



Emerging Business Models to Help Serve Tomorrow's Digital Tribes

INFORMATION, COMMUNICATIONS & ENTERTAINMENT



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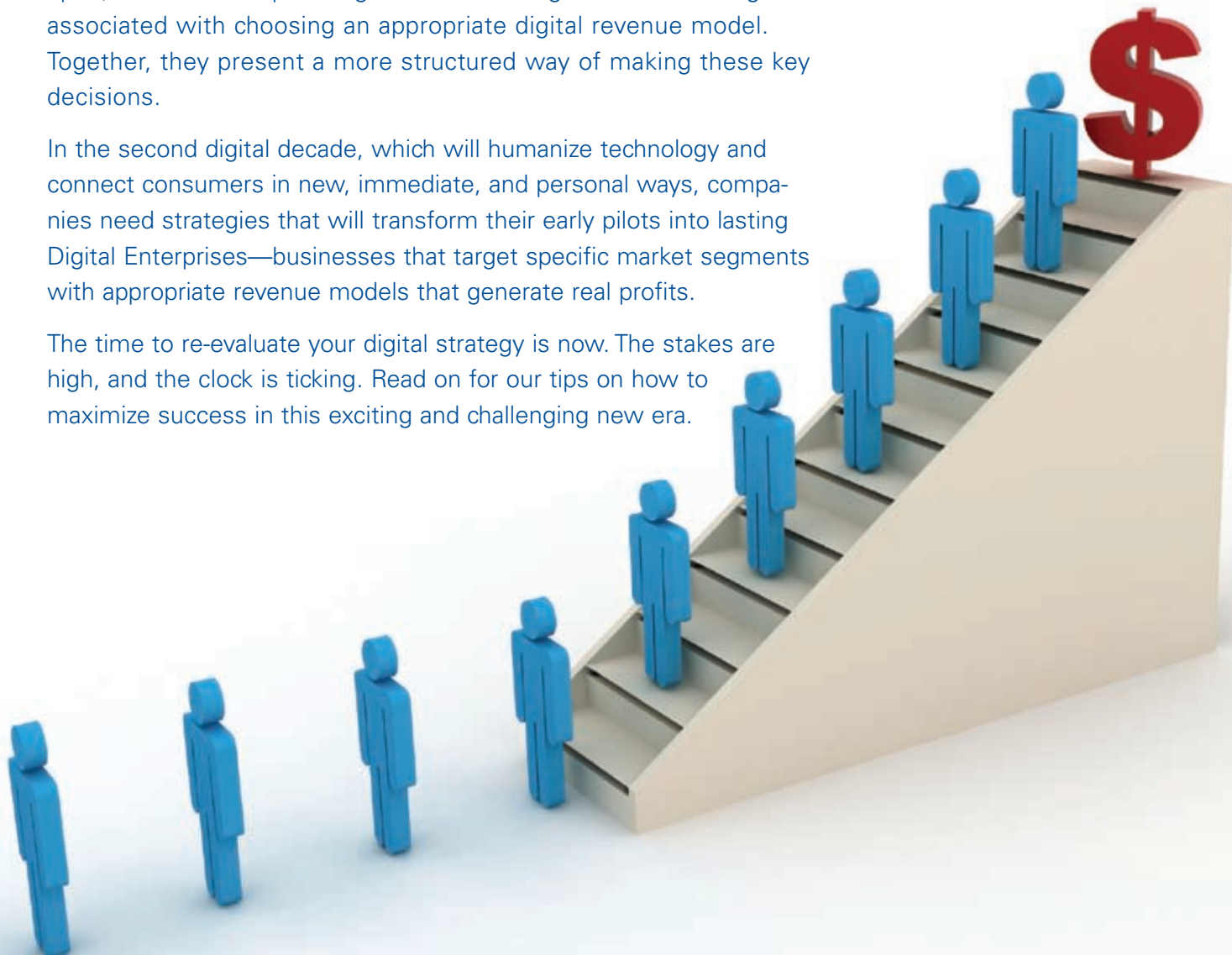
Foreword: The digital revenue challenge

Over the last 10 years, advances in information technology have fundamentally changed the way we work and live. But for all the hype around today's digital technologies, few companies have figured out how to profit from their initial forays into the arena. Whether running a social media website, publishing a traditional print newspaper, or operating a community hospital, every company eventually needs to turn the corner from investing in digital businesses to profiting from them.

Why do so many companies at every stage of the digital technology adoption curve struggle to find revenue models that work? Perhaps it's because the rules of the game have changed. As presented in this paper, the Digital Convergence Equalizer, which KPMG has developed, and the concept of Digital Tribes shed light on the challenges associated with choosing an appropriate digital revenue model. Together, they present a more structured way of making these key decisions.

In the second digital decade, which will humanize technology and connect consumers in new, immediate, and personal ways, companies need strategies that will transform their early pilots into lasting Digital Enterprises—businesses that target specific market segments with appropriate revenue models that generate real profits.

The time to re-evaluate your digital strategy is now. The stakes are high, and the clock is ticking. Read on for our tips on how to maximize success in this exciting and challenging new era.







When a group of the world's leading healthcare company executives met to discuss the Economics of Health in 2008, the event was abuzz with talk of portals, search engines, ad networks, and social media—Web 2.0 topics that would have formed an inconceivable agenda for a meeting of “old economy” companies just five years ago.

Introduction: The Second Digital Decade



From General Motors to Coca Cola, traditional corporations are experimenting with posting to blogs, sharing photos on Flickr, producing Internet TV content, and uploading videos on YouTube. Developing a strategy for enriched online connectivity has become essential to their future success.

Yet for all the enthusiasm and investment in digital strategies, no one knows which business models will succeed in the new era. It's one thing to come up with a creative pilot program; quite another to execute and turn a profit on it.

To understand the opportunities and, more importantly, how to generate revenue from them, this paper proposes that companies need to view their target customers in a new way, as members of *Digital Tribes* that expect focused and personalized services. These companies also need to look beyond the traditional value propositions of ‘content’ and ‘distribution’ to consider the full range of benefits they might provide to end-consumers. *The Digital Convergence Equalizer* provides a new framework for identifying and evaluating digital value propositions. Together, the concept of Digital Tribes and the framework that provides insight for choosing an appropriate revenue model to reach them offer a structured approach for refining an organization's digital strategy.

