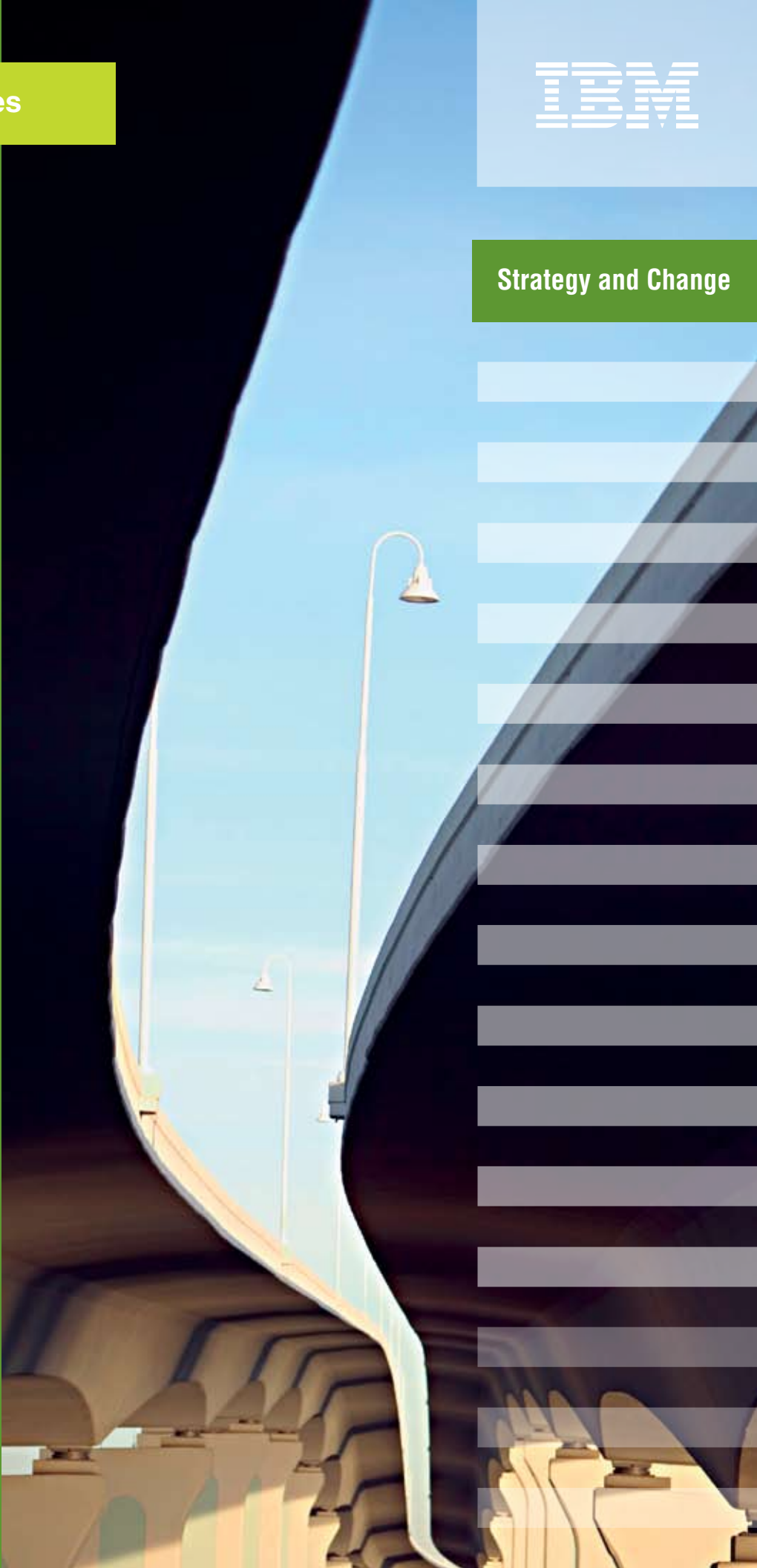


Value 2.0

Eight new rules for
creating and capturing
value from innovative
technologies

Strategy and Change



IBM Institute for Business Value

IBM Global Business Services, through the IBM Institute for Business Value, develops fact-based strategic insights for senior executives around critical public and private sector issues. This executive brief is based on an in-depth study by the Institute's research team. It is part of an ongoing commitment by IBM Global Business Services to provide analysis and viewpoints that help companies realize business value. You may contact the authors or send an e-mail to iibv@us.ibm.com for more information.



