



# The Great Business Gestalt

HOW WEB2.0 HAS MERGED YOUR BUSINESS, YOUR CUSTOMERS  
AND YOUR COMPETITORS.

## The Book

Amy Shuen; Web 2.0: A Strategy Guide

## Speed RAP

The dividing line between where your business stops and starts just evaporated. You, your customers and your competitors have merged into one interconnected force.

## The Big Idea

The five principles of Web 2.0 success are: **1** Users Create Value, **2** Networks Multiply Effects, **3** People Build Connections, **4** Companies Capitalize Competence and **5** New Recombines with Old. The common denominator of these principles is: sharing. When we share we unite, we collaborate, we synchronize, we co-ordinate and we incorporate. And, we banish competition.

## Your Challenge

Gestalt your business and rewrite your business plan in the context of Web 2.0.

**RESOURCES** : anything you use to generate wealth.

**ACTIONS** : an act of will, a deed completed.

**PROFITS** : to gain an advantage or benefit.

# Contents : The Great Business Gestalt

## BR REVIEW : WEB 2.0: A STRATEGY GUIDE

### RAP1 : BUILD COLLECTIVE USER VALUE

- Case Study : My Friend Flickr

### RAP2 : MULTIPLY NETWORK EFFECTS

- Types of Network Effects
- Case Study : Google's Network Effects

### RAP3 : BUILD CONNECTIONS

- Viral Spread
- Case Study : The Facebook Virus

### RAP4 : CAPITALIZE ON YOUR COMPETENCIES

- Case Studies : IBM, Salesforce, Amazon and Google

### RAP5 : COMBINE NEW WITH OLD

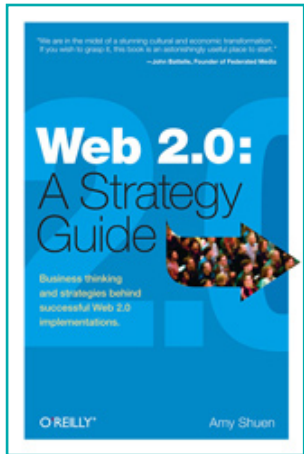
- Case Study: The Apple iPod Tree

## BR CONTEXT: THE GREAT BUSINESS GESTALT

## ACTION : YOUR WEB 2.0 BUSINESS PLAN

# BR Review : Web 2.0: A Strategy Guide

Amy Shuen; Web 2.0: A Strategy Guide; O'Reilly Media; Sebastapol, Canada; 2008.



## PRÉCIS

As the book title says, it's a strategy guide. It's not a techo-how-to-guide. It's not how to connect on LinkedIn either. It's a book for business profit.

All new technology emerges as a child that matures into an adult. Web 1.0 was the Internet child, a mere warm-up act. Web 2.0 is the mature adult, fully flowered and offering a host of new possibilities.

## FEATURES

Five Steps to Web 2.0:

- 1 Users Create Value
- 2 Networks Multiply Effects
- 3 People Build Connections
- 4 Companies Capitalize Competences
- 5 New Recombines with Old

Plus Businesses Incorporate Strategies – updating your business plan.

## BENEFITS

Update your business plan to match the new Web 2.0 landscape.

## WHOS IT'S FOR

It's for business mutineers willing to contemplate:

- How the Web is changing business;
- Your relationship to competition.
- And, a complete redesign of your business.



## AMY SHUEN

What does a Yale, Harvard, Berkeley-trained software/digital electronics engineer, economist and business school professor do in their spare time?

- (a) Help start up a \$100M corporate innovation venture fund for the European bank Societe Generale;
- (b) Kiteboarding, white water kayaking, windsurfing, sailing and snowboarding;
- (c) Painting watercolours and playing classical piano

Meet Amy Shuen, she does all of this.



## BOOK RAPPER THINKS...

Yes, if you want to review the new business landscape.

No, if you want to make friends on Facebook or a technology tour.

Avoid it completely if you're content to toddle along as you are.

# RAP1: Build Collective User Value

**PROFIT:** On a Web 1.0 site you can find stuff, look at stuff and download stuff. On a Web 2.0 site you can do things, interact with other people, combine things, remix them, upload your stuff, change things and customize it your way. It's not a one-way web any more. The new road map is a two-way street with your users contributing the value.

## WHAT'S YOUR CONTEXT?

The core idea for building Collective User Value is to build a context for people to interact. What's their motivation for coming together?

Linux lets programmers build things together. Amazon guides readers to their next book. Ebay lets traders find other traders. Facebook lets friends hang out together. Google helps you find stuff.

*What is your community building?*

## MONETIZE

Study the cash costs and benefits of an individual user to your business. Consider their lifetime value. Many Web2.0 businesses use a 'freemium' model: free for basic use, fees for premium use.

## SHAPE

Provide incentives and acknowledge your top contributors. Ebay does this through their user ratings. Facebook counts the number of friends you have. Think of it as designing a culture. What values are important? How do you reward loyalty?

