
Opportunities in the Internet economy

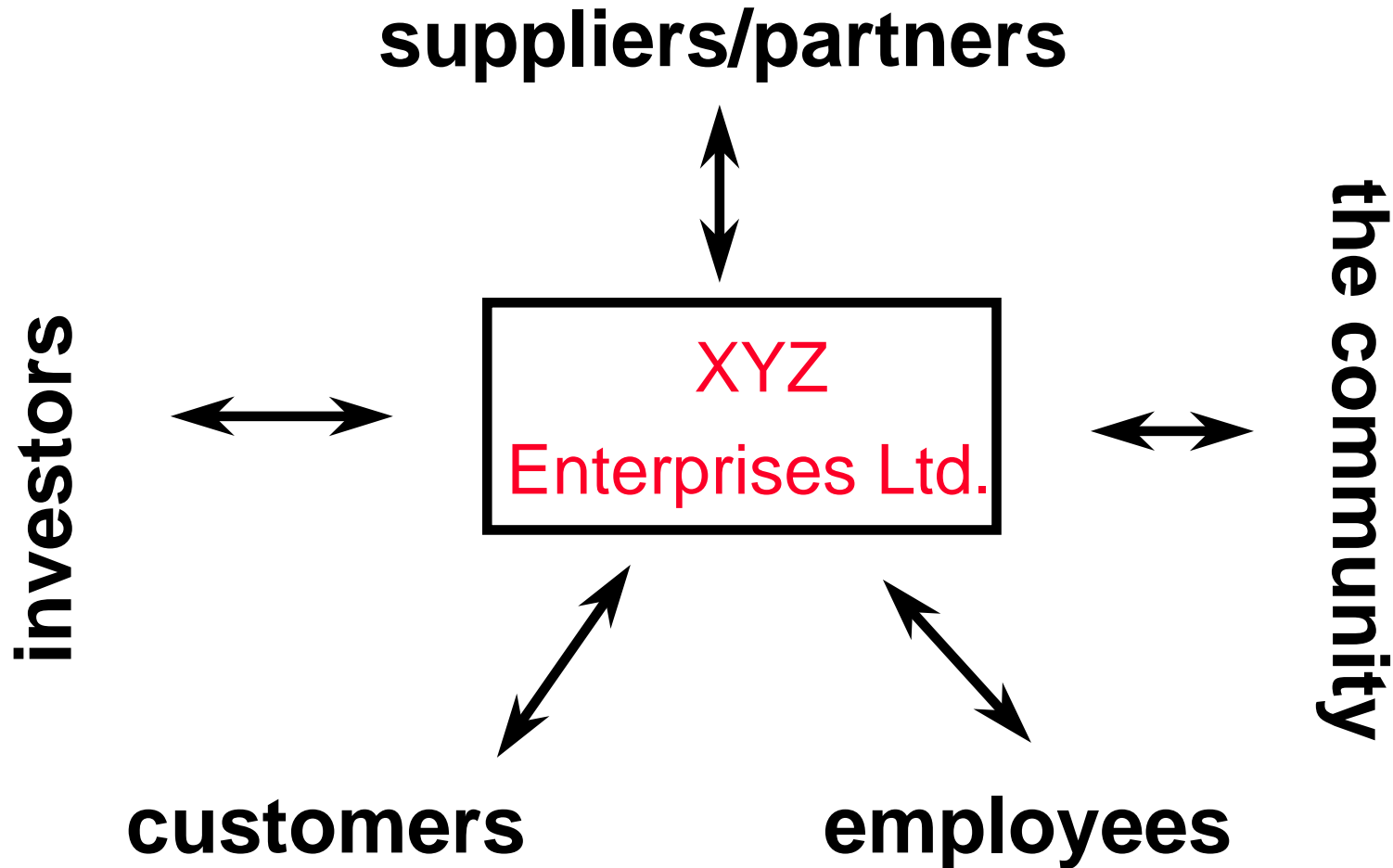
**Dr. J Craig Mudge
Pacific Challenge, Palo Alto, California**