Value 2.0

Eight new rules for creating and capturing value from innovative technologies

By Matt Porta, Brian House, Lisa Buckley and Amy Blitz

We are at the beginning of an era of true transformational change. The full power of the Internet, globalization and innovative new technologies are coming together, and in doing so, are changing the rules of business, culture and society. The purpose of this paper is to help executives understand the new ways in which emerging technologies and principles are enabling value creation through what we call the “new rules of Value 2.0.”

Introduction

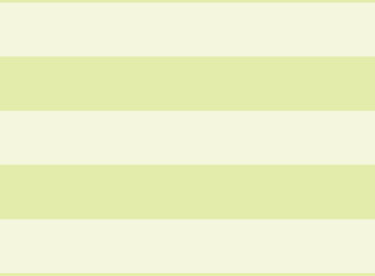
The enabling technologies behind Value 2.0 are the emerging technologies of Web 2.0, social computing, service oriented architecture, 3D Internet and virtual worlds. The focus of this paper is not on the new technologies *per se*, but on how businesses are using them to improve performance and enable new means of value creation: what we are calling here “Value 2.0.”

In particular, we wanted to discover if the new rules of value creation were applicable to large enterprises. To answer this question, we examined over 100 start-ups and 40 large enterprises to see how they were leveraging emerging technologies to create value. Using

publicly available information to assess these 140 companies, we first identified eight new rules of Value 2.0. We then polled over 500 business experts from among technology analysts, IBM business leaders and the venture capital community to gather their insights on how these emerging technologies will evolve and which aspects of Value 2.0 hold the most significant opportunities for large enterprises.

The value dilemma

Our research shows that while we are living in an era of vast opportunity for innovation and growth, executives are deeply worried about their organizations’ abilities to capitalize on this transformation and thrive.



Why are executives uneasy about entering such a rich era of innovation? They are worried that their current organizations and business models will not be able to adapt. A staggering two-thirds of the CEOs interviewed in the IBM 2006 Global CEO study stated that they needed to make fundamental changes to their businesses within the next two years.¹

Executives know the rules are changing. A company like Craigslist can create and run a site that serves 5 billion page views per

month and is one of the top 40 most visited sites in the world – all with only 24 employees.² Meanwhile, Apple (iTunes) has revolutionized the way consumers buy music and companies like it are also disrupting their industry value chains with innovative business models.

Few enterprises are escaping the impact of this vast cultural and economic force. Those who ignore it do so at their peril. Those who understand and act on this new insight will be positioned to capture real value.

Value 2.0

Eight new rules for creating and capturing value from innovative technologies

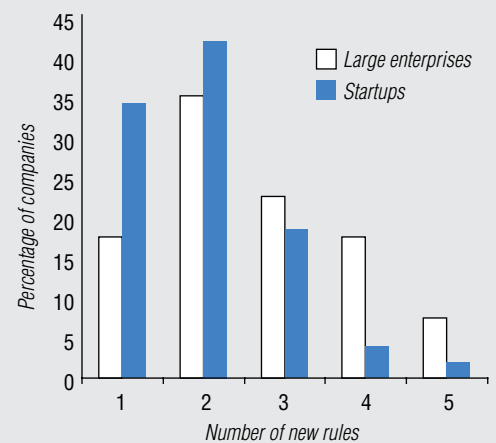
The new rules of Value 2.0

As a harbinger of this disruptive change in business, billions of dollars have flowed in recent years into start-ups that are focused on emerging technologies. These companies have leveraged emerging technologies to change the way companies and customers interact, and have developed new business models to support these changes. We asked, “Among these start-ups, do any of their business models or approaches to value creation apply to large enterprises?”

The answer is a definite “yes.” Our research on technology start-ups, and early adopter large enterprises led to the identification of the new rules of Value 2.0, which we then refined based on insights from technology analysts, IBM business leaders and the venture capital community. These rules illustrate unique ways in which emerging technologies are enabling new value creation in the enterprise and fall into three broad categories (see Figure 1).

