaluation form explicates items related to the [CONTEXT] element of the business model explicitness. Different pages of each website e.g., company information, function, product information and promotion, buy/sell–transaction, customer services, ease of use, innovation in services, etc., were evaluated in the framework of BME.

Data analysis and findings

Table 7 displays the summary of statistics for different websites that were evaluated for the BME Framework.

Responses for the presence and absence of each item in the form were summed at the end and the average was calculated for non-zero responses. The main summary of the results in terms of categories and BME is given in the table 8.

Table 7: List of websites evaluated for identifying BME elements

Category	Frequency	Cumulative Frequency
Beauty	1	1
Biotechnology & Pharmaceuticals	1	2
Business Services	1	3
Consumer Goods & Services	7	10
Information Technology	1	11
Retail Trade	1	12
Shopping	10	22
Telecommunications	3	25
Total	25	

Table 8: Summary of the results of BME framework evaluation for websites in various categories

Category	Elements of BME Framework					
	[CONTENT] *(15)*		[STRUCTURE] *(11)*		[CONTEXT] *(10)*	
	Sum	Average	Sum	Average	Sum	Average
Shopping *(10)*	103	68.67%	82	74.55%	39	39.00%
Consumer Goods & Services *(7)*	80	76.19%	55	71.43%	14	20.00%
Telecommunications *(3)*	40	88.89%	28	84.85%	10	33.33%
Beauty *(1)*	10	66.67%	10	90.91%	2	20.00%
Biotechnology & Pharmaceuticals *(1)*	9	60.00%	2	18.18%	1	10.00%
Business Services *(1)*	9	60.00%	1	9.09%	1	10.00%
Information Technology *(1)*	7	46.67%	5	45.45%	2	20.00%
Retail Trade *(1)*	6	40.00%	2	18.18%	2	20.00%
Total	264	70.40%	185	67.27%	71	28.40%

The *numbers* in the parenthesis, in the top row, represent the maximum number of questions in each section of the evaluation form, i.e., 15 questions were designed to measure the [CONTENT] element of BME framework and so on. On the other hand, the *numbers* in the first column on the left side of the table represent the total evaluations in each category, i.e., 10 evaluations were made for *Shopping* category and so on. In the above table next to the column for sum, there is the column for simple arithmetic average.

For different elements of BME framework, the values in columns represent the sum and the percentage of positive responses received for different categories. For example, from 10 evaluations in *Shopping* category: out of 150, 103 responses were positive for the [CONTENT] element; out of 100, 39 responses were positive for the [CONTEXT] element; and out of 110, 82 responses were positive for the [STRUCTURE] element.

By taking the sum of average of positive responses for each element of BME framework, it is indicated that for most of the companies in the e-business sector, the concept of the [CONTENT] and the [STRUCTURE] element of BME framework are the most developed. One can observe that companies like Amazon, Gap, GameStop, H&M, and especially eBay have large number of online visitors. Most of these companies are traders, suppliers, and even manufacturers. Because of large number of online visitors, they create highly attractive and interactive websites. These companies differentiate their products and services based on different market segments. Their market segmentation is often based on geographic, demographic or psychographic patterns. In order to attract visitors and retain them as customers, these companies implement different strategies for product distribution, communication channels, customer interfaces, and customer integration. They create value by providing systematic sales assistance, online transaction facility, home delivery services and other operational facilities. In order to create brand image and customer loyalty, these companies often acknowledge their partners and suppliers' presence within the value chain through their websites.

The BME framework facilitates businesses to describe various business models with the common vocabulary in an explicit way. Thus, the true structures of business models are clear—both for the company as well as its customers

The evaluation results have revealed that most of the companies in different sectors emphasize less on the [CONTEXT] element of the business model. The most of these companies overlook this aspect while designing their websites for e-business models over the Internet. Although these companies offer their own products but still they provide advertisement and third party market place to other sellers on their web portals. These companies not only act as virtual marketplaces, but also provide collaboration platforms for buyers and sellers. They offer advertisement and banner ad places on their websites and charge domain space fee. Their online collaboration tools are used by advertisers and sellers to connect with their customers and in return pay small proportion out of membership fee to these retailing companies. Most of these retailing companies offer online transaction services to the customers of these sellers and auctioneers, thus charge service fee from the parties involved. Although many companies offer business opportunities by offering spaces on their websites for advertisements, but still, this particular aspect of business models is not found fully developed in the selected companies during this evaluation.

The results of this evaluation also revealed the fact that for most of the companies in e-commerce domain, the [CONTENT] and the [STRUCTURE] element of BME framework are well developed, whereas, these companies apparently emphasize less on the [CONTEXT] element of the BME framework. The results of these evaluations confirmed that the framework of BME can be used to evaluate different e-business models operating in the real life. A business model is explicit when it is visible '*publicly*' to it partners. Thus, '*explicitness*' is a concept which can be found on websites, making the way of doing their businesses '*open*' and '*apparent*' to the outer world.

