Book The Electronic B@zaar

From the Silk Road to the E-Road

Robin Bloor
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Recommendation

Author Robin Bloor makes it pretty clear: Either get your business involved with the Internet or prepare for your enterprise to die. Bloor's credentials are fairly impressive. He turned his business, Bloor Research, into a Web business that actually makes a profit, or so it says on the jacket blurb. Bloor is pretty straightforward about the book's focus: mass media communications history, the current Internet and the World Wide Web's future potential. This in-depth read (good and gripping, though the writer's constant use of the @ symbol can be annoying) takes us from Guttenberg all the way to a future filled with smartcards, micropayments and data privacy. The most interesting element is Bloor's speculation on how future media might affect future political systems - because as the information society gives us more data about political happenings, we might want more control over our governments. *BooksInShort* finds this stuff pretty interesting, but then we're already on the Web. Are you?

Take-Aways

- The author's Web business is profitable, which is reassuring in these troubled dot-com times.
- "Adapt or die" should be your mantra in evaluating Internet strategy.
- The Internet may already be the world's most dominant medium.
- Changes in technology will spawn changes in culture and politics.
- Many Internet companies will crumble during bad times.
- The Internet is eliminating the ignorant customer.
- With the Internet, the public knows your product and how much it's worth.
- Video bandwidth must become available before the net can mature.
- Cyberkids, who grow up immersed in the Web, will take it to undreamed of levels.
- You can try some interesting rearguard tactics if you're not yet on the web.

Summary

Get Real

The electronic economy is gradually absorbing all of the world's national economies. In fact, as you examine the modern Internet and ask where it will lead, you may find that your corporation needs to plunge in - if it hasn't already - and build its own Web sites and computer systems, just to catch up to the marketplace.

> "We have been living in an economy that is driven by paper-based information founded on paper money. We are moving to one where the market, money and all its supporting information systems are completely electronic."

Not being involved in Internet commerce right now is like rearranging the deck chairs on the Titanic. If your business isn't already involved with the Internet, "Your ship is on a collision course with an iceberg." The Internet has already arrived and the greatest danger to businesspeople is that they are in denial about what is happening. Are you making these ten statements that define Internet denial?

1. The Internet will not affect my business - Not true. Soon the Internet will pervade every business.
2. The Internet is over hyped - It is deeply under hyped and its overall effects have just begun to be glimpsed.
3. We are manufacturers, so we will not be greatly affected - Wrong. The net will force manufacturing to change.
4. We are not retailers, so we won't be affected much - Everything is changing and you will be affected.
5. Only certain retail areas will be affected - Some types of businesses, such as coffee shops and other places where you have to go in person to receive service, will remain unaffected. Everything else will change.
6. We can take orders online; we have a Web site, so we are an Internet business - Sorry, wrong again. You have to broaden your idea of what to do with the Web.
7. You have to cannibalize your traditional business to move to the Web and I can't afford to do that - "Then sell up and get out." Adapt or die.
8. We don't have the necessary expertise to run an Internet business - Then attain it at once. Hire some bright kids if necessary.
9. Some of my market may migrate to the Internet, but not all of it will. I can concentrate on the part that remains in the realm of bricks and mortar - Get real. The Internet could reduce your whole business into a quaint irrelevant niche.
10. The Internet is just a fad - Dream on.

Growth Factors and a Word of Caution

The remarkable growth of the Internet hinges on several developments. The first one, the "jolly hockey stick curve," is a model of behavior that explains the remarkable growth of the market. Unlike a bell-shaped curve, this model predicts growth even after market maturation.

> "Ignorance has died and been laid to rest. The publish-subscribe mechanisms are responsible. As a simple fact, the customer can now know just about everything it is possible to know about a particular product or service. Any business strategy based on keeping information from the customer is now fraught with danger."

The next factor is "cobra response time." Technical speed established the need for personal computers, but today, if computers operate below a certain threshold of quick efficiency, the user feels unsatisfied. The consumer's need to traverse the Internet quickly has caused a parallel increase in the need for faster and faster computer speed.

> "If you're not going to monitor the traffic on your Web site, then there is no point in running the Web site. Give up and go home."

However, the growth might not last forever. The conditions for current success never persist indefinitely and may have already passed by the time you read these words. Some new Internet businesses will be destroyed by the changes to come. But there will be survivors (including Amazon, eBay and Yahoo!) who have built solid foundations. They won't be greatly damaged as today's Internet continues to change.

Shrinking Geography

Technology is changing the geography of business. The Internet allows a customer to check prices worldwide. This will lead to some major changes:

- It will be possible to recruit in a wider area.
- It will be less expensive to enter new markets.
- Establishment costs will be reduced.
- Supply costs will be reduced.
- The general level of competition will increase.

> "Technologies and ideas for automation are being invented all the time, but every now and then a change occurs that suddenly introduces a discontinuous change into the economy. At that point, the force of automation suddenly hits like a sledgehammer."