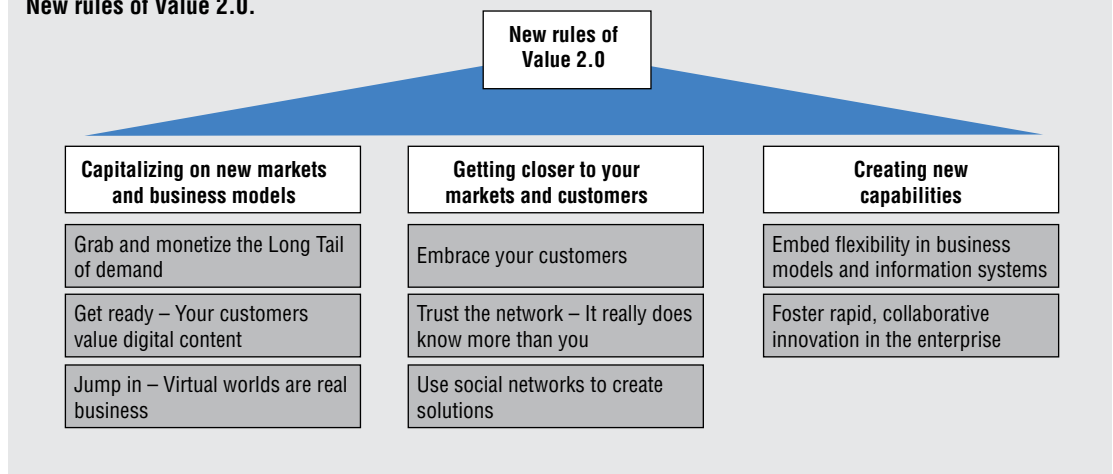
Of the start-ups and large enterprises we examined, innovative large enterprises tended to experiment with multiple new rules of Value 2.0, while technology start-ups tended to focus on one to two new rules (see Figure 2).

FIGURE 2.
Number of new rules exhibited by start-ups and large enterprises.



Source: IBM Institute for Business Value.
Note: Companies may exhibit more than one new rule; no company exhibited more than five new rules.

FIGURE 1.
New rules of Value 2.0.



Our study of the 140 companies in our sample showed that large enterprises focused primarily on Value 2.0 in the context of customer intimacy, solutions and social networking. Start-ups, on the other hand, leaned more toward exploiting long tail economics and meeting underserved market segments. Both groups, however, had a significant focus on value created by harnessing network intelligence (see Figure 3). These results were echoed by the responses to a separate poll of IBM business and technology leaders.

FIGURE 3.
Percentage of start-ups and large enterprises exhibiting particular new rules.



Source: IBM Institute for Business Value.
 Note: Sum of percentages is greater than 100% as companies may exhibit more than one new rule.

Capitalizing on new markets and business models

The first three new rules focus on expanding into new markets and creating new business models. In essence, they hold the potential to capitalize on emerging market opportunities, develop new revenue streams and grow market share. Now is the time for enterprises to enter these markets, adjust their business model as necessary, and secure first mover advantage.

RULE #1: Grab and monetize the long tail of demand

For many enterprises, the Pareto principle (or “80/20 rule”) is a fundamental business principle. Enterprises tend to focus on the roughly 20 percent of their customers or product mix that generates 80 percent of their revenue or profit. Enterprises have known for a long time that a very broad product selection is not cost effective – shelf space and inventory costs are too high. Therefore, marketing efforts are geared toward the critical 20 percent of their demand, versus other segments. This cycle is, of course, self-reinforcing. If you only offer limited products and services, people will only buy those. Value 2.0 challenges the 80/20 rule.

As Chris Anderson discussed in *The Long Tail*, new technologies have lowered both the cost of accessing customers, as well as the cost of offering a much wider selection of goods and services.³ Grabbing and monetizing the long tail of demand – beyond the core 20 percent – applies both to startups and large enterprises. For startups, a focus on the long tail of demand in their industries has already proven effective. Threadless, for example, enables its customers to design

The first three new rules are about capitalizing on emerging market opportunities and business models to develop new revenue streams and grow market share.

their own personalized T-shirts which are produced, marketed and sold in very small batches.⁴ Another startup, Saltworks.com, offers over 100 different retail gourmet salts at comparable prices – much more than the typical dozen or so salts from the best gourmet stores.⁵

Amazon demonstrates that large enterprises can generate real value using this kind of approach. For example, Amazon has been able to lower its search costs by leveraging social recommendation engines, as well as community marketing effects. The value created is substantial – nearly 57 percent of Amazon's book sales are titles that are not stocked in a typical "brick and mortar" store.⁶

This genie will not go back into the bottle – the enabling technologies behind Amazon's success are available to all enterprises, and indeed, are starting to change customer expectations and purchase behaviors across industries. Customers are increasingly uninterested in settling for a less than ideal product, service or solution. Enterprises that understand and act on this change stand more likely to reap the rewards of Value 2.0. Figure 3 shows that while less than one-third of large enterprises studied were experimenting with value creation based on this rule, nearly one-half of the startups we analyzed were doing so.