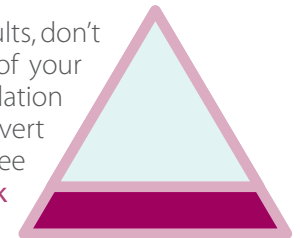
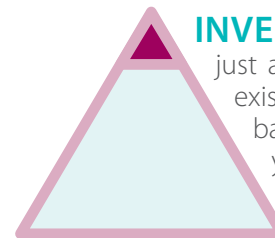
## SHARE

Design the way that users share their efforts. This could be an email link: 'check out my photos'. It could also be an invitation to join in and share the fun.

## COLLECT

Define the context and build the structure for people to interact within. Don't market or sell to your users. Instead, provide content rich resources, like video tutorials, and tools to help them achieve their goals. Get inside your customer's head, what do they want? How can you help them achieve that?

**INVERT YOUR PYRAMID** For best results, don't just add the cream of user value on top of your existing business. Instead build a new foundation based upon collective user value. Invert your business today. For more on this see Seth Godin's *Meatball Sundaes* (**Book Rapper's Marketing How-Now**).



# Case Study : My Friend Flickr

## PROFIT: Collecting User Value Case Study

Flickr store an estimated 3 billion photos deposited by 8 million registered users. You can upload, store, edit, organize, add comments and share your images. Flickr builds collective User Value in six distinct ways. Each one reinforcing the others.

### 1 SHARE CONTENT

You don't have to share your photos. Yet, 80% of Flickr users do. Rather than selfish puddles of individual collections, an ocean of imagery is available. By sharing content, Flickr has become the YouTube of photography. A global community glued together by common interest.

### 2 BETTER SEARCH

How do you find a visual image using words? Use 'Tags' to describe the picture. Tags enable better searching. When you can find the right image more quickly the image library becomes more useful and more valuable. This attracts even more users. Even better, Flickr encourages DIY tagging: 85% of their photos have been.

### 6 CREATE PARTNERSHIPS

Flickr is home to photographers. And, application developers, mashup developers and bloggers. This builds an eco-system beyond the target audience.

### 3 BUILD GROUPS

Do you adore taking photos of dogs? Perhaps you want to meet other dog lovers? The tagging of photos enables groups to form around special interests.

### 5 DIY SYNDICATION

Blogs feeds us through RSS regularly. Flickr uses the same thought to feed us images. Photo syndication fuels bloggers who are constantly searching for that elusive viewpoint. And, now they've become the core of Flickr's premium account holders.

### 4 AMPLIFY GROUP

Flickr has its own version of rating photos. It's a weighted popularity contest. Their special sauce flavours how often a photo is viewed, tagged, favorited and commented on. Further spice is added depending upon who does what action and when. This measurement amplifies social influence. It catalyzes trendsetters and trendspotters.

# RAP2: Multiply Network Effects

**PROFIT:** The key to success in Web2.0 is to manage combinations and multiply network effects. The more the merrier.

## WHAT IS A NETWORK EFFECT?

In the physical world, traffic is bad. Too much of it slows the benefit.

In the digital world, traffic is good. The more the merrier.

These are network effects: *where one user of a good/service has a direct impact on another.*

Positive network effects have been the source of hypergrowth in successful Web2.0 companies like eBay, Google, Wikipedia, Skype and Flickr.

Negative network effects have seen traffic jams clog new freeways.

## WHY NETWORK EFFECTS ARE THE KEY TO YOUR WEB 2.0 SUCCESS:

### Customer Acquisition costs have fallen

Compared to physical networks, it's now easier and cheaper to build scalable online networks. This means free basic services (Freemium) are relatively low cost and sustainable in the long-term compared to promotional or trial usage.

### Online users easily bring other users

Online networks favour bandwagon effects rarely seen in physical networks. Through social influence a critical mass can be created with less effort. Even better, more users means premium services are more viable at higher prices.

In contrast, in physical networks, economies of scale of production mean lower unit costs leading to commoditization and lower prices.

### Online networks form faster

In online networks, one per cent of the users can trigger a critical mass of adoption. New interactive communities are formed quicker and more frequently.

### Online networks spread virally

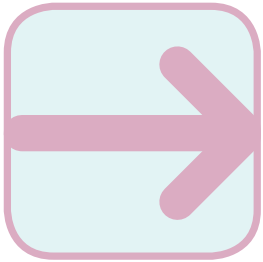
Online networks can expand more rapidly across borders, geographies, market segments, media types and channels.

### Low Entry, High Reward

Due to timing and customer volatility, one player is likely to dominate a market. If that's you, the rewards are high.

# Types of Network Effects

**PROFIT:** Web-enabled online networks have created several new network effects.



## DIRECT

The value of goods/services increase the more people use it. For example, fax machines or phones. If your friends and family didn't have phones, yours would be useless.



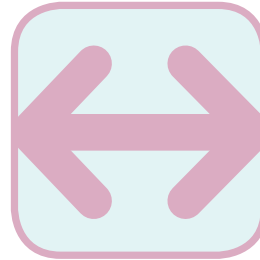
## CROSS NETWORK

When complementary goods enhance the value of each other. For example, the more people use computer hardware, the more they need computer software. And, vice versa.



