MASTER

Online business model development project (the Renault financial services case)

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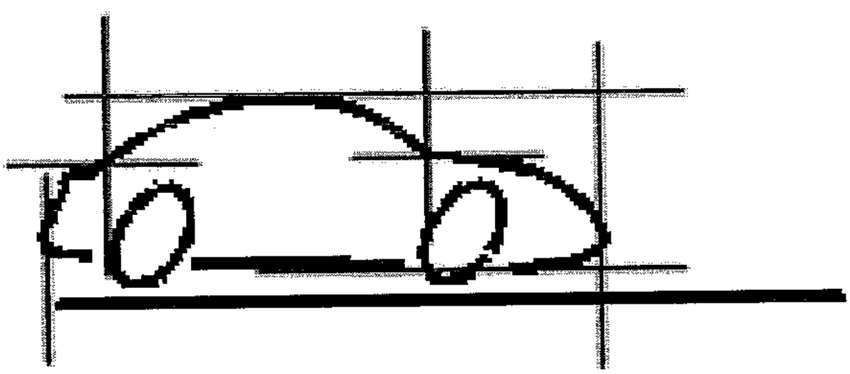
Award date:
2001

ONLINE BUSINESS: CONCEPTS AND MODELS

[Literature Research Assignment]



October 2000 – Eindhoven

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[ABSTRACT]

This study reviews the available literature on online business, which is defined as the whole set of business models that uses information and communication technology. On the one hand this assignment tries to arrange from an academic perspective the present literature and opinion regarding online business. On the other hand it supports the management of RCI Netherlands in its decision-making on online business by providing insights, definitions, concepts, and pre-fabricated business models.

[SUMMARY]

Online business changes the traditional structures and processes in information-rich business and market segments. The players in these segments should focus on the click-and-mortar integration of online business to ensure a critical improvement of their competitive position. The value drivers of online business are: the movement in the market, the cost benefits, the benefits of backward and forward integration, the broader geographic reach, the lower investments in bricks and mortar, the increased propensity for clients to purchase, and the disintermediation potential. The broader geographic reach is limited by the nationally oriented focus of management and regulators; consequently the potential impact of the Internet is constrained. Co-operation between corporate, local subsidiaries' management, and regulators should end this constraining issue. The success of online business depends on the fathom complex of marketing and timing, although the chance of having online success strongly improves with a solid business model: an innovative idea, a peripheral social and business network, and the commitment of investors. A good indicator of success is the repeated visit rate, since repeated visits are the only scarce mean on the Internet.

The lion's share of online business concepts are just well known concepts in the 'real world', which are brought online because of the online hype. More progressive concepts, like publishing the content of competitors and clients, offering products and services of competitors, and interaction among site visitors, are exclusively made possible by the Internet. These different online concepts form the 'online construction kit for managers' that should be used to create a competitive online business model. Three kind of online business models are recognised in the present literature. The supportive ones are the first category, and they indirectly add value to a company by being present on the Web with an online brochure or by choosing not to be online in order not to harm the company's good reputation. The direct value-adding business models are the second category, which are applied in roughly three manners: eCommerce focuses on the commercial activities in forward direction of the value chain, eBusiness adds to eCommerce a backward integration with business partners, and in a white label model the company creates value by selling under the label of business partner or a completely new label. The community-creating models form the last group of business models. A sense of community is another driver for repeated visits that is initiated by a distinctive focus, a content and communication integration, the presence of member-generated content, the attendance of competing publisher and companies, and a commercial orientation. In a less progressive approach towards online business a company could choose for a sponsored community, which does not host competing publishers or companies.

