



# Business Models

## Successful Online Business Models

### Case Study





Investing in the future by working together for a sustainable and competitive region



# 1 Executive summary

In the last few years internet companies have created a huge amount of new, creative online business models. Some of them became successful, others failed. In order to understand why some models succeed and others fail the specific aspects of successful (read most viewed) Dutch internet business models have been researched in this case study. While using the Osterwalder ontology (Osterwalder, 2006) the eight most successful internet business models are outlined. The Osterwalder ontology is a method to describe business models on the basis of nine building blocks.

The following internet business models are analyzed: nu.nl, bol.com, wikipedia.nl, arktplaats.nl, hyves.nl, buienradar.nl, google.nl and msn.nl. afterwards the successful aspects of each model have been outlined. By putting the models in top of each other similarities showed up.

The most matching factor of success is to find an unmanaged market. Website visitors are generally very loyal to their first choice; despite the fact that there are new and maybe even better alternatives they keep visiting their first option. The second factor of success is configuration of the value configuration process. Almost every researched business model has designed their value configuration process in a way that it's fully automated. In other words, once the website is online and visitors are using it, the service doesn't require manual intervention. The third factor of success is to offer the products or services for free. Unfortunately internet users are not prepared to pay for products or services unless they have experienced the benefits. Seven of the eight researched business models offered their services for free. The eighth model is Bol.com, an online web shop. The fourth factor of success is the revenue model that's used by the internet business model. A revenue model can work like a charm on paper, but when it's not appropriate it will fail in practice.

Companies often take years to find an appropriate revenue model. This is one of the main reasons why it is important to think about the value that's being created by the users of the business model from the beginning. This value can be used as an input for the revenue model (Google AdWords and Marktplaatsmedia.nl). The fifth factor of success is to distribute the service on a wide scale. It sticks out that, beside their normal website, every model has a mobile version of their website. That's not all, there is a clear trend going on where business models try to use as much as distribution channels as possible. Any examples are Windows gadgets, phone applications (iPhone, Android and Java) or API (Application programming interface) possibilities.

As a result of this case study a checklist has been designed which helps business model designers to consider the appropriateness of their model.

- Is there sufficient place for the new business model in the current market?
- Did you configure your value configuration process in a way that it is fully automated?
- Are you going to offer your products or services for free, semi-free or paid?

