

DIGITAL DARWINISM

7 Breakthrough Business
Strategies For Surviving in
the Cutthroat Web Economy

EVAN SCHWARTZ

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MAIN IDEA

Charles Darwin, in 1859, introduced the world to the concept of evolution -- in which only the fittest survive as species constantly adapt to the demands of a changing environment or face extinction. This same paradigm applies equally well to the digital business landscape, where Web-based businesses are being born in huge numbers every day. Only the fittest and most robust of these Web enterprises will ultimately evolve into new business models that will exist into the future.

The World Wide Web is now 10 years old, while the Internet itself is now 30 years old. The initial fear of the Internet generated by a huge proliferation of disjointed businesses and early experimentation with novel concepts like selling a product online has now led to confidence as more consumers begin to trust Internet based business processes. That trust, in turn, has led to faith as the Internet has rapidly become the preferred medium for carrying out research about products and pricing. And that faith has translated into mass acceptance of the Internet and impressive valuations of companies focusing on this area of commerce.

In the natural world, overconfidence has always led to a shakeout where the weakest get eliminated and the strongest flourish. The same thing is sure to happen on the Internet. Therefore, the key shouldn't be trying to get onto the Internet before it's too late. The focus, instead, should be on doing those things that will enable your business to survive the great struggle for existence that is certain to take place in the next phase of digital evolution.

Strategy #1 -- Build an Internet brand that revolves around the idea of solving problems. Page 2

The most successful Internet companies don't concentrate on selling products cheaply -- they solve real-world problems that nobody else is addressing, using a combination of online and offline processes. Therefore, the key to developing an Internet brand of value is to build equity by

1. Differentiating your solution from all others.
2. Making your solution very relevant to the lives of users.
3. Attaching emotional elements to the brand.
4. Using marketplace knowledge to evolve as changes occur.

Strategy #2 -- Provide dynamic pricing -- which fluctuates as supply and demand changes. Page 3

The Internet is ideally suited to dynamic pricing -- where prices rise and fall in response to demand and supply. To use this to your advantage:

1. Dedicate a part of your Web site to hot products that experience a surge in demand.
 2. Sell products near the end of their lifecycle through an online auction site on consignment.
- In short, dynamic pricing is all a matter of timing.

Strategy #3 -- Recruit affiliate partners and develop specific collaborative marketing programs. Page 4

The most effective approach to Internet marketing is to recruit affiliates who will align themselves with you. Offer generous commissions and other incentives to keep them on-side because they're good affiliates will ultimately do your marketing for you -- by spreading your name and logo to the far reaches of the Internet.

Strategy #4 -- Create evolving bundles of unique information and customized value-added interactive services. Page 5

On the Internet, the only people who can successfully charge for their content are those businesses that provide a unique bundle of information and services. That bundle can never stand still -- it has to keep evolving with additional products and features being added. And the most profitable bundles concentrate on a specific subject area intensely rather than targeting the general audience.

Strategy #5 -- Replace inventory with information and customization abilities -- sell, then manufacture. Page 6

Large inventories are a drain on business performance. By using the Internet, savvy companies are eliminating the need for an inventory altogether, offering instead:

1. Great amounts of product information.
2. The ability to easily custom order a product.
3. A rapid manufacturing process and prompt delivery.

Strategy #6 -- Find innovative ways to add new value -- through features and services -- to online transactions. Page 7

In the Internet environment where buyers and sellers have vast amounts of information available, the intermediary role is unattractive unless:

1. You work with the changes rather than against them.
2. You can develop a neutral and efficient online meeting place.
3. You add value by offering new features and services.

If you can't achieve any of these goals, consider:

1. Focusing on the areas a Web site cannot match.
2. Becoming an affiliate with a focused on-line business.
3. Selling your business while it still has value.

Strategy #7 -- Integrate everything you do online with everything your company does offline. Page 8

In the final analysis, real-world integration of the Web channel of distribution and traditional channels of distribution is critical. Everything your company does -- whether on the Internet or elsewhere -- should meld together to create a seamless product offering targeting just one objective: to retain a good customer for life.

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