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HOW DOES THE BUSINESS MODEL AFFECT THE CORPORATION PERFORMANCE?

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ABSTRACT

In recent years, the business model has become more and more concerned, and both the academic and business circles are aware of its importance. This paper analyzes and classifies the business model of e-commerce enterprises, as well as refines the e-commerce enterprise performance index. In this paper, the data of 22 e-commerce companies listed in the United States are collected. The classification indicators of e-commerce business model include target market, business pattern and asset structure. Through the combination of three categories of indicators, the selected 22 companies are divided into 10 categories. And the performance of e-commerce enterprises is measured by profitability indicators, operating efficiency indicators and growth potential indicators. Through the one-way ANOVA, it is found that the business model of electronic business company has caused the difference of business performance to some extent, and the influence of different dimensions of performance is also diverse.

Keywords: electronic commerce, business model, corporation performance.

INTRODUCTION

At present, many scholars are in the study of business model, the business community is also concerned about the development of it, and the research of business model and corporation performance is becoming more and more mature. However, there are few papers about the relationship between business model and corporation performance of Chinese e-commerce enterprises. Even though some domestic scholars have studied the impact of the business model of e-business performance, they almost use qualitative research methods by issuing questionnaires to some authorities, experts and business executives. Therefore, after studying the relevant literature, this paper focuses on the relationship between business model and corporation performance of Chinese e-commerce enterprises which listed in the United States, using one-way analysis of variance quantitatively analyze the impact of the business model on corporation performance in different dimensions.

LITERATURE REVIEW

The word business model first appears in 1957, but it is widely used and spread until nineties of 20th century. Business model is actually a new type of organization structure, whose purpose is to create value, and the elements of this organization interact with each other with clear-cut assignment of responsibility [5]. The value of business model is decided by the synergy of trade content, structure and management [1], and people is the main participant [8]. It is believed that business model is the transformation process of technology to economy [3], and business model is not only within the company, but the cooperation of interior and exterior [9]. Business model is used to allocate corporate resources rationally, balance the interests of various subjects in the course of operation, and create more value for the companies [7]. In the study of analyzing business model, the Bridge Model (Gray Hamel, 2000) is widely accepted, which has four modules and three connections. In addition, the Double Triangle Model [11] believes business model is the combination of different trading modes, resources and capabilities based on most stable and minimum costs.

Electronic commerce is the commercial activity taking information technology as the main tool and treating commodity exchange as the center. It is the electronization, networking and informatization of traditional commercial activities. Different classification standards lead to different types of business models, and there have been a wide range of models of e-commerce, following three models having certain representativeness. The first one is B-webs, which full name is business webs. It has five kinds of business models based on two dimensions, named industrial chain, alliance, distribution network, network market and e-commerce sites. The second model is three-dimensional axis model (Wang Lan, 2010), which has three dimensions to describe and analyze business model, where X axis represents the horizontal value chain, Y axis represents the vertical value chain, and Z axis represents the internal value chain. And the last business model of e-commerce this paper will introduce is the octagon model (Chen Shengpeng, 2010), which has a core and three supports, inspired by the previous scholars' research and literature. It makes the use of abstract graphics to analyze factors of 9 business models.

Many literatures have studied the impact of business model on corporation performance and some empirical studies have been carried out. In one case, business models are divided into 16 types due to companies' resources and trading rights, and then 6 correlative corporation performance indicators are chosen to be studied. In this case, all the American corporations listed between 1998—2002 are involved (Malone, 2006). The results show that the different business models do have significant difference in performance, and the degree of influence is not the same in different performance indicators.

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* This is an extended version of an earlier paper.

It is believed that the classification of enterprise business model is related to the enterprise's own resources and business, which may affect the results of the enterprise performance [2]. Some studies encompass the enterprise operating system, from customers, supply channels, processes, and resources, finding out that business model offering more exquisite and deep-going analysis to the composition of internal elements and structure than industrial classifications [10]. Moreover, business model is one of the structural contingency factors which influence the enterprise strategy selection and utility [13]. Inspecting the matched degree between business model form and product market strategy and the contingency effects of those two to corporation performance finds that business model and strategy are two different variables affecting the performance of the enterprises, and the matched degree between the two is significant.

METHODS

The business model is ultimately to be embodied by the corporation performance. Combined with the current situation of e-commerce, and on the basis of relevant research literature, this paper builds a set of appraisal target system of business model classification indicators and corporation performance indicators, then classify the business pattern of selected e-commerce companies, and explore whether different business models will lead to differences in corporation performance, and finally make suggestions on e-commerce business model innovation.

In this paper, we study the business model and performance of e-commerce enterprises, and we choose the Chinese e-commerce companies which listed on NASDAQ and NYSE as a sample. This paper selects 22 companies as a sample study, the reason for choosing these companies is that they all have listed in the US before 2012, and have at least three years' detailed financial data report. The data involved in this paper is mainly about the relevant management and performance data of the sample enterprises. In order to guarantee the reliability of the electronic commerce listing corporations' business model classification, the data, chiefly referring to the performance of e-commerce enterprises in the business model of the classification index, is mainly found on the Nasdaq.com and Nyse.com.

THE IMPACT OF BUSINESS MODEL ON CORPORATION PERFORMANCE

This paper uses one-way analysis of variance, found by R.A.Fister, also known as "F test" or "variance analysis", which can be used to test two or more samples' mean difference whether significant or not, to find the effects of business model on corporation performance. In order to guarantee the credibility of the results, paper chooses the business models which contain at least two companies as objects of ANOVA. There are 22 companies from 8 business model categories through our study. The main content of data analysis is to find out the impact of business model on corporation performance in each dimension, for these listed e-commerce companies. The results reveal that the business model choosing is one factor of business performance difference to some extent, and business model brings different degree effects to different dimensions of performance.

CONCLUSIONS

In this study, only three of eight indicators of corporation performance are influenced significantly by business model. E-commerce industry has its particularity, concretely, only few companies can become enormous in a specific area, which is due to resource tilt and user habits. Therefore, every good listed e-commerce company has its unique characteristics, which lead itself hard to be classified. This may be the main reason for the impact of the final research results.

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