

# **FOUNDATION OF DIGITAL BUSINESS**

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**Lecture 07**

## **Lecture 07: Types of Business to Consumer B2C Digital Business Models**

Good morning. Now we move to the second lecture of this module, the module on business model innovation, leadership, and innovation. I will finish off the business canvas model, which I was discussing in the previous class, with some examples, and then we will touch upon some digital business models, primarily B2C models, maybe with one or two B2B models. the practical examples of business models and then some digital B2C models, which I have told you about. Let us take this example. This is about the business model of Google as a search engine.

All of us know Google. All of us know that it is in the search business. Let us take a look at it from the business angle, the search business, because Google must be making money. We are using it for free because we are not paying anything for doing all the searches. It is available to us, but from somewhere, Google is making money. That is how this business model is made. Let us study that.

Firstly, let us take number one: the customer segments. Who are the customers? Search users like us, like we are users. Content owners and advertisers. There are three types of customers identified by Google.

One is the users, second is the content owners because they have to bring out a lot of content, and third is the advertisers who are putting in some of that content. You have seen on the Google site at the top where the ads appear because they come right at the top of the screen. Why do they come at the top of the screen? Because they need your attention. Why do they need your attention? Because they are advertising their products. Why is Google putting it there? Because Google is getting money from the advertisers, so

whatever they want to display comes right at the top of the page, and users like us, free users, can see it. Who are your key partners?

Google's key partners are content creators, regulators, and advertising and marketing companies. Why regulators? Business regulators are there. Google gets a lot of complaints from users, and the government regulators—they pull up Google and sometimes fine them for various reasons. We will not get into that. But there are certain regulators who are actually partners. They have to keep track of and keep them happy—the government regulators. To ensure, that they see you are doing business in a proper, ethical way.

That is a different discussion altogether. Number three is Key Activities. Platform management because Google is a platform. Managing that platform ensures it is always available and very fast. Why do we use Google search? Because when we search, the results come up in less than a second—0.03 seconds, 0.3, 0.4—some thousands of pages, just like magic. Unbelievable how it happens.

They do lot of R&D work because they are continuously developing their search engine. What it was 10 years back it is not now as it is all AI enabled. At the back end some AI engine is working, so things are better, more detailed, faster etc. And then they do lot of analytics. Analytics is required because the search is being monitored for who is looking for what, searching for what because many advertisers pay Google for finding out what the users are looking for. What are the information being searched.

That is a very interesting information for all the marketers. Users are currently interested in whatever information is available. They wanted to push that to those whoever would be interested in the advertising field. This analytics is extremely important and Google must be employing hundreds of engineers just doing analytics to find ,what you are clicking or what you are looking for. Value proposition number four- Free and Fast Search. This value proposition is for us users.

Content display -how the content gets displayed, where and how fast. This is for the content owners. Targeting advertising - this is for the advertisers. How they are placing the Ad, when they are placing it etc. and to whom. They can also decide depending on your profile which has been profiled based on your interest and then depending on what you are searching for. With the combination of these two they can push certain different ads. This you will find very common in e-commerce for example. When you are trying to

buy something they will try to push certain products which they think that you like or prefer.

That is targeting advertising. These are the three types of value proposition. Next number five here is the Channels. Channels of course, there are applications and , app marketing and how they do app marketing because the advertisers have to come and pay if you want to do digital marketing for example. You have to pay Google so that you know the boosts etc., the number of hits or how it will be displayed etc., all that is decided by Google.

They do this app marketing with the advertisers as many of us nowadays are going into digital marketing. Then we have number 6 key resources or of course Platform and Data. They have got mainly two resources, the Platform and Data. The data they are collecting from our search results and platform, and search results. What we are searching for is the data. What we are interested in. Platform where it is hosted the entire software and the APIs,

make the cost structure. To build and maintain that platform is obviously the biggest cost element and maintenance means they have to employ people, so their employees that is a major cost, they pay high salary to their software developers, they also recruit one of the best software developers. they pay high salary to their software developers. They also recruit one of the best software developers. And then they do product development and marketing, so they go on developing new products. Google map, Google drive, Google this, Google that, Google meet etc.. They are going on developing lots of products based on this.

