

CATALYST CODE

The Strategies Behind the World's Most Dynamic Companies

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The Web site for this book is at www.catalystcode.com.

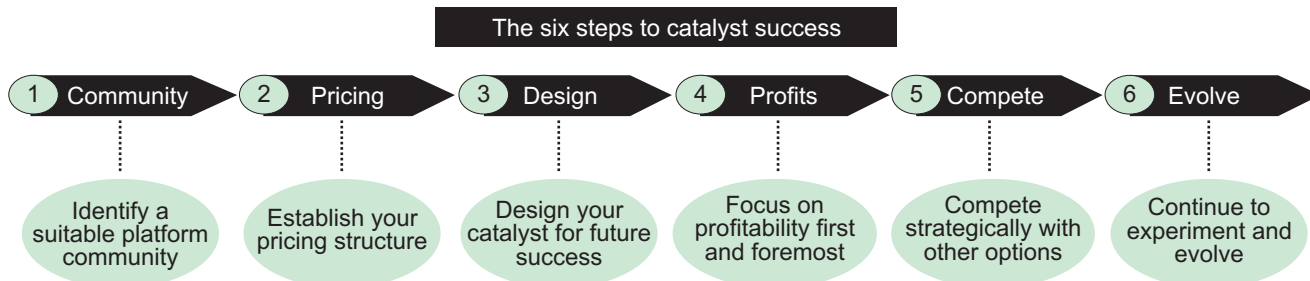
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MAIN IDEA

Many of the most successful and profitable companies in the world became that way by acting as “business catalysts” – parties who make their profits by bringing together different and distinct customer groups who interact with each other using the same platform. Companies which have achieved impressive success using this catalyst business strategy have included:

- eBay – which has built an online empire by making auctions available to buyers and sellers.
- Amazon.com – which started as an e-tailer and now makes good money by letting other merchants use its business systems.
- Visa – which has grown by getting merchants and cardholders to use the same transaction platform.
- Microsoft – with its Windows operating system which generated \$42 billion in applications business in 2004 alone.
- Google – which provide a free search engine funded by advertisers who want to reach those people who are searching for things.
- Simon Properties – a mall developer who brings retailers and shoppers together in an attractive environment.
- *The Wall Street Journal* – who publish a newspaper with content that attract readers who, in turn, attract advertisers.

In total, catalysts are the new power brokers of the business world and utilize a strategy which is worth emulating if you can. To build a successful business catalyst, six steps are involved:



What are business catalysts? Page 2

In the physical world, a catalyst is a substance that causes or accelerates a reaction between two (or more) other agents. Business catalysts do something similar. They cause or accelerate commercial transactions between two or more customer groups who otherwise would never have come together. These customer groups need each other in some way but without the help of the catalyst would never be able to interact. Catalysts create convenient and appealing platforms which attract and benefit both sides of the transaction. In short, catalysts are the new business power brokers.

Step 1 – Identify a suitable platform community. Page 3

Successful catalysts know who needs whom and why. They have a deep knowledge of the relationships between the market participants and how these different groups interact. Based on that knowledge, catalysts then come up with a solution which is cost-effective and efficient.

Step 2 – Establish your pricing structure Page 4

Prices are critical factors for catalyst builders because they attract and then balance the different agent group needs. Successful catalysts set prices which reflect who needs whom the most rather than the more traditional methods of cost-plus, value-added or market penetration. Rather than making profits from everyone, catalysts use pricing to balance the platform and get the proportions right.

Step 3 – Design your catalyst for future success Page 5

To build a successful catalyst, customers have to decide what you offer is alluring and easy to access. It's your job to make them that way by design. You have to provide something which is safe, secure, accessible, easy to navigate and easy to interact with others.

Step 4 – Focus on profitability first and foremost Page 6

Successful catalysts anticipate how they will generate profits in advance. Often this means coming up with a number of scenarios and then seeing how the business evolves. An integral part of profitability planning is to anticipate what competitors might do and to respond accordingly. And equally, long-term viability requires all parts of the community have a meaningful stake in making the business thrive.

Step 5 – Compete strategically with other options Page 7

Sooner or later, every catalyst faces competition – from other catalysts, from businesses which feel threatened or from new technologies which give rise to single-sided business models. It pays to have a keen awareness of your competitors and what they are doing.

Step 6 – Continue to experiment and evolve. Page 8

Catalysts can never stand still. They need to be nimble enough to adapt to changing market conditions. There will be times when it's good to be a leader and others when being a fast follower is better and catalysts need to make that choice deliberately. Even well established catalysts need to be continually pushing the outside of the envelope by experimenting with new ideas, product offerings and enhanced services.

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