

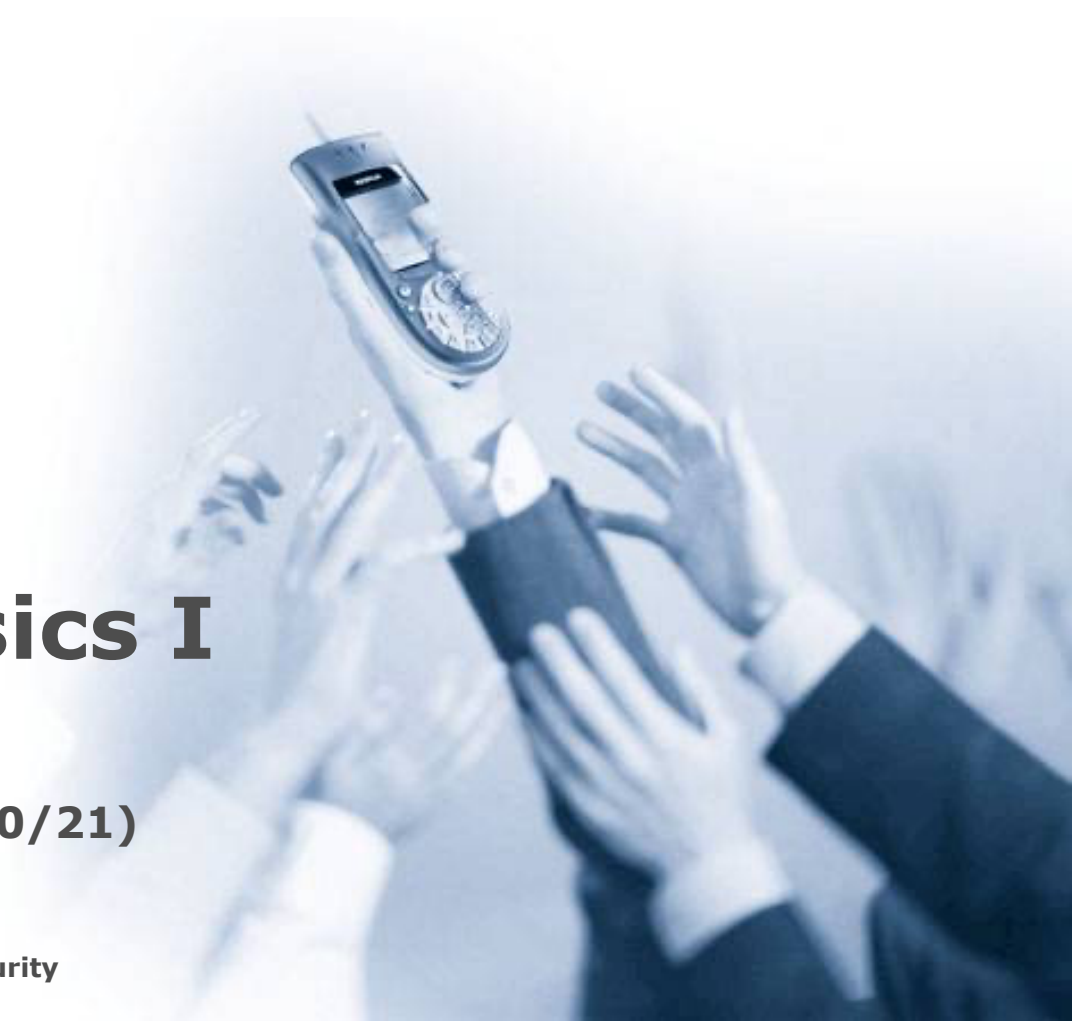
Exercise 2

Economic Basics I

Mobile Business I (WS 2020/21)

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- Exercise 1: L05 – E-Business vs. M-Business
- Exercise 2: L06 – Market Structure and Value Creation
- Exercise 3: L07 – Business Models

a) Explain E-Business and M-Business.

Various Electronic Business (E-Business) definitions...

“**E-Business:** Doing business online.” [TechwebNetwo2013]

“E-Business is about business transformation, changing the way companies go to market, impacting what they sell and how they create value.” [Kortzfleisch2005]

“E-Business... the conduct of business on the Internet, not only buying and selling but also servicing customers and collaborating with business partners.” [Searchcio2007]

“using the internet to connect with customers, partners, and suppliers”

...