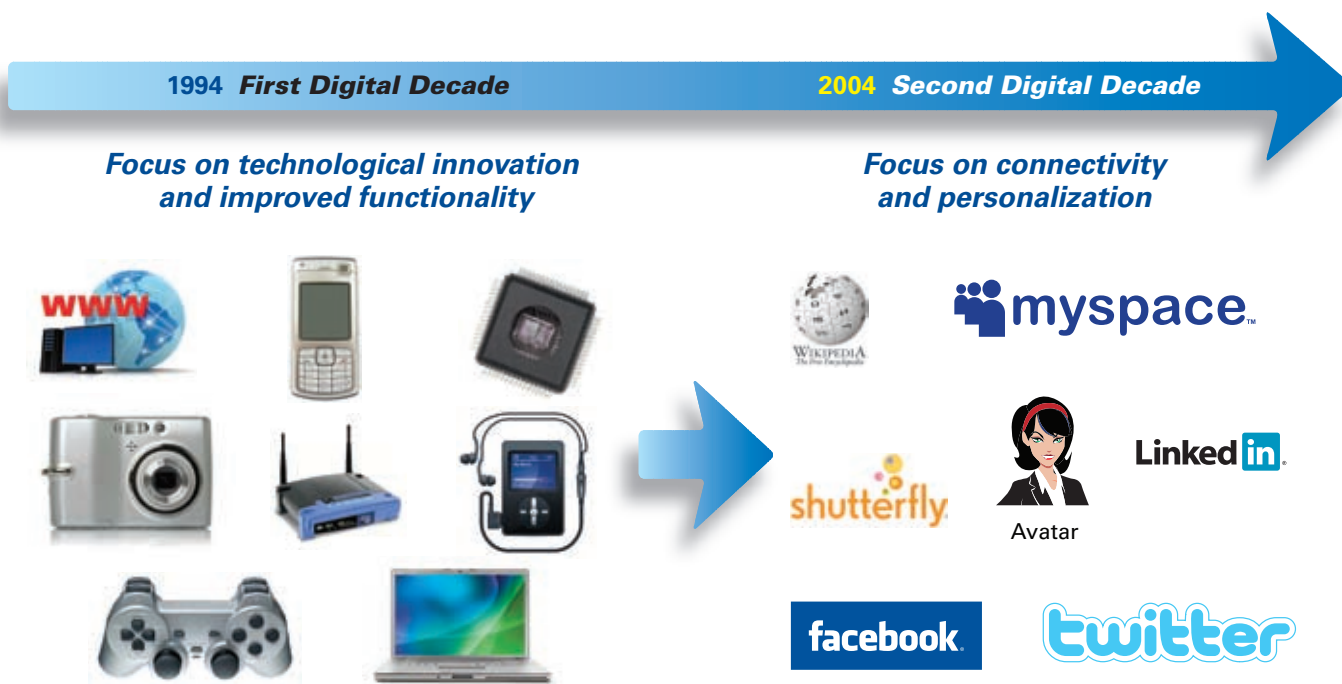


From Functional Innovation to Humanization

The first digital decade was characterized by innovation in the form of new technology that provided increased functionality to consumers and businesses. It was an age when PCs and laptops replaced mainframes; processing power and storage capacity grew exponentially; mobile telephony took off; photography became digital; software became a powerhouse industry sector; and most importantly, the Internet exploded across the globe.

While technological innovation and improved functionality will always be a key aspect of the digital space, the second digital decade will humanize all of this technology, connecting consumers in new, immediate, and personal ways—and creating opportunities for both emerging and established companies along the way.

Fig 1: A shift in focus for the second digital decade



Source: KPMG International, 2009

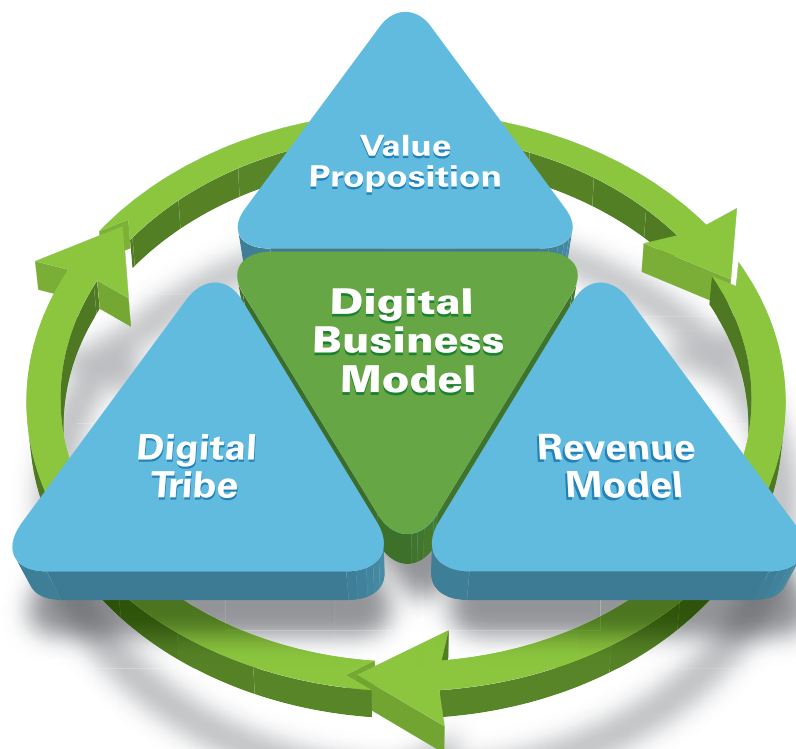
The shift from innovation to humanization has led to new Web 2.0 business models that feature both attractive and disruptive characteristics, namely:

- Low cost of entry
- Massive reach
- Ability to target customers
- Ability to have meaningful interaction between participants
- Attractive demographics (i.e., young, high disposable income groups)
- Threat of replacing existing physical goods and services (e.g., CDs, newspapers)
- Economics of the Long Tail

To date, most organizations have entered the digital arena with a try-it-and-see-what-happens approach. But as the market evolves and opportunities take shape, companies need a more structured approach to developing their digital strategies. KPMG believes that the following three steps, among others, are key to devising the right business model:

1. Understand your digital value proposition.
2. Understand your target audience.
3. Determine an appropriate revenue model.

Fig 2: Framework for a Digital Business Model



Source: KPMG International, 2009

Step 1: Understand Your Value Proposition

In the first digital decade, we were told over and over that “content is king”—perceived wisdom that was a carryover from pre-digital times and perhaps, a reflection of the preponderance of traditional media companies in digital initiatives. Whether you sold music, TV, movies, newspapers, or software, the ultimate key to success was said to be the quality of the underlying content.

This premise started to unravel when ISPs, telecommunications and cable companies moved aggressively into the digital value chain. The debate shifted to whether controlling distribution channels mattered more than owning content.

Today, we know that the digital arena is more complex than simply content or distribution. Both are important components of the digital business model. Yet companies can provide value in many other ways, for example, by providing context, coverage, or convenience to a target audience.

The Digital Convergence Equalizer

The digital marketplace consists of vast and diverse audiences. Accordingly, the features that consumers look for when choosing digital products or services are equally diverse. Companies that appreciate the full spectrum of value they can contribute will be better able to determine the right combination of products and services to offer.

