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**Compare and Contrast the Two :**  
**Digital Capital and the Cluetrain Manifesto**

Presentation at  
 123 forum on Dec. 21, 2000  
 By  
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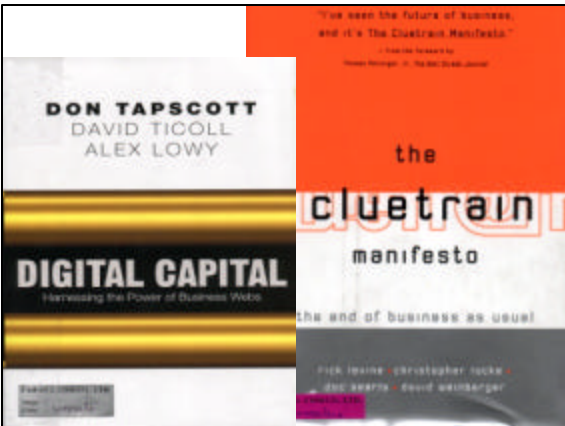
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## The Two are seemingly alike – talking about New Economy .

- **Digital Capital** shows you how to harness the power of the Internet by defining the business model for your company's survival in today's economy...by John Chambers, President and CEO of Cisco
- “ I've seen the future of business, and it's **The Cluetrain Manifesto**” – from the foreword by Thomas Petzinger, Jr. The Wall Street Journal.

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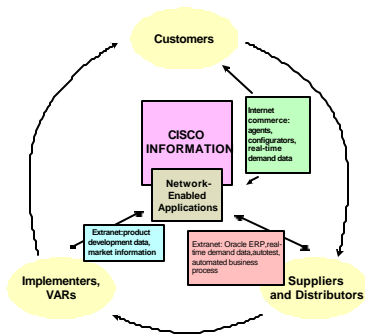
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Figure 4-2: Cisco's Enabling Applications




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## But with two different origins.

- **Digital Capital** : draws on the insights from a multi-million-dollar research project to examine 170 b-webs... conducted in 1994 by Alliance for Convergence Technology now called the Digital 4 Sight [p. xi]
- **The Cluetrain Manifesto** : is the result of literally thousands of [email] conversation...[p185]... The idea is fundamentally human... aesthetics... that human conversation is the true language of commerce ... [p. iii]

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Any Hypothesis : ‘Why Web Succeed’

**Digital Capital** [p7]

- Coase [1937] Law - Why do firms exist ?
  1. Search Costs,
  2. Contracting Costs &
  3. Coordination Costs.
- Web systematically helps to reduce these costs and needs to be vertically integrated.

**Cluetrain Man**, [p145]

- Web succeeded where internet failed because it non-systematically hyperlinks document and context pages.
- To communicate freely in sophisticated ways at your own pace is the most powerful drug.

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**Both agrees on Networking Effects, but...**

- Digital Capital [p.124] and Cluetrain Man. [p.83] agree that **Metcalfe’s law** : ‘the value of a network increases exponentially with the number of users.
- But the Cluetrain adds its **corollary** : ‘the level of knowledge on a network increases as the square of the number of users times the volume of conversation.
- I might add Metcalfe’s law is a law of physics, while the Cluetrain corollary is a law of anthropology.
- Is “Let’s Talk” equivalent to “Let’s networking” ?

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www.actnet.com - Corp. Sale Brochure alike- ‘Digital Capital’



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www.cluetrain.com: Let's Talk...+95 theses...



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### ClueTrain Man. : Now Hear This

The Future Business will be about [p. 17]

- about subtle differences, not wholesale conformity;
- about diversity, not homogeneity ;
- about breaking rules, not enforcing them ;
- about doing it first, not doing it 'right' ;
- about building community and knowledge ecologies, not leveraging demographic sectors.

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### Digital Capital : Had you heard...

To succeed in digital economy, everyone must embrace a new b-web strategy agenda [p.ix] :

- To turn your knowledge into structural capital,
- To accumulate digital capital, the knowledge- and relationship-based currency of the new economy,
- To create value propositions for customers,
- To leverage on the networkings of collaborating communities [e.g. outsourcing, virtual corp, keiretsu..