This product development is a cost and then marketing these new products is also a cost. These are the various cost structure components. Then we go to this customer relationship, self-service, corporate marketing teams. You have self-service means for us you can give feedback. Or, there could be chatbots for many things where you can give your feedback through chatbot options etc.

That is the way of getting your various issues resolved when you have any problem. Then of course, for advertisers or corporates they use corporate marketing team. That is their way of maintaining relations. Google will have lot of dealers working for them, software companies etc., who will be selling you their products or services through mainly digital marketing and through which Google is making their money.

Lastly this is the Revenue Stream. It is free search revenue and display revenue. One it is free because we do not pay for the fast search. For content display from search they get revenue because this is part of digital marketing and they also get revenue for Ad display.

The ads get displayed of their various products they use and Google will get revenue. There are the two revenue models. One is of course free and if you can consider that as a revenue yes, but it is free if you are using it. That is how Google business model works. The next one of Airbnb is very interesting. What are their customer segments? The guests, medium term rentals and hosts are also the customers.

The people who own the house and give it to rent, they are also customers for Airbnb. If I move from left to right, who are the travel partners? Key partners are travel companies, local regulators and the travel portals where you go and find out search, like - hotels.com, OYO etc. to find out where you want to stay, where you can get potential Airbnb facilities. The travel portals will link you to hotels, they will also link you to home stays and all that which is part of the travel portals. The key activities are - marketing, platform management again and customer service, so nothing new here.

Key resources are Platform and the Network of Listings. Wherever, Airbnb are listed, again it could be various travel sites, host portals etc. That is the key resources from where users or the travelers come to know of the various house addresses listed under Airbnb. Suppose you want to visit any particular place and you want to find out what are the Airbnb locations there. Value proposition—this is interesting. - Connecting owners to renters.

Bridging the trust gap, lowering prices, offering variety, and maximizing utilization. See the multiple value propositions. One is, of course, the first one: connecting house owners to travelers. I want to travel to a tourist place or wherever I need to stay. I do not know any house owner there, but through Airbnb, I connect with owners who have one or two rooms to spare, and I stay there. Bridging the trust gap is very important. You are traveling to an unknown place for the first time—say, going to Rome or London—and you want to stay in an Airbnb. With hotels, we also try to find out how the hotel is, where the location is, whether it is safe, etc. The same thing applies for Airbnb.

it is just a house owned by one person. The locality has the address, but it is very difficult to find out whether they will be trustworthy or not—they are not big like a hotel. But Airbnb's value proposition is that it tells you they do the due diligence, when this

house owner applied for Airbnb membership, Airbnb team went and saw the house, the location, the nearby places, and the environment. Then when they register them, they do it only when they are sure about all these things that any customer who comes and stays here will be safe. Because AirBnb has responsibility also as well.

If something goes wrong, there will be huge damage to the reputation and they have to pay lot of insurance liability. Then it of course it is cheaper and then it offers lot of variety options and you can save money by cooking for example. If you are going for a long stay -7 days, 10 days or 1 month and the hotels will become very expensive and eating outside in restaurants will be very expensive. If I take Airbnb rental of a small flat or whatever apartment, I can shop and cook so that my costs will come down. And maximizing utilization. This means unused house, I have got some extra property and I am not able to use it and it stays empty.

Can I utilize that to earn some money and also my house is getting utilized, as well as it is giving some return. Because I have made some investment to buy the property, now I have to get some return, so Airbnb is one very good option. I do not have to have the headache of whether tenant will not vacate or create a problem etc. Because these are all travellers, they come for few days, two nights, three nights, four nights, short stays. So my house is safe as otherwise, some long term tenant will come and might refuse to leave. There will be litigation. So all that headache is over.

Customer relationship is through Self service app. You can visit Airbnb portal, you can use chatbots, to give the feedback. That is one and of course, they also have their own customer service where they can reach out to you through again online modes and you can give your feedback and all that. Channels are again applications like typical app marketing is done through various sites the portal etc. The structure is Platform Build and Maintenance and Marketing. Here there is one new thing and that is a Discount.

