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Providing a suitable business model for the development of e-commerce startup based businesses and improvement of investment in them

Hamed Agheshlouei¹ , Mohammad Javad Mosadegh² , Reza Ehtesham Rasi² 

1- Ph.D. Student, Department of Information Technology Management, Qazvin Branch, Islamic Azad University, Qazvin, Iran

2- Assistant Professor, Department of Industrial Management, Qazvin Branch, Islamic Azad University, Qazvin, Iran

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Abstract

The purpose of this research is to provide a new business model to help entrepreneurs in developing new businesses and e-commerce startups. The research method is applied in terms of its purpose, developmental in terms of its direction and quantitative in terms of its nature. the statistical population of the research consists of 25 experts in the field of entrepreneurship and e-commerce.

The development of model has been done based on Osterwalder and Pigneurs' basic business model (2010) and limitations identified in it. in development of model the dimensions and indicators related to each dimension collected by the review of theoretical literature. in the following, in order to calculate the Content Validity Ratio based on the experts' opinions, 12 dimensions and 83 components confirmed and finalized among initially introduced dimensions and components. the final dimensions of business model in current research involve business goals, strategy, key competitors, key partners, channels, customers, customer relationship, value proposition, key competencies, key platform, pricing and revenue stream and cost structure and risk. based on the results of quantitative calculations, the most important dimensions from view of experts are business goals with score 0.87, content marketing strategy with score 0.7 and suppliers related to target customers with score 0.61. Finding of research display that business model presented in current research, in addition to improving Osterwalder and Pigneurs' business model (2010), has led to better understanding of business model elements among entrepreneurs. Further more it creates convergence and common understanding of business concepts between entrepreneurs and investors, which improves investment negotiations. through this business model, entrepreneurs focus on value proposition in addition to the technical details.

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Corresponding Author: Mohammad Javad Mosadegh

Email: mjjmosadegh@gmail.com

Extended Abstract

Introduction

Today's world is changing. Rapid digitalization has brought new opportunities and threats, and has facilitated access to new markets while breaking traditional barriers (Ibarra, 2018). Mobile-based technologies, along with new ways of storing and retrieving information and distributing and selling them, have provided the field of activity for emerging businesses that are referred to as startups (Rohn et al., 2021, Ghaderi et al., 2018). The development process of e-commerce has also accelerated in recent years (UNCTAD, 2021). Therefore, upon observing such a growing situation, entrepreneurs are eager to implement their business idea faster. Usually, the idea of startups is preferred over the business model due to its rarity and exception, however, the real understanding and possibility of realizing business opportunities is done through the business model (Slávik, 2019).

In foreign research, the Business Model Canvas related to Osterwalder & Pigneur (2010) has been used in various fields; and by adding new dimensions to it, a new business model has been presented (Sabri, 2023; Dobrowolski et al., 2022). However, in domestic researches, the use of this framework is mostly based on the same standard 9-component model, and rarely changes have been made in its content and number of components (Mohammadian, 2021; Sadeghi et al, 2018). The need of entrepreneurs to create a framework to explain the business idea and opportunity in order to attract capital in the field of e-commerce startups has made it necessary to use the canvas of the business model in a redesigned, innovative and adapted manner in the mentioned field, which has been less noticed by researchers; therefore, the aim of the current research is to provide a business model to strengthen perception, improve communication information structure and value-oriented view of entrepreneurs, which can help in the development of e-commerce startups; Thus, according to the descriptions made, the main question of the research is stated as follows: What is the appropriate business model that entrepreneurs can use to create businesses based on e-commerce startups and what dimensions and components does it include?

Theoretical Framework

A startup is a small company or organization that aims to become a repeatable, scalable and profitable business model based on an innovative idea (Charekhah et al., 2013). From the point of view of Cuc (2019), since business models are in a permanent change, they cannot be defined completely. But from the perspective of Osterwalder and Pigneur (2010) "the business model describes what a company offers to its customers and how to achieve them, how does it communicate with customers, through what sources of activities and partnerships does it reach these goals, and finally how does it earn money." The business model presented by them is known as the Business Model Canvas, which is a strategic and powerful managerial and entrepreneurial tool. In addition to the popularity and benefits of this business model, a number of researchers have raised some limitations regarding it, which include: Not paying attention to business goals, vision and strategy; not paying attention to the category of competition and risk in businesses; the effect of changing the environment and technology on the business model; and the numerous divisions done in the context of the business model. (Coes, 2014; Widmer, 2016; Rodrigues & Lopes, 2018); therefore, in this research, an attempt is made to add new dimensions to the previous model and design, and present a new business model in the field of e-commerce, according to the local conditions of the country and the limitations mentioned in the context of the standard model.