Many definitions of Mobile Business (M-Business)...

“**M-Business**: Doing business using wireless services. The mobile counterpart to E-Business.” [TechwebNetwo2013]

“The total sum of business processes based on location-independent interactive communication technologies.” [ReicMeieFrem2002]

“We define M-Business as a collection of mobile technologies and applications used to support processes, value chains and entire markets using wireless technology.” [Stanoevska-S2003]

...

We chose a definition that (hopefully) lets us do interesting things:

*"The usage of
**mobile devices, infrastructure, communication,
and interaction**
for
**mobile applications
and transactions.**"*

b) Please name and describe the specific characteristics of the mobile economy compared to the electronic economic.

	Electronic Economy	Mobile Economy
Automation / digitization	●	●
Time flexibility	●	●
Interactivity	●	●
Individualization	●	●
Location independence		●
Personal sphere	○	●
Continuous reachability		●
Context sensitivity	○	●

1. Location independence

- Provision of mobile services is independent of a user's current location (e.g. mobile e-mail services)

2. Personal sphere

- Mobile devices ("Mobiles") as personal accessories such as clothes which are carried by users most of the time

3. Continuous reachability

- Location independent network access, users are instantly addressable, Always-on-Functionality

4. Context sensitivity

- Detection and evaluation user's environment information, e.g. **Local context** (current place / time), **action context** (current place / time combined with geo data), **time context** (current time combined with time relevant information), **interests specific context** (local, action and time context combined with personal user preferences)

- Exercise 1: L05 – E-Business vs. M-Business
- Exercise 2: L06 – Market Structure and Value Creation
- Exercise 3: L07 – Business Models

- a) Explain heterogeneous oligopoly as a market structure.

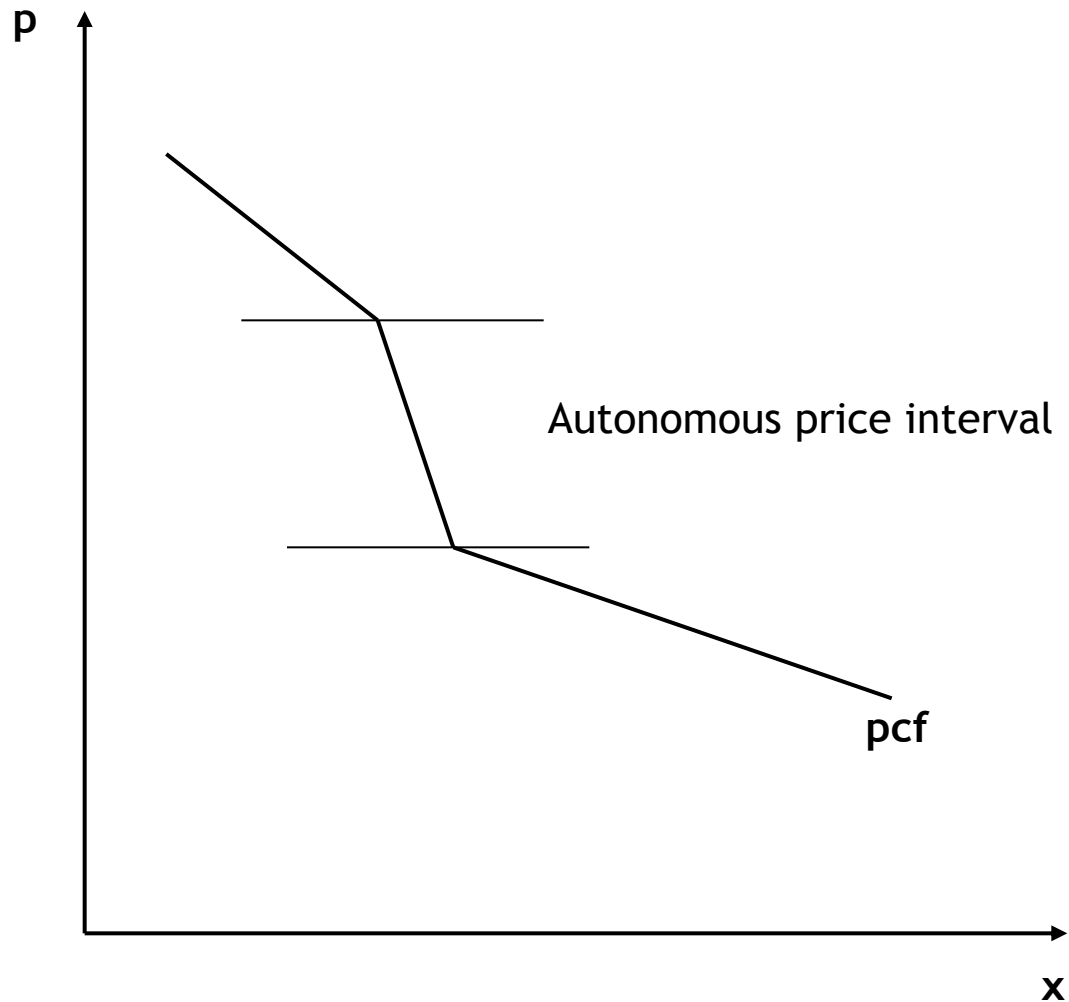
- ➔ Few mobile network operators, many customers

