

Example by StudyDriver

Source: <https://studydriver.com/e-business-individual-essay/>

E – Business – Individual Essay Example

Course: BA (Hons) in Accounting and Finance **Module title:** E-Business **Coursework:** Individual Essay In this modern era, successful e-commerce firms have business models that create value to the firms, therefore the focus will be on how online social networking firms have takes advantage of the modern technology to turn into good business ideas. Thus, what will be cover in this essay is on the business model and strategies of the selected social networking sites (SNS). Facebook and Twitter are the examples of SNS that will be used. Firstly, it is important to state how technology has evolve in the modern world because this relates to how SNS grown from the past. Therefore, history and the rise of social media will be one of the first area will be cover. Besides that, the following area that will be cover after history of social media is business strategy used by these two firms. An effective e strategy will keep the firm to sustain and grow but if these firms do not keep track with it closely might give them problems in the future. The next part that will be touching on is to look into detail of the business model on these two social networking firms.

Different social networking firms have different business model, it shows the strength of these SNS. Besides that, comparison between these social networking firm business models will be made so it can understand how one is

better than the other one in different ways. Lastly, risk face by SNS and the future of social media is another aspect that has to take into account. Technology evolve in a very fast pace and is so popular nowadays compare to the past, whether is young or old, almost everyone uses internet. Some use for personal interest such as games and watching videos, some use it for online shopping and some use business purpose. Because of this reason, it also gives firms opportunity to enter into e-commerce and capture the business based on customer's preference. Understanding the needs of customers is one of the most important factors that firms have to look into. In the past decade, the rise of online social networking has been very popular and it is something that almost everyone in the world what is it about and uses now.

Social network is an internet-based social media program that enables to make connections between friends, family, clients and customers. In other words, it can be done for social purposes, business or both. Facebook, Twitter, Instagram, LinkedIn are some of the examples of popular SNS. It is important to understand how social networks started and have grown into a big business.

When social networking sites were first introduced, one of the very first useful and popular features that make social networking popular is that users can locate back their long lost friends. As time pass, there are more and more features that create joy and fun for users to use and it become a hit. Societies and people started to be aware of social networking when Friendster was introduced in Year 2002, it has 3 million users in the first three months. After that, social networks sites such as LinkedIn, Facebook and Twitter are one of the top social networking sites that came into the market and turn social network into to be something to be known to the world. It is true that the use of and popularity of Social Networks grown over the years. The reason behind it is the additional features that bring more benefits to users. Among all the social network sites, Facebook is the one that won the web.

Innovative features that puts Facebook ahead of the rest. In 2009, Facebook ranked as the most-used social network worldwide with more than 200 million. As we understand handset culture has rise over the years, therefore this has even made social media more popular as it becomes part of human's daily lives. For instance, in

year 2011, there are 550 million people on Facebook, 65 millions tweets sent through Twitter in a day. Social media was on the rise along with mobile social media smartphones and tablets computers. It allows users to be connected with each other constantly and provides real time interaction and users do not have to wait until they get home to update their status or see their notifications. Smartphone and social media are two mediums that work together and represent the two most popular ways to keep in touch with friends. And because mobile technology is getting better and better, there are more people who access social networks via smartphones and tablets than computer.

Besides that, many countries around the world heavily engaged with social networks such as United Kingdom, United States, Canada, China, Japan and etc. Since social media is so popular, many businesses change their landscape for marketing and advertising. The reason that businesses should use social media for advertising is to create brand awareness. It not only able to reach more customers, it is also able to monitor competitor's latest updates and news. In terms of business strategy, Facebook and Twitter do have similarities. Both adopt diversification strategy. The way it diversifies is by acquiring its competitors.

For an example, Facebook acquired Instagram in year 2012 and acquired WhatsApp this year, whereas Twitter acquiredf Namo Media and MoPub. One of the main reasons of acquiring these companies is to eliminate the competitors. Because competitors pose threats to them, an effective way of reduce the threats is eliminating its competitors which is what Facebook and Twitter did. Apart from this, Facebook also diversify by creating its own application, Facebook papers. Facebook paper is an application for Facebook users to discover news and share it with friends on the social network. Its feature is almost similar to Flipboard.

Thus, besides having its own social site, it also expand to other areas by diversifying. For any e-commerce firms to be successful, an effective business model is needed. Business models separate into different components such as value proposition, revenue model, competitive environment and competitive advantage.

