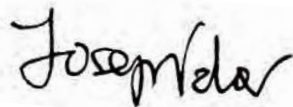


The Digital Era: What We've Learned So Far



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Almost 25 years have passed since the first web browsers unleashed new business paradigms in the early 1990s. We've gained enough perspective to look back and learn from the winners – and the losers. Here are my top ten business takeaways from the last quarter of a century.

1. Good Times for the Long Tail

Reduced search costs have led to the 'long-tail' model – sell fewer units, more often – gathering force. It's easier for clients to find products that satisfy specific needs. This prevents them from buying a generic alternative. It was not traditional big ad spenders who pushed revenues at Google to \$54 billion in 2015, but an army of long-tail advertisers.

2. Stand Out From the Competition

Online streaming television provider Netflix recently flicked the switch on over 130 countries. Just a few years ago, it was locked in price wars with Amazon and Hulu. How did Netflix get from there to potentially global ubiquity by the end of 2016? By producing high-quality, proprietary content, differentiating its offering.

3. Instantly Capture Generated Value

In the pre-digital music industry, record labels only got paid when records sold. Creating brands and managing musicians brought no revenue. That's why some record labels now manage artists and organize concerts for profit. Value is captured when it's created, rather than waiting for records to sell.

4. Watch Out for Aggressive Neighbors

Apple recently launched a music streaming service, Apple Music. Spotify is a music streaming company and shares most of its clients with Apple. Apple Music offers a service at a marginal cost that also allows clients to sync their iTunes library, pulling users tighter into its ecosystem. Spotify could get left behind.

5. Cutting Costs Is Not Enough

Business models based on reducing transaction costs alone are under threat due to the emergence of new companies. The Lending Club, for example, connects borrowers and lenders online, undercutting costs at

traditional banks. But it's the firm's data on debtors' solvency that makes its model more secure for lenders.

6. Ensure Your Platform Delivers Value to Your Customers

Blackberry, once the pre-eminent smartphone for business, is in freefall. How? While Blackberry focused on producing the best device, Apple and Android created phones with applications loved by their users, adding value to their platform. A platform's worth lies in the accessories, just think of Mattel's Barbie.

7. Use Your Data

IBM Watson for Oncology analyzes a patient's medical information against a vast array of cancer case histories, academic research, and more, to provide evidence-based treatment options. Mining big data gets you closer to your customer's needs so you can provide tailored solutions. It can even prompt new business models.

8. Digital Transformation Can Render Your Business Model Useless

Kodak used to make money off almost every photo taken in the world. In the time it takes you to read this article, thousands of selfies will be snapped but Kodak won't see a cent of it. Overhaul your business model continually. And you need to think beyond providing the digital version of your product. Your whole asset base might be becoming useless.

9. The Best Technology Doesn't Guarantee Success

Webvan was a dotcom that promised to deliver groceries to customers within a two-hour window. It went bust in 2001 as infrastructure investments vastly outstripped sales growth, and management lacked industry know-how. Business models which combine deep market understanding and technological possibilities have the potential to prosper.

10. Remember: Anyone Could Be Talking About You

In 2010, Greenpeace accused Nestlé of sourcing palm oil for its KitKats from unsustainable sources on social media. Nestlé responded by engaging with stakeholders, switching suppliers and monitoring social media sentiment 24 hours a day. Work on a digital communication strategy. And monitor who says what.