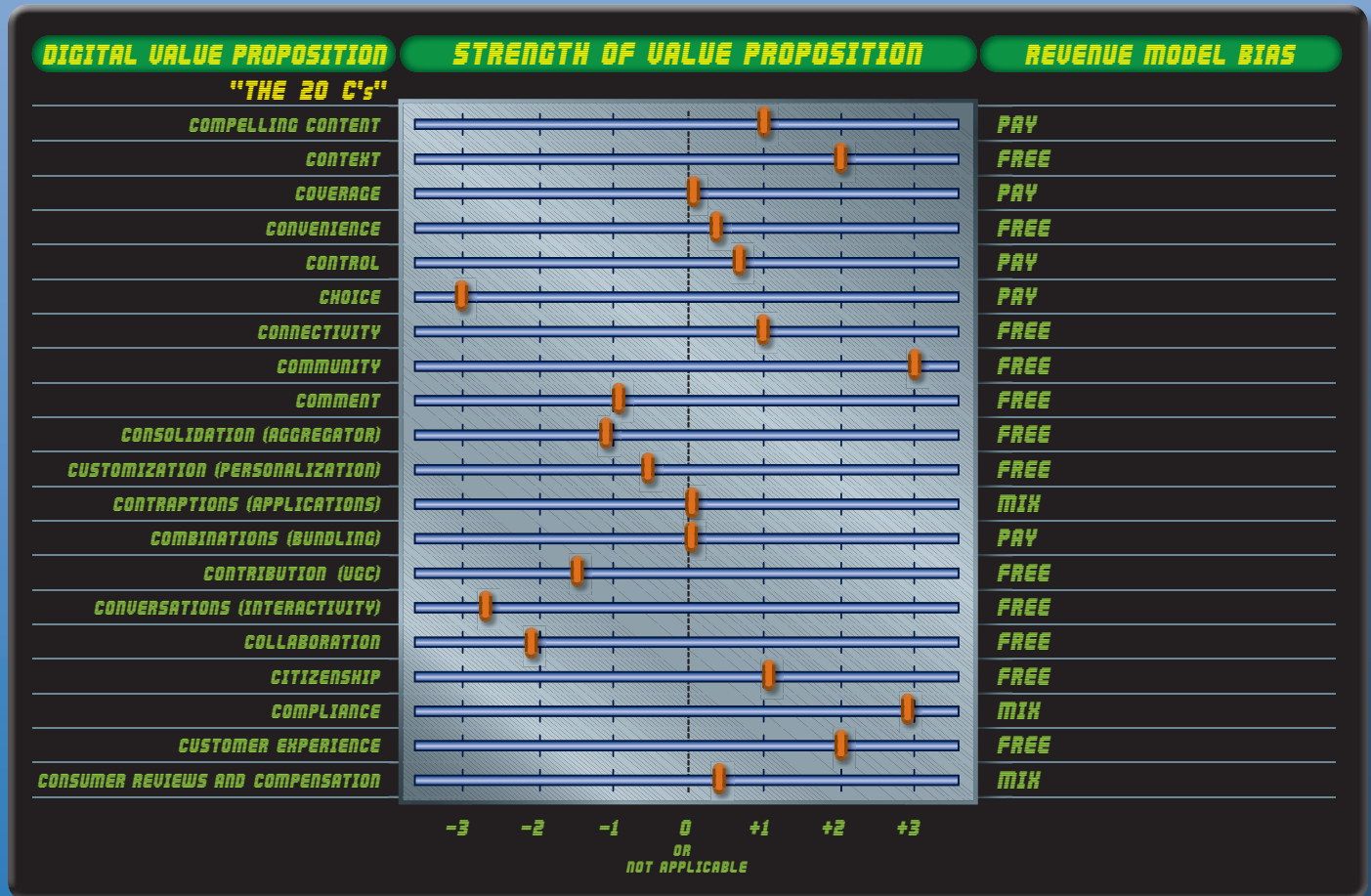
To help guide the way, KPMG has created a checklist of 20 ways—“the 20 C’s”—in which a company might provide value through a digital model. (See Figure 3.)

Borrowing the format of a graphic equalizer, the Digital Convergence Equalizer can help a company achieve a balanced approach to emerging opportunities and identifying their key value propositions. By considering each of the 20 different angles on a digital strategy, management may gain clarity and focus, as well as competitive insight. Identifying their key digital value propositions will also enable management to better understand the revenue model bias associated with their digital offerings.

The appendix to this document provides an explanation of each of the Digital Value Propositions.



Fig 3: KPMG's Digital Convergence Equalizer



Digital Convergence Equalizer in Action

As an example, assume that ClassicComments.com, a hypothetical startup company, wants to create a web portal that provides reviews and recommendations on classical music. ClassicComments.com also intends to offer an interactive web-based forum and music download capability that consumers can access either online or by mobile phone. To better understand its value proposition, the company would run down the list of choices in the Digital Convergence Equalizer and evaluate whether each was applicable and if so, how strong its offering could be in relation to competitors.

For example, the company may believe that it has four primary digital value propositions:

- **Compelling content: Rating +1**
Classical music is readily available from other sources, and as such is not compelling in itself, but ClassicComments.com believes that its in-house reviewers and rating system will distinguish its offering from similar sites.
- **Context: Rating +2**
The company's web portal has an excellent search capability and arranges music reviews by a variety of user-friendly categories, such as date of review, composer, ratings, reviewer name, and geography.

- **Community: Rating +3**

Its web portal community is a strong attraction for people who want to share views and opinions.

- **Choice: Rating -3**

Although it has a reasonable selection of music downloads, its collection does not compare to some of the other music sites, such as iTunes or Amazon.com.

By walking through this framework, ClassicComments.com is able to better understand its digital value propositions, as well as its relative strengths and weaknesses in the marketplace. This will also provide them insight as to the revenue models that best apply to their digital offerings.



Interview with Ien Cheng, Google

As Director for Advertising Product Management, Europe at Google, Ien Cheng has responsibility for deploying Google's advertising products in Europe and overseeing its product engineering function. He was formerly Managing Editor of FT.Com where he introduced its innovative hybrid pricing structure.

Cheng dubs an interesting recent development in the digital landscape the "revenge of subscription." "The talk among publishers is how they need to rethink their strategy on advertising. Subscription has come back into the discussion. Should they do micropayments or have a subscription model? For the first time in years, subscription has become a viable model to talk about. Sometimes crises force out things that otherwise would not happen."

While Cheng sees subscriptions making a comeback in revenue model discussions, he is still bullish about advertising. "There has been a growing up of targeting in advertising. Banner advertising that is sold and thought about in traditional ways is going to be squeezed. Measurable, targeted advertising is a winner, and will be a *big* winner. To call it advertising in some ways is almost anachronistic. It is targeted measurable marketing that will help track how advertising leads to sales, and ultimately should and will become a measurable cost of sale."