RULE #2: Get ready – Your customers value digital content

With the explosion of digital content in recent years, emerging technologies are now enabling new ways to create, share and consume all forms of digital content. This shift is causing dramatic changes in many estab-

lished business models and is opening up entirely new markets. Forward-thinking enterprises can take advantage of this by adjusting their business models and business design. However, this is not easy. In our research, only 23 percent of the large enterprises and 17 percent of the startups were attempting to create value based on this new rule.

The music industry is a poster child of this trend. Much has been written on how new technologies are breaking down the traditional bi-directional, pay-for-use industry business model. While this has been viewed as a threat by music industry incumbents, overall music consumption is actually growing. People are listening everywhere – in gyms, planes, parks, shopping malls. Additionally, music is being accessed across all types of devices, from mp3 players to phones to laptops. Consumers are finding value in the ubiquity and liquidity of their digital music, and therein lies the business opportunity...even as industry value is being visibly (and often painfully) redistributed to companies able to reconfigure their business elements and business models.

New business models are emerging. For example, Prince gave away his "Planet Earth" album to several hundred thousand British fans who purchased the *Mail on Sunday* newspaper.⁷ The band Radiohead released its recent album "In Rainbows" over the Web, with a "name your own price" model for fans (down to and including a price of US\$0).⁸ Both Prince and Radiohead are using these giveaways to stimulate demand and buzz, with the objective of generating substantial revenue through tours and limited-edition content sold at premium.

“There’s urgency in the industry to find new ways to monetize content... and the economics of the Internet facilitate this...because it allows for a leaner organization while letting fans dictate the process.”

– Peter Lauria, New York Post⁹

And this new rule does not just apply to the entertainment industry. Digitization is expanding across diverse industries. For example, motorcycle fans can download ring tones of their bike accelerating. They can also buy professional promotional videos of their bikes. And they can create and share their own videos with other enthusiasts, or even buy a virtual bike in Second Life. Although many companies do not yet realize it, these digital product extensions can be very valuable. In some cases, they can be worth more than the physical product.¹⁰

While this trend does not currently apply equally to every industry, within many markets it is a real and significant opportunity for innovative enterprises. The race is now on for enterprises to develop their innovative capacities and organizational abilities, to change their business models, and to capture Value 2.0 generated by ubiquitous digital content.

RULE #3: Jump in – Virtual worlds are real business

Virtual worlds and other three-dimensional (3D) online environments were born in the massively-multiplayer online game (MMOG) arena. However, they have quickly evolved to become one of the hottest areas of Value 2.0,

representing a new frontier of opportunity. It is estimated that investors have put over US\$1 billion into virtual worlds since October 2006.¹¹

It has been fairly easy for large enterprises to enter this space and explore value creation. Our analysis showed nearly 30 percent of sampled large enterprises were leveraging virtual worlds, compared to only 4 percent of the analyzed startups. Virtual worlds have a variety of potential applications and exciting business opportunities for large enterprises. These applications are enabling Value 2.0 in three broad areas:

- **Creating new markets for virtual products and services** – The visual, social and entertainment aspects of virtual worlds have created an entirely new market for virtual goods and services paid for in real-world dollars. These include clothing for user avatars, virtual houses, cars and more, with total spending on virtual goods estimated at more than US\$1.5 billion per year.¹² The popularity of virtual worlds has also enabled some companies to sell virtual products that complement or enhance real-world products, making their overall brand experience “longer and stronger” with customers (for example, Mattel’s Barbie).
- **Opening a richer direct channel to customers** – Virtual worlds such as Second Life represent a new channel to customers and provide new opportunities to advertise and market real world products/services. The interactivity and social aspects of this medium provide extra value in customer interaction, above that of a simple Web page or B2C/B2B site. This direct channel to customers is more akin to what channel partners and retailers have traditionally offered in the real world, further disrupting the value chain.

The second set of new rules emphasizes creation of value by getting closer to customers and markets, obtaining useful insight from the social Internet and developing a community experience around customer solutions.

- **Enhancing collaboration and communication** – As MIT Professor Irving Wladawsky-Berger stated at a recent conference, “Meetings and learning and training may very well be the ‘killer app’ for virtual worlds.”¹³ Enterprises are becoming increasingly more distributed across geographies. Their knowledge ecosystem is becoming fragmented across employees, partners and customers. To thrive in this hyper-distributed world, an enterprise needs to help ensure that its employees connect and collaborate. Face-to-face meetings are expensive and time consuming, yet conference calls lose much in the way of the social capital created through personal interactions.

Telepresence is one way to bridge this gap. Telepresence refers to a set of emerging technologies that help connect people by allowing them to feel that they are physically present at another location.¹⁴ For example, IBM is currently holding new employee training sessions in Second Life in order to allow employees regardless of geography to “meet” in a virtual world. The goal is to offer a richer experience than a conference call.