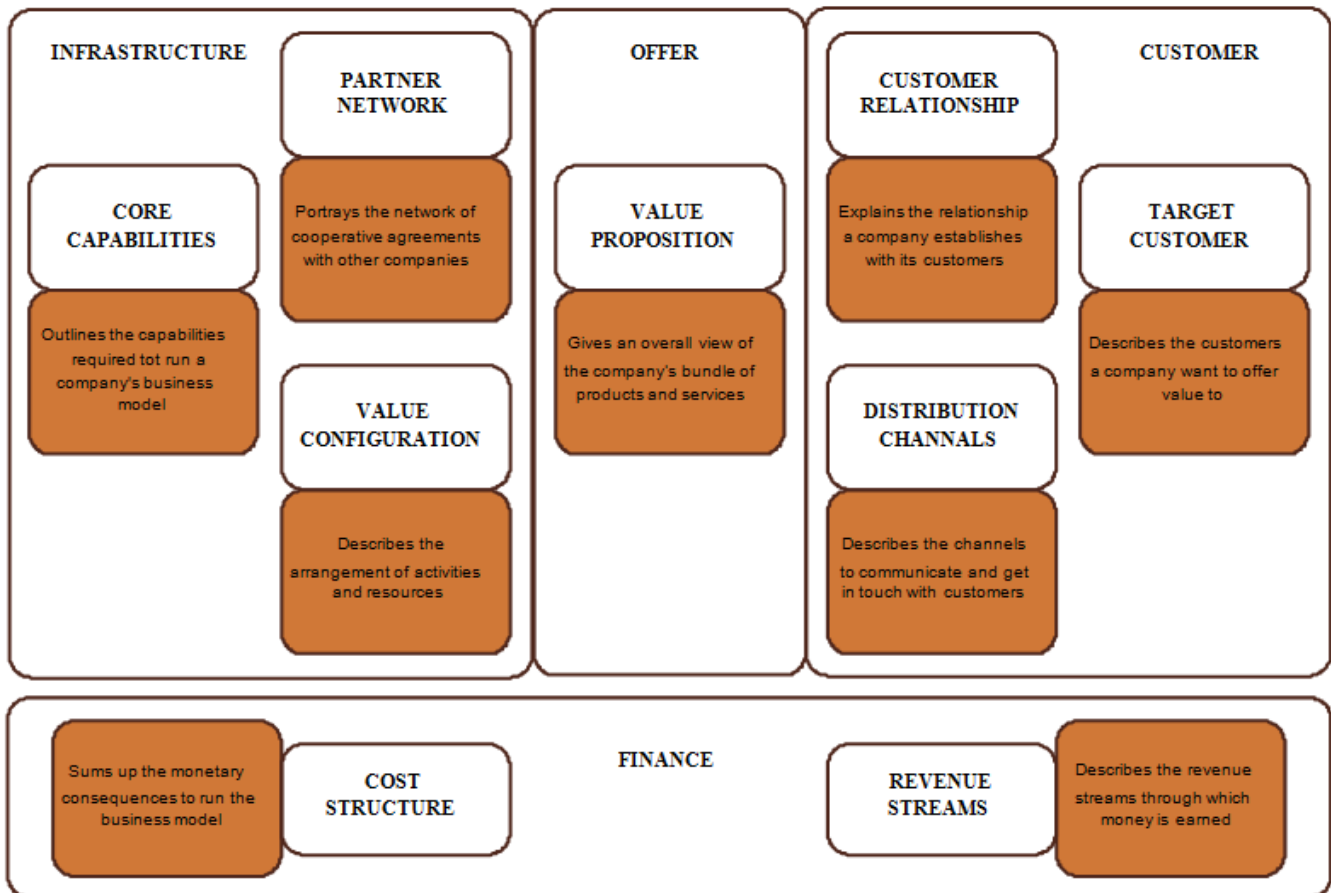
- Which value is being created by the users and which revenue models can you assemble to this value?
- Which distribution channels is my business model using in order to reach my users?

## 2 Problem statement

In the last few years internet companies have created a huge amount of new, creative online business models. On the other side, the internet itself has experienced an explosive increase of users. Amongst other things those two facts have caused an unclear view of the current internet business models. Which models are currently in use and why do some models succeed and others fail? Which revenue models are used and what's their effectiveness? In other words, what are the successful aspects of internet business models?

These questions create the following problem statement: *“What are successful internet business models and their specific properties, including their applied revenue models, which contribute to this success?”*

In order to determine which internet business models are the most successful, the unique visitors count have been looked at. To retrieve this information the results from the Multiscope Visiscan (Multiscope, 2008) are used. To describe the internet business models the Osterwalder ontology has been used (Osterwalder, 2006). The Osterwalder ontology is a method to describe business models on the basis of nine building blocks: Present the central issue(s) or major problem(s) of the case here. Do not rehash the facts of the case; assume that anyone reading the report is familiar with the case.



Because of the scope of this document it's impossible to describe every building block from every internet business model. Therefore the most important properties of each business model will only be described. If necessary the Osterwalder ontology will be referred to.

### 3 Alternatives

In the following part of this case study the eight most successful internet business models of the Netherlands are described.

#### NU.NL

Nu.nl is the largest publisher site of the Netherlands. It publishes actual news in different categories. When Nu.nl started in 2000, it was the first company that offered the news for free. Because of the fact that all the traditional news providers were still offering their news against payment, nu.nl found an unused market. This is the first factor of success. As a result of this factor, Nu.nl has created a huge customer file in a relative short amount of time. The second factor of success is the configuration of their value configuration process. More than 90 percent of the news items are directly copied from the Dutch news providers ANP (Algemeen Nederlands Persbureau)

and Novum. This not only reduces the editorial costs, it also helps nu.nl to publish their news as fast as possible.

