Overview of Emerging Web 2.0-Based Business Models and Web 2.0 Applications in Businesses: An Ecological Perspective

In Lee, Western Illinois University, USA

ABSTRACT

Web 2.0 offers business organizations an array of new ways to interact with customers and partners. Web 2.0 is continuously evolving and offers new business models and support business processes, customer relationship management, and partner relationship management. This study reviews some of the major business applications of Web 2.0, and identifies Web 2.0-based business models. Six emerging Web 2.0-based business models were identified: (1) Broad Online Community, (2) Focused Online Community, (3) Social Shopping, (4) Content Intermediary, (5) Virtual World, and (6) Shared Web 2.0 Services. Along with these new Web 2.0-based business models, this study discusses how Web 2.0 applications are used to support activities of traditional businesses in the areas of customers, value networking, capability, and sustainability. Finally, the interaction dynamics between emerging web 2.0-based businesses, existing businesses, and the Web 2.0 tool and application development industry are analyzed from an ecological viewpoint.

Keywords: Business Model, Collaboration, Information Sharing, Social Networks, Web 2.0

1. INTRODUCTION

Recently, the Web paradigm shifted from a business-centered focus to user-centered one. This paradigm shift has become known as “Web 2.0”, coined by Tim O’Reilly in 2004 (O’Reilly, 2007). The great interest in Web 2.0 is intertwined with the rapid growth of Internet usage. Web 2.0 refers to a website that has evolved beyond Web 1.0 and features user-created-content and online communities that allow website visitors to interact dynamically with the site. While technological distinctions between Web1.0 and Web 2.0 are often not clear in some areas, the social and technological environment for positive user participation and interactivity epitomizes Web 2.0.

Web 2.0 is continuously evolving and offers new business models and support business processes, knowledge management, customer...
relationship management, and partner relationship management. Despite the lack of a comprehensive framework for the use of Web 2.0 applications, businesses are eager to use them. Managers are already active users of the various Web 2.0 technologies such as social networks and blogs. Managers are realizing that Web 2.0 affects a wide spectrum of business activities from building product or brand awareness to after-sales services. Investing in Web 2.0 applications will enhance relationships with customers and provide the opportunity to better understand the customer needs. Therefore, it is crucial for companies to analyze their Web 2.0 activities, develop a plan to continually monitor their activities, and quickly respond to the needs of Web 2.0 users. For example, a routine analysis of Web 2.0 deployments will most likely lead to new ideas for improving overall user site experience and improving conversion rates.

The main purposes of this study are to explore emerging Web 2.0-based business models, to discuss Web 2.0 applications in businesses, and to analyze the interaction dynamics in business organizations. This study proceeds as follows: Section 2 presents a literature review on Web 2.0. Section 3 explores emerging Web 2.0-based business models. Section 4 discusses Web 2.0 applications to support the activities of traditional business models. Section 5 investigates the interaction dynamics between emerging web 2.0-based businesses, traditional business organizations, and the Web 2.0 tool and application development industry. Finally, Section 6 concludes with managerial implications.

2. LITERATURE REVIEW

Web 2.0 refers to the multitude of new ways that the Internet is used as a platform for developing and hosting software applications and developing and exchanging digital contents by the businesses and users. Due to the easy publication and editing of online content, Web 2.0 has already had great impacts on the ways that people interact and businesses operate. A global survey conducted by McKinsey in 2007 finds that the popularity of Web 2.0-based applications is growing among businesses (McKinsey Survey on Internet Technologies, 2007). While most companies surveyed have so far integrated a limited number of these applications into their business strategies, the large majority have indicated that Web 2.0 integration is important for maintaining the company’s market position, providing a competitive edge, and addressing customer demand. Other studies on Web 2.0 adoption indicate that the benefits of the Web 2.0 applications come from knowledge management initiatives (Cayzer, 2004; Wagner, 2004), project management efforts (Miller, 2006), and social networks that connect employees (Middleton, 2008). Businesses can leverage Web 2.0 technologies in order to dynamically cooperate with customers and partners in efforts to generate new design innovations (Brown, 2008).

McAfee (2006) coined the term “enterprise 2.0” to describe the application of Web 2.0 to the enterprise utilizing wikis and social networking software to support and enhance the continuously changing and emergent collaborative structures of knowledge work across the enterprise. Organizations need to invest in Web 2.0 technologies differently from the way they invested in information technology (IT) projects in the past. Organizations will have to find new ways of management to respect the freedom, openness, and sociality inherent to Web 2.0 technologies (De Hertogh & Viaene, 2010).

The most important contribution of Web 2.0 is not in the software but in the information provided on the web sites (van Iwaarden, van der Wiele, Williams, & Eldridge, 2010). The tremendous increase in user-generated content (UGC) on the Internet has important consequences for Web users, as well as companies. While most studies argue that Web 2.0 is a healthy phenomenon, as it is promoting free expression and democracy and is becoming the new source of consumer influence and empowerment, critics argue that Web 2.0 also promotes low quality amateur journalism, threatens intellectual property rights, and blurs the boundaries between fact and fiction.
Using Social Media for Service Innovations: Challenges and Pitfalls
[www.igi-global.com/article/using-social-media-for-service-innovations/79264?camid=4v1a](www.igi-global.com/article/using-social-media-for-service-innovations/79264?camid=4v1a)