On how the current economic crisis will impact the digital economy, Cheng comments that although "there are competing forces out there, overall the net result will be a significant acceleration towards a digital future—towards more

measurable forms of advertising and of a change in consumer behaviour to go online and do things that may be cheaper or more convenient than in the bricks and mortar world. There are signs already of that consumer shift. In the enterprise context, if you have an inefficient legacy IT system and are looking to cut costs, you may consider cloud computing solutions that have a fraction of the maintenance costs with potentially more flexibility and functionality."

Are organizations ready to take advantage of this acceleration to a digital world given that a large number of companies appear to have adopted a trial and error approach without the usual investment disciplines? Cheng responds, "The lack of rigor has been due to complacency, a kind of head in the sand feeling that the digital revolution is upon us, but it is someone else's revolution. It is like the five stages of grief—denial,

“The choice is not between disrupting your business now versus later, but between disrupting it yourself or having it disrupted for you!”

Ien Cheng

anger, negotiation, depression, and acceptance. Years of denial and then anger, negotiation with new players, and now finally acceptance that we have to do something serious about this and the old days aren't coming back. The choice is not between disrupting your business now versus disrupting it later, but between disrupting it yourself or having it disrupted for you by somebody else. People get that now. They have woken up to it and are being more urgent, more rigorous and more serious about the choices they face."

Step 2: Understand Your Target Audience

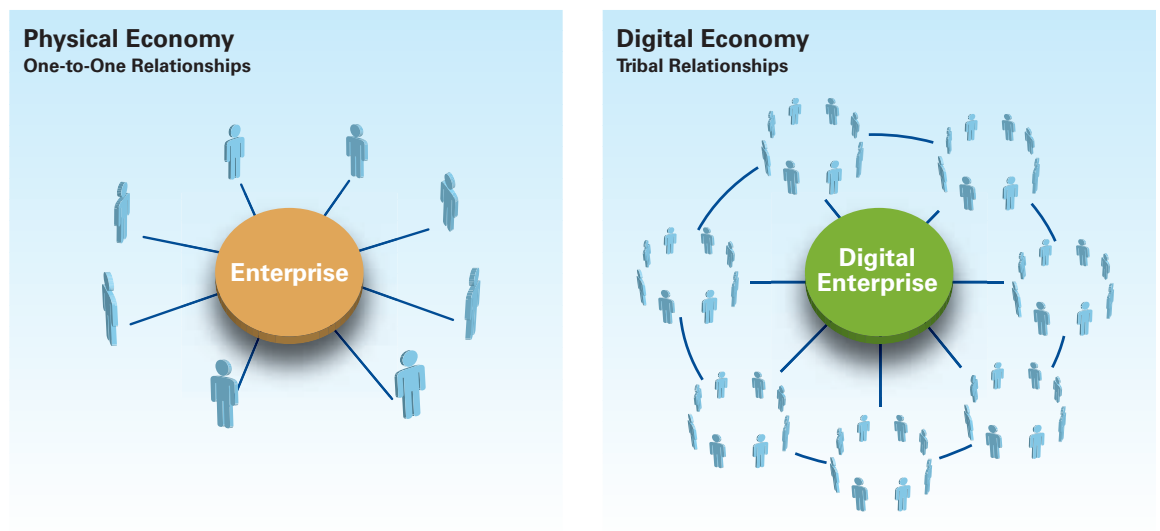
The Emergence of Digital Tribes

People often lament that the advance of technology has had a dehumanizing effect. But the reality is quite the opposite. The second digital decade is all about personalization and connectivity in ways that previously were not possible or imaginable. Far from inhibiting expression, technology has enhanced and enabled our individuality. For example, websites such as the BBC allow us to tailor the home page so that it contains only those categories that are of personal interest, while social network sites such as Facebook and MySpace provide a canvas for self expression and a harbor for community. People are no longer constrained and isolated by physical boundaries. Instead, they can connect in a very personal and tailored way with hundreds of people with similar interests across the world, forming "Digital Tribes" that hold common interests and beliefs.



For the enterprise, the implication of these new online affiliations is profound: to succeed in the digital environment, businesses should view their target customers in a new way, that is, as members of Digital Tribes. Yesterday's way of segmenting customers by demographics, geography and income levels becomes a blunt instrument in the digital economy. It's no longer about a global versus local focus; it's now about Digital Tribes, and these tribes are more likely to form around areas of interest than according to physical characteristics such as geography. Digital Enterprises need to recognize that the opportunity is no longer just about targeting customers on a one-to-one basis, and that the existing marketing mantra and Holy Grail of a deep one-to-one brand connection with consumers may be outdated. Instead, the winning businesses in this era will identify specific Digital Tribes that exist or may form in order to gain an understanding of their interests and how best to meet their needs. In essence, it is about moving from a "one-to-one" relationship to a "one-to-many and many-to-many" model as illustrated by Figure 4.

Fig 4: The emergence of Digital Tribes



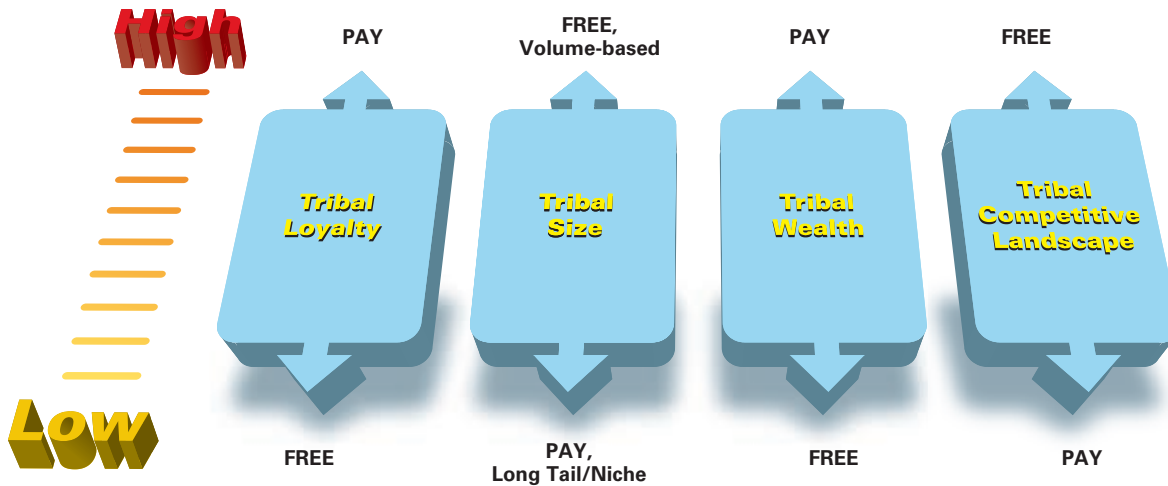
Source: KPMG International, 2009

When you begin to look at consumers as members of Digital Tribes, you find new ways of supporting their passions. Here are a few of the ways a business can get involved:

- Create digital propositions that will attract existing or new Digital Tribes.
- Aim to have a much deeper connection and conversation with the targeted Digital Tribes.
- Facilitate dialogue and interaction between members of the digital ecosystem.
- Identify niche tribes that may be underserved.
- Leverage the Long Tail of content.
- Provide tailored products and services for each tribe.