The most simple reason that organisation need business model because it is a base or a guideline to lead organisation to make money. A business model is about how organisation solve customer's problem in a

profitable way and it will be a very useful business formula organisation can use to understand it. With an effective business model in place, it able to create unique qualities of the web, provide customers real value, effective and efficient operation, avoid any legal issues that will affect the firm in a negative way, and as a result it will turn into a profitable business. As we understand that most of the SNS are free for users to register and use it, they cannot rely on users for revenue; therefore they need a unique business model in place to produce revenues and profits. There are reasons behind the success of social network sites. By having an effective business model is the key factor why some social network sites are better than another. As it mention above, Facebook and Twitter will be the two examples that will be used to discuss on their business model. It will be understandable that most of the people would agree that Facebook has the best business model among the social network sites because it is the most users. Therefore, by looking into detail in each of these components enable a better understanding on what that makes Facebook so special and standout against the competitors. Value proposition is one the first component of business model. It concern on how SNS create value to businesses that uses it as a tool to conduct their business. Facebook and Twitter have different value proposition. There are approximately 1.4 billion Facebook users at the moment.

One of the very obvious answers is to advantage of the number of Facebook users. This is good reason why should business advertise their business on Facebook Average of 700 million users per day shows how active is Facebook is. Due to this reason, it will be a good start for business to use this as a platform to advertise so that customers will be aware of their firm and latest news or products. To relate to this point, firms can use as a marketing strategy at low cost. This will be very useful for small and medium firms with limited budget. Based on this reason, it is clear enough why firms should use Facebook as a tool conduct the business. On the other hand, Twitter have more or less similar value proposition as Facebook. There are about 650 million users currently.

Twitter strongest advantage or its value proposition is the real time conversation and feedback and this is an area where there are slight difference compare to Facebook. The databases of tweets consists of comments, observations and opinion of the audienc leads to search engine that mines these tweets for patterns and therefore, these are real-time and spontaneous obversations that business. Business environment is very

competitive in the modern world, it need to interact customers in a very fast pace and understand the needs of customers and their feedback. Statistically, 92% of all activity with Tweets happens within the first hour of the post being made.

Compare it to Facebook status updates, the interaction will continue to go on for hours or days. For instance, Snickers posted a similar status on Twitter and Facebook : "Hey @luis16suarez, Next time you are hungry just grab a Snickers" As a result, it got 39,000 retweets and 17,000 favourites but it only have 5,000 likes, shares and comments on Facebook. Therefore, Twitter will be a better choice if business that prefer instant feedback from customers. In addition, firms can also use Twitter with low cost like Facebook. Furthermore, revenue model is also part of key component of a business model that needs to take into consideration. The way Facebook generate its revenue is by firms advertise their business in Facebook. Some of the examples of big spenders are Nike, Electronic arts and McDonald.

Facebook rely on user engagement to ensure viability of site for external investors. Whenever users click on the firm's advertisement page, it will cost them range from 5 cents to 5 dollars to Facebook for every click. In addition, Facebook revenue do not only come from advertising, it also due to large part to its virtual games.

For example, for the first quarter of 2012, 186 million US dollar revenue generated from non-advertising, such as selling credits for game like Farmville. As for Twitter, revenue also comes from advertising. 85% of Twitter's revenue comes from advertising of its sites. Promoted Tweets is part of Twitter's advertising. Twitter charge its advertisers based on the amount of interaction their content generates, there is usually a budget set at the start of campaign and advertisers pays per click or by per tweet. It also has a bidding system where advertisers able to compete with each other to have their content appear in a particular space. Promoted Trends is another way Twitter generates its revenue. It is a section where Twitter home page that allow users to know the popular news and what's hot. An organisation able to place Promoted Trend banner at the top of Trend Section and when users click on it, it will lead the users to the follower page for the movie or product.

Promoted Trend is reportedly to be Twitter's best source of revenue. Unlike Facebook, it does not have feature

where it can generate revenue through virtual games due to its simplicity. Competitive environment will be another important element of a business model. It refers to what other companies or competitors in the same marketplace that sells similar products. SNS is very competitive industry, each of these SNS are competing for market share. Both Facebook and Twitter have many competitors. Many SNS see it as a business opportunity to attract firms to use their site as a platform. Facebook and Twitter itself is a biggest competitor to each other but there are some other big competitors such as LinkedIn, Pinterest, Google plus and etc. In addition, Facebook and Twitter have unique competitive advantage is the reason they are in firm position compare to competitors but they have different feature or platform that make them unique.

First and foremost, Facebook platform is key to Facebook current success. What make them special is it made it possible for third party developers to create application that work together with Facebook. And this is where it gain massive amount of attention. Currently, there are thousands of applications built on Facebook platform, it is so much that Facebook has to launched its own App Store to organize all of it. Twitter competitive advantage is more or less the same as its value proposition.