### **BOL.COM**

Bol.com is the largest web shop of the Netherlands. Ever since the foundation of bol.com in 1999 it has been one of the leading Dutch web shops. Through the years bol.com acquired a Dutch brand awareness of 97 percent, an incredible high percentage. In order to achieve this, bol.com had to invest a huge amount of money in offline marketing. The main reason for offline advertising can be found in the fact that, back in the years, web shops were new and unknown. Bol.com created a strong and trustworthy basis through the use of offline marketing. This is the first factor of success. The second factor of success is the way bol.com has configured their value configuration process. The process from achieving an order till the moment that the package is delivered is fully automated. The order will directly be passed through to one of bol.com her fulfillment partners. The fulfillment partners will take care of the repurchase, sales and the delivery.

### **WIKIPEDIA.NL**

Wikipedia is the largest online encyclopedia of the Netherlands. While using Wikipedia, visitors can share their information or knowledge. The information on Wikipedia is available to everyone in the world. Users can adjust information in order to achieve a high quality online knowledge database. The first factor of success is the non-commercial point of view of Wikipedia. The company exists as a foundation; it has only one revenue stream, gifts from users. There is no advertising on the website and the content is uncolored. The second factor of success is the way Wikipedia configured their value configuration process. Traditional encyclopedias get their information from verified sources and make sure it's readable Wikipedia has developed a process which gives users the opportunity to share their own knowledge. The verification is also being performed by other users. While using this method, incorrect content will quickly be erased from Wikipedia.

### **MARKTPLAATS.NL**

Marktplaats.nl is an online trading portal where users can purchase en sell second-hand products. It was founded in 1999 and was one of the first Dutch companies who offered an online trading portal. In 2009 Marktplaats.nl set up a daughter company named Marktplaatsmedia.nl; this company manages all the advertising activities of Marktplaats.nl. The first factor of success is that Marktplaats.nl was one of the first who offered an online trading portal. In other words, they found an unmanaged marked. The portal which can be use to offer and purchase products is developed in a way that there is no interaction by Marktplaats.nl. This is the second factor of success, the value configuration process.

Marktplaatsmedia.nl is a relative young concept and yet has to prove its value. The idea of creating an isolated process which combines the visitor's values (search categories, ZIP-code, et cetera) with available customer information (example: lifestyle groups categorized on ZIP-code) is an interesting example for new companies.

### **HYVES.NL**

Hyves.nl is the largest online community of the Netherlands. It was founded by three friends in September 2004. At first it was only meant for family and friends but ever since the first 'stranger' created an account, Hyves.nl experienced an enormous growth. Hyves.nl was the first social community that gave users the opportunity to match with other accounts. This is the first factor of success, Hyves.nl found an unmanaged market. The second factor of success is about the philosophy of Hyves.nl, the company is always looking for improvement! In order to stay on top of the competition the company is always looking for new developments in the market. An example of this philosophy is the implementation of the new chat functionalities which lets users communicate by chat. A second example is the possibility for users to connect their Hyves account with their Twitter account.

### **BUIENRADAR.NL**

Buienradar.nl is an online portal where visitors can see a visual view of the weather forecast. Because of the high license costs buienradar.nl had to pay for the forecasts, it was the first Dutch online weather provider who tried to offer the weather forecast for free. This is the first factor of success; buienradar.nl was the first internet business model that offered online weather forecasts. Buienradar.nl pays more than € 200 000 for licenses from the KNMI, but despite this fact they still offer their service for free. This is the second factor of success. By doing this, the service becomes very accessible for new visitors. The last factor of success is the way that buienradar.nl distribute their services. Buienradar.nl is available over several distribution channels, from Windows Vista gadgets till Hyves widgets.

### **GOOGLE.NL**

Google is the largest search engine of the Netherlands. It was the first search engine that conquered the world of the internet. At the moment Google was founded there were several other search engines. These search engines had already created a customer file and therefore they had the start of Google. The biggest international rival was Yahoo, in the Netherlands it was Ilse. The general situation that the first concept becomes the most popular one is not applicable to this case. The reason that Google could manage to get on top of their rivals is that they had an exceptional good algorithm. By offering straight and qualitative search results the visitors soon advanced to Google.