In order to evaluate the attractiveness of potential Digital Tribes, you need to evaluate the key characteristics of each one. KPMG's Digital Tribe Framework (Figure 5) identifies four elements that management should always evaluate:

Fig 5: KPMG's Digital Tribe Framework:
Characteristics of Digital Tribes and their revenue bias



Source: KPMG International, 2009

1 Tribal Loyalty

This attribute considers the strength of the tribe in terms of the loyalty of its members to each other or to an area of interest, as well as its longevity. For example, Digital Tribes formed around a sports team are likely to have a stronger and more sustainable bond than perhaps a tribe focused on restaurant guides. The stronger the tribe, the more likely that a digital model will be sustainable and capable of supporting a “pay” revenue model.

2 Tribal Size

While the economies of distribution and the Long Tail may sustain an initiative to target small tribes, understanding the overall size of the tribe is important to evaluating revenue opportunities. Large tribes may suggest that a revenue model based on free content supported by advertising and based on volume may be appropriate. Conversely, a small tribe should recognize that it will have to pay to gain access to its niche areas of interest.

3 Tribal Wealth

An understanding of the collective wealth of the tribe is essential for an evaluation of the digital opportunity. The wealthier the tribe, the greater its ability to support a pay revenue model.

4 Tribal Competitive Landscape








This element considers the extent and quality of competitive services that serve a particular tribe. The greater the competition, the greater the propensity towards a free/advertising revenue model, as it will be difficult to provide a unique value proposition.

Examples of the diverse nature of digital tribes are as follows:

- **Network television: *Lost*** – The website for the television series *Lost*, produced by the U.S. network ABC, is a good example of a Digital Tribe. Users of the show's website are passionate about the show and want the ability not only to access programming content, but also to converse with other members of the tribe regardless of location. Their principal loyalty is also likely to be to the show itself, rather than the network, writers, or actors.
- **Facebook/MySpace** – These social media services are the most obvious examples where tribes are formed around personal connections and content. The tribes are not formed around the websites per se but rather, are centred on the tribes of friends and families.
- **Wikipedia** – Wikipedia attracts members of several different tribes: there is a primary tribe of content contributors who will have similar characteristics including demands around authority, ease of use and technical functionality. This tribe can be broken down into sub-tribes of people who, given their efforts to actually contribute, are likely to feel passionate about the particular topic that they comment on, whether it be coffee beans or Ford Mustangs. There are then another set of tribes made up of people who access this content. In this way, Wikipedia can serve thousands of tribes based on contributors and users who care about particular topics.
- **Political campaigns** – The 2008 U.S. presidential election is a strong example of the power of Web 2.0 and its ability to facilitate tribal connections. Barack Obama's use of technology allowed his supporters to form a Digital Tribe and was a key factor in his Presidential victory.



In the same way that marketing companies often categorize consumers as Type A, B, or C, it may be helpful to identify different types of Digital Tribes and their characteristics:

	Characteristics	Loyalty	Size	Wealth
 <h3>Digital Masons</h3>	<ul style="list-style-type: none"> • Similar traits to Freemasons • Strong loyalty to their Lodge • Will be around for a long time • Generally large numbers • High levels of wealth and resources 	H	H	H
 <h3>Digital Clubbers</h3>	<ul style="list-style-type: none"> • Similar in traits to people who frequent night clubs • Unlikely to stay loyal and will move on to the latest hot venue/site • Willing to pay high entrance fee 	L	H	H
 <h3>Digital Marines</h3>	<ul style="list-style-type: none"> • Strong loyalty to each other and their area of interest • Relatively small size • Funds available for the right service offering 	H	L	H
 <h3>Digital Nations</h3>	<ul style="list-style-type: none"> • Strong loyalty to their tribe • Large size • Funds available for essential service offering otherwise will be discretionary spend 	H	H	M/L
 <h3>Digital Moms</h3>	<ul style="list-style-type: none"> • Similar in concept to Soccer Moms • A tribe is formed around a club or issue that is of personal relevance • Loyalty is strong but not fanatical • May be willing to pay a modest monthly fee 	M	M	M
 <h3>Digital Nomads</h3>	<ul style="list-style-type: none"> • Tribe is quickly formed but also quickly lost • Medium tribal loyalty • Small groups, wandering from watering hole to watering hole. • Low disposable income/wealth 	M	L	L
 <h3>Digital Itinerants</h3>	<ul style="list-style-type: none"> • Individual drifters who wander around sites • Low loyalty • Small numbers • Low/no income 	L	L	L



Interview with Rio Caraeff, Universal Music Group

As Executive Vice President, eLabs for Universal Music Group (UMG), Rio Caraeff is leading the world's largest recorded music company toward a new and prosperous digital future. eLabs is UMG's market-leading division responsible for digital business strategy, business development and new technology opportunities.

According to Caraeff, three major factors are driving the digital opportunity for UMG today: Devices and connectivity, which are fast becoming commodities; social networking, which is still in its early days; and mobility, which is the least developed in terms of software and the user experience around music.

How will UMG generate revenue from its digital businesses? Caraeff answers, "Many people love music, but only a small number of them choose to pay for it. Any revenue model we try has to acknowledge that reality. Our choices are to try to get more consumers to buy music; figure out how to make more money from the small number of people who already buy it; or find a way to derive revenue directly or indirectly from every instance of music consumption, whether people choose to buy it or not. The latter is the only scalable and transformative model for our company."

"We need to monetize the nodes of the network (whether they are people or devices) based on revenue per user models and not revenue per unit models. These nodes could consume music through services in which the cost of the music is bundled into existing network access services that the consumer already pays for, like broadband service or wireless service. Or the costs can be built into the cost of goods of the consumer's mobile phone, PC or set top box. They can even be built into things like automotive lease payments. We can add many more people in these models and generate more revenue than we can

sell a la carte subscriptions to music, one customer at a time."

Caraeff also notes the need for ad-supported revenue models: "A certain portion of our strategy is around ad supported, free-to-consumer audio and video models but they are not a panacea. There is a segment of the market with which they are relevant. In particular, it's relevant to our video business." Caraeff summarizes: "Models that derive income from every person on the network, and from every person who consumes music, whether they pay for it directly or indirectly, are key to our strategy."

Social networking technology offers one way in which UMG might deepen its customer relationships. "MySpace Music was our first venture in this area," Caraeff says. "We know that music is a powerful connective tissue that helps people

"We are finding new ways to derive revenue directly or indirectly from every instance of music consumption."