[INTRODUCTION]

Nowadays, almost every company intensively invests in the Internet, for example Philips Electronics: << *Philips Electronics wants to realise in less than two years more than 50% of its sales by the Internet. To reach this ambitious sales level Philips scales up its annual Internet investment with 50% to 150 million Euro* >> as announced by John Whybrow, the chairman of Philips' eCommerce board [1]

According numerous gurus and authors of management books, like Downes and Mui, Philips and other companies are doing the right thing to do, since the Internet is considered to be a so-called killer application, or as Downes and Mui affectionately name it: killer app. A killer app is a new good or service that establishes an entirely new category and – by being first – dominates it, and returns several hundred percent on its initial investment. In addition, it displaces unrelated older offerings, destroys and re-creates industries far from their immediate use, and throws into disarray the complex relationship between business partners, competitors, customers, and regulators of markets. The arch, the pulley, the compass, the eyeglasses, the art of printing, the steam engine, the telephone, the Ford T-Model, the Beetle, the personal computers, and the first word processing program are all examples of killer apps [2].
If the Internet is really able to make such an impact on the global society and in particular the way of doing business, an understanding of the opportunities and threats initiated by the Internet will be crucial for social as well as business interest. On the other hand, the largest part of the world is not yet online and some companies, for example Levi Strauss & Co, already ended their Internet activities due to lack of success. However, the real impact cannot be accurately measured in advance, so studying the Internet and its possible social and business influences should be considered as an academic necessity.

At a more concrete level, RCI Netherlands has to deal with the same kind of question: adoption of Internet-enabled online business model(s) in current business or assuming that the Internet is a craze, which will never become a significant part of doing business? This literature research assignment encourages RCI Netherlands in their decision-making process, as well as it contributes to the 'academic knowledge' by ordering and processing different insights. The management of RCI Netherlands could use the presented research results as a starting point for future decision-making. At present, the largest driver for online business is the Internet, and consequently, the Internet got special attention in this study, although other technologies, like EDI, should not be underestimated nor forgotten. In addition, the encouraging objective regarding RCI Netherlands of this study makes the overall focus strongly aimed on brick-and-mortars.

The found research results are arranged in four chapters. The research activities reported in the first chapter are conducted by six general questions of which the answers give insight to management. 'What is online business?' is the first question, which shows the need for a definition framework. Management could adopt the proposed framework during decision-making in order that everybody uses the same expressions and understands them in the same way. The second question is: 'who is in online business?'

The answer to this question explains which kind of companies are – already – in online business Managers could use this awareness as reference during decision-making. The reasons why a company applies online business originate from the third question. The generic reasons should give management an insight into the value drivers of online business. 'Where can online business be found?' is the fourth question in chapter one, and should provide management with some knowledge of geographical issues, which nationally constrain online expansion, even though the Internet is considered as a freely global communication medium. The costs and earnings are the subjects of the fifth question, which are just briefly laid out due to the diversity within the present set of online businesses and ideas. The last question is: 'when can a company start its online business?' The answer explains to managers the importance of time and a strong value proposition for the successful rollout of online business.

However, after this introduction of online business the core question for management remains 'how to create online business?' Guidance is given in chapter two by means of different online concepts, which make up the 'online construction kit for managers.' Those online concepts are online company brochure, content and entertainment, forward integration, backward integration, member-generated content, interaction among customers, competing publishers, and competing companies. This list is a combination of some concepts directly derived from the literature and several ones originated during research.

Depending on the competitive position of a company its management should choose for a certain online business model, which will be – partly – based on the above-mentioned online concepts. Chapter three sets out some 'pre-fabricated' online business models: not online, net presence, eCommerce, eBusiness, white label, virtual community, and sponsored virtual community. The enumerations of both online concepts and business models are not ad infinitum, nevertheless, other concepts and models are not discussed to constrain the scope of this assignment.

The overall conclusions are reported in the final chapter in which also the concluding discussion is set out.

(The used literature might become outdated or be changed (URLs) within some weeks or months; please take notice of this fact.)

[CONTENTS]

[CHAPTER ONE // ONLINE BUSINESS]

This chapter briefly answers six management questions regarding online business – what, who, why, where, how much, and when – with the intention to provide a useful and informative introduction of online business. In addition, it introduces the following two chapters, which discuss the 'how' question of online business creation

< A. What is online business? >

Ask ten senior managers the difference between eCommerce and eBusiness, and you will certainly hear nine different answers. Everybody applies these trendy words in all possible manners; just a few understands them. For starters, eCommerce and eBusiness are not two different names for the same kind of business activities. Within this study eCommerce and eBusiness are defined as business models in the category 'online business'. Online business is the collective noun of business models using certain electronic means, like eCommerce and eBusiness. The definition of online business is:

Online business: *The set of all business models and other activities that uses information and communication technology. Online business also includes all inter-company and intra-company infrastructures. Examples are eCommerce, eBusiness, eSupplyChainManagement, eEngineering, ePlanning, eControlling, and virtual communities.*

eCommerce, eBusiness, and five other online business models are further discussed in chapter three. Definitions of online concepts and online business models – which are already mentioned expressions – are given below.

