

Mapping the Digital Destiny

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“The whole world steps aside for the one who knows where he is going”

ABSTRACT

The euphoria around the Internet is behind us. But the Net is very much a part of the business landscape. Now – more than ever before – we need to pay attention to how the Internet shapes business strategies and value creation opportunities. The paper attempts to look at the basic question we all need to understand and answer - *Where are we right now and where can the New Economy take us?*

The paper focuses on *The Pre Technology Triggers* for using technology for any line of business. Any industry migrating towards the net has to answer these questions in order to move from the

conventional way of doing business. Given the crucial role of communication and information, the long-term impact of technology on economic growth could be extensive. Thus, the real management challenge is to innovate on its business voyage without derailing existing business.

Play by the rules of doing the business as usual, with the speed of technology.

Key Words: Economy + Technology = Better Economy

Business Generation Gap:

Economists, analysts, writers, academicians...nationally, internationally everyone is debating and trying to make a point as to what is Old and New about the economy. What are those points of differences and where are the focal points?

Nervousness is rampant, be it stock markets or industries. People are ready to believe every second book on the shelf without even gauging the implications. Debates don't and won't ever take us anywhere. The need of the hour is to see ourselves in perspective of the changing business scenario. Technology and New Economy can be effectively used rather than it using us. They are business enablers and we need to better ourselves in whatever field we are rather than trying to change industries. There are products and services and it is for us to understand that true and value based businesses stands strongly on both these pillars. Technology can be used as an excellent service tool, which can change the way we do business. The basic question we all need to understand and answer is- Where are we right now and where can the New Economy take us?

The euphoria around the Internet is behind us. But the Net is very much a part of the business landscape. Now – more than ever before – we need to pay attention to how the Internet shapes business strategies and value creation opportunities. It is not the time to be complacent because the stock market has punished the Internet startups. Its time to recognise and respond to the critical eBusiness challenges facing corporations throughout the world.[1]

Bridging the business gap is all about crossing from the old value systems, strategies to newer ones. ***Revolution is never created in air; it has to be based on need and values already existing.*** Thus there is nothing like the new or old economy...it is all about improvement be it in products, services offered, systems, relationships, cutting lead time etc. ***True transformation only happens with due respect to existing effective systems with a vision to better them with time to meet the end objective.*** This is where we are missing out. It is not about the new economy but the new generation which

is making it difficult for themselves by challenging and distorting the old tried and tested business values. Use of technology can always be fruitful provided one knows where to go. Newer generation is losing out on the concept of life cycles of success and is moving towards the concept of easy money. This results in business system failures and thus creating a cluster of unsuccessful stories.

A clear example on how newer unaware value systems (UVS) are losing... their own industry as well as spoiling the game for others. Like a car race where the track is the same... cars change...but wherever the track is slippery...chances of a slow car slipping are less than the fast one. So lets define the track to growth... there are the basic values and fundamentals of doing business that are applicable for both types of cars (old economy and new economy). Also to define what is the difference in old and new economy.... will prove that it is mere fancy term devised by some credit hungry authors. The far-reaching business trend, which no one can mistake as being the most significant, is the global economy and its demand.

Understanding the Pulse of Technology:

Before we even start feeling that life is transformed from old to new, we need to understand the rider- Technology. It is also required to come out with certain answers so as to locate the pulse of technology and then it's effective use. For every product that is produced there is a set of principles that governs the life expectancy of the product. This product life cycle is marked by various events and periods that constitute how the consuming public will view the product over time. With the rapid change in technology it is particularly important to fully understand

the product life cycle so that the consumer can make the best use of it. Lets first try to define this industry in order to come out with trigger points for gauging the growth parameters.

Why are balloons so easy to play with?

Reaction time permits us to adjust our reflex action according to the flight of the balloon and thus always make a contact. The feature of the product in the case of a balloon fits so naturally with our inherent strength & slow adaptability. Relatively large Life Cycles enable companies to fix strategies on a longer term.

Ever tried Juggling?

-Reaction time/x! This is what real life technology means. The company has one or two products to start with which then increases depending on the market requirement. Hence may be entirely new products or newer versions of the old ones. (Windows 98 and within a year now Windows 2000, Oracle took less than 8 months to shift from Oracle 8 to Oracle 8i, Netscape 4 the latest). ***Technology as an industry changes faster than every new benchmark laid.*** Thus technology as a business rides on such uncertain waves where direction and growth are of utmost importance.