The Discount is a cost, because of course they have to pay some commission to Airbnb. Some portion of the money which we are paying portion goes to the house owner and some portion comes to Airbnb. That is you can look at it from angle of a cost. Had it been a hotel the whole amount goes to the hotel, but here it goes to the owner partly and partly also to Airbnb. From an Airbnb perspective the commission given to the owner is a cost for them. The revenue streams is of course the commissions because the money we are paying suppose we pay 1000 rupees for one night, 800 rupees we are actually paying to the owner who owns the house.

and Airbnb gets a commission of 200 rupees . That is the revenue for Airbnb. From an Airbnb perspective their revenue is the commission that 10 percent, 5 percent or whatever commission they charge is what their the revenue is. This is another type of canvas model. It is called lean and it is slightly different from the business canvas model. Here the items are different like they call it like a problem, solution, unique value proposition, unfair advantage, customer segmentation. Here again channels, key matrix, then there is a cost and revenue similar and then you have some of your high level concept etc. between for

They have broken it up further and we will go for more details slightly. It is just another way they also have similarly probably 9 building blocks which you can take a look. I have given example of Uber because I may not have time to cover all these. I might come back if I have time, but again Uber all of us know is a rental taxi model. You have the passengers who look at it as a problem, business problem, what they are trying to solve the problem. Cost, availability, convenience, safety, service, so these are the problems which they are trying to solve or for the drivers, for the car driver, this is for the passengers.

For the car drivers they need licenses, then finding customers and then part time job. I am a driver, I need a part time job, so I become an Uber driver. Something like this that was a problem and I was not getting some work to do. What do I do? Once I enroll or register in Uber they will give me business as you can understand. It is coming from that angle of finding customers and how can a taxi driver find customers. Uber is helping it's customer-driver to get customers through the app that they are using. That is the technology.

They look at it this way as a problem they are trying to solve. So that is how they are building their canvas model. Study this; it will be interesting. If I get time, I will come back, but otherwise, you will understand because the thing is very similar—extremely similar. You have to see this from Uber perspective, so that was for Airbnb—and for Google, so very different types of businesses. Google is one thing, and then Airbnb is hospitality, and Uber is transport, communication—so three types. Now, the next one is about some B2C business models.

Types of business models are Content type, Commerce type, Context type, and Connection type. Content is—you can understand—compilation, packaging, presentation, and provision of content on a domestic platform like, education platform, entertainment

platform. They are displaying the content and selling it. Commerce, of course, we know—initiates or settlement of business transactions, like Amazon, etc., meaning e-commerce—That is nothing to explain; all of us use it day in and day out. Context: the searching, the classification, and systemization of information available on the internet—ChatGPT, Google search—these are the context types of businesses because I want to get information in a particular way, organized in a particular way. That is setting it to a context. I have a query, and they respond to a query, that is the context type of business. The Connection model means they are connecting partners or users, creation of possibility to exchange information in networks-portals, blogs, social media, all of these come into the connection business like Facebook for example. Your users are connecting and helping a platform so that we can connect with each other. That is a connection type of business. These are the four types of B2C digital business model and there could be others.

We are now restricting ourselves obviously to digital business model. As mentioned, these are the four types content, commerce, context and connection. If you take the Content type - packaging and depiction and provision of a content, E-information, E-entertainment, E-education, E-infotainment, we just classify content into these four types. Information is all about this - E-politics, E-governance, E-society, E-economics, chat GPT, these are all helping us to get information. Including e-entertainment or e-games. You have the game site for example. Lot of games are available for you to play - partypoker.com, etcetera, the movies.

You get movies listed in Amazon Prime, for example, or Netflix, for example, or all those. They are e-entertainment for a content type of business because Netflix is a huge thing that has completely changed the way we actually watch films. This is example of business transformation. That is why we are bringing it here in this context of digital business transformation. The foundations of digital business. Gutenberg, the world library, even Wikipedia—these are all famous content but not for entertainment. Wikipedia would not come under entertainment, but you know stories, books, etc., fiction that is Gutenberg library. This can be classified as entertainment. Then you have music.