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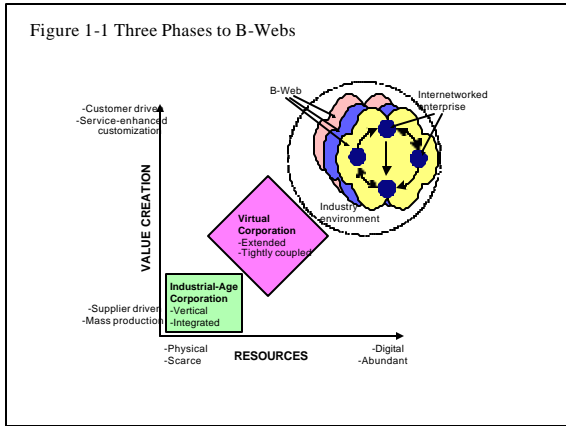
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Figure 1-1 Three Phases to B-Webs




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Digital Capital Table 1-1 Nine Features of a B-Web (1)

Feature	Description
Internet infrastructure	B-webs use the internet as their primary infrastructure for business communications and transaction .
Value proposition innovation	A b-web delivers a unique,new value proposition that renders the old way of doing things obsolete.
Multienterprise capability machine	A b-web marshals the contributions of many participating enterprises .B-web leaders rely on partners to maximize return on invested capital.
Five classes of participants	A typical b-web structure includes five types-or "classes"-of value contributors : Customers,who not only receive but also contribute value to b-web. Context providers,the interface between the customer and the b-web.A context provider leads the choreography,value realization,and rule-making activities of the system.

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Digital Capital Table 1-1 Nine Features of a B-Web (2)

Five classes of participants	Content providers design,make,and deliver the "intrinsic" forms of value-goods,services,or information-that satisfy customer needs . Commerce services providers enable the flow of business,including transactions and financial management,security and privacy,and regulatory services. Infrastructure providers deliver communications and computing,electronic and physical records,roads,buildings,offices,and the likes.
Coopetition	B-web participants cooperate and compete with one another.
Customer-centricity	Rather than making,then selling,b-webs focus on customer value.They build mutual relationships and respond to individual customers at the point of need .
Context reigns	The context provider manages customer relationships and choreographs the value-creating activities of the entire system.Such b-web leaders get the captain's share of the spoils .

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Digital Capital Table 1-1 Nine Features of a B-Web (3)

Rules and standards	Key participants know and adhere to the b-web's rules of engagement.
Bathed in knowledge	B-web participants exchange a variety of data, information, and knowledge.

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Two Intriguing Concepts : Science vs Human

**Digital Capital**

Five Types of eBusiness :

- (1) Agro = Market,
- (2) Aggregation,
- (3) Alliance,
- (4) Value Chain and
- (5) Distributive Network

Three Types of Digital Asset

- (1) Human Capital,
- (2) Customer Capital and
- (3) Structural Capital

**The Cluetrain Man**

- Markets are conversation.
- Structure of conversation is always hyperlinked and is never hierarchical.
- A business has a voice – power, funny, passion, cold, honesty, ...
- Web is a voiced world.
- Email enables us to construct our voices or power at our leisure time.

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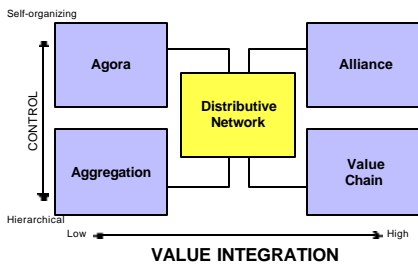
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Figure 1-2: The B-Web Typology




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Two Unseemingly Divergent Views on Marketing

Digital Capital

- Kotler 4 Ps is dead. (p72, 1904)
- Product-centric is obsolete. Customer-centric is about lifestyles, relationship and 1:1 business.
- Price is always wrong. Now is mutual price discovery.
- Place turns to convenient market-space/face.
- Promotion is now two way communication.
- Relational Capital DB p192

The Cluetrain Man

- Ad. is premature burial.
- Public Relation is B.S. : No Demand for 'Message'
- PR = Private Relationship : Big Demand for Conversation
- We live in stories and breathe stories--Start/finish.
- Life is free, anti-formulaic.
- Business is to listen, to re-learn and to heart-felt converse to your customer.