Rio Caraeff

form relationships within social networks. But I don't think we've figured out how to unlock the power of music inside a social network. That won't happen until we see some innovations in micro-transactions. Going forward,

we will take more responsibility and accountability for our future. We will invest in building direct relationships with fans and consumers. And along the way, we will learn a lot about our customers."

Caraeff adds: "To realize the full potential of our digital future, UMG is taking more of a partnership perspective with all of the third-party participants in our ecosystem—be they retailers, service providers, network operators, device manufacturers, or other businesses. We're prepared to go hand-in-hand with them into the digital future.

"Our digital business continues to grow, but we don't have another decade to figure this out. There are more ways to derive revenue now than ever before. I'm optimistic about our chances of success and confident that we'll find a path to growth again."

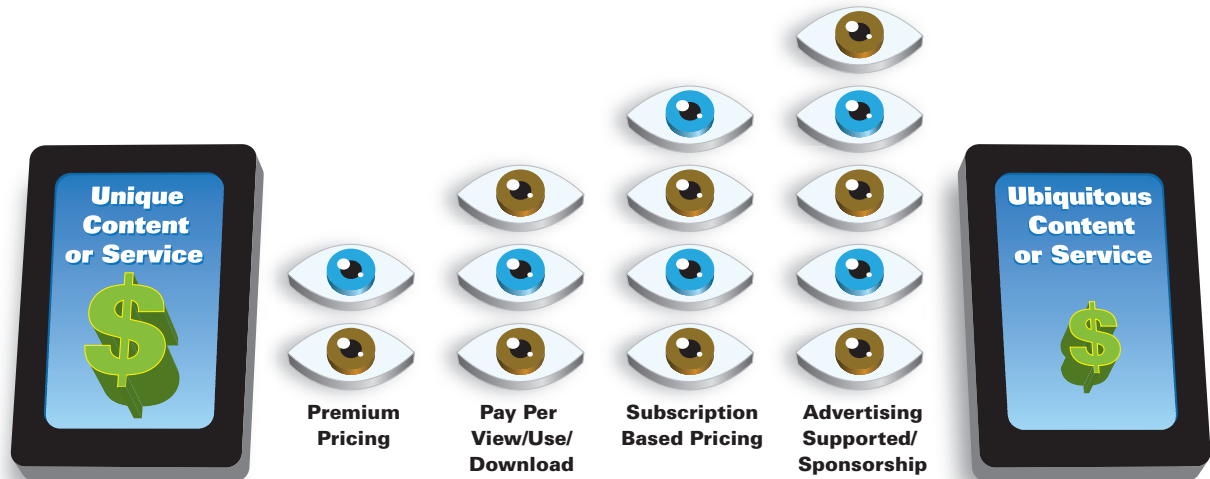
Step 3: Determine an Appropriate Revenue Model

After identifying your strongest value propositions and which Digital Tribes to target, it's time to think about the revenue model. As previously explained, the thinking around this question has been dominated by the old proposition that "content is king." As a result, premium pricing or pay models are applied in cases where there is a unique content or service offering and an advertising model is applied in cases where the offering is ubiquitous.



This pattern is illustrated by Figure 6.

Fig 6: Historical revenue models

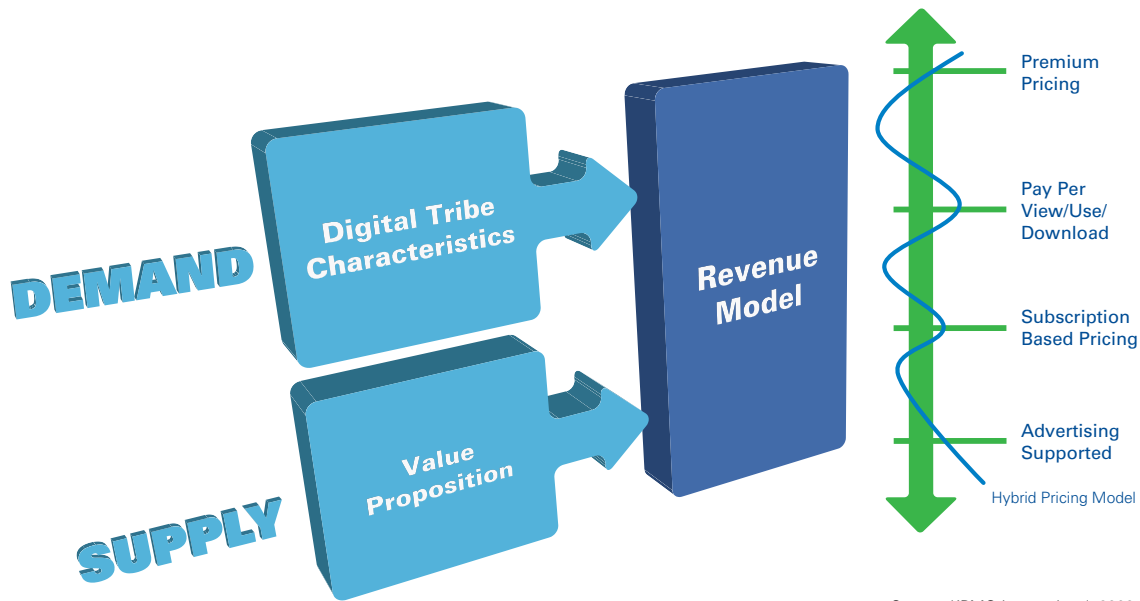


Source: KPMG International, 2009

Figure 6 also shows that to date, advertising models have generally prevailed over pay models. A pay model is only possible if the digital offering is truly unique or compelling. If this is not the case, then revenue will be dependent on the ability of users to attract sponsorship or advertising. But how do you know whether your offering is unique? Digital consumers ultimately decide, and they set a high bar because they believe that online services and content should be free as a matter of principle; and in most cases, there is a plethora of content/services available, so it's hard for any one business to stand out from the crowd. Digital Enterprises therefore need to apply an impartial and rigorous assessment to their digital value propositions.

In the new digital decade, the notion that content should drive revenue model decisions is outdated. It's a one-dimensional approach that does not take into account the complexities of a digital business. Instead, the Digital Enterprise should look to well established economic principles of demand and supply to establish the correct revenue model.

Fig 7: Suggested digital revenue models



Source: KPMG International, 2009

The value propositions you choose and the Digital Tribe you serve will narrow the list of applicable revenue models (see Figure 7). The Digital Convergence Equalizer (see Figure 3) helps you identify the relevant value propositions and associated revenue model. For example, it suggests that a service in which you facilitate a community via chat should be provided to consumers free of charge to increase usage in an advertising-funded or sponsorship revenue model. Similarly, the Digital Tribe Framework (see Figure 5) points to a pay model if you are serving a tribe with the characteristics of “Digital Masons.”