Online concepts: *The use of certain online activities, aspects, opportunities, and possibilities to reach an objective.*

Online business models: *A collection of different online concepts that is applied in a business process.*

< B. Who is in online business? >

More than 50 percent of the Dutch companies are present on the Internet. According to an EIM study companies with presence on the Internet are more successful, although the direction of the causal relation must be questioned [3]. Online business might strengthen the competitive market position of companies in information-rich market segments. Think about books, music CDs, mutual funds, cars, consumer electronics, software, and houses. These are products, which take time to contemplate [4]. In addition, the companies how can master the clicks-and-mortar integration will be the champions of the online 'world'.

When online business first developed on the Internet, the unlimited virtual players were assumed to beat every company in the 'old economy', because those companies were dragged down by physical assets. Then virtual players, like Amazon.com, began to need networks of specialised warehouses and distribution centres. Traditional retail assets, like physical scale, purchasing capabilities, assortment planning, and even pick-and-pack skills became important. Only companies, which are able to offer goods and services without any significant paperwork and human intervention, will fully profit from the Internet. Unfortunately, this remains even a utopia for an Internet Service Provider, like Chello, because it still has an installation staff for the installation of network cards at customer sites, a car fleet, and several other operational activities [5]. The possibility to create a paperless office is said to become reality soon, since the Dutch minister of justice proposed a law, which will recognise in less than two years time the electronic signature as official and legal [6].

< C. Why is a company in online business? >

The most important reasons why a company is active in online business are cost benefits, movement in the market, benefits of backward and forward integration, broader geographic reach, lower investments in bricks and mortar, an increased propensity for customers to buy, and disintermediation potential. Each of these value drivers is discussed below.

Cost benefits

Research by Roland Berger & Partners suggests that online business will bring important cost benefits to the automotive industry over the next 5 years. << These will come not only from purchasing, but also many other functions such as product development. >> Build to order won't be the industry's panacea, and manufacturers will evolve from the current Build to Dealers Lots' towards the Build to Consumer Demand model [7]. Hagel and Armstrong mention another kind of cost benefits as highly important: the reduced search costs. Companies and customers can find each other more easily by using certain online business concepts [8].

Movement in the market

Expenditures on the Internet increase explosively. A world-wide study of online business by Taylor Nelson Sofres Interactive showed that 15% of all Internet users are planning to shop online within the next six months [9]. A Gartner Group survey on 40,000 U.S. households revealed that 45% of the households used the Internet to shop for their new vehicle and 3% bought their new car online. In addition, 7% of the households said that they are very likely to buy their new car online, which indicates significant growth [10].

Benefits of backward and forward integration

According to Jupiter Communications the impact of the Internet on car sales will gradually increase during the coming 5 years. The Internet will empower sales of both new and used cars. The direct and indirect sales of new cars in the U.S. will be more than 128 billion dollars in the year 2004. In that same year, about 8% of the new cars in the U.S. will be sold on the Internet. The value driver will be integration: dealers, manufacturers and service-providers have to integrate their services to create a powerful sales network. << Consumers will only buy on-line complex durable consumer goods – like cars, if the Internet can improve the current sales process [11]. >> Analysts of the Gartner Group warn European companies not to focus exclusively on eProcurement, but also on other aspects of integration. Otherwise Europe will never win the catch up with the U.S., because they have already adapted eProcurement and is now looking for other killer apps, like eMarketplaces [12].

Broader geographic reach

According to Hagel and Armstrong companies are freed from geographic constraints by using an online environment to reach customers. All Internet connected customers can be reached nowadays [8]. In spite of the global character of the Internet and the fact every customer can easily be reached, John Palmer, co-founder of Letsbuyit.com, points out the pitfall of these characteristics. Language is not the only difference among customers around the world; cultural differences should also get attention. Due to this cultural difference, Letbuyit.com does not send the same eMails to British, Australian and American customers [13].

