IBF: An Integrated Business Framework for Virtual Communities

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ABSTRACT

The paper provides an integrated business framework for Business-to-Business, Business-to-Consumer and Consumer-to-Consumer Virtual Communities. The framework involves internal and external factors. Internal factors that include: market analysis; products/services promotion; development of trust; social influence and Knowledge sharing, differ from the different orientations of the framework, while the external factors involve competitors and technological aspects that, while differing from the framework business orientation, have an important impact on the design and development of the business activities.

Keywords: Business Model, Business-to-Business (B2B), Business-to-Consumer (B2C), Consumer-to-Consumer (C2C), Virtual Communities

1. INTRODUCTION

Business models play an important role in the success of any company, as they explain how that business will earn revenue. The term business model is defined as “the commercial relationship between a business enterprise and the products and/or services it provides in the market” (Hawkins, 2001). More specifically, it is a way of structuring various cost and revenue streams such that a business becomes viable, usually in the sense of being able to sustain itself on the basis of the income it generates. In its more general meaning, a business model is the method of doing business by which a company can generate revenue. The corresponding author is Alessia D’Andrea.

The advent of digital economy has given rise to the design and implementation of new business models; in this scenario a deep innovation has been produced by Virtual Communities (VCs). VCs represent “the business model of the digital economy” (Armstrong & Hagel, 1996; Figallo, 1998) for two different reasons:

• The members contribute to the creation of the economic value of the company;
• Social environment and transactions are linked such that the social environment contributes to the value creation.
The business potential of VCs is mainly given in terms of added value they provide, resulting from new combinations of information, products and services and innovative integrations of resources, roles and relationships between companies and customers.

Starting from these considerations, the aim of this paper is to provide an integrated business framework (IBF) for Business-to-Business (B2B), Business-to-Consumer (B2C) and Consumer-to-Consumer (C2C) VCs. B2B models include any type of transaction taking place between two businesses, in this perspective the framework can offer to any company the opportunity to perform a detailed market analysis in order to measure attractiveness and dynamics of companies in the Web with which to cooperate analysing the opportunities, strengths, but also the weaknesses and threats.

On considering the B2C orientation the framework is focused on the promotional aspect of VCs. In fact, VCs have a strong function in supporting companies in the different phases of products/services diffusion, testing and re-design. VCs carry out the diffusion of products/services in a way that has been traditionally reserved to manufacturers and large-scale distributors and jointly they can take advantage by the word of mouth with which the diffusion of products/services can be carried out in VCs. Word of mouth communication is a major part of consumer interactions particularly within VCs; it represents a consumer-dominated channel of business communication where the sender is independent of the market. Customers pay more attention to word of mouth communication because “it is perceived as credible as generated by people having no self-interest in pushing a product” (Silverman, 1997). For this reason it is perceived to be more trustworthy by consumers compared to companies-initiated business communication. Traditional business theories consider word of mouth communication as having a powerful influence on consumer’s behavior, especially on information search, evaluation, and decision making (Silverman, 2001). It provides information on product performance and social and psychological effects of purchase decisions (Cox, 1963). In the products/services testing it allows companies to receive a feedback by customers around the world and finally, in the products/services re-design it enables customers to share their ideas and to post continuously their suggestions to the company. Companies may also perform the market analysis to specifically attract new members according to their profiles of interest. In this direction, discussion forums on virtual environments are closely monitoring by the company to identify customer’s needs. This also allows establishing trustful relationship with customers. Trust is an important element for the success of business models. Customers who trust the company are more likely to visit its “virtual location” again and to recommend its products and services to other peoples.

Finally with respect to C2C orientation, the framework presents the aptitude to generate Social influence and knowledge sharing. VCs facilitate the collaboration and exchange of ideas among customers, as a consequence consumers can really modify their opinions about products and/or services according to the social influence process (Friedkin, 1998) this allow to define competencies and “knowledge profiles” of each customer involved into the virtual environment.

The paper is organised as follow. First, we provide a literature review on business models classification. Then we introduce the framework by describing internal and external factors. Afterwards, we concludes the paper.

2. BACKGROUND

Business models represent the core aspect of any company; it involves “the totality of how a company selects its customers defines and differentiates its offerings, defines the tasks it will perform itself and those it will outsource, configures its resource, goes to market, creates utility for customers, and captures profits” (Slywotzky, 1996).

Timmers (1998) refers to business model as “an architecture for the product, service and
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