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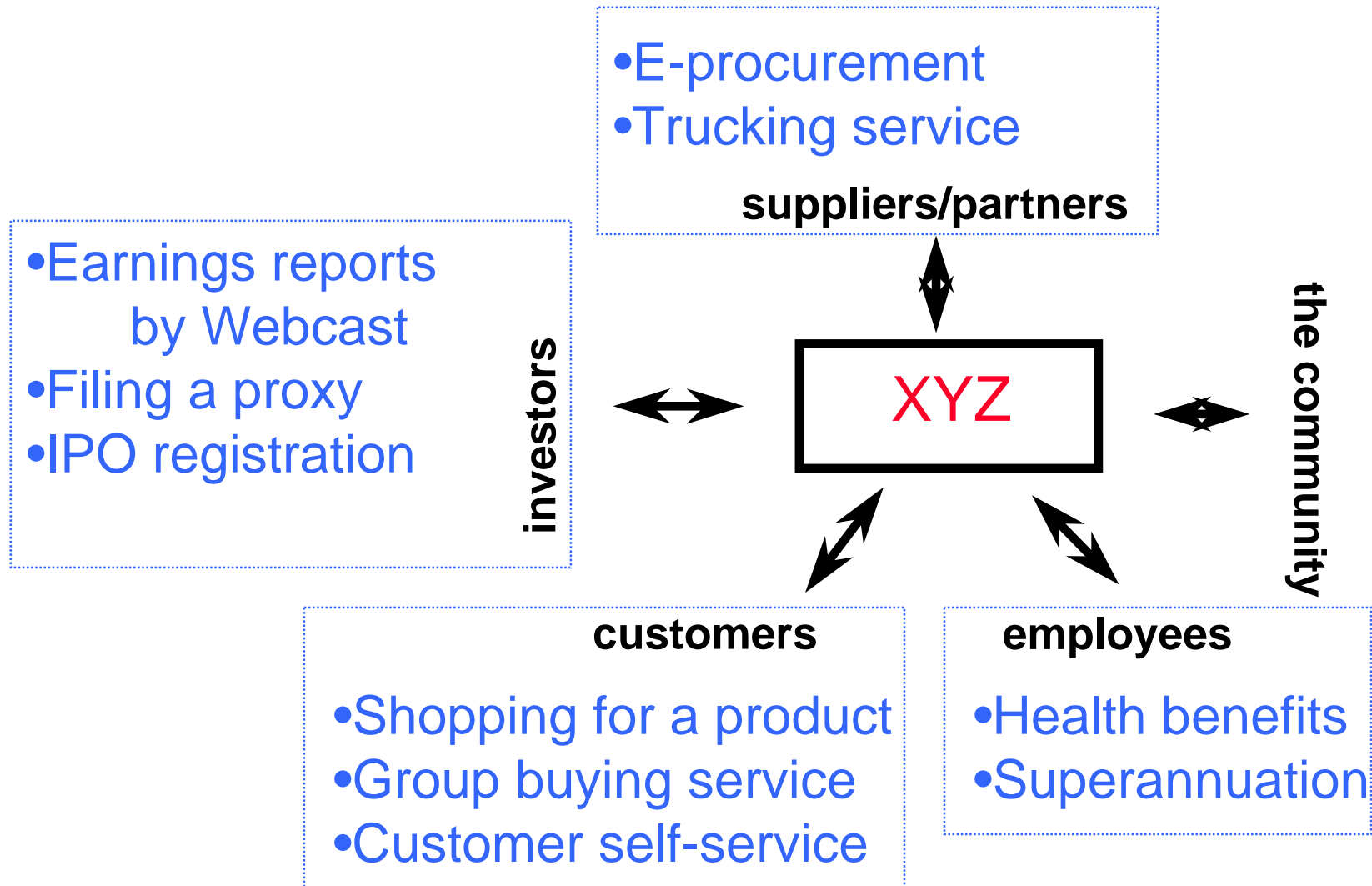
Outline:

sources of business value
market exchanges
aggregation of information
Web speed
global opportunities

