

Chapter Ten

Competitive and Macro Environments

So far in this book, we have focused on business models and the Internet, only sparingly referring to the environment in which firms and their business models must operate. But as we pointed out in Chapter 1, a firm's profitability rests as much on its business model as on its environment. In this chapter we explore the role of a firm's environment in determining its business model and profitability (see Figure 10.1). In particular, we explore the impact of the Internet on the competitive and macro environments of a firm and the resulting consequences for business models.

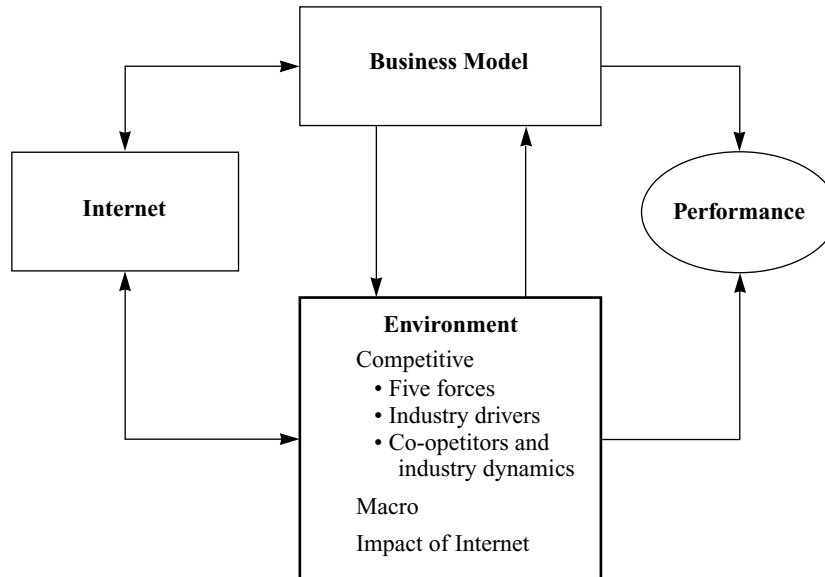
THE ENVIRONMENT AS DETERMINANT OF FIRM PERFORMANCE

As Figure 10.1 shows, a firm's environment is not only a determinant of its performance. It also influences the type of business model that the firm adopts as well as how the Internet evolves. The business model itself is influenced by the Internet and firms. Two types of environments can impact firm performance.¹ First is the **industry or competitive environment**: the suppliers, customers, complementors, rivals, substitutes, and potential new entrants with which a firm must interact or take into consideration in making its strategic decisions. Then there is the **macro environment**, the overarching environment of regional and national governments and institutions in which firms in an industry must operate.

The Competitive Environment

For an industry to be profitable, the firms in it must be able to provide products or services whose value to customers considerably exceeds the cost of providing them. But as Michael Porter pointed out, there are five forces—bargaining power of suppliers, bargaining power of buyers, threat of new entrants, rivalry among existing firms, and threat of substitute products—that can prevent firms in the industry from being profitable.² The impact of **Porter's five forces** on

FIGURE 10.1 The Role of the Environment



firm profitability can be understood by considering the simple relationship of equation (1), which states that the profits that firms make are equal to the revenues that they receive from customers in exchange for the products or services that they offer, less the costs of offering them.

$$\text{Profits} = \text{Revenues} - \text{Costs} = P(Q) \times Q(P) - C(Q) \quad (1)$$

If suppliers have high enough bargaining power to extract higher prices from industry firms, the costs to the firms are higher and their profits reduced. If these powerful suppliers instead get away with offering firms lower-quality inputs, these firms will end up with inferior products for their customers. This in turn will reduce their ability to charge premium prices for the products or they may have to spend more to improve product quality. Either way, industry profits are reduced.

Powerful customers have an analogous effect on firm profitability. They can extract lower prices and higher-quality products from firms. Lower prices and higher quality mean less profitability. A high threat of new entrants forces firms to charge less for their products. They may also be forced to take costly measures to create barriers to entry or differentiate their products. Either way, firm profitability is reduced. Increased rivalry among existing firms can lead to price wars or costly attempts to differentiate products, both of which reduce profitability. Substitute products provide a powerful alternative to firms' products, thereby putting pressure not only on the prices that firms can charge, but

also on the quantities that they can sell. An industry in which suppliers and buyers have bargaining power, and in which rivalry, the threat of new entry, and the power of substitutes are high, is said to be **unattractive** because, on the average, the industry's profits are low.

Industry Characteristics and Critical Success Drivers

Every industry has its idiosyncrasies. These may be in the customers, customer value, distribution channels, activities performed to deliver the value, or technology that underpins the value and activities. These can lead to certain **industry success drivers** or factors that are critical to success. Firms must exploit these factors if they are going to gain and maintain a competitive advantage in the industry. Critical factors are those that have the most impact on a firm's cost or the distinctive value that it can offer customers. In consulting, for example, capacity utilization is critical. Few firms can afford to have MBAs, who cost over a quarter of a million dollars a year each, idling. Relations with clients are also critical if the consultants are going to win contracts and complete them successfully. So is the ability to create and share knowledge since, when all is said and done, consulting is a knowledge management business. In pharmaceuticals, two industry success drivers are R&D and the ability to perform clinical trials quickly and efficiently. Both determine the efficacy and safety of drugs.