Simultaneously, advances in video streaming are another set of technologies being used to support virtual collaboration. Since 3D worlds and video streaming are both converging in this space, many experts see a combination of both video and 3D Internet technologies providing the best platform for virtual communication and collaboration via telepresence.

Getting closer to markets and customers

The next set of rules illustrates how large enterprises can create new value with emerging technologies by becoming more intimate with customers, gaining better information and insight from the social Internet, and forming community experience around customer solutions.

RULE #4: Trust the network – it really does know more than you

The Internet offers deep, broad, and widely accessible information worldwide. And businesses are learning to tap this information source in new ways. Of the large enterprises we studied, 50 percent were addressing value creation by tapping into network intelligence, compared to nearly 47 percent of startups.

If Web 1.0 was about putting basic product information on the Internet, Web 2.0 is about a rich commentary on all things by almost everyone, including consumers, experts, trendsetters, the average person on the street and the not-so-average.

Mining this information for business intelligence and insight is just beginning. Emerging Web analytics technologies are making it possible to obtain much more valuable insights from the social Internet and the rich, heterogeneous data resulting from online social networks. Large enterprises not only need to recognize that this intelligence exists, often outside their current knowledge sources. But they must also have the right mindset, processes and tools in order to tap into, accept, and act upon the collective wisdom of the masses.

There are many valid privacy concerns that will need to be addressed as this area matures. But the new, more socially interactive Internet is a tremendously valuable source of information on customers, markets, competitors and other key concerns for a business. Enterprises that move quickly here may well be rewarded with superior insights on sales and market trends, new product ideas, competitive intelligence and operational issues.

RULE #5: Embrace customers

Staying close to customers has been a business battle cry throughout the ages. Leading organizations have historically sought customer input in every stage of the lifecycle – from design to marketing to distribution and sales, to after sales support. The traditional ways to engage customers – via focus groups, surveys and industry experts – are expensive and limited. Today’s emerging technologies enable a new level of customer intimacy by changing the way enterprises connect and build customer relationships. Enterprises can move from *knowing* the customer to truly *embracing* the customer. This is another rule of value creation that is getting substantial attention, both in large enterprises and startups. Our analysis found 55 percent of large enterprises and 45 percent of startups creating Value 2.0 by embracing customers.

First, emerging technologies enable greater customer intimacy by increasing the ease of access to customers and lowering the relationship barrier. Customers are already online and many are already discussing and commenting on every aspect of products and services. Enterprises that encourage free-form discussion around their products and services can start building a rich community of participa-

tion. Value 2.0 is then created, as enterprises leverage this participation from customers to gain realtime input.

A second way emerging technologies enable new value through customer intimacy is via “crowdsourcing” and “crowdsupport.” These terms refer to enlisting customers to directly help an enterprise in every aspect of the lifecycle of a product or service. For example, in the consumer world of Web 2.0, an organization like Wikipedia and virtual worlds have been able to leverage the small group of users willing to give their time and energy to create content for the larger community to use. This same principle applies to crowdsourcing and crowdsupport. A large enterprise can enlist its small group of highly dedicated users to help improve the overall quality of its products and services for all; often these users will do this for free. For example, Nintendo has had great success with a program, described in detail later, which engages its dedicated users in all aspect of its business from design to customer support.¹⁵ Its success indicates that large enterprises can benefit from this approach as well as the start-up or pure-play Internet company.

As emerging technologies make it easier to connect with customers, it becomes easier for enterprises to find and encourage those small groups of highly dedicated users who are willing to help other users get the most out of these sites, advocate the brand, spread the word and contribute content to make the product/service/solution even more valuable.

The result of embracing the willingness of some customers to directly support a business is Value 2.0, through: better product/service/

The third set of new rules is about the value the enterprise can gain by building new capabilities that are enabled by emerging technologies.

solution quality, a better brand experience and lowered costs to serve new customers with a richer interface. It is expected to remain a win-win relationship for both an enterprise and its customers.

RULE #6: Use social networks to create solutions

Selling business solutions instead of products or services alone is an established strategy of many large enterprises. Solutions require better integration across business partners to meet client needs. Innovative technologies like Web 2.0 have opened up an entirely new dimension to integrate an ecosystem. That is why creating ecosystem solutions through social networks is a new rule of Value 2.0.

