Chapter 52
Viable Business Models for M-Commerce: The Key Components

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ABSTRACT

As mobile applications increase in popularity, the issue of how to build viable business models for the m-commerce industry is becoming a clear priority for both organizations and researchers. In order to address this issue, this chapter reports on five mini cases used as a guideline, and applies the theoretical business model from Chesbrough and Rosenbloom (2002) to each of them to find out the most important components of viable business models for their m-commerce applications. The study then uses cross cases analysis as a research tool to compare and contrast each of the mini cases and to find out how the different organizations fit within the researched theoretical business model. Finally, this chapter confirms that there are 7 important components of viable business models for m-commerce which are: value proposition, market segment, value chain, profit potential, value network, competitive strategy and firm capabilities. This study also highlights the fact that the public visibility of these 7 components is uneven. Some components such as value proposition, value chain, value network and firm's capabilities are more likely to be presented in public by organizations. However, aspects such as cost structure and profit potential, market segment and competitive strategy are more likely to be hidden from the public due to their commercial sensitivity.

INTRODUCTION

The fast pace of development in the field of wireless and mobile technologies is leading to a significant number of mobile applications deployed over faster and cheaper mobile broadband services. As a result of that, the trend of using mobile applications in real life is increasing rapidly (with popular mobile services in the areas of m-shopping and m-payment among others). Because of this trend, there are huge market opportunities and high commercial expectations for mobile

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commerce. Thus, more and more organizations have been implementing or intend to implement m-commerce as another distribution channel into their day to day operations in order to fulfill high users' expectations and to benefit from the hardware and software infrastructure provided by telecommunications providers and companies such as Yahoo, IBM, Google and Amazon.com.

Due to the fact that m-commerce is a young field and m-commerce business models are different from traditional business models, the issue of how to build viable business models for m-commerce is becoming very important for both organizations and researchers. Organizations need to know what a viable business model for m-commerce looks like, what are the most important components for m-commerce's business models, and how they work to help organizations make money. As a result of these concerns, there is a strong motivation for researchers to focus on this young field and to work out these important issues for the benefit of successful future m-commerce development and implementations.

This chapter will firstly define some key concepts and models that relate to m-commerce, and then five mini cases are used to show how a number of organizations in the m-commerce industry fit within the business model framework identified by Chesbrough and Rosenbloom (2002). After that, a cross case study analysis will be used to identify differences and similarities across the five different cases in order to identify gaps between theoretical business models (as summarized by Chesbrough and Rosenbloom, 2002) and best business practices. Finally, an overall conclusion will be presented.

BACKGROUND

M-Commerce

Mobile commerce (m-commerce) deals with the use of mobile electronic devices such as mobile phones, smart phones or PDAs to access computer-mediated networks to conduct any business transaction that involves the rights to use goods and services or transfer of ownership (Wikipedia, 2009; Slyke and Belanger 2003). Using mobile devices to make payments (m-payment) and therefore obtain the right of using goods and services is the foundation for m-commerce; in fact, m-commerce is the next generation of e-commerce.

There are many different types of products and services available in the m-commerce industry such as mobile ticketing (e.g. using mobiles to purchase a ticket, and the ticket will be sent to buyers' mobile phone so it can be used immediately), information services (e.g. using a mobile phone to get online in order to gather information such as news, sports results, etc.), content purchase and delivery (e.g. purchasing "wallpaper" applications or downloading MP3 files), location-based services, mobile purchases, mobile vouchers, and mobile banking (Wikipedia, 2009).

Viable Business Model

A viable business model is a blueprint for the extension of a full business strategy and plan, and it provides direction for business processes. Business models are used by organizations to help them create value in the industry in order to achieve business strategies (Ulhoi and Jorgensen, 2008; Moen, 2006). A business strategy sits on top of the business model, it provides direction for the business model to help the organization make money (Pateli & Giaglis, 2003). The relationship between strategy and business models is shown below.

A viable business model will explain the relationship between technical inputs (goods and services) and economic outputs (business value, profit and price). The most important thing for a viable business model is to transform these technical inputs to economic outputs in order to make money for the organizations. Therefore, the question: "how to make money for the business?" is