Lower investments in bricks and mortar

Hagel and Armstrong mention in their book Net Gain that companies do not have to build costly branches or retail outlets to reach and sell to target customers in an online environment [8]. In 1998, United Airlines had sales of $18 billion and a market capitalisation of $2.8 billion. The online ticket master, citysearch.com, had a market capitalisation of $3 billion and sales of $30 million [7]. The difference in classic bricks and mortar investments between these companies is clearly large, although citysearch.com certainly has a relatively high level of marketing expenditures.

Increased propensity for customers to buy

Through the possibility for customers to access a broader range of information and the ability for companies to target customers better with tailor-made offers, the online environment gives customers an increased propensity to buy, according to Hagel and Armstrong [8]. An Andersen Consulting research shows that 64% of purchased products are out of stock, 40% of the purchased products are not delivered in time, and 38% of executed downloads on the Internet are not free from problems. These numbers certainly undermine the increased propensity for customers to buy on the Internet [14].

Disintermediation potential

Given both the reduced need for investments in bricks and mortar, and the enhanced ability to capture information about their end customers directly online, product manufacturers and service companies are in a better position to deal directly with their end customers. The assistance of traditional intermediaries, like retailers, wholesalers, distributors, or brokers, becomes unneeded. Hagel and Armstrong profoundly explain in their book Net gain this disintermediation potential [8].

< D. Where can online business be found? >

Online business can be found everywhere. Theoretically, every bricks-and-mortar company can launch its own online business in order to profit from the World-Wide Web. The same goes for an Internet start-up. The only logical restriction is the necessity of updated technology to access the World-Wide Web and to fully apply its features. Due to this restriction, some parts of the world, like the third world, cannot (yet) profit form the Internet. Other geographical borders are regulations. Normally, these regulations are locally organised, although they influence the world-wide development of online business. For example, companies cannot privilege clients during an IPO in France, consequently Libertysurf.com was not able to privilege its French customers during its IPO at the Paris stock exchange. Normally, this marketing tool would have strengthened customers' loyalty and positively influenced the development of Libertysurf.com. Another French example of local regulation is the Nart.com case. Nart.com could not receive an auction permit in France and plans to move to a nearby country to serve the French market from its new geographic location [15].

< E. How much are the costs and earning? >

This remains the unanswerable question of online business. Roughly set out: earnings depend on success of the online business, and the needed initiation of success gears the costs. The question 'what makes an online business successful?' logically rises. 'Why is Amazon.com successful?' 'Why could Boo.com go broke?' Boo.com had very successful companies as investors, like Benetton, Goldman Sachs and J.P. Morgan. The answer should be found in the complex of marketing and timing, but this complex is beyond the focus of this study, so it will not be further discussed. A research of the Boston Consulting Group concerning profit – profit remains earnings minus costs – of 412 Web-leading companies shows us that 38% of the 'complete Internet' organisations, 72% of the online catalogues, and 50% of the bricks-and-mortars are profitable. BGC foresees a profitable future for 'dotcoms' and eTailers [16]. Gartner Group and Forrester Research see a more cloudy future for those companies, logically, since Gartner and Forrestor do not sell consulting services to 'dotcoms' and eTailers [16].

< F. When can a company start its online business? >

A successful online business plan should contain an innovative idea, a solid social network, and the commitment of a (group of) investor [17]. The best moment to start an online business is simply as soon as possible, because 'Speed is God, and time is the devil' according to a well-known expression in Silicon Valley. The first mover advantage and the gorilla potential are other used expressions in relation to this 'a.s.a.p.' opinion. However, according to Gerrits even a successful 'paper' business plan needs to be tested in a pilot project of some weeks, and after this pilot the online business can be launched without any marketing and media attention to make sure the technology is up it. After two months this silence should be broken by a strong marketing and media campaign [18].

[CHAPTER TWO // ONLINE CONCEPTS]

The 'how' question of online business remains unanswered in chapter one, because this chapter and the succeeding one profoundly respond to it. The explanation of different online concepts – interesting for bricks-and-mortars – makes up the first part of this answer, which is preceded by some sparkling 'rules' for creating online business.