Apple's iPod ecosystem is the foremost example of this socially-driven, Web-based solution. In creating iTunes, Apple integrated content, devices and community into a business model. Combining the entire music ecosystem around one solution gave Apple a true competitive advantage, and helped it secure 70 percent of the PC-based digital music market.¹⁶

Social networks, enabled by innovative technologies, are critical components for creating these Web-based solutions. As rule #5 shows, online social networks empower loyal brand advocates to enrich the user community. More specifically, social networks can drive value in these key areas:

- Building loyalty, trust and camaraderie in an increasingly mobile and global marketplace
- Fostering innovative discussion and support among online communities with committed participants, expert users and early adopters

- Creating advocates for the company in the increasingly transparent world of the social Web, where information and misinformation disperse instantaneously.

With global competitive pressures increasing, large enterprises are taking this rule of Value 2.0 to heart. Our research showed 55 percent of large enterprises and 37 percent of startups exploring Value 2.0 through social networks and corresponding solution ecosystems.

Creating new capabilities

This next set of new rules focuses on Value 2.0 enabled by emerging technologies inside the enterprise to build capability. Flexibility of business models and systems is becoming a critical aspect of creating value in today's marketplace, especially as disruptive forces incapacitate existing enterprise models. Fostering rapid, collaborative innovation is another key theme to staying competitive in today's marketplace.

RULE #7: Embed flexibility in business models and information systems

Traditional business models, processes and information systems have been built to be as efficient and effective as possible, but the ability to quickly adapt has not traditionally been a top requirement. Not surprisingly, this new rule applies mostly to large enterprises, as startups tend to be more flexible and adaptable by nature. Of companies studied, 45 percent of large enterprises were exploring Value 2.0 opportunities to improve flexibility, compared to only 2 percent of startups.

Business leaders understand that this must change. All aspect of the enterprise should be designed not only to optimally perform the task at hand, but also to enable rapid change to drive superior performance. Enterprises

poised to capture Value 2.0 embrace this fundamental need for flexibility and are building this capability across their enterprises, including:

- Rethinking overall business design, taking a modular/component view of the enterprise that structurally is a more flexible model
- Making hard decisions about which activities belong inside or outside the enterprise, based on a deeper understanding of which components are truly a source of competitive advantage
- Adopting a service oriented technology architecture that translates the business component model into IT services that support superior business performance today and greater IT flexibility tomorrow – all at a lower cost.

These approaches to flexibility can reduce the internal cost of quickly adjusting to market forces and enable the enterprise to succeed in an era of accelerated change.

RULE #8: Foster rapid, collaborative innovation in the enterprise

In the Value 2.0 environment, new ways to collaborate and share knowledge, joined with greater transparency, are creating new forms of collaborative partnerships while lowering the cost of innovating across enterprise silos.

Collaborative tools and social networking technologies are already providing higher levels of transparency and collaboration among organizations and their partners, customers and employees. At the same time, cost hurdles for

innovation have been lowered. Innovation can now be fostered and developed anywhere in the enterprise. Enterprises no longer require centralized research departments to be the sole contributors to the innovation pipeline. Social networking technologies and other collaborative tools enable more functions within the enterprise to drive innovation at a grassroots level.

Most importantly, enterprises are starting to recognize that speed is often more important than perfection when it comes to innovation. “Failing fast and failing cheap” or “launch and adapt” are strategies that echo the Web 2.0 paradigm of the “perpetual beta.”¹⁷ In this respect, large enterprises need to shift their thinking and learn a great deal from multiple inexpensive, rapid failures, rather than learning a little from a single launch event.

Finally, new metrics must also be developed to understand Value 2.0. Return on investment (ROI) is useful to a certain degree, but it often does not capture opportunity costs of missed innovation, network effects or value from communities. Restrictive metrics, along with restrictive control of ideation and incubation can stifle innovation as well. Management systems need to adapt to create Value 2.0 through a “grassroots,” collaborative innovation approach. This evolution is underway, but creating a new innovation mindset across the marketplace takes time. Among companies surveyed, only 5 percent of large enterprises and 1 percent of startups were focusing on Value 2.0 in this respect.

Large enterprises are reaping benefits from using the eight new rules – alone or in combination – in terms of greater market share and customer intimacy.

The new rules in practice – Large enterprises enlist Value 2.0

The examples below illustrate the impact that the new rules, used alone or in combination, can have on the performance of large enterprises. These organizations let networks do the work of creating, disseminating and amplifying knowledge. They reap benefits in terms of greater market share and customer intimacy. These Value 2.0-enabled enterprises are rapidly launching products and services that have been suggested, tested and co-created by communities. They are better able to change business models quickly and apply niche marketing tactics, for example, without alienating their core customer bases. Their communities can guide them about which offerings to grow, which to maintain, and which to exit gracefully.