Then for education, you have all these virtual universities and public education, all this Coursera-type thing where you do a lot of free education, knowledge-transfer, etc. All of us know about Coursera. The Swyam platform itself comes under this e-education in the content kind of business. These are all free. If it is a free site, we will not really classify

that as a business, but still, it is e-commerce or it is a business model of the content type. Infotainment like the sportsline.com and NBA.com, where you combine some information with some entertainment activities. We combine and call it infotainment, sports-related, etc. This is how the various types of content B2C business models can be grouped or classified.

What is the value chain, the aggregated value chain of the content business model? it starts from conception. Then it goes to the content development or production. Another feature I have highlighted here is sometimes you can use User generated content. For example Facebook. Facebook does not develop any content on their own. It has created a platform where all of us are putting our content that is say I go someplace I put some pictures, videos, posts, etc. That is content for Facebook because that is what is being read by others or my friends are seeing that etc. Then they will be responding. Also advertisers are using it because they know that because

I am putting lot of content others are visiting the platform and then they can accordingly use that advantage for getting their advertisements exposed to all the visitors to Facebook. Acquisitions and placements, standardized banner advertising and integration of individuals advertising sponsoring etc., this is about the placement of all these things as part of a value proposition, value chain of this business model. The technical distribution is it could be pull model or a push where a push is very common where things are pushed to you. Like, advertisements you do not want to see but even in news sites e.g. ndtv.com and times of india.com, advertisements keep popping up. So that is the push etc. And pull is sometimes when you actually want to download something.

Marketing and Distribution are across various types of media platforms and they are using this Content business model. Coordination value chains, Price and Communication strategy and then we have of course the Billing, the Payment processing, Receiving etc. These are part of the business. This will be the value chain. Aggregated value chains has to start from conception to end up to billing and I just given these details which are typical for a B2C content type of business model. For the competitive advantage, these are the core assets and the core competencies.

The assets are content, brand, employees, networks, etc. Competencies is the content sourcing competence. For example, Facebook and LinkedIn for example, I told you is that they source the content from us. We are free content supplier for these organizations. We are giving them free of cost. They do not pay us for developing their

content. Content creation competition, some of the B2C content companies have product development competence and distribution competence. These are the various types of competence which are required by these companies, the core competencies. One is sourcing, the other is creating. If you cannot source you have to create, then to develop a product, new product type of products and then you have to distribute.

These are experience and these are the expertise. Competence is nothing but expertise which is required by these companies. Now we have e-commerce, e-attraction, e-bargaining, e-negotiation and e-transaction. e-tailing is Amazon.com, it is retailing, basically e-tailing. So we understand that. We have suppliers, we have buyers on two sides sharing the same platform. I log in and I want to buy something. That is the retail shop for me online and I do the business. Online advertising like Google.com, Google's AdSense that is advertising business of their Google marketplace, Shopping.com sites where people and small shop business use this for their business.

Auction, bargaining, eBay is very famous where you can buy and sell things. One can buy even used things, second hand things etc. and you can bargain, negotiate, you can you name your price, whether you agree is fine. You can make deals etc. In India also we started many things and some organization have started online buying and selling sites which we use. eBay is of course the most famous one. Price seeking, Pricegrabber.com is where you do something like auctioning, if you wanted the best price.

E-transaction is where you are doing your online transactions, like PayPal for example or Paybox. These are the gateways which has been created so that these are used by other online companies to get the money transfer done. If you want to start an online business, you need to have a payment gateway through which your customers will be able to pay you. First thing you need is that. UPI could be one as it is also e-transaction platforms and it is a payment gateway for example. Then you have to deliver. FedEx and UPS etc. are used for online delivery for completing online transaction.