Theoretical and practical contributions

The proposed framework has been inspired by the extensive review of business model literature which revealed that much of the efforts have been made to propose new business model categories and frameworks. With the advent of information technology, new business models are emerging everyday which are yet to be explored by the researchers. However, there is much a gap which requires extensive research to identify and test those frameworks which can measure the effectiveness of business models. The proposed framework of BME can provide a chance to researchers and academicians to discover and evaluate various other business models which are yet to be explored. This framework has not only highlighted the importance of multi business models for one organizations, but it also help managers to reveal weaker areas of a single business model for improvement and innovation. Thus, business model innovation is the prime area of research where this framework can be utilized. In the following sections, the scholarly and managerial contributions of this proposed framework are discussed.

Theoretical Implication of the BME Framework

Although, the business model concept is still in its infancy stage, a large number of explorative and empirical studies have contributed heavily in terms of business model definitions, classifications and frameworks. The first major contribution of the BME framework is in the field of business models. The BME concept provides a framework which is based on a common vocabulary to explicitly describe a business model. Various business models can be evaluated simultaneously through this framework, thus, diminishing the chances to ignore or overlook those business models that have yet to be discovered.

The second major contribution of this framework is in the domain of strategic management literature. Quite often, the concept of business models and strategy are intermingled by researchers, consultants and business managers. The framework discussed here also makes this phenomenon distinguished from the concept of strategy. The business strategy that can be specified by three questions, i.e., *what* is the offer, *who* are the customers and *how* to deliver the value or offer to the customer? (Santos *et al*., 2009), can be translated through a business model concept as a blue print of the company's logic of earning money (Osterwalder, 2004). Therefore, the BME framework has the capability to define the company's business models in the light of its business strategies.

Practical Implication of the BME Framework

Along with theoretical contributions, the BME framework may also contribute towards practical implications. It can be identified through this evaluation that companies can design user friendly websites and provide facilities for online transactions. As observed during website evaluation, many companies provide acknowledgements to their partners, suppliers and customers through their websites. Along with providing product related information and knowledge, these websites can also be the source of delivering products and services to their customers. For example, many companies in different categories like, shopping, entertainment and communication, provide online access to their customers for different products and services, e.g., online books, songs, videos, software, etc.

The business models are important for organizations when they interact with their partners in a value network

It has been discussed in the previous sections that a common vocabulary for describing business models is required when an organization have several business models at a time. The lack of shared vocabulary poses more problems to today's businesses as they are unable to explicitly articulate value creation and delivery, both for the customer and the company (Johnson, 2010). The BME framework facilitates businesses to describe various business models with the common vocabulary in an explicit way. Thus, the true structures of business models are clear—both for the company as well as its customers.

It has also been observed in the above evaluation that for a company that may has different business models, a particular type of business model can be important for some of its partners and customers, while for others, some other business model can be of prime importance. It is, thus, essential for an organization to continuously innovate and reinvent whole or different parts of business models existing simultaneously. The framework of BME can provide an opportunity to business managers to regularly update their business models according to the needs and requirements of their partners and customers. Thus, the BME framework facilitates business model innovation and invention, a much needed phenomenon in today's business world (Johnson, 2010).

Conclusion

It can be concluded from these evaluations, that a company's business model can be made explicit through its website. The website should present the company's information, the product and services the company offers to its customers, the online facility to buy or sell product, the information regarding buying and selling methods, the list of potential market segments, etc. Another benefit for the company by maintaining the website is the static or dynamic information available to its visitors 24 x 7. For many companies, the website is the first interface or the front office where the future customers can interact with the company.

The main idea in this paper is to explore the fact that at one point of time, a company can have different types of e-business models. For example, an e-shop can provide e-procurement or e-auction facility to its customers. Based on this notion, it is further concluded that a company's business model can be evaluated in the framework of BME. The BME framework consists of different elements which have repeatedly been used by different authors for describing different types of business models. The business models are important for organizations when they interact with their partners in a value network. A critical overview of company's value chain suggests that organizations can adapt certain strategies to remain competitive through business model innovations. The BME framework can be an important tool for business model innovation.

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Reflecting Applicability in Real Life

Review the strategy of your organization for competitiveness performance. How effective seems to be business model?

Identify elements of your business model that need major rethink to enhance internationalization.

Review the trends in business model explicitness (BME) in your firm or organization? Which components need to be made more or less explicit?

Think about ideas to accelerate growth through better partners.

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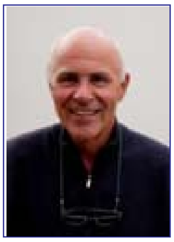

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