## INDIRECT

When one complementary good adds value to the original product or service. For example, if more people use Windows as their operating system, it improves file compatibility.



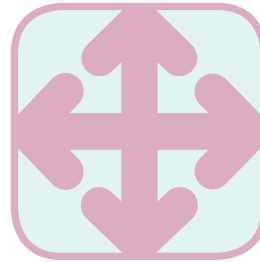
## SOCIAL NETWORK

When a user is directly influenced by another user. For example, a friend says "Let's sign up on Facebook so we can keep in touch."



## DEMAND SIDE

The more demand for a product, the higher the price. This is the principle behind a good auction.



## N-SIDED NETWORKS

Most networks connect only two parties. N-sided means multiple parties benefit from each other. For example, Visa works with a network of banks, consumers and retailers.

# Case Study : Google's Network Effects

**PROFIT:** Google takes advantage of network effects in multiple ways. Remember, these network effects are self-reinforcing. It's the combined impact that makes the difference.

## SEARCH

### Direct Networks

Google collects user value. The more people use Google's *PageRank* system the better the search results it produces. More users search via Google because it is free. This 'freemium' business model is subsidized by advertisers. Affiliates can earn money by generating traffic for Google search. This has created a way for bloggers to earn income from their posts.

## ADVERTISERS

### Demand Side Networks

Google's *AdRank* highlighted the value of keyword relevance. Advertisers could see their potential ROI and were willing to pay more for dynamic pricing for keywords. This boosted Google revenue and attracted even more advertisers.

## ADVERTISERS

### Direct Networks

Google gives advertisers better value because: **1 Negligible Risk:** They pay only when someone clicks on their ad. **2 Low Entry:** Each click costs only a few cents. **3 Monitor Results:** Google provides tools for advertisers to assess their performance. **4 DIY:** Google's *AdWords* is self-service giving complete control to the advertiser. **5 Automation:** Large campaigns can be set up as easily as small ones.

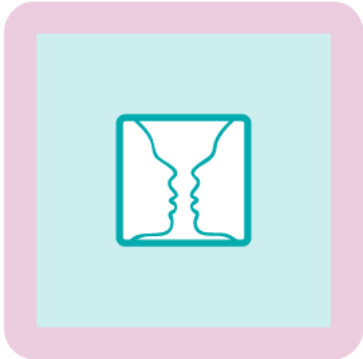
## ADVERTISERS & SEARCHERS

### Cross Networks

Advertisers want to promote on the most popular sites. The more people use Google to search, the more advertisers are attracted to it. Advertising is also a form of social networking. Each ad view promotes the product/service to a wider audience reinforcing that Google works.

# RAP3: Build Connections

**PROFIT:** Online Social Networks allow us to communicate, collaborate and connect in ways previously not available. They're like being in the same room as people from all around the world. They can explode virally because your personal information is readily available. And, it takes just a click to connect.



## CONTEXT

Define the context for your users interactions. What's their personal and social motivation for connecting?

Wikipedia lets you aggregate your knowledge.

Flickr makes it easy to share your photos.

Digg is a place to share content.

Twitter is for staying in touch in real-time.

LinkedIn is for business people to connect.

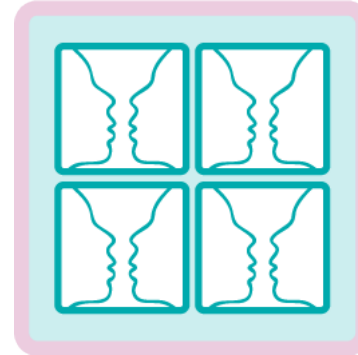


## SCALE

Once the system's in place, social networks can expand easily.

Once automated, they're just as easy to serve 100 people as one million.

Time to upscale your expectations!



## SHARE

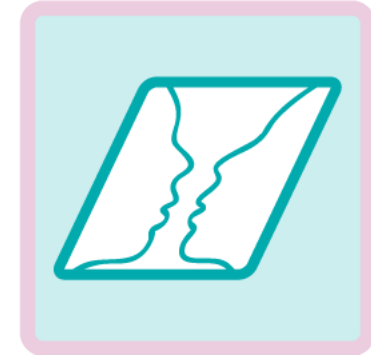
The key to Social Network success is sharing.

On Flickr or Wikipedia you connect by creating content to share.

On LinkedIn and Facebook, you share who you are through your digital persona.

On Amazon, sharing transformed it from a bookstore to a community through user reviews and ratings. This proves you can overlay social networking onto more traditional offerings.

When you share you create opportunities to interact, engage and connect with new people. This includes inviting more people to join in.



## ACCELERATE

Build a customer acquisition engine that uses viral social marketing. Turn your directory into a community.