Research methodology

The current research aims to provide a business model for e-commerce startup businesses through the development of the business model canvas; therefore, the research is developmental in terms of orientation, applicable in terms of purpose, descriptive in terms of expressing reality, and quantitative in terms of nature. The research philosophy is epistemologically of the positivist type and its color is also quantitative and objective according to the research question. Data collection was done based on a survey of experts using the content validity method. 25 active experts with at least 5 years of work experience in the field of entrepreneurship and e-commerce with a bachelor's degree or higher have been used to conduct the research. The tool used to collect the data needed for the research was a questionnaire. According to the purpose of the research, the components related to each of the dimensions of the proposed business model were extracted and provided to the experts by studying foreign and domestic articles so that they could determine the influential and important components in the dimensions of the theoretical framework of the research on the basis of formal and narrative validity (in two qualitative and quantitative stages). Simplicity, comprehensibility of the questions, appropriateness of the questions with respect to the specified components and dimensions have been evaluated in determining the validity of the content in the qualitative stage. Content Validity Ratio was used in the content validity check in the quantitative stage. The experts were asked to classify each of the questions based on a three-part Likert scale of "necessary", "useful; but not necessary", and "not necessary". Then, the content validity ratio is calculated based on the following formula:

$$CVR = (n_e - N/2) / (N/2)$$

In this regard, n_e is the number of experts who answered the "necessary" option, and N is the total number of experts. According to the use of 25 experts in this research, if the calculated value of the desired component is greater than or equal to 0.37, that component is accepted.

Research findings

In the design of the business model of the current research, first the business model of Osterwalder and Pigneur was chosen due to its reputation. Then in the second step, based on the limitations of the mentioned model, a new business model was designed for e-commerce startup businesses. In the third step, the components related to each of the dimensions of the research business model were extracted through the study of external and internal research so that the experts could check them using the content validity method. In the fourth step, in order to implement the validity of the content, the experts reviewed the questions of the questionnaire qualitatively and raised the necessary points to ensure the clarity of the questions. Then the points mentioned in the questions of the questionnaire were corrected. In the continuation of the same stage, based on the open question asked about "introduction of other important components", the experts presented the pricing components. These components along with other components of the questionnaire were given to the experts to express their opinion using the content validity ratio method. The experts approved 83 of the 123 presented components. The value of the content validity ratio in these components was calculated to be more than 0.37, and 40 components could not achieve the required coefficient (0.37). Based on the calculated coefficients, the dimension of pricing was added and the dimension of perceived risk was removed from the model due to the fact that the score of its components did not reach the quorum. In the fifth step, the components whose score is more than 0.37 were selected and their related components and dimensions were fixed. These components are listed in Table No. 7 along with the content validity ratio scores. Finally, in the last step, based on the dimensions and components approved by the experts, a suitable business model for e-commerce startup businesses was designed according to Table No. 8,

and the obtained components were inserted into the blocks corresponding to each of the dimensions.

Conclusion

The need of entrepreneurs for a framework to explain their business idea to investors has made it necessary to present a new business model in the field of e-commerce, which has received less attention from foreign and domestic researchers. In the current research, a new business model has been created in the field of e-commerce startups based on the opinions of experts through the identification of dimensions and components related to the business model. In this business model, the limitations of the Osterwalder and Pigneur (2010) business model framework have been considered. Based on the results of calculations related to content validity ratio, 83 components and 12 dimensions were confirmed by experts. These dimensions include business objectives, strategy, key competitors, key partners, channels, customers, customer relationships, value proposition, key competencies, key platform, pricing and revenue streams, cost structure, and risk. These dimensions have been used as blocks for the business model framework of e-commerce startups. 83 selected components have also played a role in conceptualizing the dimensions of the business model framework.

The framework of the business model presented in this research can improve business knowledge and increase the focus on the proposed value created in business by expanding the domain of thinking of entrepreneurs. In addition, it solves many problems in understanding and transferring business concepts between entrepreneurs and investors.

Future studies can examine the changes of the business model from the internal point of view of startups and report the benefits and challenges that may exist by testing the business model presented in this research.