These revenue models are not mutually exclusive, and hybrid pricing models can be applied. For example, the *Financial Times* allows free access to its digital content for the first 30 views in a month, at which point a subscription is required. Similarly, a new music website, Spotify, provides a free ad-based music service or a premium paid, ad-free option.

Clearly, revenue models for Digital Enterprises continue to evolve. The jury is still out as to which will be the most sustainable models over the long term. What matters however is the need to take a rounded approach to determining the revenue model for your digital offering.



Interview with Pippa Leary, Fairfax Digital

As Managing Director of Media for Fairfax Digital, Pippa Leary is responsible for growing revenues and audiences at the group's 30 interactive websites.

"At Fairfax, we're concentrating on next-generation brand solutions such as video, custom builds and behavioural models to drive revenues. That's where all the margins are, and that's where all the growth is. If we were to rely on banner ads alone, we'd be out of business within three years. Because of the challenges of generating unique content, we see a business model based on a combination of advertising and transaction revenues."

Overall, Leary remains optimistic about the digital landscape, despite the global financial crisis and the subsequent economic downturn. She thinks it's making digital players more discriminating.

"We believe the global financial crisis is driving efficiencies in the digital space and reducing market clutter. It makes you take a good, hard look at your business models. You need to think a lot harder about content management systems, staffing levels and the bare bones of everything you do. What can we stop doing? What doesn't have a long-term future?"

"Media consumption habits are changing fundamentally. They are not only fragmenting, but also becoming more digitally focused. People are spending more time online—

up to six hours a day in some instances—and they are becoming more adept at simultaneous media consumption. There's a lot more multitasking and media grazing.

"Broadband changes everything. It takes the computer out of the study and into the living room. Once it enters the living room and the kitchen, it's always on and people are using it constantly. For example, it's replacing Yellow Pages as an informational and buying guide."

Leary cites bandwidth and audience measurement as two problematic issues associated with the development of digital media:

"Bandwidth is a primary concern for Fairfax—so much of our digital strategy relies on video. Bandwidth is limited in Australia and it's become a serious constraint for everyone.

On measurement, the challenge is to come up with a unique audience measurement system that allows us to measure audiences across newspapers, television, online platforms, and magazines everywhere.

Right now, the measurement systems aren't good. There's a lot of duplication. We know that traditional media buyers don't have much faith in them. Until we give them an easier way of buying our media and measuring our audiences, we won't move that AUD3.5 billion of ad revenues across from television, which is our ultimate aim.

“Digital media consumption habits are continually changing and business models must keep pace or die.”

Pippa Leary

Conclusion

The second digital decade is underway, creating new opportunities for Digital Enterprises to personalize and humanize technologies that were invented in the first digital decade. In order to generate profits from their digital endeavours, companies need a more structured approach to identifying target audiences and choosing the appropriate revenue models to serve them. Content and distribution are no longer the only value propositions to consider.

The Digital Convergence Equalizer helps companies identify their strongest value propositions. Using this in conjunction with the Digital Tribes framework will help determine the best revenue model. Companies that continue to think in terms of content and distribution risk are missing fundamental changes in the digital landscape. Those that embrace the new thinking and find ways to own and serve various Digital Tribes will ultimately succeed in making the transition from experimental pilot projects to revenue-generating digital businesses.

Contacts

For more information on how the Digital Convergence Equalizer can help you determine your Digital Tribes and revenue models, contact:

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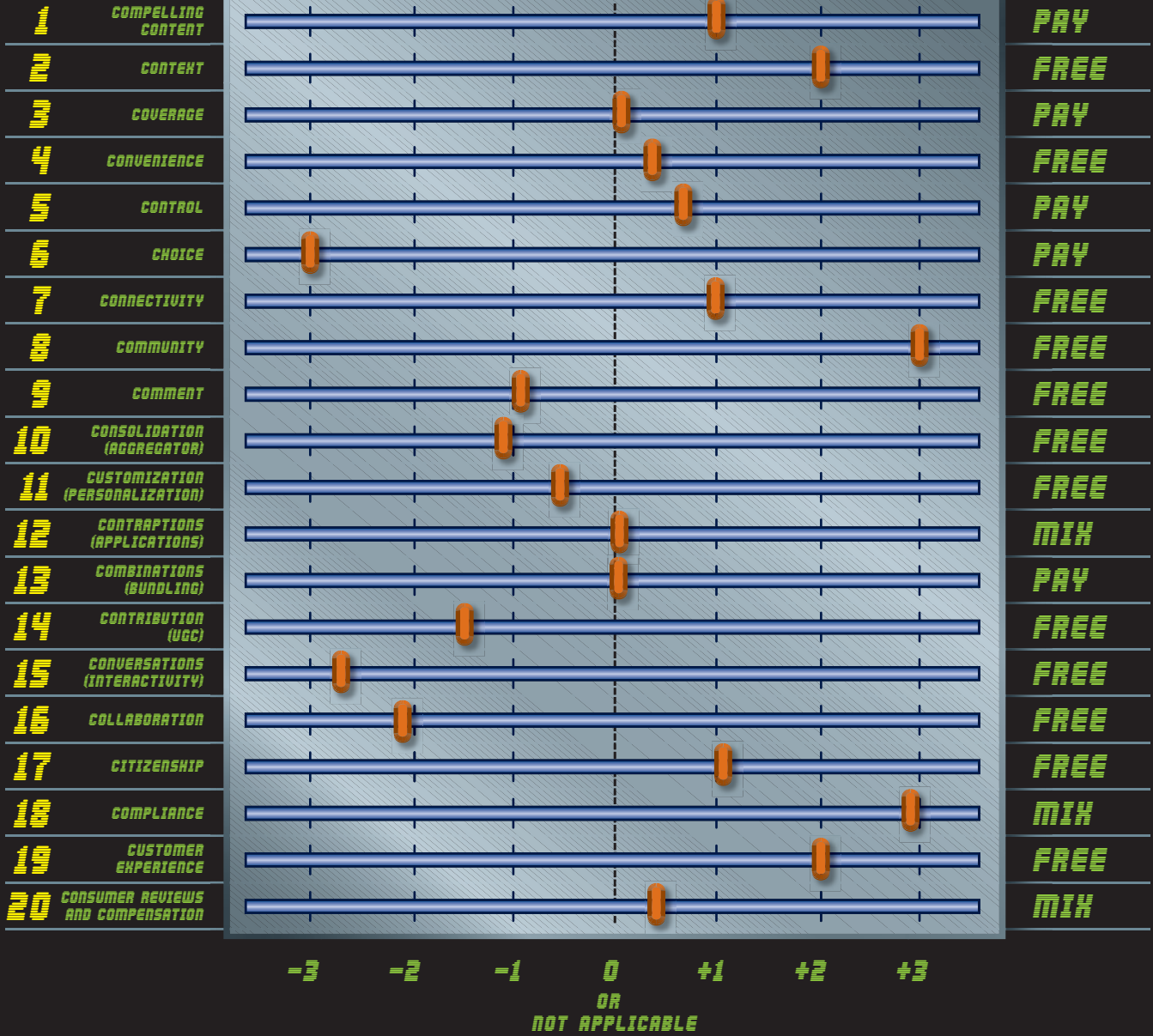


DIGITAL VALUE PROPOSITION

STRENGTH OF VALUE PROPOSITION

REVENUE MODEL BIAS

"THE 20 C's"



APPENDIX:

KPMG's Convergence Equalizer Checklist ("The 20 C's")

Value Proposition Explanation/Comment

1 COMPELLING CONTENT

Traditionally seen as the key value proposition for media and content providers. The value proposition lies in the content itself – e.g. movies, music, news articles, and software applications.