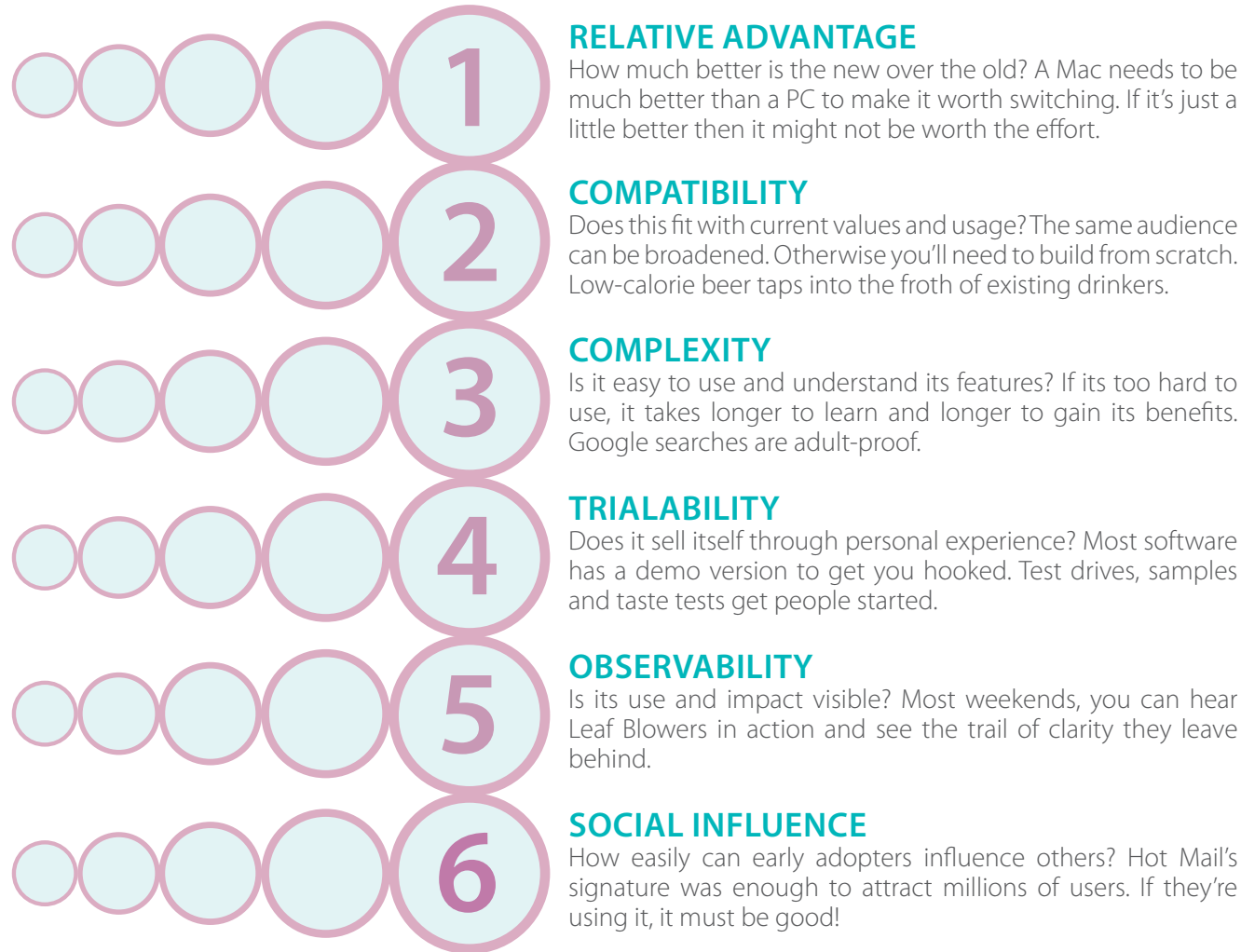
Identify the key connectors in your group and find ways to motivate, inspire and reward them.

The 1% of active uploaders that built Wikipedia can explode your numbers to critical mass.

To pursue hypergrowth, innovate through your customer acquisition costs.

# Viral Spread

**PROFIT:** How do populations adopt new products and technologies? Everett Rogers proposed five factors that shape customer adoption rates. A sixth factor, courtesy of the Bass Diffusion Curve has been added: **Social Influence**. For a viral spread of your product this could be the decisive factor.



## THE FACEBOOK VIRUS

**Relative Advantage :** Facebook started as an online version of a college yearbook. Searching and interacting sure beats lookin' at photos.

**Compatibility :** College students are major early adopters of web technology.

**Complexity :** Simply, sign in and search for your friends. Update, as you will.

**Trialability :** It's free! Is that the ultimate trialability offer?

**Observability :** When you're online you can see who else is online.

**Social Influence :** Let's hook up on Facebook so we can keep in touch. A friend of your's is a friend of mine.

# RAP4: Capitalize On Your Competencies

**PROFIT: Capitalize on your competencies by selling them to your competitors. Sound like heresy? It's working for Amazon, IBM, Salesforce and Google. Perhaps this radical rethink might for you too!**

## CONTENT TO COMPETENCE

Syndication is another form of sharing.

Newspapers syndicate cartoons, photographs and articles.