- Heterogeneous oligopoly
 - A heterogeneous oligopoly is a market form, in which a market or industry is dominated by a small number of middle-sized sellers with heterogeneous products
 - Many (small-sized) customers

Based on [Wied-Nebbeli1997]

- Heterogeneous oligopoly
 - Autonomous price interval, in which the respective organisation (operator) can operate...
 - o without losing customers to the business competition due to rise in price
 - o without acquiring customers from business competition due to cut in price

Based on [Wied-Nebbeli1997]



- Exercise 1: L05 – E-Business vs. M-Business
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a) What is a business model?

- A business model is the abstract description of a business.
- → more simpler: strategic planning to earn money

- b) Name and describe the elements of a business model.

- A business model consists of three main parts:
 1. Value Proposition
 2. Value Creation Architecture
 3. Revenue Model

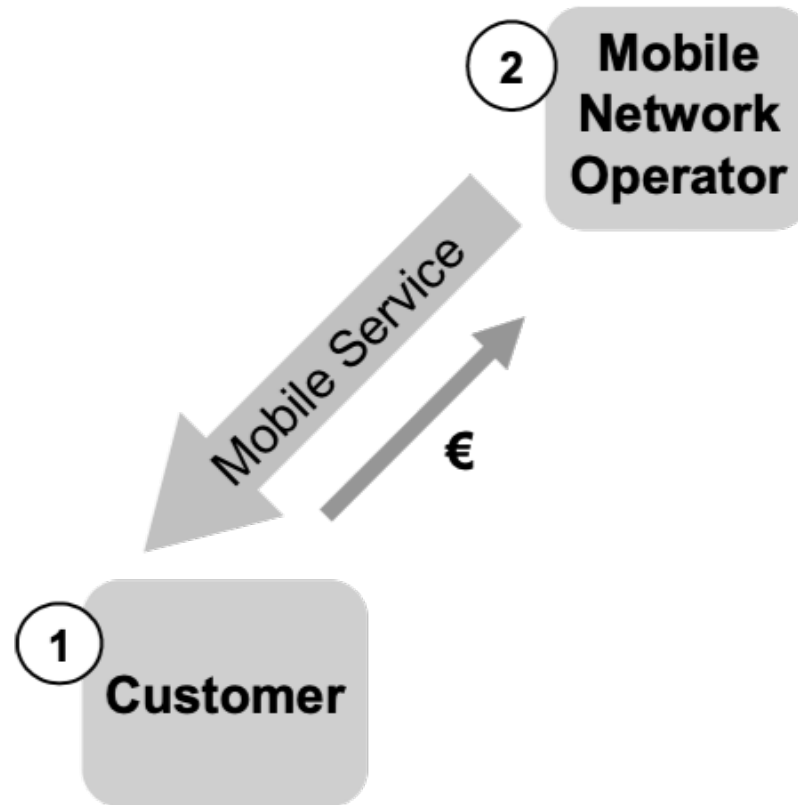
1. A business model contains a **description of** what the **benefit** can be for customers or other partners by association with the respective business. This part of the business model is called **value proposition**.

2. At the same time a business model is a **value creation architecture**, namely how the benefit can be generated for the customers. This architecture contains a description of the different stages of value creation.

3. Besides asking for "*what*" (see 1.) and "*how*" (see 2.) a business model describes as well, which revenue the business generates from which sources. The future revenue decides on the value of the business model and the sustainability.