2 CONTEXT

No matter how compelling the content, it is of no value if it is difficult to find or identify. Being able to provide context or search capability has inherent value in the digital world. This is the premise for not only search business models such as Google and Yahoo!, but also applications such as Electronic Program Guides (EPG) as seen on applications such as TiVo, and rating of content on YouTube and Digg.com. More recently, location-based services have introduced the ability to provide content or services that are contextually driven by your location.

3 COVERAGE

In an increasingly digital world, providing connectivity, either fixed-line or wireless, is a base necessity that still attracts a pay model. This value proposition is currently the key attribute that cable and telecommunication operators provide.

4 CONVENIENCE

"Cash-rich, time-poor" is an oft-heard statement about today's affluent society. The internet addresses this scarcity by providing convenience to users. Examples of such services include online supermarkets, online banking, dating agencies, insurance comparison sites and even online reservation services such as OpenTable, all of which provide users with a convenience that is not readily available in the physical world.

5 CONTROL (DISTRIBUTION)

A key battleground at the moment is control, either of the distribution channel (e.g., broadband network) or the customer (e.g., Amazon.com). Sometimes, control of the distribution channel may also give you dominant control of the customer (e.g., mobile networks). Organizations are furiously looking for ways to gain control of users' online time and become their default channel to access content or services.

6 CHOICE

The internet allows access to almost unlimited choice, and companies can profit by mining the "long tail" of interest among a few in less-popular content.

7 CONNECTIVITY

Connectivity is a key element of the next digital age. Providing users with ways to connect to each other, either by way of common interests or technical convenience will be a strong value proposition. Services such as LinkedIn allow people to stay in touch or connect to new people through their networks.

8 COMMUNITY

The phenomenon of social networking sites such as MySpace and Facebook and the value they are generating is well established, but this value proposition extends beyond just social networking. The internet provides a powerful tool for any community—whether social, political, or business-oriented—to form a community that facilitates the exchange of views and information. Examples include community portals for local neighborhoods or fans of the television series *Jericho*, who staged an effective campaign to reinstate the show for another season after it was initially cancelled by the television network.

9 COMMENT

The rise of websites that promote points of view and post associated comments is just as significant as the rise of social media sites. Blogs such as Engadget, Boing Boing, PaidContent.org, and the Huffington Post have strong followings. Similarly, look at any newspaper website and the real area of interest is often in comments posted by readers below the original article.

10 CONSOLIDATION (AGGREGATOR)

With the advent of the Long Tail and plethora of content and services available, aggregators that consolidate content and services into one site play an important role. Examples include Amazon.com's one-stop-shop service, RSS feeds, and online search engines such as Google and Yahoo.

11 CUSTOMIZATION (PERSONALIZATION)

The ability to personalize an individual's online experience is increasingly becoming a key value proposition. Users won't engage with a service that provides a generic experience. They are looking for offerings that are tailored to their specific interests and tastes. Home pages for sites such as the BBC now allow users to tailor its format and content.

12 CONTRAPTIONS (APPLICATIONS AND HARDWARE)

Innovative applications and tools continue to represent strong value propositions in the connected online world. These can be the primary application itself, such as MySpace, or secondary applications such as Widgets or games like Sudoku and My TravelMap on Facebook. Hardware that facilitates innovative online use can also provide a strong digital value proposition. Examples include the iPod and TiVo.

13 COMBINATIONS (BUNDLING)

Bundling together services or content can help improve the overall value proposition. We have already seen cable and traditional telecom operators in the US and UK, such as Comcast, AT&T, and Virgin Media offer bundling options around mobile, fixed line telephony, broadband, and cable TV. Extending such models into online services will help create value through the concept of one-stop shops. A good example of this is the UK's *Daily Telegraph* website, which provides not only the expected news content but also services such as a dating service, travel guides, and booking services; and now, Telegraph Television.

14 CONTRIBUTION (UGC)

User-generated content has now entered our lexicon and is the prime example of how convergence in the digital world involves consumers moving into the role of content creator. YouTube is the poster child of such a value proposition, but Dorito's innovative competition for consumers to contribute online content that would be shown at the Super Bowl is also a good example.

15 CONVERSATION (INTERACTIVITY)

Ask any Generation Yer why they prefer an online experience to the passive experience of other media such as television, and the answer will be that it allows them to have a conversation. They are able to interact and participate in the experience. This is particularly true of online games, such as *World of Warcraft* and other similar digital properties such as *Second Life*. The more a digital property enables interaction or conversations among participants, the more value is ascribed.

16 COLLABORATION

Online technology provides for a cheap and efficient way in which people can collaborate on a topic or issue. The prime example of collaboration is Wikipedia, where thousands of people contribute to its content. Another example is in the field of Astronomy, in which thousands of amateur stargazers work alongside professionals to monitor the sky and carry out research projects.

17 CITIZENSHIP

The accessibility of the web has democratized the ability of people to have their voices heard and to make a contribution. In recent years, we have seen this take a variety of forms, everything from citizen journalism, to being a point of focus for political movements and social/charitable causes.

18 COMPLIANCE

The internet enables people to comply with regulations and requirements by conducting online transactions. This includes everything from filing tax returns; submitting Company Financial accounts; paying fines; and registering vehicles.

19 CUSTOMER EXPERIENCE

Ultimately, the success or failure of a digital property can turn on the customer experience, which encompasses a wide variety of factors such as ease of use, look and feel, functionality, and processing speed. Examples of sites that have succeeded due to a large part to the customer experience afforded include iTunes, Facebook, and Flickr.

20 CONSUMER REVIEWS AND COMPENSATION

The rise of user-generated content includes the increasing value attached to consumer reviews, which are often seen as providing more trustworthy and frank feedback. A plethora of such sites incorporate consumer reviews, including TripAdvisor, Amazon.com, eBay, and epinions. More interestingly, there have been some moves to attract such reviews by rewarding consumers for providing recommendations or referrals. For example, Foodio54 offers rewards and prizes for restaurant reviews.

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