In the previous chapters, we focused on the value propositions for customers in the financial services industry. Here we would like to analyse the shareholder value. As seen in Figure 29.1, a value proposition is composed of a two-sided equation of value, a differentiated customer value and an incremental shareholder value. The delta between the two is the performance of the financial services firm and its ability to seize market opportunities. Half of the equation is defined as the utility of the product to a consumer, which determines the value of the product.
offering (customer value). This value is market-driven and often is not based on costs-plus accounting, but on market forces. The second component is shareholder value, described as the difference between the value of a firm’s output realized in total revenues, attributed to selling the financial services product offerings, and the cost of the input of raw materials, components or services that the firm adds to its bought-in material to produce the output. In other words, the efforts of the organization must result in supplying a financial product offering that the market needs at a cost that delivers a reasonable return to those who invested in the organization.

Creating and, more importantly, adapting a value proposition has been the Achilles heel in many of the dot-com lifespans. A lesson learned from the dot-coms is that it may be easy to develop a value proposition that is based on acquiring short-term market share, but it is more difficult to create a value proposition that is viable in the long term. Many dot-com value propositions were based merely on heavily discounted pricing to win market share, while other aspects of value were ignored, in many cases, until it was too late to address them.

**Operating Models of Market Maturity**

It cannot be overemphasized that developing a value proposition that is based on providing a clear and distinct added value to a customer is vital in the establishment of any eMarketplace. What needs to be clear is that a differentiated value is critical for the long-term viability of any participant providing financial services to any marketplace. Value propositions must also take into account the level of maturity of the markets they serve and the operating models in which they interact with customers. As eMarketplaces emerge from the formalization phase of market maturity, three operating models can be observed. Firstly, markets to facilitate the purchase of basic goods and services operate under a business paradigm called the eProcurement model. Secondly, markets that develop to facilitate the acquisition of low-value, high-volume commodities or items have been labelled as operating in a dynamic commodity exchange model. Thirdly, an integrated marketplace operating within the framework of a vertical exchange model focuses on the acquisition of items to be used in conjunction with a production cycle requiring regular and consistent replenishment. All three of these emerging eMarketplace operating models are examples of digital value chains, each requiring a different approach to customer and shareholder value.