< A. Lessons for creating online concepts >

Kelly advises managers to apply his set of ten radical strategies for online business creation [19]. Two of them are so surprisingly radical, that they are mentioned in this study.

1) *Go for free!*

Scarcity of means will be replaced by surplus, and open-handedness will create wealth. Offering free products and services is a repetition for an inevitable decline of price level and is the only method to attract one really scarce mean: the repeated visits of visitors, members, and clients.

2) *First opportunities, then efficiency.*

Although improving machines makes fortunes, new opportunities can only be found through an inefficient process of exploration and creation.

Schwartz gives in his book Webonomics nine essential lessons for having an online business on the Internet [4]. These lessons make up a meaningful framework in which online concepts should be created or innovated. All nine principles are given below, because they completely cover the essence of creating an online business.

1) *The quantity of people visiting your site is less important than the quality of their experience.*
2) *Marketers should not be on the Web for exposure but for results.*
3) *Consumers must be compensated for disclosing data about themselves.*
4) *Consumers will shop online only for information-rich products.*
5) *Self-service provides for the highest level of customer comfort.*
6) *'Value-based currencies' enable you to create your own monetary system.*
7) *Trusted brand names matter even more on the Web.*
8) *Even the smallest business can compete in the Web's global marketplace.*
9) *Agility rules – Web sites must continually adapt to the market.*

Other interesting books that contain guidance for the creation of an online business are Net Gain [8], Blown to Bits [20], and Killer App [2].

< B. Set of online concepts >

In this paragraph a set of online concepts is given from which a brick-and-mortar company could choose to assemble its online business model These concepts ate identified or created during study of the referred books.

Online company brochure

An Internet site or a part of an Internet site based on this concept gives the visitors information about the location of the company, the products and services, and the career opportunities It takes over the function of the classic company brochure and adds the advantages of an easier navigation and a faster updating process. This concept might also replace – in combination with search engines – the Yellow Pages and the telephone book. The 'online company brochure' concept conflicts heavily with the first two principles of Schwartz [4], therefore companies are advised not to use *only* this concept for their online business model.

Content and entertainment

Several authors, like Schwartz [4], Hagel and Armstrong [8], and Kelly [19] mention repeated visits as the major key to online success. This concept is based on the importance to have high quality and attractive content and entertainment on the company site. Categories of content are value-adding news, articles, and archives. Games, chat rooms, and discussion forums make up the entertainment part. The first successful example that uses this concept is Bianca's Smut Shack [4].

Forward integration

The World-Wide Web enables exclusive and tailor-made contact with (potential) customers. Marketers can create a competitive advantage by using this characteristic of the Internet, and this concept easily fits in the popular multi-channel sales strategy: the 'old economy' sales channels are expanded with one or more channels on the Internet. The only warning that comes with this concept is equivalent to the first principle of Schwartz: the perceived quality by customers is more important than the fact to be on the Internet [4]. In chapter one, paragraph C forward integration is already discussed as an advantageous reason why companies go into online business.

Backward integration

According to Kalakota and Whinston there will be a complete change in doing business. All business activities will be done quicker, Product Life Cycles will be shortened, relations with other companies will become more important, and customers will demand more service and quality The mutual cause is the enhanced exchange of information between and within companies, and more information has become more accessible to more people. To remain competitive companies have to integrate with their business partners. backward integration [21] When a company is working intensively together with business partners and using information and communication technology to maintain this interaction, it has created a 'extra'net. 'Extra'nets are discussed by Jos van Best and Jan de Vos [22] Backward integration is also explained in paragraph C of the first chapter.

Member-generated content

To create customers' and visitors' loyalty as well as to initiate repeated visits a business model should contain the 'member-generated content' concept. Customers and visitors want to feel themselves members of the site, members of a community. This sense of community is triggered by the concept of member-generated content. Hagel and Armstrong strongly embrace this concept [8]

Interaction among customers

Like the above-mentioned concept 'interaction among customers' also targets the sense of community. Visitors, members, and customers could use this interaction to review, to critic or to cheer the offered products and services. Hagel and Armstrong see this concept as one of the cornerstones of an online success [8].