On the web, we syndicate in our blogs through cross-links, through RSS feeds and news aggregators like Digg.

Web 2.0 transforms the economics of knowledge. How work gets done has changed.

Networks aren't just for knowing people, they're for working together too.

For instance, Open Source software is created by a decentralized online army that has never met.

Their software is created with less money, in less time, with less faults, is more robust and it's user defined.

If you can't beat 'em, join 'em. IBM did.

Keeping your innovations in-house until they're finished is yesterday's solution to yesterday's problem. Too slow to be relevant.

Inventing and collaborating on the fly are the new norm. Beta versions are the finished product. Flickr updates its software daily.

What are the core competencies that make you great at what you do?

Sell these. Ally with your competitors and turn them into partners and customers. Syndicate your service as well as your content.

## CHANGE YOUR FOCUS

To morph from competitor to collaborator is more than a grease and oil change. It may require a whole new economic engine.

To fully grasp this opportunity you need to be willing to revisit your business and your industry with fresh eyes.

Refocus your attention on:

<b>Industry</b>	<b>Customer</b>
<b>Product</b>	<b>Service</b>
<b>Offline</b>	<b>Online</b>
<b>Local</b>	<b>Global</b>
<b>Small</b>	<b>Large</b>
<b>Inhouse</b>	<b>Outhouse</b>

## THREE STEPS TO SERVICE SYNDICATION

### MAXIMIZE

Maximize your connections by managing your relationships.

### OPEN

Open your ecosystem to explore and exploit opportunities.

### INTERACT

Interact and connect with other companies as well as your customers.

# Case Studies : Capitalize On Your Competencies

**PROFIT: Four Case Studies to show you how to Capitalize on your Competencies.**

## IBM

### From Local to Global

Would you rather dominate one pie or have a sliver in thousands of little pies?

IBM chose the latter. They decided to partner rather than compete with the Open Source movement.

In the conventional closed approach, software companies spend on average 70% of their costs on development, sales and marketing.

IBM's partnership offers cross-national marketing, certification and support through their virtual mentoring program.

This leaves the open source community to do what they do best: the programming. In particular, to develop regional features and services.

In effect, IBM are partnering with their competitors.

## SALESFORCE

### Software as Service

A strong plank of Web2.0 is to use the internet as a global platform for diving off. Cloud Computing at work.

Google's Gmail enables you to access your email from any computer.

It avoids different versions for Mac, PC, Linux and others. Just one universal web application.

And, it comes with a world wide web of distribution built-in.

Salesforce.com's CRM is software as service. They provide the co-ordinated components.

Independent developers tailor the application to meet user preferences. Users employ the service as they need it.

It's cash-flow friendly. And, no big licence fees up-front for a generic product.

It also taps into a new market of users with projects that don't justify the big IT spend.

## AMAZON

### Sell Your Expertise

It would be easy to think that Amazon is simply an online bookstore.

CEO Jeff Bezos didn't see it that way.

He saw Amazon as a set of capabilities for serving customers. An online sales system built on user engagement.

Even better he could see the value in giving away the store.

First he built zShops, providing virtual shelf space to online competitors.

Like EBay, he enabled them to sell their products through the Amazon system for a commission.

Amazon's Long Tail just got longer.

Next, Bezos created an affiliate program and a virtual super-sales force.

You make the sales and we'll reward you for your effort.

The key strategy: Give away something for free to build your overall business.

If you need those capabilities internally, chances are others do too.

## GOOGLE

### Competence Mashups

A mashup is a term derived from music. It's when two or more songs are combined to create a new song or dance track.

Web mashups stick different bits of content together in clever ways.

Rather than protect its content, Google allows mashups through web applications and APIs (Application Programming Interfaces).

HousingMaps.com marries rental data from Craigslist with Google Maps to visually show the available housing market.

Everyblock.com merges crime reports with Google Maps to show the spread of events in Chicago.

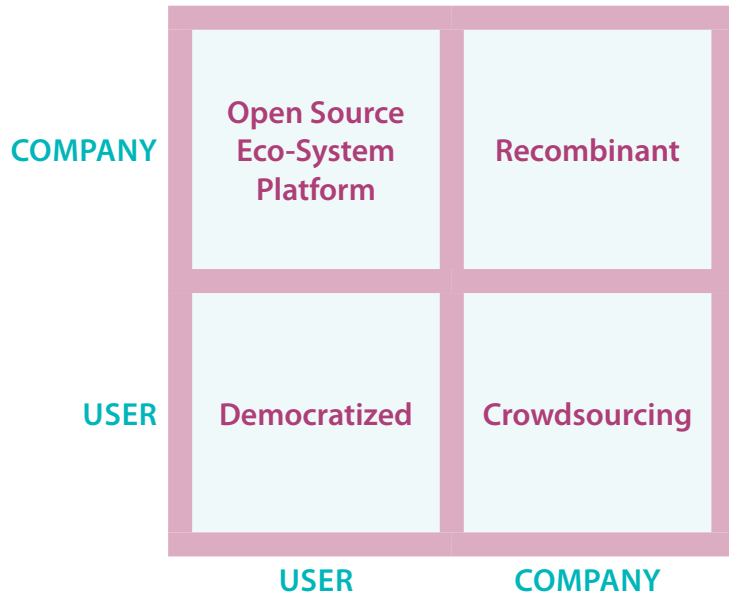
Infinite recipes of aggregated content, recombined into ever more useful information.