Their strong algorithm is the first factor of success. The second factor of success is the revenue model that Google is using, Google AdWords. Companies can use AdWords to advertise on Google. The ads are based on the keywords entered by the visitors and will be shown next to the search results. The last factor of success is integrity of the search results. Google doesn't allow companies to pay for a better position in the search results.

### **LIVE.COM**

Windows Live mail is the largest webmail provider in the Netherlands. It was founded in July 1996 (at the time Hotmail). The founders wanted to make clear that it was not necessary for users to depend on their internet provider in order to use e-mail. Hotmail was the first webmail provider worldwide. This is the first factor of success, Hotmail found an unmanaged market. The second factor of success is that Hotmail is offered for free. By choosing this strategy, Hotmail created a large customer file in a short amount of time.

Ever since Hotmail changed their brand name into Windows Live mail in 2006, their strategy has

experience an enormous transformation. At first, the core business was offering webmail, but according to the new strategy webmail has become one of the many services Windows Live offers. The main goal of Windows Live is to create an online environment where all the primary user needs are provided. Any examples are a social network, online disk storage and online chat functionalities. Unfortunately there is a lack of specific visitor information Therefore it's too early to determine the effectiveness of this new strategy.

## 4 Conclusion

The most matching factor of success is to find an unmanaged market. New internet business models that manage to find an unmanaged market obtain a large customer file in a relative short amount of time. The researched internet business models point out that website visitors are generally very loyal to their first choice; despite the fact that there are new and maybe even better alternatives they keep visiting their first option.

The second factor of success is the way the value configuration process is configured. Almost every researched business model has designed their value configuration process in a way that it's fully automated. In other words, once the website is online and visitors are using it, the service doesn't require manual intervention. Two types of automated value configuration processes will be separated. The first type is a situation where the user itself creates value; therefore the website has to allow user interaction (web 2.0). Some examples are Hyves and Wikipedia. The second type is a situation where the website is automated in a way that the visitor can use the offered service without interaction from the website-owner. A pretty good example of this type of value configuration is applied by buienradar.nl. Buienradar.nl receives their weather information in a mathematical format by the KNMI, thereafter it is (fully automated) being converted to a webpage view.

The third factor of success is to offer the products or services for free. Unfortunately internet users are not prepared to pay for products or services unless they have experienced the benefits.

Therefore seven of the eight researched business models offered their services for free. The eighth internet business model is Bol.com, an online web shop. As already described, internet users are very loyal to their first choice. To make sure that a business model is their first choice, a potential business model should offer his service for free Otherwise new users won't even try your service Once the visitor is convinced of the benefits, it is possible to offer him extra options (gold memberships or premium accounts). In this situation the user will pay for the extra options.

The fourth factor of success is the revenue model that's used by the internet business model. A revenue model can work like a charm on paper, but when it's not appropriate it will fail in practice. Companies often take years to find an appropriate revenue model. This is one of the main reasons why it is important to think about the value that's being created by the users of the business model from the beginning. This value can be used as an input for the revenue model (Google AdWords and Marktplaatsmedia.nl).

The fifth factor of success is to distribute the service on a wide scale. It sticks out that, beside their normal website, every model has a mobile version of their website That's not all, there is a clear trend going on where business models try to use as much as distribution channels as possible. Any examples are Windows gadgets, phone applications (iPhone, Android and Java) or API (Application programming interface) possibilities.

## 5 Implementation

As a result of this case study a checklist has been designed which helps designers to consider how their business models handle these questions.

- Is there sufficient place for the new business model in the current market?
- Did you configure your value configuration process in a way that it is fully automated?
- Are you going to offer your products or services for free, semi-free or paid?
- Which value is being created by the users and which revenue models can you assemble to this value?
- Which distribution channels is my business model using in order to reach my users?

Some researchers have the opinion the Osterwalder model is ok in normal business, but doesn't seem to cover internet options. The main reason is that on internet value as seen from client might be very different from value or cost as seen from vendor. As such user as "part of social structure/ society" is missing in the model, other researchers don't agree. A follow up study would be interesting to investigate this topic in more detail.

## 6 Participants

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