Competing publishers

This concept focuses on content selling online publishers, like USA Today and ESPN SportZone [4]. These online businesses expanded their offer with content generated by respectively other newspapers and sport channels. Due to this extra offer they could empower their customers, who certainly became more loyal to the site: content community. Hagel and Armstrong define this extra offer of 'hostile' content as a necessary pillar for online excellence [8].

Competing companies

This online concept is similar to the 'competing publishers' concept, although the extra offer concerns the products and services of competing companies, which inspires extra confidence towards the visitor, member, and client. The importance of using this concept is also underscored in Net gain [8].

[CHAPTER THREE // ONLINE BUSINESS MODELS]

This chapter gives the second part of the answer on the 'how' question. Seven different 'pre-fabricated' online business models are set out in this chapter. These models are assembled from the nine concepts as described in chapter two. Table A shows the relations between the business models and concepts.

Table A The business models in relation to the concepts

■ = Business model contains online concept	Not online	Net presence	Ecommerce	Ebusiness	White label	Virtual community	Sponsored virtual community
Online company brochure		■	■	■		■	■
Content and entertainment		■	■	■		■	■
Forward integration			■	■	■	■	■
Backward integration				■		■	■
Member-generated content						■	■
Interaction among customers						■	■
Competing publishers						■	
Competing companies						■	

< A. Indirectly value-adding business models >

Two business models are discussed below, which add value to a company's business in an indirect manner.

Not online

The first principle of Schwartz underpins this business model [4]. It originates from the idea that it is better to be offline than to harm the company's image on the Internet. 'Not online' indirectly adds value or, differently laid out, it avoids direct lost of value.

Net presence

The 'net presence' business model is suitable for a company, which wants to use Internet presence to support its 'real world' business. A company brochure, news, career info and entertainment make up the set of online activities. Almost every consulting company is present on Internet with this business model. A warning has to be made concerning visitors with high expectations. If they expect a high-quality online environment and they are able to find just a simple site, these customers will be certainly disappointed. Nevertheless, if this model is correctly applied, it will indirectly create value

< B. Directly value-adding business models >

Online business is also able to add directly value to a company Three business models, which directly intertwine with the offline business, are given below. 'Directly' refers to the manner of adding value, not to the lead-time of becoming profitable.

eCommerce

In this study the term 'eCommerce' is used to name a specific online business model. The widely used definition of 'eCommerce' is the *inter-related* use of information technology between organisations and people considering all processes, departments, functions and relations to perform all aspects of doing business [23]. In this study 'eCommerce' is defined as:

eCommerce: *An online business model that uses information and communication technology to create (new) pre-sales, sales and after-sales channels. This model can contain inter-company as well as intra-company infrastructures*

This business model is the forward integration of business activities on the Internet. Forward integration means Internet activities are integrated in all sales activities. This model fits in a multi-sales-channel approach. Adapting forward integration does not change the back-office activities. The Postbank in the Netherlands partly uses this business model. It 'sells' financial services online to a client, who receives the contract by 'old' post, signs it, and sends it back to the bank. Call centres support the clients with after-sales services. The Postbank uses for the pre-sales and sales the Internet, and a classic back office does the after-sales.

eBusiness

Like 'eCommerce', 'eBusiness' is also used to name a specific online business model. The widely used definition of 'eBusiness' is the *intra-related* use of information-technology within an organisation considering all processes, departments, functions and relations to perform all aspects of doing business [23]. This definition can be seen as the equivalent of the one used in this study, although the latter does not imply that online activities should only be used for strictly doing business. The online business model 'eBusiness' is defined as:

eBusiness: *An online business model that uses information and communication technology to communicate or to directly do business with customer and business partners. This business model can contain both inter-company and intra-company infrastructures*

Oracle, MySAP.com, and others heavily promote this business model, and most Internet start-ups can be found in this category, although they normally say to focus more on the non-business needs of customers.

White label

This model proposes business making on a site with the look-and-feel of a partner company. No activities to promote the company nor to provide high-quality environment are needed; the company just focus on its core business: doing the right things right. The profit per sold entity is lower than with 'eCommerce' and 'eBusiness', due to commission payments to the partner company. For example, Autobytel.com offers financial products under its own label, although behind the 'marketing curtains' the Achmea Group offers these financial products

< C. Community-creating business models >

A sense of community is said to be one of the pillars for online success [4], because it initiates repeated visits. In the literature two different community-creating business models can be found, which are prominently described in Net gain [8] from which the descriptions below are partly extracted.