Life Cycle of technology based services is dependent on a lot of factors apart from the conventional widely used bell shaped curve plotted between two axes of time and growth. A particular software so widely spoken by the company and spread across vendors may have a newer version much before the actual marketing campaign is over. Also the nature of technology is a lot dependent on how other industries behave. ***Imagine one industry meeting with the demands of all other possible industries.***

Technology has been instrumental in providing products and services to practically all the other industries right from use of databases in the internet industry to satellite linkages for mobile communication to weather forecasts to car engines to healthcare to simple company accounting usage. ***Technology can never be a product!*** It is always a sub product/service that is mainly usage dependent. Certain examples of the same are as follows-

1. www.amazon.com is a sub product or a channel in more dignified way that links customers to an online Bookstore. ***Internet is a facilitator and never a product.***
2. The biggest example would be www.internet.com which itself is a knowledge based service product. Again Knowledge is a product and Internet the medium through which it is imparted.
3. www.ebay.com, world biggest auction site where number of auctions happen every second is again just a medium which enables union of products for sale and interested customers.

Technology is always back to back integrating businesses front to front. Newer economies is thus integrating old businesses to still newer ones back to front.

A successful product must be balanced: marketing, technology, and user experience all play critical role, but one cannot dominate the others. Also moving in the same line, economies do not work on imbalances. There has to be a balance in terms of business understanding, values, needs and strategies. At any point in time if technology plays a comparatively more important role, then the

other factor should not be forgotten, because it plays this role for their betterment only.

Now comes the most crucial issue.

These are a set of questions to which answers have to be known before stepping in this revolution. The objective is to know-

1. What is need? This may be for any industry, product or customers.
2. What resources we have? This may be in terms of intellectual or physical. This may also be the values systems, business strategies taken from the so called old economy. Learning comes over ages and it can be the most effective guide to success.
3. Where do we want to reach? This would mean bench marking ourselves to be the best in terms of offerings and finding out ways to reach there. Creating new value systems and using the best possible solutions. An understanding of technology at this point is essential in order to fit it into the path to success. The whole industry scenario is becoming dynamic every day. It was easier to keep employees in older ages as compared to now. This is one of the areas where value systems are changing. Employees are offered stocks in order to give them the onus of ownership rather than just job. Training is becoming an integral part of any business development exercise taken up by companies.
4. How do we reach there? How do we transform, and how do we use the new economy wonders-technology?
5. How the integration of technology happens to these ideas?
6. What functions of businesses are important and at what time?
7. What is the impact of external environment on technology businesses?
8. What are the linkages between the products and sub products?

9. How to convert products and sub products into Profit centers?
10. How to meet up with the growth?

These questions become the focal point for using technology for any line of business and thus can be called as ***The Pre Technology Triggers***. Answers to these would help solving concerns of any industry in question. Any industry migrating towards the net has to answer these questions in order to move from the conventional way of doing business.

Thus from each of the above-mentioned triggers, further newer businesses can be created provided the need is identified and the potential exploited. Companies that are able to do this finally emerge as winners in the long run. Companies mostly make the mistake of sticking on to some of its favorite revenue models and not look for the potentially new ones. ***Technology is inherently a double-edged weapon***. Due to lack of awareness in the market, clients don't know how to use it to the fullest and vendors sometimes cannot come out with solutions. Thus it cuts both sides with lack of knowledge of actually using it as a solution. Thus an understanding of Technology is essential to make the shift of transformation into a new world. Not to forget in various businesses this revolution may take place at various stages.

A Walk Through the Tech World:

Take any possible industry, growth is a parameter as well as the way to maturity. In conventional industries needs come first then a potential solution. Framing of that solution is in terms of product concept generation-right from raw material processing to finished goods roll out. This is basic. This cycle takes years and decades to mature

when effectiveness and productivity is be combined and thus an ace strategy can be culled out. Marketing, Business Development,are all a fall out of this.

Technology is no different. Last decade of activities in this industry has offered lots of growth parameters along the far-fetched value chain. There are various phases and various regions falling into various categories depending on how fast they win over such parameters. The growth is akin any conventional industry only that it may be leadingly fast. *There can be jumps but there cannot be any skip.* The technology business transforms at all these stages and matures both on growth as well as value generation terms. It would be worthwhile to mention that in any country with even a slightest bit of Techno-activity, growth cycles and value parameters can be projected. This could then be the base of positioning the national brand and proceeding on the high tech landscape with full flow.

From concept to ideation to business plans to product development to usage of technology to market to gauging competition to developing revenue models to spin offs to creation of further products, the above-mentioned questions would find answers in. The dynamics of the businesses are so high that sometimes the most successful of the companies also fail. It would be worth mentioning that in the year 1999-2000, around 92 percent of the technology-launch companies failed and many of the remaining are going through rough waters. Having said about the fate of the newer technology companies, the older ones are also following the suit.

1. Every person even remotely linked with technology has heard about www.amazon.com, a company operational for the last 5 years, listed

at NASDAQ with fortunes of market capitalization but with zilch profits. The company is yet to reach its break-even point very strongly. What next? - the question that every investor is looking answers for.