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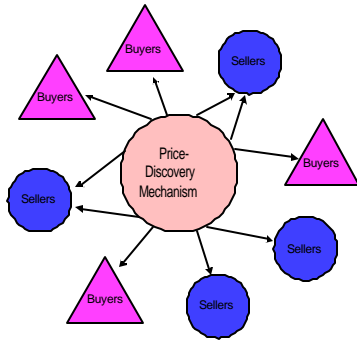
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Figure 1-3 :Agora




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Digital Capital: 1) Agoras = Central Exchange

- The core value proposition is 'liquidity' by creating, managing, and regulating the mechanism for price setting and goods allocation.
- Agora agent earns broker fees from pure transaction.
- eBusiness model like eBay enjoys zero inventory costs, zero marketing costs, zero distribution costs...
- Various Digital Business Model [pp. 56-63] : B2B, B2C, G2B, G2C, ...
- Key success factors [p. 64] : improve price discovery mechanism, build critical mass, flexible software encoding, use an audit trail, etc.

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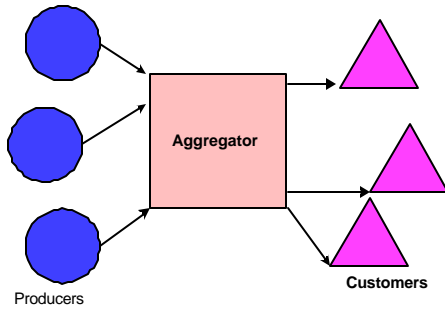
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Figure 1-4: Aggregation



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### Digital Capital: (2) Aggregations

- Six Value Propositions : Selection, Organization, Price, Convenience, matching and fulfillment.
- There are three categories of goods : [p.76]
  - 1) tangible, physical products:  $MC = MR + \text{Markup}$
  - 2) information goods : Distribution Cost = Zero
  - 3) industry directories – eMail, News Letters...
- Structural Capital : CRM, ERP, ORM, etc.
- Key Success Factors [p. 90]: Value Proposition managed by own Customer, Info. Agg., Organize Content, Extract Value from Community, ...

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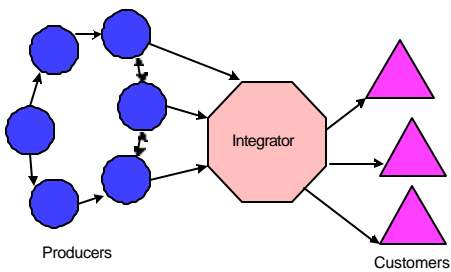
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Figure 1-5 : Value Chain



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### Digital Capital: (3) Value Chain

- Demand-driven Value Chain innovators increasingly delegates physical production and non-core functions to ePartners around the world .
- Crisis of Industrial Age Value Chains is caused by command-control management as supply -driven.
- Cisco = Business of 'Computer Network network' leveraging on Cisco Connection Online.
- Key Success Factors : provide service-enhanced custom solutions, connect with every customer, focus on what counts, develop expertise with relationship management

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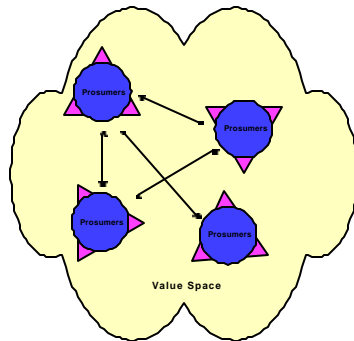
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Figure 1-6 :Alliance



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### Digital Capital: (4) Alliance

- If a Value Chain is like a marching band, an Alliance is like a jazz ensemble. [p.121]
- Alliance is all about network effect driving demand side economies of scale. [p125]
- Linux Community :Technology of social relations
- Four Types of Alliance : 1) Social Alliances, 2) Discussion Alliances, 3) Help Alliances and 4) Design Collaborative Alliances.
- Key Success Factors : absence of hierarchical management, self-interest compatibility, award stature, keep interactions, share info. Openly ...