Your Internet strategy needs to cover five of your firm's relationships

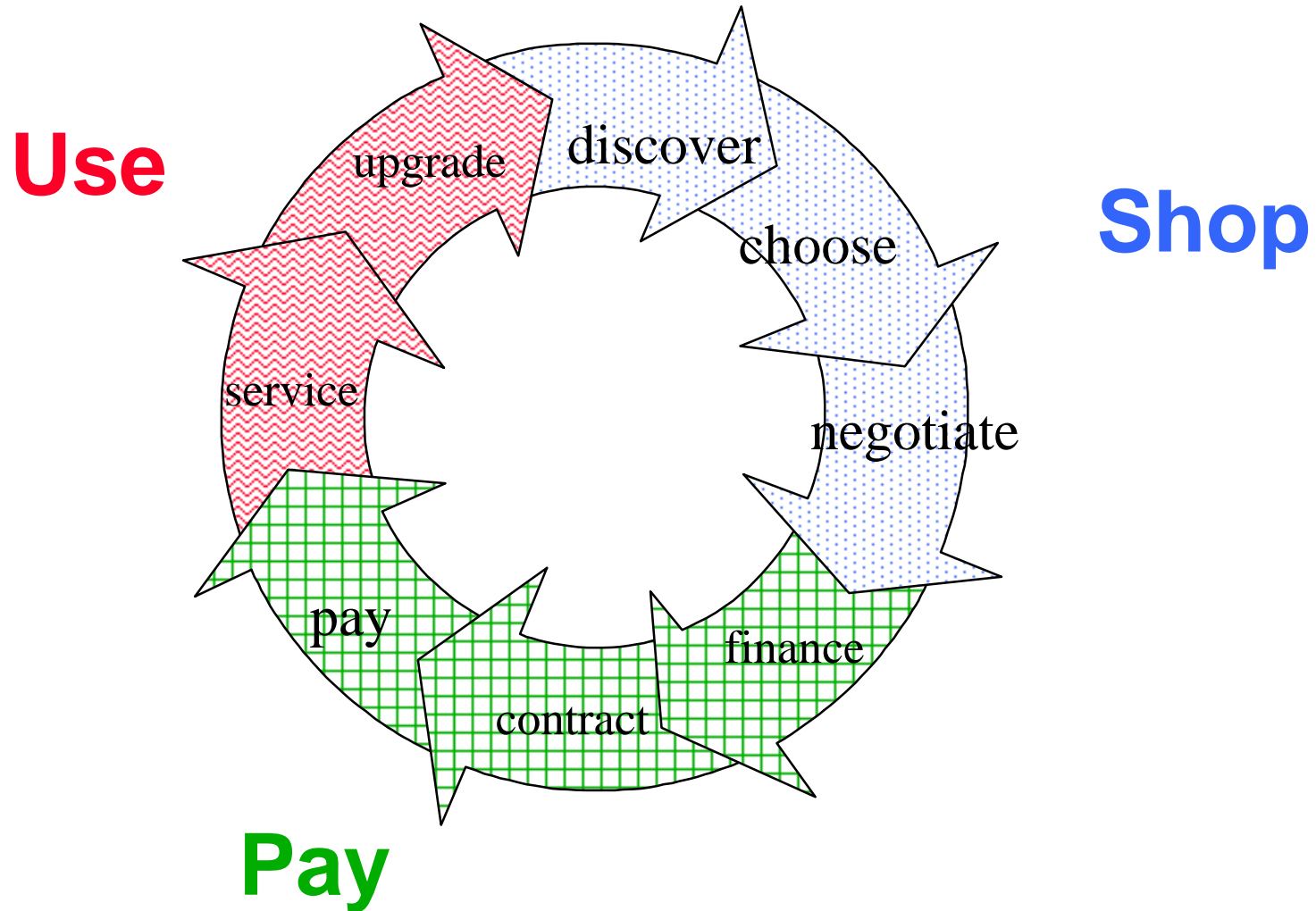


Examples of Internet use in these five



Business-consumer model

Model of exchange of value based on a life cycle of electronic commerce



Self-service

Today's use of the Web is based on self service

Fedex package tracking, bank account statements, travel reservations, weather information, buying books, government brochure.

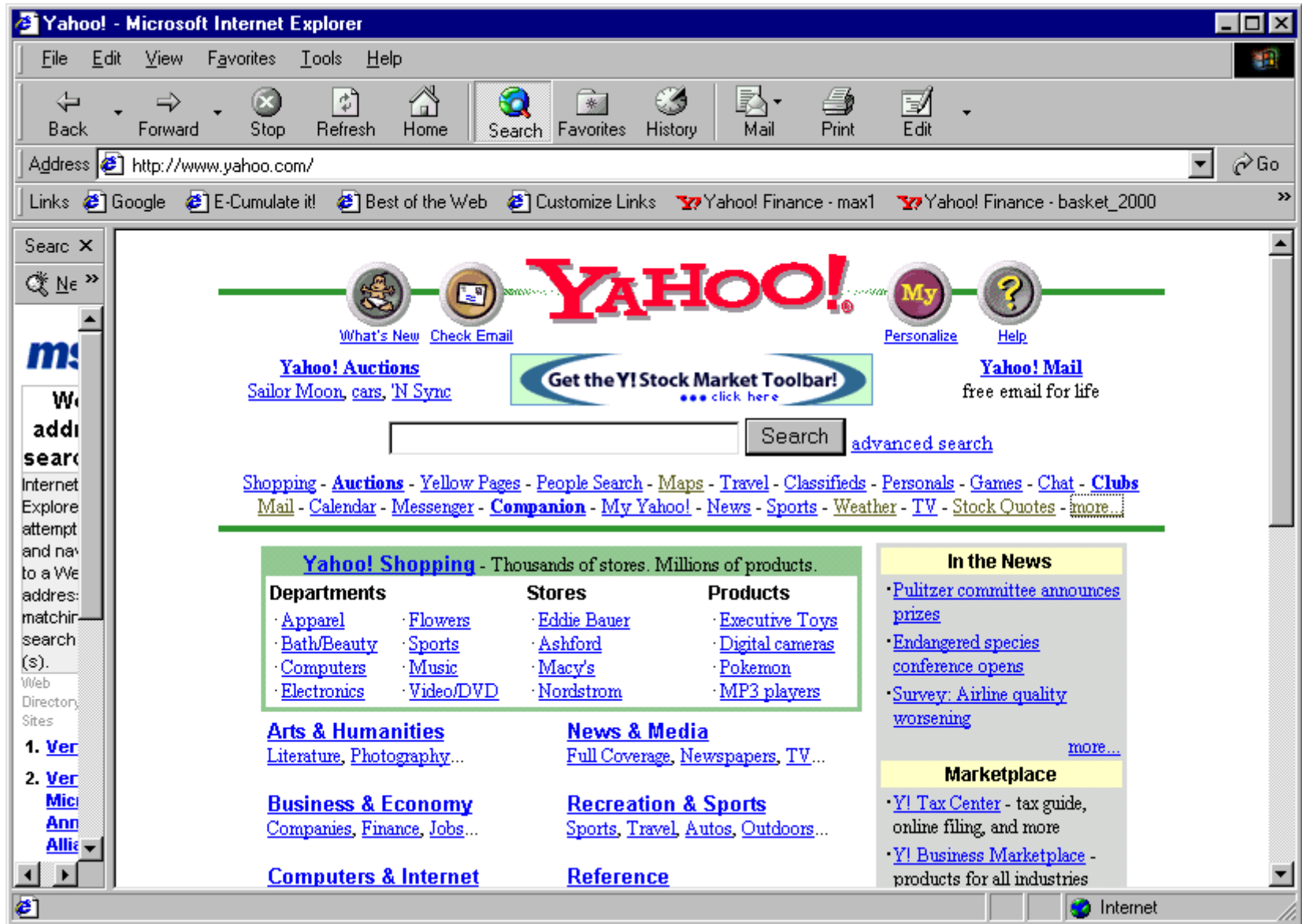
Business value being captured by

- shifting labour burden to the consumer
- increased customer satisfaction
 - » 24x7 availability
 - » sense of being in control
 - » rate of interaction is personalised