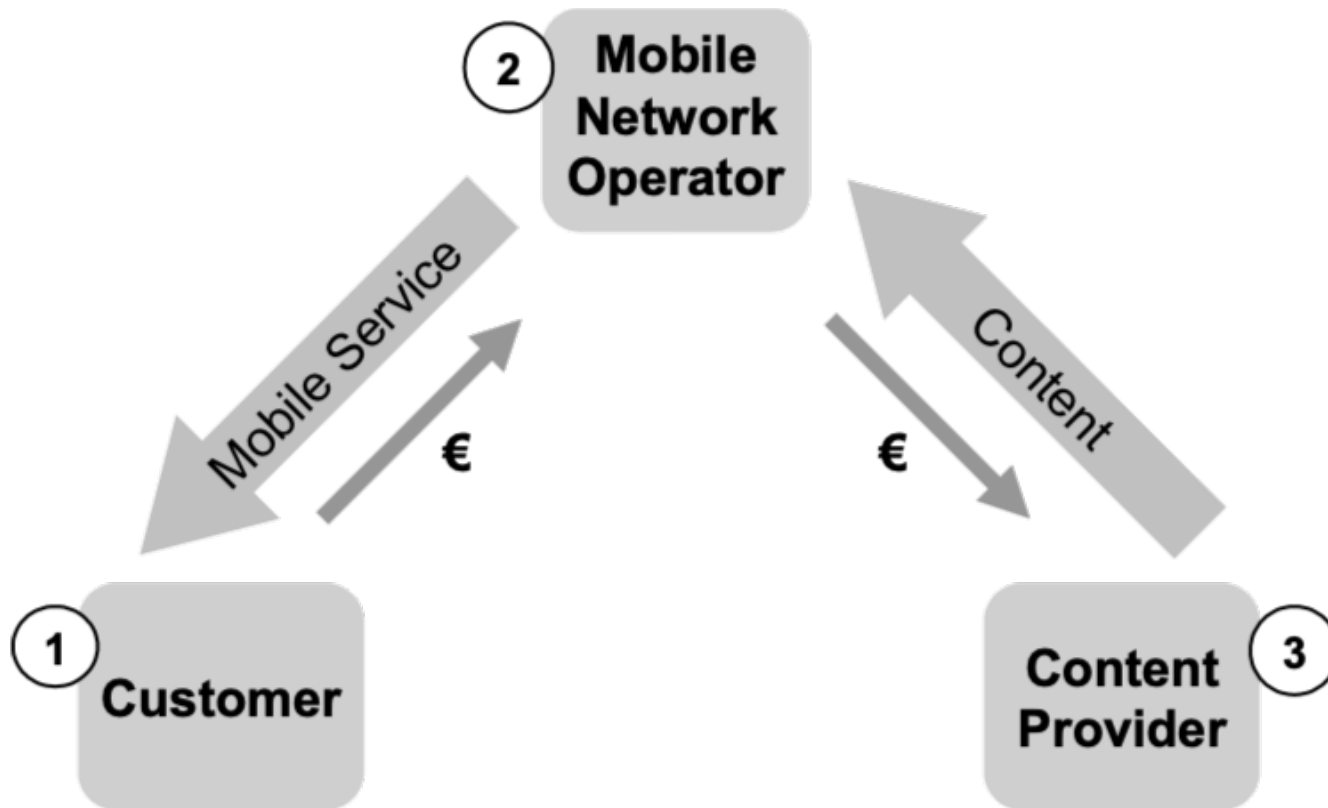
c) Outline a classic business model for a mobile service (while paying special attention to stakeholders, money and service flows).

- Classical business model (CBM) I:



- Classical business model I:
 - Two parties: Customer, mobile network operator
 - Operator provides communication services and possibly contents to the customer.
 - Possibly the operator manufactures these contents himself.

- Classical business model II:



- Classical business model II:
 - Three parties: Customer, mobile network operator, content provider.
 - Operator purchases content (from the content provider) and passes it on to the customer.
 - Content Provision is not the core competence of the network operator.

- This set of slides is based upon the following Economic Basics lectures:
 - **Lecture 5:** E-Business vs. M-Business
 - **Lecture 6:** Market Structure and Value Creation
 - **Lecture 7:** Business Models

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