Embracing customers helps Nintendo regain market share

Creating and capturing Value 2.0 is not an isolated event or a “quick win.” Value 2.0 is created as a result of deliberate, thoughtful strategy about far-reaching business issues, taking into account new rules of value creation and the technologies that can enable them. Nintendo has recaptured a market leadership position in game consoles thanks to several factors: embracing customers more closely than competitors; reaching new customer segments with insight from these close relationships; and enabling a vibrant customer community.

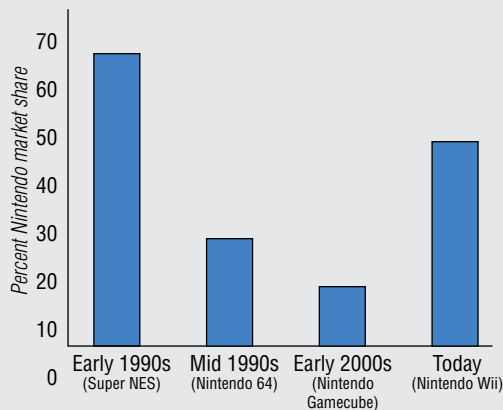
After the early 1990s, when Nintendo held a strong leadership position and a market share of 68 percent, competition greatly intensified.

By the mid-2000s, it faced serious challenges as its worldwide share of video game consoles dropped from 61 percent during the days of 16-bit game consoles to just 22 percent as the new 128-bit game systems were taking hold of the marketplace.¹⁸ These new 128-bit game consoles were launched by Nintendo’s competitors and, because of their technical superiority, were appealing to traditional hardcore gamers (18-26 year-old males).

The company’s challenge was to attract new customers without alienating hardcore gamers. To help with this, Nintendo launched a community platform on the Web, offering incentives in exchange for product registration, feedback and profile information. Information captured this way provided critical customer insights that led to a loyalty program with a status aspect. “Sages” are an elite group of experienced gamers, handpicked by Nintendo staff based on the value and frequency of their community posting. In return for leading forums and helping new users, they have access to exclusive game previews and other one-of-a-kind benefits.

By embracing customers through a Web-based community with crowdsourced “Sage” support, Nintendo was able to reconnect with older, casual male gamers, as well as women – two atypical segments for console game devices. Nintendo, through its understanding of customers, provided users with intuitive game controls in the Wii system, as well as an online game library full of “nostalgic” game content – especially appealing to non-traditional customer segments.

FIGURE 4.
Nintendo regains market share.



Note: Based on worldwide game console shipments.
 Source: VGChartz.com, "Worldwide Hardware Shipments", October 2007, and Nintendo Co., Ltd.

Today, with 42 percent market share (see Figure 4), Nintendo has recaptured the lead over its competitors for the latest generation of game consoles.¹⁹ By embracing customers and bringing brand advocates – Sages – inside enterprise boundaries to provide key customer support and product feedback (in return for status, rewards and recognition), it created and captured Value 2.0.^{20, 21}

IBM changes its culture... and helps others do likewise

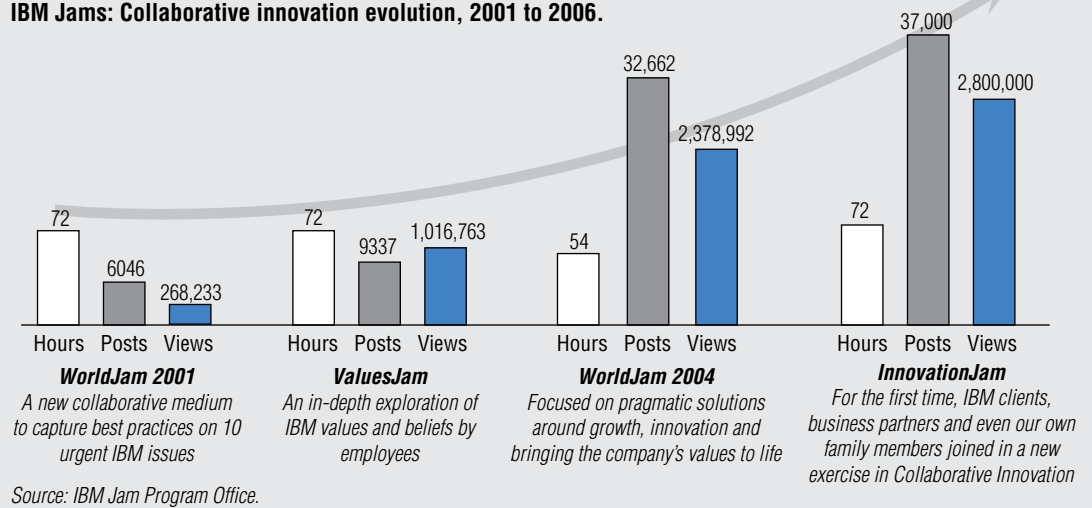
In 2001, IBM faced serious hurdles in engaging over 300,000 employees worldwide to drive the kind of change needed to maintain its market leadership. To meet the challenge, it created "WorldJam," the first of a series of massive, online discussions using the Internet to support conversations among tens of

