

Chapter VII

Strategizing in the Digital World: Aligning Business Model, Brand and Technology

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ABSTRACT

In the rapidly changing digital marketplace, firms increasingly try to look for new ways to acquire, engage, and retain their consumers. In doing so, they hope to enhance their ability to monitor and predict consumer expression and affiliation while relying on consumers to spread the word about a product. The current state of the industry and enabling technologies that shape development is transitioning from an inexpensive medium for advertising, marketing, and customer support, to a common platform for transactions and business applications for information, communication, commerce, and entertainment as one large consolidated industry. More consumers are accessing the internet using multiple devices and over multiple communications networks, along with changing behavior and consumer patterns. With the evolution of digital media, Web technologies and consumer patterns changing rapidly, we see strategizing in the digital world of new media as essential. It needs to be addressed and understood holistically, including its impact on existing offline business models, branding practices, and the shape of future business models.

INTRODUCTION

There is great uncertainty about the value proposition behind the next online generation of business models and emerging trends in technology. From old school to new school, we see strategizing in the digital world of new media as an essential necessity towards understanding the way to brand and shape businesses of the future. In this chapter, we analyze current online and offline business strategy in terms of business modeling and branding to create innovative ways to distribute and market products as well as create a brand community around the offering. We will do so by reviewing various communication technologies and relevant practices as an important aspect of emerging commercial strategies that affect business models. Doing so we will discuss emerging business strategies, community thinking, the evolution of new social norms, the emergence of new (sub)cultures, emerging markets and organizational cultures rather than merely tracing superficial trends of Information, Communication and Technology.

BACKGROUND

Not all researchers in the field of strategy have realized the importance of the digital world for strategy. For instance, Porter (2001) suggested “the winners will be those that view the Internet as a complement to, not a cannibal of, traditional ways of competing” (p.63) to reconfigure existing industries. According to Porter, gaining competitive advantage does not require a radically new approach to business; it requires building on the proven principles of effective strategy. Porter argues that, contrary to recent thought, the Internet is not disruptive to most existing industries and established companies. It rarely nullifies important sources of competitive advantage in an industry; it often makes them even more valuable. As all companies embrace Internet technology, the

Internet itself will be neutralized as a source of advantage. Robust competitive advantages will arise instead from traditional strengths such as unique products, proprietary content, and distinctive physical activities. Internet technology may be able to fortify those advantages, but it is unlikely to supplant them. It is from this school of thought that we wish to dispel.

The Internet has moved beyond being complimentary and forms of “cannibalism” (to use Porter’s words) are seen as new ways to compete. New markets are being created that accelerate the deterioration of traditional business models through revolutionary price, efficiency, information and new distribution platforms. Online business models and start ups that add significant value have been known to shrink existing markets through disruptive innovation in their business model and impact they have to existing competitors playing in the same space. A good example includes an online real estate company, redfin, that provides real estate search and brokerage service. It was founded by David Eraker in Seattle by combining online real estate search and access to live agents. Unlike traditional brokerage firms that license their name to independent agents redfin employs its agents so it can better control customer satisfaction. Redfin claims to save homebuyers on average \$10,000 by reimbursing roughly 2/3 of the buy-side real estate fee directly on closing. Redfin also pays bonuses to agents when they receive high customer satisfaction. Trulia, Terabit, Zillow and Realtor.com, their competitors currently do not combine online real estate search and brokerage services. On their site, Redfin combines MLS listing information with historical data into a single map powered by Microsoft Virtual Earth. You can search for homes by neighborhood, city or MLS number, or you can refine results using detailed parameters like price, beds etc. As of July 2007, users could look for homes in Washington, D.C. area, including Central Maryland and Northern Virginia, Greater Boston, the San Francisco Bay

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