Virtual community

Virtual communities have the power to reorder greatly the relationship between companies and their visitors, members, and customers). Put simply, this is because they use networks, like the Internet, to enable customers to take control of their own value as potential purchasers of products and services. In essence, virtual communities act as an agents for their members by helping them to get increased product and service information – not to mention lower prices – from companies at the same time that they meet a broad range of social needs to communicate. Five defining combined elements of this online business model to deliver this powerful value proposition.

- *Distinctive focus:* Virtual communities are identified by a specific focus, to help potential members readily understand what kind of resources they are likely to find there and to help community organisers determine the full range of resources likely to be acquired to meet members' needs. For example, the focus may be on a geographic area, a topical area, a vertical industry, or a functional expertise.
- *Capacity to integrate content and communication:* Virtual communities provide a broad range of published content – including, where appropriate, advertisements and company information – consistent with the distinctive focus of the community, and they integrate this content with a rich environment for communication. Communication capability allows members to maximise the value of this content, enabling them to clarify their understanding of the content by communicating with its publisher and to evaluate the credibility of the content by communicating with each other.
- *Appreciation of member-generated content:* In addition to published content, virtual communities provide environments for the generation and dissemination of member-generated content. This is perhaps the single most empowering element of a virtual community. It gives members the capability to compare and aggregate their experiences, which in turn creates for them a fuller range of information and a perspective independent of companies and advertisers on the resources that are important to the members.

- *Access to competing publishers and companies:* Virtual communities are organising agents for their members. As such, they will seek to aggregate the broadest range of high-quality resources possible, including competing publishers and companies so their members can make more informed cost-effective decisions on what resources they need.
- *Commercial orientation:* Virtual communities will be increasingly organised as commercial enterprises, with the objective of earning an attractive financial return by providing members with valuable resources and environments through which to enhance their own power. It is in giving a net gain in value to their members that community organisers will realise a substantial net gain of their own.

It's clear that the virtual community organiser must focus on two imperatives to deliver this value proposition: aggregating members and aggregating resources relevant to members. These two imperatives suggest a third imperative: aggregating information profiles about members' use of the network and the transactions they carry out on the network. By aggregating such profiles, community organisers can develop a better understanding of the needs of their members, and thereby become more effective in aggregating the right resources.

Virtual communities help companies – which produce, sell, and/or distribute goods and services – expand their markets on two levels: through capabilities that are unique to the virtual community business model and through capabilities that are more broadly available in network-based environments. Elements specific to virtual communities that help companies expand their markets include the following:

- *Reduced search costs:* Companies and customers can find each other more easily because virtual communities provide an environment for aggregating relevant participants and information about those participants.
- *Increased propensity for customers to buy:* Customers perceive less risk and experience more excitement. By aggregating a broad range of information and options for its members, community organisers help to reduce the perceived risk of purchase. By providing an engaging environment where members interact with each other, as well as with companies, excitement around 'hot' products can be quickly generated.
- *Enhanced ability to target:* Virtual communities will accumulate detailed profiles of members and their transaction histories, not only with a single company, but also with multiple companies across an entire product category. Virtual communities also generate information on demonstrated preferences, indicating that an attractive prospect may be on the verge of making another purchase. Access to this kind of information, once again on terms defined by individual members, would enable companies to target attractive prospects in a timely fashion.
- *Greater ability to tailor and add value to existing products and services:* Access to integrated transaction histories and the ability to interact with customers and potential customers improve the company's ability to understand individual buyer needs. By aggressively using this information to tailor products and to create product and services bundles, companies can both expand the potential customer base and generate more revenue from each customer

Companies will also benefit from elements more broadly applicable to network environments, which are lower capital investments in bricks and mortar, broader geographic reach, disintermediation potential. These elements are already mentioned in chapter one as reasons why a company could be in online business Through shifting power from the company to the customer, virtual communities will irreversibly alter the way large companies are managed. To get more insight in this 'challenge of the game' the work of Hagel and Armstrong [8] is recommended

Sponsored virtual community

The sponsored community allows commercial activities only by its organiser or owner. The organiser and owner are not per definition the same company; this remark is also valid model of the virtual community as described above. An ICT company – the organiser – can be asked by a well-known brand – the owner – to create a virtual community. The sponsored virtual community empowers less the members than the virtual community, because only one company has the exclusive right to offer products, services, and content. The social contexts of both virtual communities do not differ. Amazon.com becomes a sponsored virtual community, since it has added a social environment with member-written critiques.