What's even better for Google, their maps go into hyper-distribution popping up everywhere. Talk about entrenching your brand as #1!

Your Intellectual Property is more valuable the more people use it.

# RAP5 : Combine New with Old

**PROFIT:** Web 2.0 has spurred 4 paths to collaborative innovation. It's not defined by the market, rather by your company's relationship to your users and other companies. Your big challenge: Can you change your cultural mindset from competition to collaboration?



## OPEN SOURCE, ECO-SYSTEM AND PLATFORM

The key to this approach is to provide the platform that allows innovations to flourish. Web2.0 is a natural plank from which to bounce your ideas.

Typically, Open Source projects are based upon the right to distribute the end product. Alternatively, leading companies orchestrate the platform. They become the keystone in the eco-system of partner companies and customers.

For instance, Intel made the shift from microprocessors to providing all-purpose mobile computing and communications platforms.

They were able to leverage a potentially ubiquitous product into an online distribution channel.

## DEMOCRATIZED

User led or democratized innovation relies on crowds of users.

Open source software projects are peer-to-peer innovation. They function as decentralized, self-organizing and self-regulating communities.

They use Web 2.0 technologies such as wikis, RSS, podcasting and social networks to facilitate and increase their interactions.

World wide web distribution of their end product is low cost, widespread and interactive.

## RECOMBINANT

Recombinant innovation combines technologies, processes, systems and business models from different companies in fresh ways.

The key is to build bridges rather than disrupt existing businesses.

Like Napster's attack on the music industry, Skype has struggled in its attempted to disrupt the phone companies.

A new player Jajah, copying Apple's 'partner with' approach, has now emerged. Their partnerships and revenue-sharing with local carriers combines the best of new VOIP technologies with the muscle of existing telephone companies.

## CROWDSOURCING

Crowd sourcing or crowd catching is a problem-solving or idea generating process. Typically, a company throws out a well-defined challenge to a selected group.

Canadian gold-miner Goldcorp created a competition. They provided the company data and invited the world's best geologists to find them some gold.

The result: Goldcorp mined 10 times more gold at 20% of the cost. The winners of the competition were paid handsomely for their efforts. Plus they secured new contracts by showcasing the effectiveness of their unique search approach.

# Case Study : The Apple iPod Tree

**Profit : Case Study of Collaborative Innovation. How many parts make up an iPod? That's a trick question because the Apple iPod demonstrates a complex eco-system approach to product development.**

Apple doesn't make the iPod. The whole thing is outsourced to their design. It's 451 components are created by hundreds of global manufacturers and assembled by another. **(eco-system)**

The software... Apple already had iTunes to play the songs they just needed the music to sell. Cleverly, they aligned with the major music industry players. **(recombine)** Even better, they convinced them to sell individual songs rather than complete albums. **(recombine)**

Apple then built an online store to sell these songs. **(platform)**

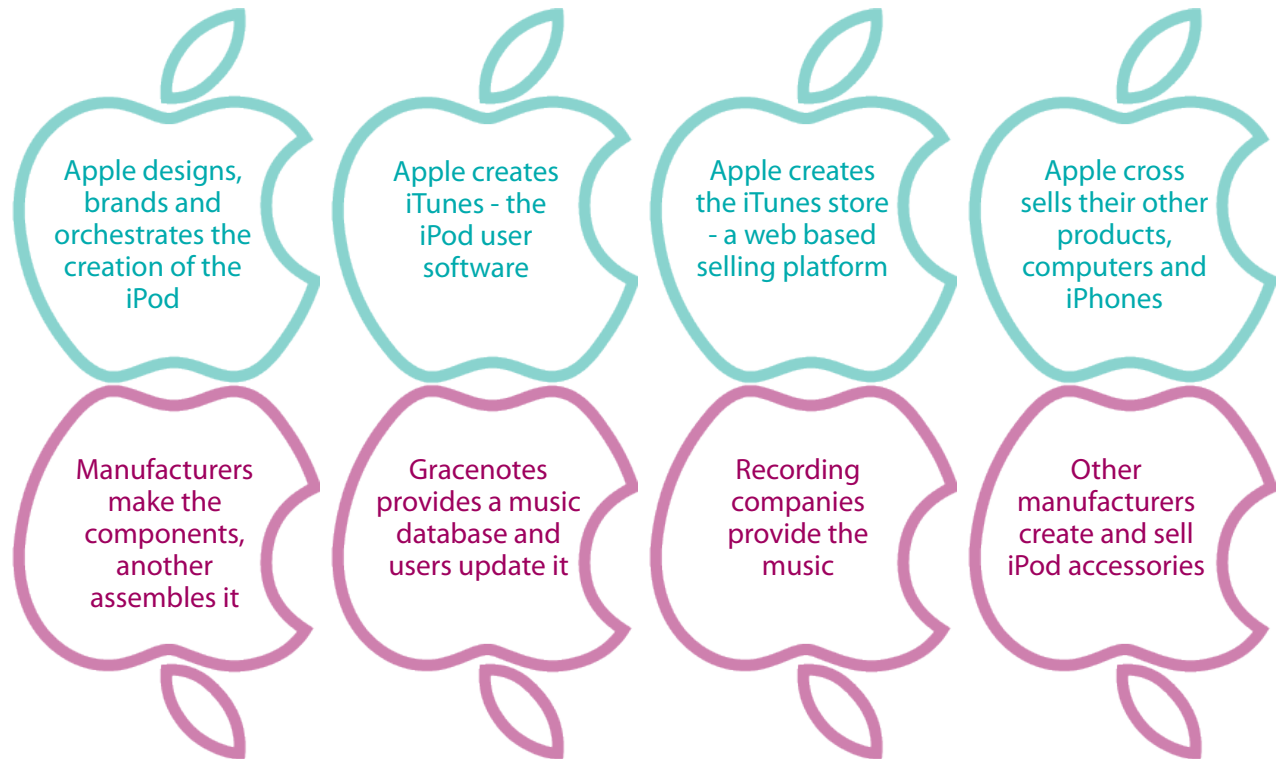
To create user value, they teamed up with Gracenotes. Their music database displays the artist's name, song title and album art on the iPod screen. Users can expand the database by adding their own songs. **(crowdsourcing)**