Internet businesses/concepts

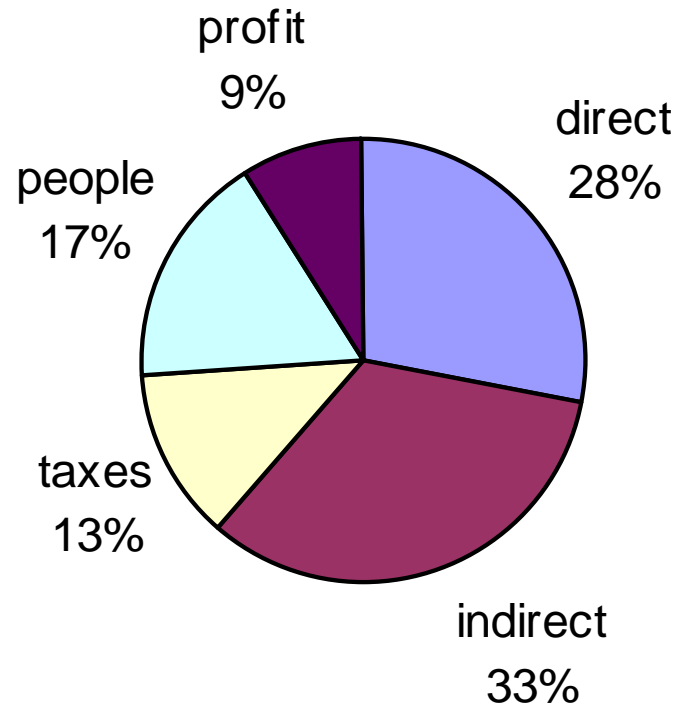
- Aggregated buying -- Mercata, MobShop (accompany)
- Person-person auction -- eBay
- Yahoo and increasing stickiness
- B - B exchanges
- Financial aggregation

Increasing stickiness at Yahoo



B-B Exchanges: targeted expenses

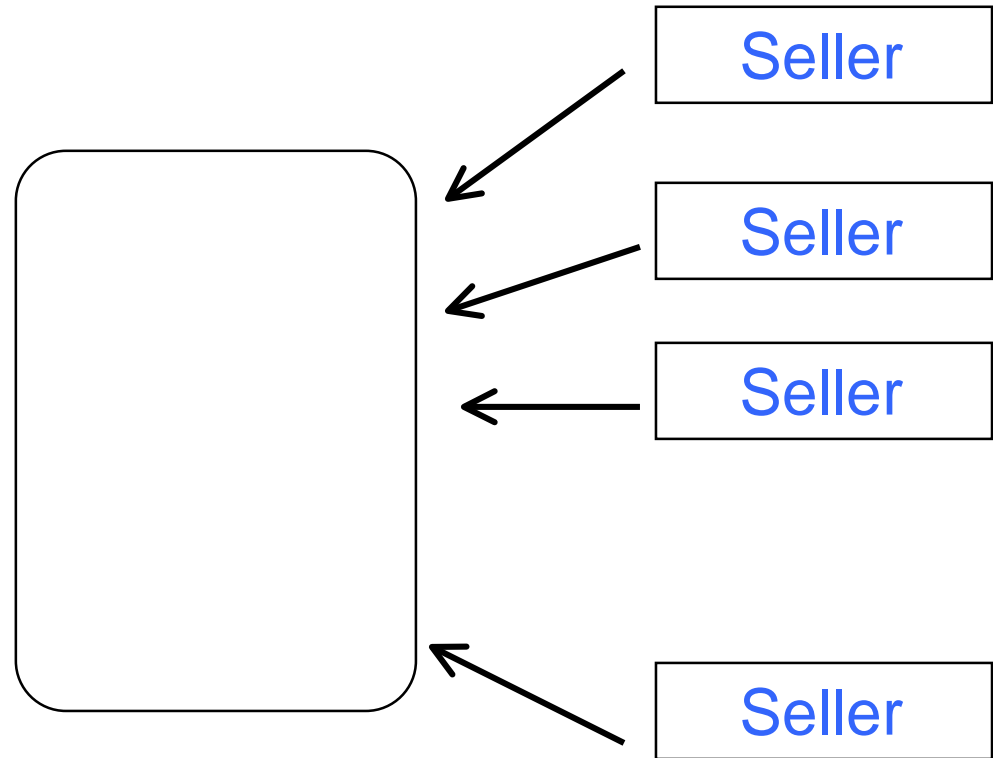
Division of corporate dollars



Data for a typical manufacturer

Source: CAPS (Center for Advanced Purchasing Studies)