What makes Twitter special is its real time sharing and spontaneous observations. Although SNS such as Facebook and Twitter generate most of their revenues from business that advertise on its platform, it still faces issues that result in reduction of profit. There are certain factors which are out of its control such as government control. For instance, Facebook and Twitter are blocked in China. China has the biggest population in the world and it is massive of advertising revenue opportunity. It is not only a missed opportunity but it also creates advantage to its competitors. As RenRen is new leading site in China, it could pose threat to top SNS such as Facebook and Twitter because if RenRen expand and move out of China. Besides that, bad publicity could also be another factors could have a negative effect on SNS. Government surveillance, child molesters and stalkers are some of the examples.

Bad publicity affects its reputation, as a result, it will be hard to retain users and this relates to associated revenue. Since many firms are using social media for marketing and advertising purpose, the future of social

media is an important factor to consider too. Facebook and Twitter might be the leading SNS that business use for advertising currently, but whether both of these can sustain as the top in the future is an area that have to take into consideration.

Because there are e-commerce firms are heavily relying on technology or Facebook in order to conduct their business, it will also directly affect firms that rely on Facebook if Facebook cannot sustain its popularity. Based on the recent development, social media in the future might be open source or even community-run. One of the good examples for it is Diaspora, this site function as a small, open-source, community social network that is almost similar to Facebook in terms of appearance and operation. It is growing well since it was introduced. No SNS have overtake Facebook or Twitter, but unstable landscape of internet in this modern era, there is a possibility it will not remain true in the future. As a conclusion, we understand that technology evolve very fast, it create more and more business opportunities and it is important that businesses take technology into consideration in this competitive business environment. As SNS is seen as a very useful platform for business to use, it is important for it to cope with competitive business environment. As a result, business model and business strategy of Facebook and Twitter were analyse in detail to get a good understanding of it. Examine the similarities and differences between Facebook and Twitter's business model and business strategy is an important aspect because it shows how their platform provides benefits to the business in a different way. Reference

1. The Brief History of Social Media. 2014.The Brief History of Social Media. [ONLINE].Available.at:<https://www2.uncp.edu/home/acurtis/NewMedia/SocialMedia/SocialMediaHistory.html>. [Accessed 02 August 2014].....
2. The History of Social Media | Digital Trends. 2014.The History of Social Media | Digital Trends. [ONLINE] Available at:<https://www.digitaltrends.com/features/the-history-of-social-networking/#!bpWb7N>. [Accessed 02 August 2014].
3. Social Networking Definition | Investopedia. 2014.Social Networking Definition | Investopedia. [ONLINE] Available at:<https://www.investopedia.com/terms/s/social-networking.asp>. [Accessed 02 August 2014].
4. Why Every Business Should Use Facebook | Search Engine Journal. 2014.Why Every Business Should Use

- Facebook | Search Engine Journal. [ONLINE] Available at:<https://www.searchenginejournal.com/every-business-use-facebook/71281/>. [Accessed 02 August 2014].
5. How Does Facebook Make Its Money? | The Big Picture. 2014.How Does Facebook Make Its Money? | The Big Picture. [ONLINE] Available at:<https://www.ritholtz.com/blog/2014/02/how-does-facebook-make-its-money/>. [Accessed 02 August 2014].
 6. The Importance of Business Models | Resources | Connecticut Innovations. 2014.The Importance of Business Models | Resources | Connecticut Innovations. [ONLINE] Available at:<https://www.ctinnovations.com/resource/35/importance-of-business-models>. [Accessed 02 August 2014].
 7. Twitter Statistics | Statistic Brain. 2014.Twitter Statistics | Statistic Brain. [ONLINE] Available at:<https://www.statisticbrain.com/twitter-statistics/>. [Accessed 02 August 2014].
 8. Twitter Vs Facebook. 2014.Twitter Vs Facebook. [ONLINE] Available at:<https://www.visualscope.com/twitfb.html>. [Accessed 02 August 2014].
 9. BBC News – How does Twitter make money?. 2014.BBC News – How does Twitter make money?. [ONLINE] Available at:<https://www.bbc.co.uk/news/business-24397472>. [Accessed 02 August 2014].
 10. Twitter Wins Real-Time Marketing Smackdown; Agency Strategist Declares Facebook Organic Reach 100% Dead. 2014.Twitter Wins Real-Time Marketing Smackdown; Agency Strategist Declares Facebook Organic Reach 100% Dead. [ONLINE] Available at:<https://marketingland.com/twitter-takes-bite-facebook-organic-reach-smackdown-89016>. [Accessed 02 August 2014].