

UNCHAINED VALUE

The New Logic of Digital Business

MARY CRONIN

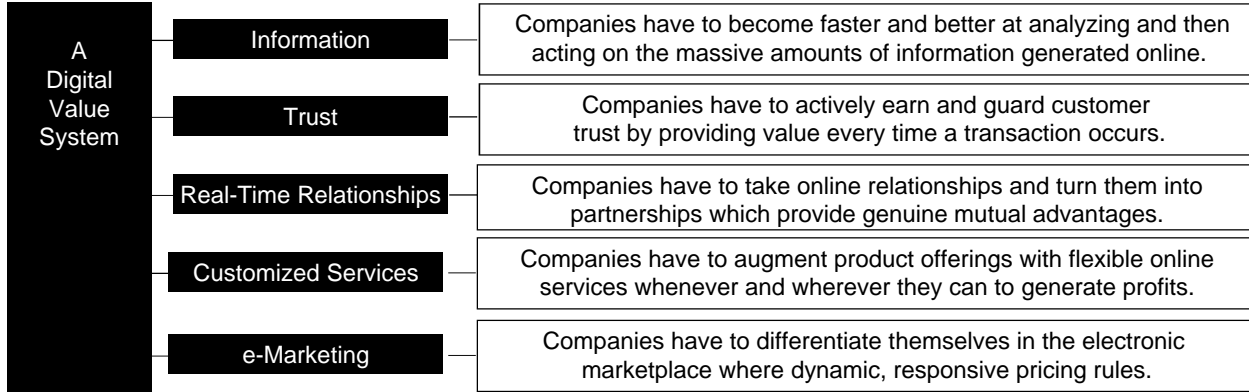
MARY CRONIN is professor of management at Boston College. She specializes and focuses on the development and implementation of e-business strategies. Dr. Cronin also works as a consultant with numerous Fortune 500 companies and serves on the board of directors for several Internet start-ups. She is the author of several books including *Doing Business on the Internet: How the Electronic Highway Is Transforming America*, *Global Advantage on the Internet* and *The Internet Strategy Handbook: Lessons From the New Frontier of Business*.

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MAIN IDEA

You can't transform a conventional firm into a digital business by simply grafting a few Web initiatives onto the current business structures. Instead, the existing business chain will need to be replaced in its entirety by a digital value system which focuses not on static, internal value chains but on dynamic, external webs of relationships. This is the only way the power and flexibility of the digital business arena can be harnessed to create greater value and derive a stronger competitive advantage.

The sooner a company rethinks its business and realigns its systems with the Internet, the better it will be able to benefit from the broad opportunities of the new economy.



A Digital Value System Pages 2 - 3

In the Internet business era, the traditional business chain – a set of processes, practices and assets – has become a liability instead of an asset. Companies that attempt to use the Internet to simply speed up and improve their existing value chain will be at a disadvantage to entities which take a completely fresh approach. Digital value systems are the appropriate e-business replacements for business value chains. They more efficiently harness the characteristics of digital business to generate new value at an accelerated rate.

Information Page 4

Information is the first element of a digital value system because in most circumstances, the value of the information about a business process and the customer's preferences exceeds the value of the physical process itself. In a digital environment, whoever collects, shares and analyzes information the quickest has the greatest opportunity to uncover new ways to add more value.

Trust Page 5

Trust, the second essential component of the digital value system, differs from security. In essence, security means making certain the wrong things don't happen whereas trust entails ensuring the right things do occur. By building online trust, smart businesses create and capture more added value.

Real-Time Relationships Page 6

In a network environment, relationships between businesses (the third element in the digital value system) are more complex, multi-directional and volatile. Future growth opportunities become dependent on the ability to form and strengthen as many online relationships as possible, thereby harnessing the unique capabilities of the Internet.

Customized Services Page 7

The key to long-term profits in the digital economy will be providing value added services, the more customized the better. Accordingly, this is the fourth element in a digital value system. Future customer loyalty will depend on the organization's ability to provide new services developed on the strength of the customer information and trust which have been earned.

e-Marketing Page 8

Inevitably, more goods and services will go up for bidding on the Web, creating huge online marketplaces – the fifth element in a digital value system. These marketplaces will be characterized by dynamic pricing and the emergence of numerous intermediaries of diverse types. Pricing strategies and product positioning will become important aspects of the way online businesses create added value.

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