thousands, hundreds of thousands and even millions of people. WorldJam was the initial experiment to prove the power and ability of the IBM intranet to connect and tap into its workforce. Over 50,000 employees participated and as a result of this success, IBM realized that there were broader applications.

Subsequent jams held over the next five years tackled big issues: company values; pragmatic solutions for growth and, most recently, new market opportunities based on IBM R&D capabilities. Jams have become part of IBM's management system, used as a collaborative management tool with a distinct business purpose, clearly understood objectives and desired outcomes. Participation in these events increased six-fold between 2001 and 2006 (see Figure 5).

News of these events resulted in requests for IBM to help other organizations set up their own jams, including the World Urban Forum for the United Nations' Habitat for Humanity office and the Canadian Government, and an industry association, the Original Equipment Suppliers Association, based in the United States. Frequent impetus for these Jams includes the need to drive change in culture, values or strategy. For example, global telecommunications equipment provider Nokia Siemens Networks held a jam to create new values after the merger of two large and culturally different companies. In addition, global consumer electronics manufacturer Nokia developed ideas to realize the company's new strategy, with its new values from the jam as a framework.

FIGURE 5.
IBM Jams: Collaborative innovation evolution, 2001 to 2006.



Initially a tool for social dialogue focused on cultural change, jams have expanded to become an enabler of Value 2.0 by harnessing the power of grassroots, collaborative innovation. They serve as one example of many in which Value 2.0 is created and multiplied through enterprises as disjointed, dispersed employees are connected to share knowledge, collaborate and drive innovation.

Creating Value 2.0: A critical proficiency for large enterprises

Questions to consider

Capitalizing on new markets and business models

- What are the underserved segments in your marketplace? What have been the traditional barriers to serving them – cost, impact on existing customer segments or channel partners?

- Where is the “tipping point” of social software and emerging technology adoption among your current customer segments? What does that tell you about your current marketing strategy?
- In what ways can you harness the liquidity and ubiquity of digital content in your marketplace? Which customer and partner segments are your earliest indicators of this impact?
- What are the most information-intensive elements in your value chain? How is digitization impacting those elements? Can your business model handle those changes?
- With virtual worlds, how can 3D visualization plus multi-user socialization enhance your products, services, brand image or even internal capabilities (such as training and learning)?
- How can a virtual experience become a brand enhancer for your enterprise?

Several important questions can help guide enterprises to deal successfully with the confluence of three major trends – changing consumer preferences, intensified globalization of competition and the proliferation of social technologies.

Getting closer to markets and customers

- What organizational barriers prevent you from inviting your customers inside your organization?
- What is your enterprise's ability to gather and extract value from the unstructured social interaction and heterogeneous data among you, your customers and partners, as well as among customer segments?
- How do you build and offer a rich experience or community around your products and services? In what ways can you stand out from the clutter of "me too" communities and truly offer your customers something of value?

Creating new capabilities

- What is your company's "permission to innovate?" Are your non-R&D employees given explicit time or permission to focus on innovation and ideation? How do your management systems encourage innovative contributions outside of normal productive work?
- How socially connected are your employees? Compare that with the geographic distribution and isolation of your remote workforce.

- What social connections do you encourage outside of purely professional interaction?
- Which passions, interests and expertise areas of your employees go unharnessed? What if they could pour those passions and energies into communities focused on product development, sales and marketing, service delivery or innovation?

Value 2.0, when harnessed effectively, can be a significant source of advantage for large enterprises. Indeed, in the coming years, we anticipate that a Value 2.0 approach will evolve from being a "nice to have" initiative to being a critical capability for global corporations. The confluence of three factors – changing consumer preferences driven by the millennial generation, intensified globalization of competition, and the proliferation of fast-evolving social technologies that connect people and ideas – is what we believe will make Value 2.0 proficiency critical for global corporations in all industries. Value 2.0 will take hold at different paces in different industries, but make no mistake about it – employees, customers, partners and competitors are changing how they interact with each other. Innovative, emerging technologies are becoming the key enablers for large companies to deal with these disruptions and remain competitive.

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