For Apple, this required no work, simply the decision to link with Gracenotes and connect via their software. For Gracenotes, they now have the most extensive music database on the planet.

The iPod was so successful it created a new market: accessories. A host of third parties now help you personalize your iPod making it even more desirable. **(eco-system)**

As a further spin-off, booming iPod sales drew users to Apple's core business, computers and later the iPhone. Naturally, they're all integrated. **(eco-system)**

So, how many parts make up an iPod? Apple is the creator, brand and orchestrator of a united eco-system. Their success is an example of the power of an n-sided network effect and they have the profits to prove it.



# BR Context: The Great Business Gestalt

At the turn of the last century industry had worked out how to make large flat panels of glass.

Up to this point in the history of architecture, small panels of glass meant small windows, punched into the facades of buildings.

Philip Johnson's Glass House (1949) is perhaps the most celebrated example of the new material in action. It is essentially a glass box with all four walls made of floor to ceiling windows.

Despite the jokes about the neighbours looking in, it represents a landmark in spatial perception.

**Previously, there was a clear division between 'inside' and 'out'. Now, at least visually, the two had merged.**

Web 2.0 offers a strikingly similar perceptual shift in the way we view business.

Traditionally, organizations were arranged with a number of clear divisions.

We were the company and they were the customer.

We created the products and they consumed them.

This was management, over there was sales; and in that other building was manufacturing.

It was even clear who our competitors were – they were the ones making similar products to us.

Now all that has changed. The Great Business Gestalt has arrived.



**Gestalt is a German word. It describes a pattern or organization that is so unified as a whole that its properties cannot be derived from a simple summation of its parts.**

Visual gestalts were prompted by Cubism and are best known as figure-ground reversals.

A famous example is the vase and the two faces. At times we can see the vase. Alternatively, we can flick our attention to seeing the faces. We can also see a third situation: the gestalt. Seeing both vase and faces simultaneously.

Amy Shuen offers us five principles of Web 2.0:

- 1 Users Create Value
- 2 Networks Multiply Effects
- 3 People Build Connections

- 4 Companies Capitalize Competence
- 5 New Recombines with Old

What's the common denominator of these five principles?

**They're all about sharing.**

- 1 Users create value by sharing content.
- 2 Network effects occur when people share the network.
- 3 Sharing IS how people connect.
- 4 Companies can only capitalize on their competencies when they share them.
- 5 And, we need to share the new and the old to recombine them.

**When we truly share something we are no longer talking about separate bits. We're talking about connections, relationships and how things work as a whole. That's a gestalt in action.**

This is the new way to look at your business. We need to be able to see the faces of our customers, our product vases and both of them simultaneously.

Consider these examples...

Millions of users told Facebook they didn't want the 'Beacon' advertising system. Facebook retreated. Who's in charge the company or the users?

The value of a social network, its social capital, lies in its members. The business is literally the customers. Facebook knew to retreat if they wanted to save their business.

**When we contribute to Web 2.0 sites we share information about who we are.**

- Google knows what you search.
- Amazon knows what you read.
- Flickr knows which photos interest you.
- Facebook knows what you look like, your areas of interest and who you like to hang out with.

Does the company own this information or should I?

**Customer and company have merged.**

# BR Context: The Great Business Gestalt, continued

**Business is also breaking down the illusion of competition.**

Instead of a head-to-head battle, IBM partnered with their biggest threat, the Open Source community. (P12)

Amazingly Amazon opened its selling system to other booksellers. (P12)

Jeff Bezos recognized the gestalt – there is no ‘us’ and ‘them’ only ways to build a bigger market for everyone.