2. There has been a very sustainable agreement that ease of use and understandability in technology are important. Similarly, good industrial design, simple, short documentation, and convenient, pleasing products are superior. On the other hand, much of the computer technology today violates all these things, yet the companies prosper. Apple Computer, the one company that tried hardest to make products that were easy to use, understandable with sophisticated aesthetics driving both graphical design on the screen and industrial design of the products failed. From a majority market share it has now come down to less than 4 %

All industries have stories of success and failure to tell. If the failure rate is as high as 90%, concerns are much higher. Along with the complexities, the focus seems to be missing somewhere.

On The Other Side:

Technology has created some new industries such as the on-line auctions and digital marketplaces. However it's greatest impact still remains on the old industries. There were various concerns in the old way of doing business namely-communication, infrastructure, gathering information and accomplishing transaction. The one word answer to all these concerns is Technology. Be it the net or hardware or software, technology has handled the situation well.

Three biggest achievement of technology in bringing about changes to the old industries have been saving of cost and time and that of convenience.

Whether an industry is old or new, there are some factors that affect the bottom line anyways. These are information about products and competitors in terms of knowledge of new entrants, substitute products, industry competition, the bargaining power of buyers and suppliers. Analyzing these factors illuminates the fundamentals of the industry and in turn affects the average profitability. Information crosses the barriers of geographical boundaries. Customer is illuminated with the product options available and price knowledge in turn increasing the bargaining power. Cutthroat competition takes place as a result in between products and their suppliers. The focus shifts entirely on price rather than quality and product feature. It is general phenomenon of reduced profits due to this effect. Not only this, another phenomenon that is becoming general is companies and smaller business getting washed away in the bargain. Consolidation is on it's full with reduced profits. Volumes are gaining importance to units. It is cutthroat.

The great paradox of the internet is that it's very benefits-making information widely available, reducing the difficulty of purchasing, marketing and distribution allowing buyers and sellers to transact business with one another more easily- also make it more difficult for companies to capture those benefits as profits. [2]

The Shadow Across Technology:

The once infinite promise of the Internet appears to be deserting us. The dotcoms, which were supposed to tumble industry giants, have mostly vanished. The Internet

was supposed to change everything - the reality is, there was no way that a single technology could fulfill such an extravagant promise. Every breakthrough technology, over the last 200 years, affected some areas of the economy more than the others. The electricity altered manufacturing processes and power intensive industries. The automobile transformed personal transportation and housing. The Internet seems likely to transfigure mainly communications - intensive industries and activities.

Given the crucial role of communication and information, the long-term impact of technology on economic growth could be extensive. The Net can become the communications backbone for everything from linking supply chains to business turnarounds. If applied right, ultimately, technology could boost the rate of innovation by increasing the speed at which ideas spread between companies and across countries. But the very strengths of the Internet are also its limitations. Just because communication is omnipresent doesn't mean its everything. Linking supply chains over the Net cuts cost and improves response times, but ultimately manufacturers succeed or fail if they develop good products and figure out how to produce them at low cost and high quality. Like airline reservation systems can improve customer convenience and boost revenue per passenger but can do nothing about long delays caused by runway congestion and mechanical difficulties on airplanes. [3]

Evidently in much of the economy the net offers incremental payoffs without substantially altering core businesses. There are plenty of situations and industries where the net has the potential to be radical and such numbers would increase with better facilities such as broadband etc. But even in industries where the net can effect profound changes, institutional barriers and business

inertia mean the big gains may not come for a couple of years. The speed of Internet time has more to do with the capital markets than with the pace of technology adoption. In fact, the eventual payback of the web should be measured over a decade.

According to the conventional wisdom, things changed slowly and companies built enough capacity to handle current demand with enough room for growth. But technology investment on the tide up was predicated on expectations of extremely rapid growth in demand for years to come for telecommunications bandwidth, semiconductors, network servers etc. The enormous amount of venture capital and initial public offerings available to startups drove companies to grow far faster in a few short years than the underlying infrastructure or consumer demand could support. They outdistanced the corporate research and development departments that traditionally accounted for most business innovation. With companies lowering their demand forecasts, hi-tech companies have been left with massive excess capacity, far more than what they would have built in the slower, more stable old economy.

Taking the Highway:

“I am a slow walker but I never walk backwards”, said Abraham Lincoln. Thus, the real management challenge is to innovate on its business voyage without derailing existing business. Globalization and the new blood are exciting entrepreneurs to defy and advance But the traffic is titanic and so is the speed, thus increasing the chances of collisions and collapses.

- The star e-tailer, Amazon.com has grown at an amazing rate, nearly \$2.8billion of sales but without extracting any profit. Its founder and CEO Jeff Bezos has a word

of advice for small investors. Like many others, Amazon is experiencing traumatic changes and has lost around 90 percent of its value since the beginning of last year. As it has grown with distribution centers and warehouses all over the world, it is akin more to a mail-order company rather than a cyber innovation. Reports earlier this month of a tie-up with Wal-Mart, America's big discount chain, sent Amazon's shares soaring. The clinch did not materialize but the combination looks attractive: Wal-Mart's distribution network and buying clout together with Amazon's web savvy marketing.