Their value proposition could be B2C and B2B because UPX and all those delivery things can be primarily B2B type of business. There is offer design, offer presentation, marketing, and transaction. Completion after price setting because you have to do all the negotiation, bargaining, and then after-sales service or CRM. This again, nothing much to explain; I have already explained that in the previous slide. The competitive advantage is that the assets are customer-based: customer network, customer data, sales structure, technical infrastructure, and then core competencies will be assortment selection,

bundling competence, and technical infrastructure is of course there. Bundling basically is how you bundle things. Like in Amazon, if you go to buy a book, for example, they will prompt, 'People who have bought this book have also bought this, this, this.' Sometimes they will say if you want to buy a pressure cooker, then they will add a pressure cooker plus maybe an oven plus maybe something else—three items together with some reduction in price. It is kind of trying to attract you so that instead of the one item you wanted to buy, if you buy two more other products, it will make it cheaper for you. So that is how you buy more than what you wanted. That bundling competence is how attractive you can make it for the customer, how realistic.

Anybody buying a pressure cooker—do they really need a gas oven, for example, or an induction oven, or a microwave oven, for example? So that judgment comes from their expertise and what the customer will need, and that is what the competence is all about—how they work. Then assortment selection and how you make them select many products from one view-screen to screen, etc. How you display various things—that is, the catalog display—is very important. The Context is the search engines, basically your Google search, Bing, special search, meta search, desktop search—the various types of search engines are there.

One of them, like meta search, is a search engine that will go through all other search engines and then give you aggregated results. It is a meta search—something more than a search, bigger than a search. Then we have something called a Social Tagging, e-bookmarking, curly.org, tagpackard.com, manly.com. It is a free tool to collect, organize and share favorite links. I have got many links, I can want to share it at a place. I have something called a tagpackard.com. And then catalogs like web directories, yellow pages, shared look, etc. and then we have this Connection business model.

The fourth one is the Connection business model. Where you have community you connect community social networks Facebook, Snapchat all of us know that. Then you have this mailing service which is Gmail which is also a connection type of business all of us are using Gmail, fixed connection like interconnection this is intra within our friends, peers etcetera and this is inter-linked with external world. We use earthlink.com or sonic.net etc. sites like sonic is the fastest most affordable and basically these are all big scale internet service providers. That is why they are interconnection internet and these are within our users community base .

And then mobile connection is att.com, T-Mobile, etc. We all know those big mobile companies. Now another type of connection example is Flickr for example is an image hosting. and video hosting service as well as an online community. Not only you can host your video etc. or photographs etc. which you click and then you start interacting with fellow cohorts who are also posting maybe of things of similar interest. You can form a group for example. You can develop connection and make small cohorts of common interest group. These platforms are giving you these such opportunities.

This Facebook is a very interesting model which I find is that they are completely dependent on their users for the content 100 percent literally they do not do anything. They do not have any content writer developer etc. They are very busy checking the quality of your content. Maybe if you are posting something bad something wrong, or some adult material etc or very politically judgmental etc. Which are very biased against a particular community or whatever etc. They have a huge team who are just continuously monitoring and reviewing such wrong post, but they do not create anything. The whole business runs on content created by their user and they are not paid for it. You do not pay get paid for anything. This is a very interesting model.

We are very active you know. Wherever we go first thing we do is start clicking pictures and then go on uploading to the Facebook. Why we want to because we want our friends and relatives to know that where I have been and what I am doing and what I am seeing etc. I want them to also see that I am going to a temple. I click pictures and add some comment etc. Facebook has been utilizing and exploiting this brilliant and excellent model. All that enriched content really is giving the value to the advertisers who are now seeing that with so many people joining to see the visit Facebook,

why not put my advertisements so that people can see and from that is where Facebook is making the money-all the money. They are getting all the money from the advertisers because they are putting in advertisements. You can study some of these models which will give you some interesting insights and why you should study is that then it will also give you business ideas. There are so many types of business models and I have taken you through some of them, but with time permitting so I could not discuss details. You can on your own study some of them and then find out whether you can use a similar business model and develop a corresponding business model for

your own use either for your organizations use or for your own use when you want to do start something new. Or you want to help your organization to start some new business

for example, new type in this digital world. Why not suggest that let us try something-a new digital business venture for the organizations for the organization diversification and growth. You can use this canvas model to develop the business, find out all the building blocks, the 9 building blocks which I have explained and what is required etc. Then you have a plan which you can then give it your management to evaluate. Thank you very much.