

CREATING VALUE IN THE NETWORK ECONOMY

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MAIN IDEA

There is no doubt that questions still outnumber answers on the issue of how value will ultimately come to be created in the era of the network economy. However, there is now a growing amount of evidence that any company or organization which does not redevelop its business model around the use of the Internet will miss out on participating in the growth of large new sectors of the economy.

In short, success in the network economy will depend on moving beyond merely having a Web presence to utilizing an integrated Web-based business model.

Section 1 -- The Changing Nature of Value in the Network Economy Page 2

Increasingly, the key assets of a company and its main sources of competitive advantage are changing from physical assets to intellectual. Therefore, in the network economy, the process of creating value will depend on what the company collectively knows rather than what it does. The key concepts relating to the changing nature of value are:

Concept #1

The next wave of economic growth lies in knowledge-based businesses.

Concept #2

Value in the network economy will be disaggregated and reaggregated in entirely new and innovative ways.

Concept #3

Managers need to focus on the creation of value in both the physical and the virtual world -- because ignoring either can have fatal consequences.

Section 2 -- The New Business Models Which Will Dominate in the Network Economy Page 4

The most effective model for creating value in the network economy will not be the traditional integrated firm but a new organizational model called the "e-business community" (EBC) -- a network of suppliers, distributors, commerce providers and customers that use the Internet and other electronic media to communicate and transact business. The key concepts relating to new business models are:

Concept #4

The fundamental unit of the business economy is changing from the corporation to the individual.

Concept #5

The old model of the manufacturing company is finally being replaced by an Internet-enabled virtual factory.

Concept #6

Organizations will use the Internet to compress product development cycles and bring out new products faster.

Concept #7

Trust will replace conventional forms of control in the network economy's virtual organizations.

Concept #8

Companies in the network economy must be viewed as part of a business ecosystem, not as standalone entities.

Section 3 -- Customer Relationships and Marketing in the Network Economy Page 6

In the network economy, the distinction between producers and consumers will become blurred as it becomes feasible to produce highly customized versions of any product or service. Therefore, marketing will become an interactive and real-time process while customer relationships will become two-way and highly responsive to the actual needs of each individual consumer. The key marketing and customer relationship concepts in the network economy are:

Concept #9

Marketing in the network economy will move from the broadcast model to the two-way dialogue model.

Concept #10

Consumers are going to start demanding value in exchange for providing information about themselves.

Concept #11

Companies that create online communities will generate customer loyalty levels to a degree never before achieved.

Concept #12

Ultimately, every company will require a Web-based business model to succeed.