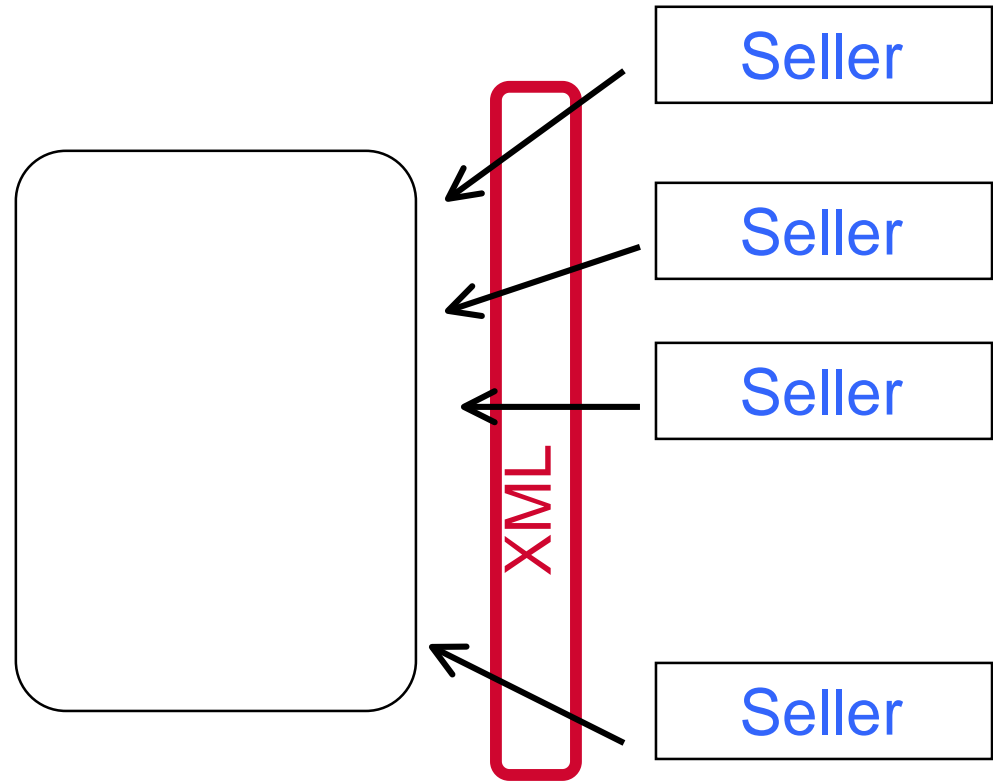
Single buyer -- procurement



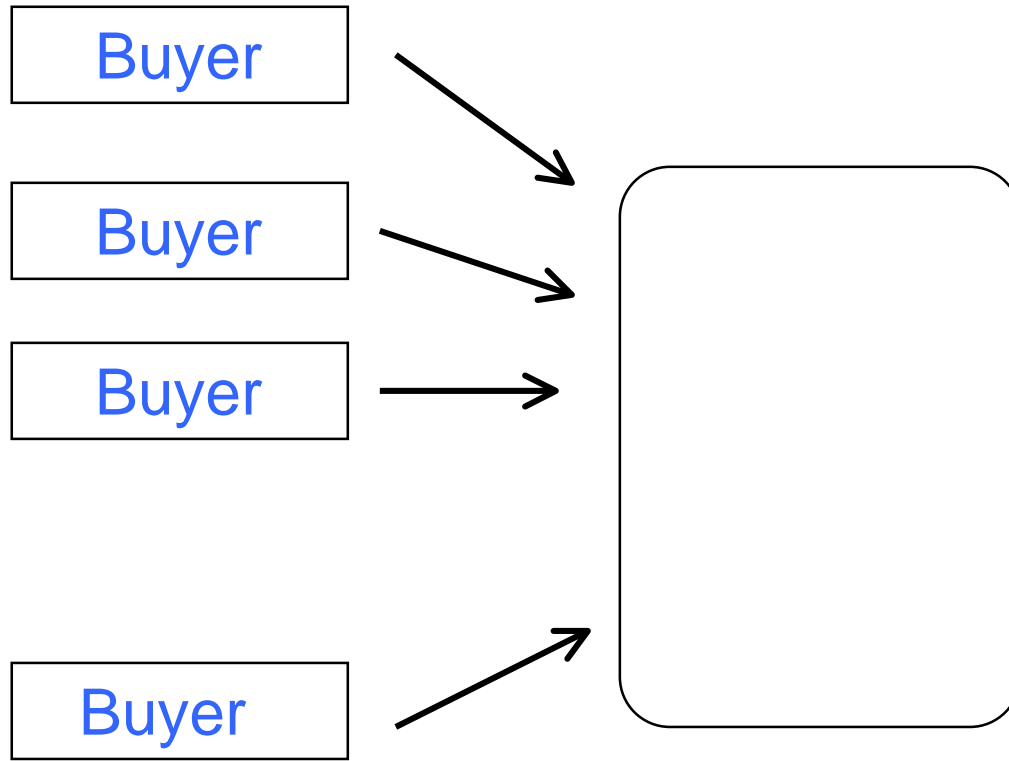
Extensible Markup Language, XML

XML is a rich extension of today's Web language, HTML