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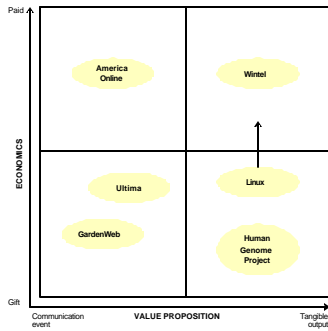
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Figure 5-2 : Alliance Design Options




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### Digital Capital: (5) Distributive Networks

- Value Chain and Alliance add value by converting raw material or ideas into finished goods. [p.145]
- A Distributive Networks uses mediating tech. to facilitate exchange across time and space.
- Enron – Power business will be slice, diced and globalized by focusing on resale, distribution and customer service from anyone to everyone.
- Two Distributive Network effects : Size and Regulation [p.150] to Two Arbitrage : Allocative and information arbitrage [p. 151].
- Key Success Factors : Enabled b-webs, cutting customer into arbitrage deals, max. points of presence, beware the asset-based mind-set and think b-webs...[p.164]

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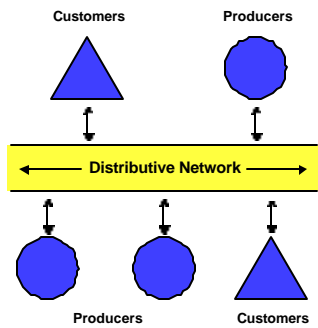
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Figure 1-7 :Distributive Network




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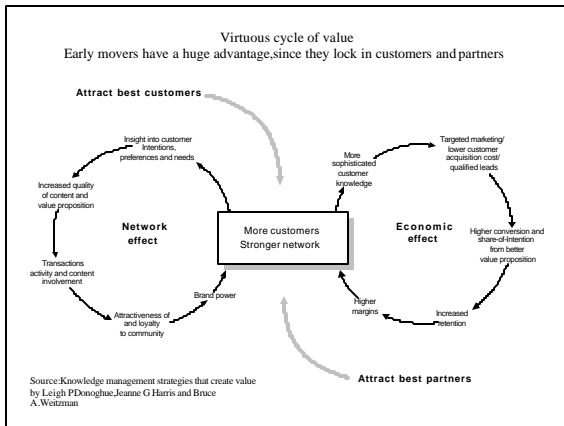
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Data, Info., News and Knowledge : Two of the kinds

**Digital Capital**      **Cluetrain Man** [p.143]

- Information is product of computer.
- Before info., we need to collect data into DB: field, records, ...
- Info. is built to be managed in order to yield knowledge...
- Human become #.
- Not so long ago, info meant to be like news.
- Staff feeding into computer is context-less or info to be managed.
- As a human, stories are how we make sense of things... Anythings else is just information.

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To be b-web or not b-web : This is a question.

**Digital Capital** [p.171]

- Internet-worked HR: Just-in-time-Recruit
- A single person is like molecule in web
- eLancers will join fluid and temporary webs to work.
- Codify Culture and Manage Knowledge

**Cluetrain Man**

- A real business is a set of connecting people.<sup>[12]</sup>
- Individual only emerge from groups – family and communities. [p.121]
- Web is inherently and intrinsically FREE. [p165]
- Volunteer Slavery [p.179]

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Digital Capital Table 1-2 Key Features of B- Web Types

	Agora	Aggregation	Value Chain	Alliance	Distributive Network
Main theme	Dynamic pricing	Selection and convenience	Process integration	Creativity	Allocation/distribution
Value proposition	Liquidity converting goods into a desirable price	Optimization of selection, organization, price, convenience, matching, and fulfillment	Design and delivery of an integrated product or service that meets a specific set of customer needs	Creative collaboration in aid of a goal shared across a community of contributors	Facilitate the exchange and delivery of information, goods, and services
Customer role	Market player	Buyer	Value driver	Contributor	Sender/recipient

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Digital Capital Table 1-2 Key Features of B- Web Types

	Agora	Aggregation	Value Chain	Alliance	Distributive Network
Knowledge focus	Timing Market intelligence	Market segmentation Supplier offerings Fulfillment	Innovation Supply-chain management	Community Creativity Standards and roles	Network optimization Visibility and transparency
Key process	Price discovery	Needs matching	Product design Supply-chain management	Innovation	Distribution
Examples	Yahoo! Classifieds eBay Priceline AdAuction NASDAQ MetaSite FreeMarkets	Amazon.com Chemdex HomeAdvisor Webvan E*Trade Travelocity WSJ	Cisco Systems Dell Computer General Motors Celestica Bidcom	America Online NetNoir Linux MP3 Wintel	Enron UPS AT&T Wells Fargo Internet

