

# DIGITAL CAPITAL

## Harnessing the Power of Business Webs

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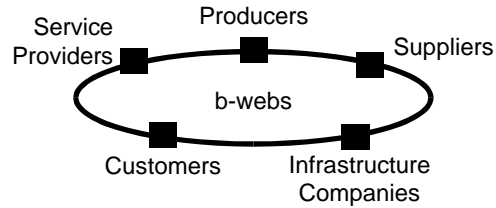
This is the second book jointly authored by Don Tapscott, David Ticoll and Alex Lowy, the first being *Blueprint to the Digital Economy*. Their company's Web site is at [www.digital4sight.com](http://www.digital4sight.com).

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**MAIN IDEA**

Business webs (“b-webs”) are the new platform for competition and the new creators of value in the twenty-first century.

Simply put, a b-web is a partner network of up to five key constituents, linked via digital channels:



B-webs are important in the digital economy because they are the only means by which digital capital can be accessed, increased and ultimately converted into market value. Digital capital is the sum of three knowledge assets:

- Human Capital – what the people within your b-web know
  - + Customer Capital – who you know and how those people value your contribution
  - + Structural Capital – how what you know is built into your b-web and systems
- 
- Digital Capital

The central challenge of business in the digital economy is to form and build reserves of digital capital by harnessing the power of business webs. Specifically, b-webs allow you to gain human capital without having to own it, to access customer capital through the formation of mutual relationships and to benefit from the structural capital other parties provide. To that end, there are now five well established b-web models which are proving to be successful in the creation of digital capital:

- Agoras – Open marketplaces where people come together to discover prices
- Aggregations – Online intermediaries who organize and coordinate a marketplace
- Value Chains – Integrators who manage the supply chain efficiently
- Alliances – Pools of knowledge shared by many working towards a common goal
- Distributive Networks – The backbone and infrastructure systems of the digital economy

In the years ahead, participation in b-webs will become an imperative rather than an option. In the era of digital customers, only those firms which are leading or actively participating in a b-web will have a sustainable competitive advantage.

The Creation and Harvest of Digital Capital . . . . . Pages 2 - 3

Business webs are replacing industrial-age corporations as the commercial entities for creating wealth in the digital economy. B-webs are inventing new value propositions, changing the rules of competition for entire industries and combining people and resources together in new and productive ways. In doing so, b-webs are creating a new form of capital called digital capital – the currency of the new economy and the driving force behind the market valuations awarded Internet companies by stock markets around the world.

In short, creating and then harvesting digital capital is rapidly becoming the key challenge of business, and the most effective vehicle for creating more digital capital is the b-web business model.

Business Web Model #1 – Agoras . . . . . Page 4

An Agora is an open marketplace where buyers and sellers come together to collectively discover the market price for any good or service. The Internet makes it feasible for an efficient market with dynamic pricing to emerge for anything and everything.

Business Web Model #2 – Aggregations . . . . . Page 5

Aggregations are online intermediaries. They organize and coordinate the selection, pricing and delivery of goods, services and information. They generate revenue by capturing or retaining a part of the added value they bring to the marketplace.

Business Web Model #3 – Value Chains . . . . . Page 6

Value chains used to be supply driven – consumers could buy only what the producers wanted to make. Value Chain Integrators turn that around to deliver whatever products customers want – in customized and service enhanced forms.

Business Web Model #4 – Alliances . . . . . Page 7

Alliances have no hierarchy in control. Instead, a few rules and standards evolve which governs how the Alliance works. Everyone in an Alliance b-web is both a producer and a consumer of products and services. They're also a contributor to the knowledge found within the Alliance.

Business Web Model #5 – Distributive Networks . . . . . Page 8

Distributive Networks are the b-webs that provide the backbone for the digital economy – infrastructure, communications bandwidth, delivery services, banking services, etc. All such networks are in a constant state of flux and change.