- The dot com darling Yahoo! which until recently seemed a stunning success is also in a dangerous zone. It has been a leading Internet portal and rare to be making a profit. It was one of the Internet's biggest financial success stories with revenue doubling last year to \$1.1b and profits of \$291m. However this year it may not do so. It is supposed to badly miss its sales projections and advertising revenue for the first quarter is expected to fall from m \$ 220-240m to just about \$170-180m.

Yahoo! is making efforts to develop other sources of revenue for instance by encouraging people to take out subscriptions to certain services. The rationale is that Yahoo! also needs a partner from the conventional media. In the past, Disney, Vivendi and Viacom have been suggested as possible partners. Laughable at that time but Viacom had shown interest in acquiring Yahoo! at \$15 a share. However, this month Yahoo! share price has actually fallen close to the suggested one from a peak of \$237. The company needs to search for means to boost its revenue to survive.

- Another technology megastar, eBay is expected to have an average operating margins around 35 percent on revenues which can grow up to 54 percent a year. eBay also needs partner to expand further from its online auctions. It has signed an alliance with Microsoft, not exactly a conventional company, which will help both the companies to develop their use of the Internet. More importantly, it will help eBay pursue its goal of expansion since Microsoft's sites are among the largest in drawing worldwide Internet traffic. Microsoft sites would start carrying eBay's listings and would also offer additional services such as billing information to eBay's buyers and sellers.

Through mergers and alliances, lot of companies are moving in the direction of brick and mortar companies to be able to stand in these times of high volatility. In the process, they will also come to be valued more like traditional companies when they join hands with sound, conformist partner or establish themselves so.

At a time when the business environment is turning increasingly capricious and aggressive, and corporate life span is contracting rapidly, companies need to stick to business basics. There was always something absurd about Yahoo! being worth more than the combined value of General Motors, Heinz and Boeing. [4] *Such fantasies are over but the dream is still a good one – only thing is that the day of easy success is over.*

Striking the Right Chord:

“A journey of thousand miles must begin with a single step” according to Lao-Tsu. What we are really witnessing is not the collapse of New Economy, but the collapse of a business management strategy. Internet-

based businesses are not inherently flawed, they are merely the victims of poor planning, poor execution, and dumb money; all of which doesn't mean that technology is doomed, but rather, that the contrary is true. In the rush to Internet riches, basic business principles were discarded in the belief that somehow the rules had changed. It was thought that national brands could be built overnight if fueled by enough capital; that technology, almost by itself, could change market dynamics; and that youth could conquer experience.

The world has changed. Today, the ones anxious about the future have been stuck by the sense of realisation. Suddenly awakened, we're reminded of the virtues of business fundamentals: don't spend more than you make. Learn from mistakes, make adjustments, and move on. Growing a business takes time; be patient and enduring. Controlling costs is no fun, but it's an important ingredient to success.

According to IDC analysts, it is just a matter of differences between “eBusiness 1.0” (from 1995 to 1999) and “ebusiness 2.0” (from 2000 to 2004).[5] The former era was marked by the rise of dotcoms like Amazon.com – consumer oriented, high growth companies with low or non-existent profit that gained much of their advantage by being first to the web. The latter will see the entrance of brick and mortar giants like Ford, General Motors and Merrill Lynch into the eBusiness arena. Over the next five years, increasing online competition and the sheer growth in the volume of online business, will lead investors to have higher expectations for revenues and profits, and customers to have much higher expectations for functionality and service.

But to succeed at eBusiness 2.0, every company should have an e-strategy in place which should clearly define the following

issues [6]

- Develop the business model i.e. how to make money
- Determine the customer experience to learn how to interact with customers online. It is a new concept since retailers understand only the traditional 'in- person' customer model
- Assess technology options to understand which technologies will best bring micro Internet strategy to life.

Magic can only happen at Circus, not in real life. Every business has to go through the make and break of real life and there is nothing like easy/fast money. Yes! at various stages various industries may pose irresistible return and stand extremely attractive but that may be purely a factor of market demand, which may change. Life cycles also may govern the false attractiveness of some industries at some point of time. Excitement is good provided it is in control. Excessive excitement leads to intoxication, which leads to over confidence...to comfort ...to uncalculated risks...to disaster. Peak of excitement is the most false judgment position. The need of the hour is to identify these foundation values and judgments in the economy...discount it by the newness and excitement of it...and then service the business.

The New Mantra-

Economy + Technology = Better Economy

Play by the rules of doing the business as usual, with the speed of technology.

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