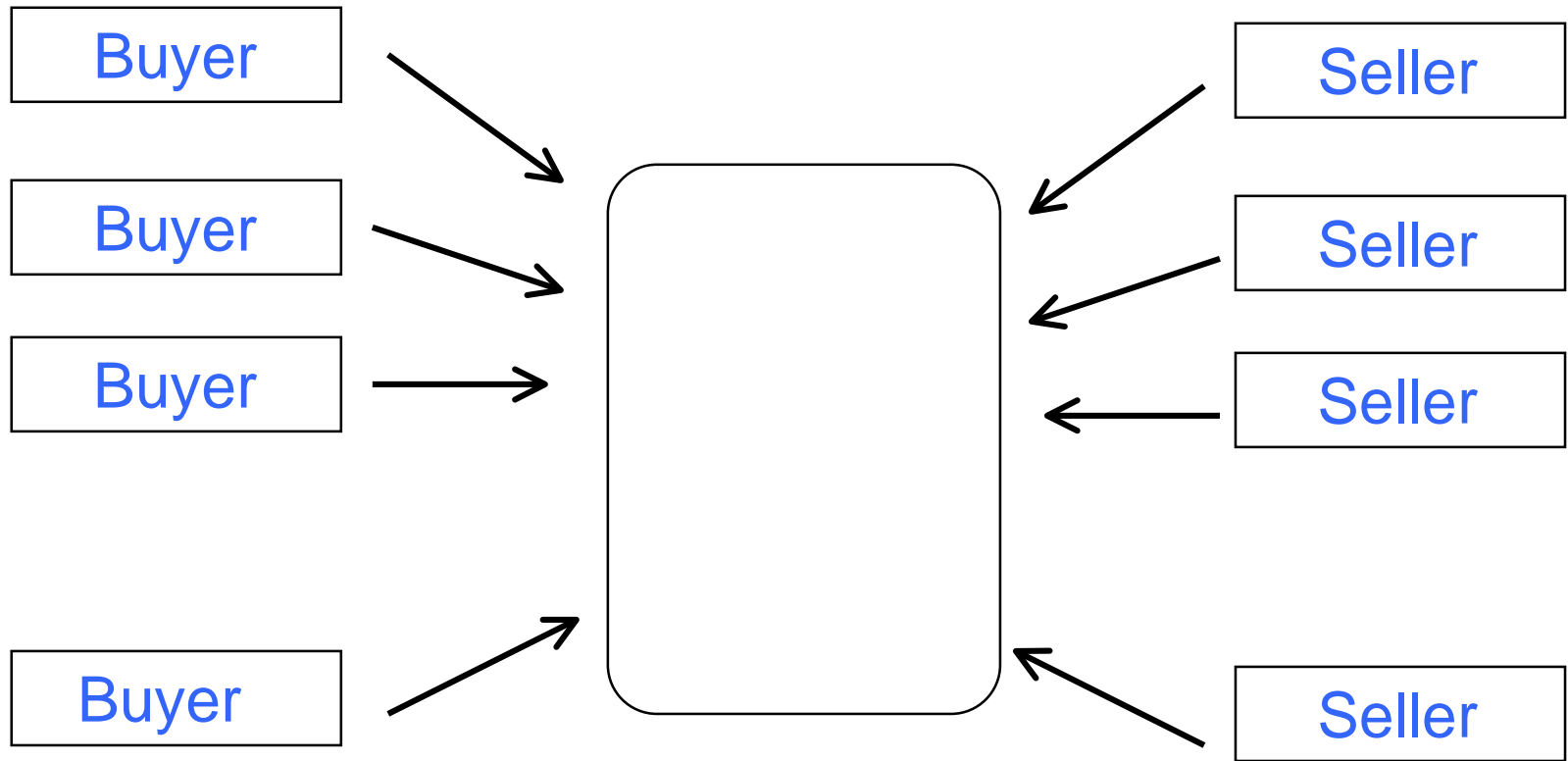
XML is an enabler
-- annotations to web pages
-- hidden annotations that enable a computer program to interpret Web pages