Similarly, ‘The Apple iPod Tree’ (P14) shows the web of connection.

Like a good Steven King novel, it has so many twisting plots and intriguing characters it is best to view them as a single whole.

Google Mashups offers a further entanglement. (P12)

HousingMaps.com blatantly uses content from Google Maps and Craigslist.

In the good old days, this would have prompted a cease and desist letter from a reputable lawyer.

Today, it is looked upon as making good sense for all three parties.

**But wait, who owns the content? The old division of one person ‘owning’ and another ‘using’ has blurred too.**

At one level this entrenches the Google brand further into our lives.

**And, when it comes to branding, given it lives in the mind of the customer, it has always been a gestalt.**

When I ring to say you’ve got my phone bill wrong again, I’m not just talking to customer service. I’m talking to the company.

In my mind, they are the same thing.

**It is only your organizational mindset that separates them.**

Goldcorp’s crowdsourcing competition (P13) started from the viewpoint of exposing their Intellectual Property to anyone who was interested.

As a result, competition entrants were telling the company where to go... and dig for gold. Who was leading who?

Open source software is neither company or customer. Or is it both in a new guise? And where does it live?

There’s no physical headquarters, only a website address.

Marketing has changed too. Douglas Atkin’s *‘The Culting of Brand’* confirms the marketing gestalt. (See [Book Rapper’s Brand Worship](#))

First we survived ‘Mass Marketing’ where individuals were treated as a single group. Then we had ‘One-on-one Marketing’ where individuals were separated from their peers.

Now, we have ‘Community

Marketing’ with the best of both worlds.

**Individuals and groups are not separate things, just different parts of the same thing. That’s another gestalt!**

Product and service have also merged. It used to be clear; a product was something you could stick in a wheelbarrow.

**But, as soon as we went digital, these divisions dissolved.**

Is Google search a product or a service?

The edges are blurred further when your sales team is instructed not to sell products but solutions. Is a solution a service or a product?

Virtually every product now has service attached to it. Clearly it is both.

And, here’s the killer blow... The Great Business Gestalt says it’s time to think from the perspective of synchronization, integration, unification, co-ordination, collaboration and... “incorporation”.

**Yes, the very word that legally we use to describe a company means ‘gestalt’: an incorporated body. All-inclusive.**

Your business has become unified as a whole such that its properties cannot be derived from a simple summation of its parts.

It is time to start thinking and acting from this perspective. You’ll need to, if you want to succeed in the Web 2.0 era.



# Action : Your Web 2.0 Business Plan

**PROFIT : When Christopher Columbus found America instead of Asia, it was time to redraw the world map. Web 2.0 now requires you to rewrite your business plan. Avoid being shipwrecked on undiscovered reefs and surf the tidal wave of new opportunities. Your future success lives in your answers to these questions...**

## BUSINESS MODEL

*What is your business model?* This is your critical question.

Business models depend upon 'unit economics'.

There are two basic choices: the number of users or the number of units. Which matters more to you?

Then drill down into your personalized economic units. Google has income per-unique visitor, per-query, and per-click economics.

How are you measuring your success?

## TIMELINES & MILESTONES

Traditional 'get it right before launching' strategies are too slow to be effective.

Start building and refining today.

How do you launch new initiatives at warp speed?

What cultural changes do you need to accelerate your business mindset?

## COLLABORATIVE ANALYSIS

In a traditional business model there is no 'Collaborative Analysis'. In a Web2.0 business model it's central to what you're building.

How are you going to gather and shape Collective User Value?

How will you build Peer-to-Peer interaction and community?

How will you create Network Effects from your social networks?

What Eco-systems will you build and with whom?

Which competitors will become allies?

## MARKET ANALYSIS

What's happening in your industry right now?

Can you take first-mover advantage?

Create scenarios for how your industry might look in the next five/ten years.

## ADOPTION RATES

Timing is everything and reaching critical mass is vital. It can mean profit for you and it can lock-out competitors.

How long will it take customers to trial and adopt your product/service?

How can you shrink this time frame?

How can your users influence others to adopt your product/service?

How will you spark viral distribution?

## PRODUCT AND SERVICES

How will you incorporate user contributions into your product and services?

How will you encourage, incentivise and reward user contributions?

How can you tap into the Long Tail of niche products and services?

## MANAGEMENT/TEAM

Business fundamentals such as making a profit and generating sales remain the goal. How you achieve them has changed.

Does your team have what it takes to think and act differently?

Can you get your head around what is needed to flourish in the Web 2.0 era?

Who can you ask for help?

How can you start the Web 2.0 conversation in your organization?

## FINANCIALS

Consider these three distinctive Web 2.0 economics:

- 1 What is the lifetime value of a customer? Lifetime value = customer lifespan + revenue - acquisition cost.
- 2 What is the value of your community? What opportunities do they provide?
- 3 What is the value of your Eco-system?