One reason why competition will increase is that the customer has never been better informed. The consumer will be better educated and therefore more discriminating. Businesses will also have to become more responsive to their customers. Commercial time will be compressed as the Internet puts everyone into a 24-hour operation, seven days a week.

> "From a technology perspective, many large-scale organizations, particularly educational organizations, social services, the legal system and a whole mass of governmental and quasi-governmental institutions are due to be undermined and replaced."

The Internet will also cause the decline in value of existing assets. Brands, manufacturing plants and other market channels may all become liabilities.

New Kids on the Block

The Web has brought some distinctly new kinds of businesses into existence. These companies don't have real parallels in the old markets. You can classify them in these categories:

- Portals
- Commercial communities
- Information subscription services
- Web-casting and narrow-casting
- Software merchandising
- Games and recreation
- Pure advertising
- Electronic market makers
- Supply chain enablers
- Merchandisers
- Pure e-businesses

Challenges and Defensive Strategies

Company CEOs have to respond to the challenges of the new networked economy. You will need to transform your business so that it has an open information flow and is truly global.

> "When a new information technology develops, its use for the purpose of entertainment will eventually become dominant."

You will also find yourself compelled to:

- Reevaluate the buy/sell transactions that are critical to your business.

- Remake your relationship with your customer by finding out more about him or her.
- Take advantage of lower transaction costs as fast as possible.
- Formulate a business strategy that can't be outflanked by new players coming into the market.
- Become knowledgeable about the possibilities of information technology and find ways to leverage them.
- Learn to take advantage of the Internet by using partnerships.

> "First came the technology to enable the new economy, then came the new economy, and then came the political writers and finally the political earthquake - the monarchies were torn down and replaced in the main by democratic republics. Something similar will happen again, but who can predict the outcome?"

The CEOs of traditional companies might also have to use rearguard actions or defensive postures if their companies haven't moved quickly enough to understand the net. If you are in that position, take some simple advice: Just Do It. That axiom boils down to taking steps to directly implement Internet involvement, including making sure that everyone in the company who has a computer terminal or PC has access to the Web; ordering all executives to surf the Web on a daily basis; implementing a company intranet; encouraging the use of e-mail for all external communications; insisting that the marketing department use the Web to monitor the competition; setting up a Web site now if you don't have one and making sure that everyone in purchasing uses the Web to research the pricing of products.

Internet Misconceptions

Just for the record, there are misconceptions about the Internet that have to be challenged. For example: It is not true that Internet businesses do not make a profit. It is not true that everything will be sold directly from the manufacturer. It is not true that the large portals, such as AOL, Yahoo and Lycos are establishing a monopoly on Internet traffic. It is not true that large retailers (or "etailers") such as Amazon have already sewn up whole areas of commerce. It is not true that much of retailing will be reduced to a commodity business where pricing is everything. It is not even true that you need a thorough understanding of computers to build a Web business.

Constraints to Overcome

However, it is true that a number of new technologies must be developed - and some limitations must be overcome - for the Internet to mature. These include:

- Household availability of video-capable bandwidth.
- Integration of broadcasting and the Internet.
- Integration of video and computing.
- Centralization of databases.
- General adoption of electronic money.
- Availability of micromoney.
- Availability of video-capable bandwidth to mobile devices.
- Electronic signatures.

What Dreams May Come

New technologies have the ability to bring about great political change. Just as the technology of the printed word pulled down the old power structures of Europe, the publish-subscribe mechanisms of the electronic economy will lead to a new emancipation. "Technology changes bring economic changes, then political changes." These changes will not be easy to predict. Right now, people are subject to government - a monopoly organization - that we pay for and that we receive services from in return. Most of us don't choose our citizenship any more than we choose our religion. Like religion, our government hands us a number of rules and laws with which we may not wholly agree.

> "The electronic bazaar is the rapidly developing electronic economy that is gradually absorbing all of the world's national economies."

What would happen if we could choose our political systems? For example, future societies of better-informed people might not

tolerate voting just every four years (as in the U.S. today) and may either seek radical changes in the government or create new virtual governments that better serve their needs.

"The Internet will become the dominant news medium with time; indeed it could be argued that it already is."

In the long run, new Web technologies will undermine the monopoly control of governments. The Web may even transform governments into competitive organizations. What would you be willing to pay for government if you had a choice? Like it or not, revolutionary change is coming. It will probably be brought about by cyberkids, children who grow up immersed in the Internet environment, who will march "down the e-road behind the ghost of Tom Paine."

About the Author

Robin Bloor is the CEO of Bloor Research, a major European IT analysis organization. Bloor is also the author and publisher of a series of industry reports on corporate computer strategy including *The Enterprise by Other Means.* His Web address is **www.TheElectronicBazaar.com**