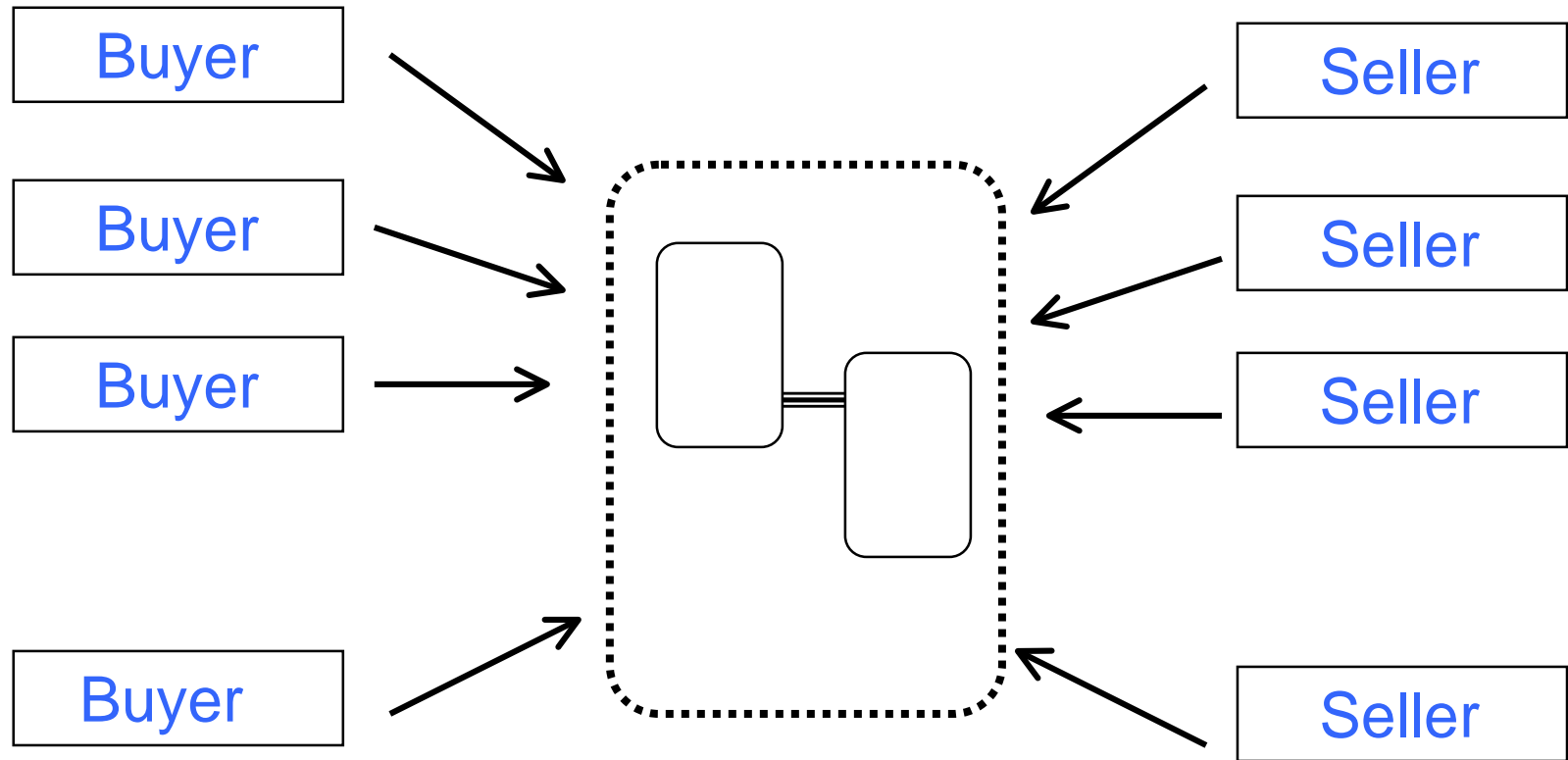
Single seller --



Internet exchange



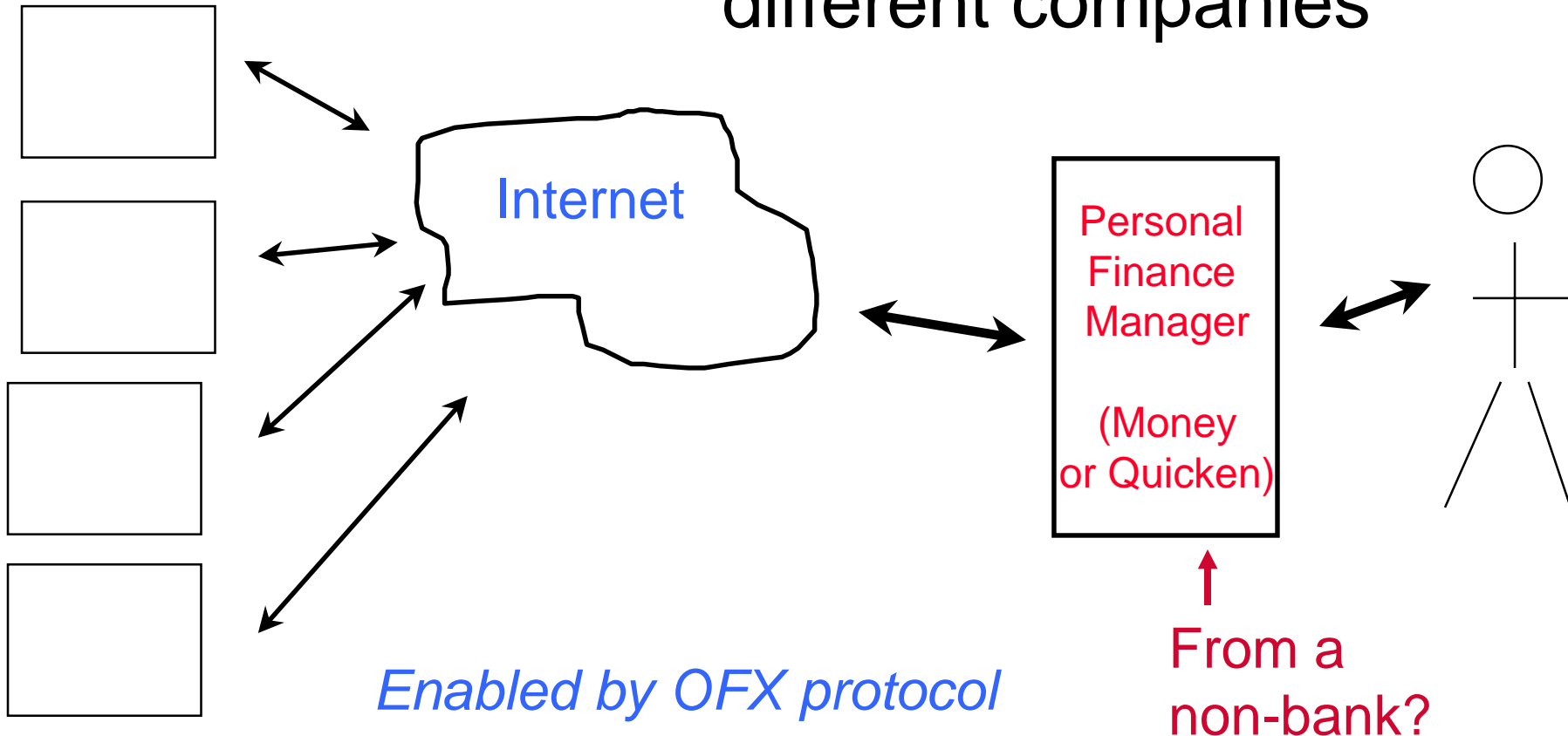
Linked exchanges



Aggregation: Improved convenience in Financial Services

Web sites of
banks, brokers,
insurers

Aggregation across
multiple products from
different companies



Review

Business value

– connecting producers and consumers, self service, exchanges

- connecting producers and consumers

e.g., eBay, any capital market, aggregation

- self service

e.g., NetBank, Fedex, Primary Industries SA

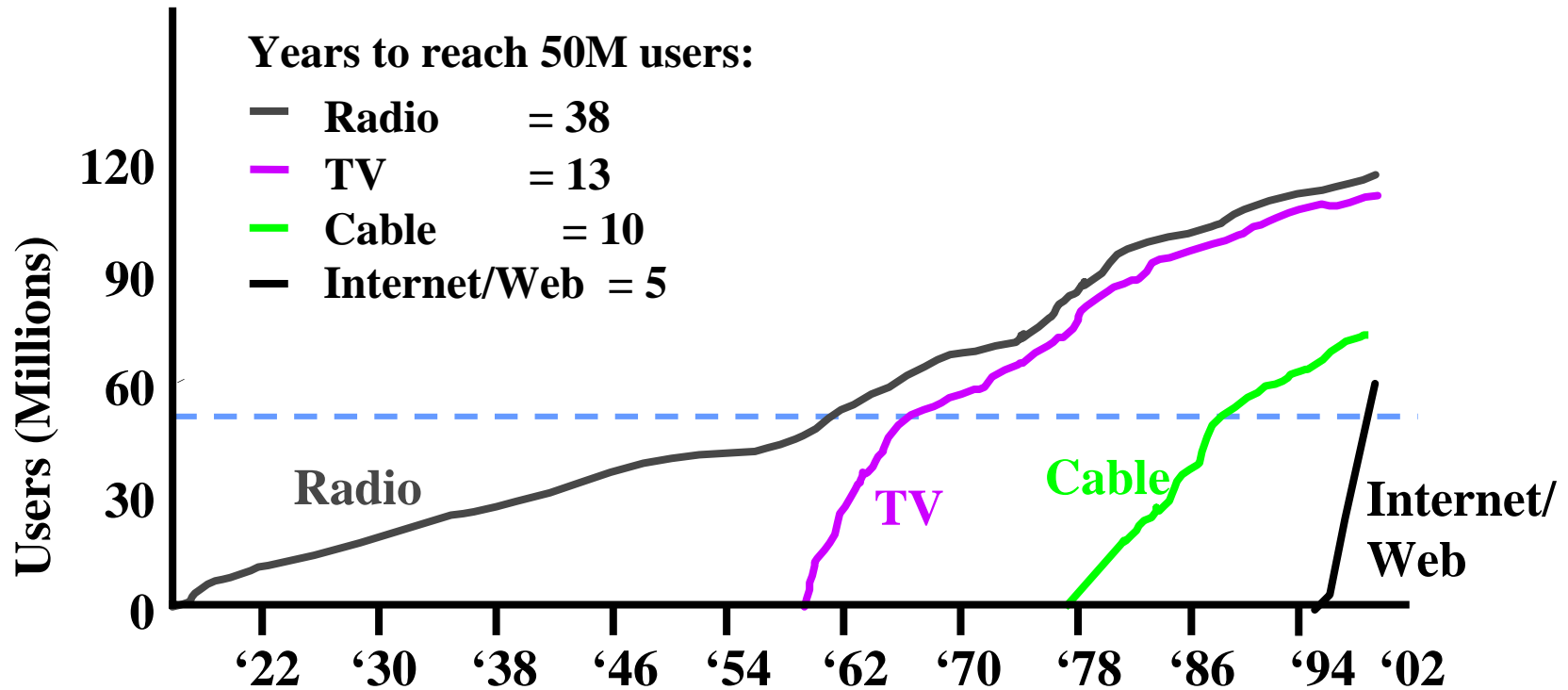
- exchanges

e.g., e-procurement, supply chain management, markets

Properties of the Internet economy

- universality of access
- Web is first truly interoperable system
- cheaper and cheaper computer networks
- network effects: value of system increases
- communities
- value from convenience, information, aggregation, self service, personalization, ...
- producers directly connect with consumers

Web and Speed



- 70 New users every minute (Source: New York Times)

Today's Web sites -- four types

- I. Informational - static *e.g., brochureware, annual report*
- II. Informational - dynamic *e.g., flight details, request for quote, customer service*
- III. transactional - no payments *e.g., address change, procurement order*
- IV. transactional - with payment *e.g., bill payment, wager on a horse, airline ticket*

Some questions to management

- Type I, II, II, IV
- which of our markets are subject to “gameover”
- has there been dialog on “the vexing question”
- the Internet is today’s information architecture -- where not in our place
- recruiting and retention challenges
- what’s transformational in our business

A call to action

1. Network effects

2. Moving in Web time

alters our planning horizons, we make smaller bets,
need to be nimble as never before

3. Transformational effects as well as evolutionary

buyer centric, new things not previously possible,
internetworked markets, intranetworked employees

4. The Internet knows no geographical boundaries -- both a threat and an opportunity to Australian businesses.

To view these slides, please go to

www.pacific-challenge.com/companydirectors2000