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Forum

In 'search' of excellence

Internet, apart from being an all-pervasive media, has also been a powerful platform for promoting radically new ways of business management. The concepts on the Internet like 'markets before profits', knowledge sharing, and co-optition have redefined the business parameters, forever. The most radical of all these concepts, however, has been co-optition that seems to be hitting at the very foundation of traditional business understanding. Not long ago, holding on to the so-called critical information formed the basic business strategy of many industrial age companies. But with the advent of Internet, information could no longer be caged in any corner, which meant that no company could consider themselves superior just by holding onto some piece of information. Those who have adopted and practised these unwritten principles of the Net world have prospered and created history. Yahoo is a classic example of how a company that uses the principle of co-optition can thrive on the Internet age.

Yahoo started off as a desirable service on the Net by two Ph D students at the Stanford University in 1994. They started a 'guide to the World Wide Web' that could locate interesting or entertaining content on the Net. Yahoo's efforts also marked the first wave on the Internet when the medium was more of a novelty and people were more interested in searching information of their interest. However, Yahoo's success lay in its ability to adapt to the rapid changes on the Net and quickly traverse the next two waves putting Yahoo right at the top with the distinction of being one of the few companies making profits on the Net. Still, Yahoo's recipe to success is not just its rapid adaptability to changing Net trends, but its ability to incorporate business strategies like co-optition which has made it a global player that has been as much a favourite for the local population in different countries as it is at the global level. This has made it the most favourite Net company ever with a phenomenal 625 million page views per day and 145 million unique users per month worldwide, delivered through 23 local properties worldwide.

The recent addition to this list is Yahoo India, having local content created by the local people for the local people. The India Web property has content provided by 40 local content partners, which is collated and delivered through the Yahoo content stream. This is knowledge sharing and co-optition at their best. Yahoo India also follows the highly successful Yahoo models worldwide, which relies more on capturing markets before making profits.

Yahoo's entry into India would provide good exposure for the Indian dotcom industry where companies are vanishing as fast as they are being seeded. A lesson or two from the most successful Net company would stand India.com in good stead to face the Net challenges of tomorrow.

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'By 2004, the biggest survivors will be successful hybrids'

Gartner (India) Group thinks that Indian entrepreneurs need to learn more in order to survive in the cut-throat dotcom competition. As a step further, the research group has decided to detail global trends in business and technology, and highlight their relevance to the Indian business environment through their event 'Strategy 2000: A Gartner Summit on e-Reality'. The event will be held on 2-3 August 2000. Partha Iyengar, Country Manager, Gartner Group, discussed details about the forthcoming event and the dotcom scenario in India at large and its future, in an e-mail interview with Reshmi Menon. Excerpts:

The Indian e-business market is buzzing with activity and the present environment is just the tip of the iceberg? What do you foresee?

I think India will have a more robust and enduring marketplace where the 'deadwood' has been weeded out and only the strong players (in the B2B and B2C space) will survive and prosper. The market size is likely to see a strong growth dramatically.

As per your report, in the costs of e-biz, content and application development constitutes a high share of 60 percent. What role does content development play in the success of a dotcom?

The days of 'content is king' are over. Content will need to be combined with 'execution' ability. Thus pure 'content based' sites with nothing more compelling to offer will soon be an endangered species. Hence the focus on application development will continue and maybe even increase in the future. Content can at best draw initial visibility but content alone will not generate 'customer loyalty' especially in the B2C space, and to some extent even in the B2B space.

There is a belief that India is following the West. And the West says that the party is over for many dotcoms.

It is probably too dramatic to say that the 'party is over' which implies that the entire dotcom revolution is over. What is 'over' is the era of easy and endless money available to anyone with faint ideas and without any solid revenue strategy behind it. Those dotcoms that did not have a revenue prospect are starting to die now whereas the solid ones will not only survive but will also prosper. In the case of India following the West, that is definitely happening, though in some cases we have 'outwested' the West, in terms of number of the general dotcoms that have sprung up. We have also gone from a situation of 'not having enough VC money', something that the industry was bemoaning just 6-8 months ago to one of too much money chasing too few ideas.

What is the objective of Strategy 2000? How will it help dotcoms to emerge as winners?

The objective of Strategy 2000 (which will be a branded annual Gartner event starting this year) is to educate the Indian market in terms of opportunities/risks/strategies for success in the e-business space, and hopefully try to move the Indian market away from aping the West to using the e-biz technologies and paradigms to leverage uniquely Indian strengths and opportunities to enable Indian companies to generate competitive advantage before their counterparts in other countries do. This is sorely needed for India to be the economic superpower that many are predicting it can be in the next few years. We hope to bring in some of our key analysts from around the world to bring their expertise to the Indian market. This will also serve to showcase the incredible depth and

breadth of world-class expertise that Gartner possesses that no other company in the world can match, and thus move towards making Gartner the definitive leader in India in providing thought leadership in business technology trends and developments.

Will the existing chaos encourage more and more hybridization?

It is not the existing chaos that will encourage greater hybridization, but just market dynamics and economic necessity that will dictate this move. There are unique strengths and weaknesses that both the B&M (brick and mortar) and PP (pure play) worlds have. It is this fundamental truth that will drive the hybridization process that will integrate the best of 'rw' (real world) with 'vw' (virtual world) to have a stronger company. In the next few years (2004) the biggest survivors will be the successful hybrids, and not B&M or PP only.

Gartner also aims to gain a strong foothold as a consulting firm too. How will Strategy 2000 help Gartner achieve that?

By showcasing our unique combined research and consulting talent in Strategy 2000 (that no one in the world, including the Big 5 or Mckenzie) possesses, we hope to demonstrate how uniquely positioned we are to deliver successful business transformation e-biz strategies to Indian corporates. The reality is that the traditional consulting companies rely on the experience base of their "history" in past assignments to deliver value in future assignments. In the world of e-biz, there is no past history. These companies can leverage and they are hence at a severe competitive disadvantage. By leveraging our unique research and forward looking capabilities, which has been the major focus for Gartner in the past, and combining it aggressively with our world-class consulting practice will be an unbeatable combination.

As per the ICRA report, only five per cent of the dotcoms will survive. In such a scenario, how will the venture capitalists ensure return on their investments?

There will be a significantly larger number than this that may not survive independently but will survive as a merged entity with either a B&M major or with other bigger rivals. eg. in the case of the acquisitions made by Satyam, you could say that the acquired companies did not survive, but in reality they did and the VC investors in those companies have made a tidy profit from the inflated valuation that Satyam was willing to pay.

What strategy should the VCs adopt in the dynamic scenario?

A key strategy is not to "bet on the jockey rather than the horse". What I mean by that is that the tendency to throw money at any "team" that has the right pedigree regardless of what idea they have. There has to be more focus on the revenue generation capability of not only the idea but also the management team that will execute the idea and take it to maturity.