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### Cluetrain Manifesto and Email

- Email written by one person bears the tool marks of their thought processes. [p. 51]
- Email enables us to construct our voices at our lesiure with remaining artifices. [p. 147]
- Email, unlike memo ., is short, pithy, funy, ill-considered and can cc to CEO on a whim . [p.146]
- Email is a bad media for personal criticism, precisely because of textual, not very con-textual.
- Emails give us ideas, talk, conversation and CLUEs to fuel new knowledge and innovation. [pt63]

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### Cluetrain Manifesto : EZ Answers

- First must be questions from the hearts !  
 How will we cope with economic downturn ?  
 What will we share as a culture and communities?  
 What will we talk about together ?  
 What will we laugh about ?...
- Imagine a world where everyone was constantly learning, a world where what you wondered was more interesting than what you knew...Imagine a world where what you gave away was more valuable than what you held back...That is the future business of business created by people.

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### Digital Capiatl Fig. 9-2 :The B-Web Opportunity Matrix

CONTENT (PRODUCT AND SERVICES)

		Existing(Legacy) Content	New e-Content
CONTEXT	Digital (WWW)	<b>Biz.com</b> How can we provide value to the End-customer by moving our legacy Products and services to a digital Environment?	<b>Breakthrough.com</b> How can we use digital technologies, to create totally new competencies, products, and services?
	Physical (Legacy)	<b>Status Quo</b> What physical products and services do we currently provide?	<b>e-Innovation</b> How can we create value for the customer by using internet-based technologies to redefine our products and services in the physical context?

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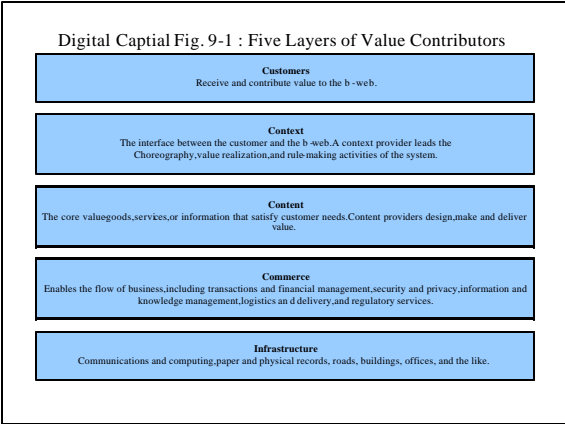
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**Digital Capital Table 9-2 Current Value Disaggregation of Full-Service Brokerage Firms**

Who	What Do They Contribute?	How?	Weaknesses
<b>End-Customers</b>			
Retail Investors (as buyers)	Investment goals Demand/liquidity Fees	Self-evaluation Research Analysis Orders	Disempowered by brokers and self-dealers despite providing both liquidity and content to the system Increasingly knowledgeable and confident but disempowered
<b>Context Providers</b>			
Full-service brokers	Access to trading markets Tailored personal service	Personal contact, mostly via phone	Untenable monopoly of access Cost Conflict of interest due to commission structures Service quality uneven Eroding credibility Restricted hours

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**Digital Capital Table 9-2 Current Value Disaggregation of Full-Service Brokerage Firms**

<b>Content Providers</b>			
Full-service brokers	Research reports Advice Trades	Paper Personal contact Market access	Advice and service often inadequate
Media	News Opinion	Print TV Internet	Growing quality, timeliness, diversity of investment news educating investors and increasing self-sufficiency
Retail investors (as sellers) Institutional investors Issuers	Tradable securities and instruments	Offers via broker channels	Retail investory control not commensurate with contribution Issuers bypassing brokers to communicate to investors
Market makers and traders	Price setting through bid asks	Floor trading Electronic markets	Insider self-dealing Excessive transaction costs

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Digital Capital & Cluetrain Man . : Conclusion

- eBusiness is about dealing with people – the most important asset.
- People desire to be free and empowered to express themselves at their own personal time and choice.
- Future business will capitalize on leveraging community and sharing knowledge among peers.
- Both agree on the networking effect virtue, but how is a matter of tastes – Science vs Humanity.
- Internet-knowledge workforce should be treated as a 'flow' rather than stock model in HR mgt.

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**END**

see you next time  
[ I love email. My email is  
pongsak@hoontrakul.com]

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