[CHAPTER FOUR // OVERALL CONCLUSIONS]

In the first paragraph the overall conclusions of this literature research assignment are given. The concluding discussion of this study is set out in the second paragraph.

< A. Conclusions >

The nine overall conclusions of this study are drawn here. First, as reported in paragraph B of chapter one brick-and-mortar companies active in information-rich market segments should maximally profit from the potential of online business to strengthen their competitive position. RCI Netherlands is a good example of such kind of company. In markets where information plays a less important role online business shows a lower competitive potential. Second, another conclusion drawn in that paragraph is that the click-and-mortar integration is the most crucial hurdle to take in online business development, since 'classic' business activities remain indispensable for online activities, for example warehousing and delivery services. Third, in paragraph D of the first chapter it is concluded that the local focus of management and regulators downsizes the opportunities of the WorldWide Web. Corporate organisations should co-operate with their national subsidiaries in order to employ the unrestricted geographic advantages of the Internet. Fourth, the most significant elements within the development of an online business are the innovative idea, a social and business network surrounding the organisation, and the commitment of investors (paragraph F, chapter one). Fifth, paragraph A of chapter two names repeated visits as the important, scarce mean for online success and lists the drivers behind these visits. On that list the most renewing concept is the one of offering free services and products; Other important ones are: the quality of the online experience, the compensation for disclosing personal data, the trusted brand names, and the importance of agility. Sixth, paragraph B of the second chapter concludes that member-generated content and interaction among members are innovative online concepts, although once consumers' associations exclusively employed these concepts. Nowadays, the online 'movement' strongly embraces them within commercial business setting. Seventh, the management of a company could choose for being not online, in case of doubts regarding online success or of precaution not to harm the company's reputation. This choice – business model – adds indirectly value to the company, subsequently its stakeholders (paragraph A, chapter three). Eighth, paragraph B of chapter three concludes that there is another business model, which – like the foregoing one – does not directly expose a company on the Internet. Under the label of a business partner or with a completely new label a company could still generate sales on the Internet. Finally, in paragraph C of chapter three the sense of community is said to be the ultimate phase of being online active. The 'stickiness' of an online venture increases when it offers a sense of community. A less progressive version of an online community is the sponsored one, which does not host competing publishers or companies.

< B. Discussion >

The question if the Internet should be considered as a killer app was set out in the introduction. After completing this literature research assignment the answer should be a partial yes. In some – not all – markets and industries the Internet had, have, and will have a major impact on the 'way we do business.' According to the read literature and other sources these businesses all share a common characteristic: the exchange of information is relatively important. These sources do not mention 'twenty-four-seven' and anonymity as significantly competitive pillars of online business. 'Twenty-four-seven' refers to the fact that clients can access an online business around the clock and each day of the year, which is unachievable in the 'real world' business. The other pillar is the extra anonymity offered to a client, because the client of an online business does not personally face a salesman in a shop or during an appointment. This discussion highlights the importance of these 'new' characteristics of online business. In addition, the management choice to be not online is not clearly presented in any of the read sources as an intelligent business option, although online business is not per definition the ideal, most profitable change for a company.

The second part of the introduction dealt with the questions within RCI Netherlands. For this case the above-mentioned 'new' characteristics are relatively important, since a social dogma disturbs regarding credits the sales process at the dealer sites. Online business could make the RCI Netherlands' sales less constrained by this social dogma as well as opening hours of dealerships. For sure, the arrangement of different online ideas, concepts, and opportunities in this study supports the management of RCI Netherlands in its decision-making process regarding online business, and like any other management, it should watch out for the problems related to the click-and-mortar integration. On the other hand, a decision to go not online with RCI Netherlands' activities might even be expectable, so each of the mentioned issues could become irrelevant.

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