In formulating Internet business models, it is important to identify these industry success drivers and go after them. In the automobile industry, for example, distribution accounts for 30 percent of the price of a car while an inability to forecast what customers want accounts for most of the cost. Well-conceived and well-executed Internet business models for automakers could trim many distribution costs by using the Internet to better forecast. In auctions, the size of the network is critical. Thus, a firm may want to build a loyal clientele early and quickly.

These idiosyncrasies on which industry success drivers rest often distinguish one business model from another.

THE INTERNET AND ENVIRONMENTAL DETERMINANTS OF PERFORMANCE

The question is, though, How do the properties of the Internet that we explored in Chapter 3 impact industry profitability and, in turn, a firm's ability to profit in this new frontier? To explore this question, we focus first on the industry environment and then on the macro environment.

Impact of the Internet on Industry Environment

One way to explore the impact of the Internet on industry profitability is to use Porter's five forces model.³

Suppliers

As we saw earlier, suppliers in an industry may be powerful enough to extract the industry's profits through high input prices or low-quality inputs. One source of this power is the information that suppliers may have on their products, prices, and costs that no one else has. The better informed that firms are about their suppliers and the products they are buying, the better their bargaining position. The World Wide Web equalizes this firm-supplier bargaining power somewhat because it reduces the information asymmetry that often exists between firms and their suppliers. Information on products, prices, and firms is more available to more people. For example, by accessing one of many web-sites, a potential car buyer can obtain detailed information on cars, their prices, and financing—information that was once the main source of power for car dealers. The result is that firms have more power over their suppliers, all else being equal. The distribution channel property means that more suppliers can reach industry firms than could do so before the Internet. For example, a software developer whose products were shunned by computer dealers (stores) can now post its products on the Web. This effectively increases the number of suppliers, giving more power to industry firms (their customers). The universality property has a dual effect. On the one hand, it means that firms in one region do not have to depend as much on local firms for supplies as they did before the Internet. Firms can solicit bids from suppliers worldwide. On the other hand, it also means that suppliers can sell their products to more firms worldwide.

Customers

For the same reasons why the Internet gives more power to firms over their suppliers, it also gives more bargaining power to customers over firms. Customers have more information on firms' products, prices, and costs; more firms compete for customers' attention; and distribution costs are lower, allowing more firms to reach customers. However, the mediating technology nature of the Internet suggests that the relationship between customers and firms is much more than analogous to that between suppliers and firms. Mediating technologies usually have more than one type of customer who is interdependent through the mediating firm. Consider a newspaper, for example. It has customers who buy the paper for the news, and customers who buy the advertising space to sell their products or services to those who read the newspaper. Effectively, the newspaper is a medium of exchange for the two groups of customers.⁴ The larger a newspaper audience, the more power the newspaper has over advertisers. The network externality property also suggests that for certain applications, firms with large networks have some bargaining power since the larger the network, the less likely customers are to switch.

Rivalry

Recall that rivalry between existing firms may result in price wars that lower their prices, or advertising and promotion wars that increase their costs. Both result in lower profits for firms in the industry. For many products, the advent of the Internet means more rivalry. Why? Well, look at book retailing. A local

bookseller used to face competition only from its bricks-and-mortar neighbors whose stores were located in the same or neighboring towns. With the Internet, the number of competitors increases rapidly because local customers can now buy from Web sellers, which greatly increases rivalry. The universality property also has two opposing effects. On the one hand, competitors can come from anywhere in the world. This increases rivalry. On the other hand, the market is also the whole world, which decreases rivalry since there is a larger pie to be shared.

Threat of New Entrants

Recall that the threat of new entrants forces incumbents to charge less for their products or take costly steps to keep them out. The result is that incumbent profits are lower. Such a threat is reduced if potential new entrants have little information available about incumbents, their products, costs, and prices. Potential new entrants would enter the new industry if they believe that they stand to make money in it. Making such a determination entails knowledge of incumbent costs and prices. Again, where the Web makes such information available to potential new entrants, the threat of entry increases and potentially reduces profits for incumbents. The threat of new entry also increases where the Internet serves as a distribution channel for some products. Consider, for example, a software developer who, prior to the Internet, had no chance of getting shelf space at computer and software retailers. With the Internet, all the developer has to do is develop the software and post it on the Web for customers. This increases the number of firms that can enter the industry. The universality property also suggests that the threat of new entrants increases since a firm from Bali is as likely to sell software to customers in Tokyo as one from Tokyo itself or one from Boston.

Finally, since the Internet is a low cost standard, the threat of new entry looms large for nearly all industries whose barriers to entry rest on some form of mediating technology. These range from telephone long-distance service to newspapers to television, radio, and financial services.

Substitutes

Substitute products or services reduce demand by providing buyers with alternative products. The Internet increases this possibility because it offers more information on the prices and attributes of substitutes and the extent to which they can substitute for industry products, making it easier for customers to find and use these substitutes. For substitutes that can be distributed over the Internet, the threat to industry firms is even higher. The universality property also suggests that there are more of such substitutes because makers of substitutes from all over the world can participate.

Complementors

Complementors are firms that produce complementary goods and services for industry products. For example, gasoline makers are complementors to the automobile industry because gasoline is a complementary product essential to

the operation of automobiles. Complementary products increase demand for firm products. Thus, the more software that is developed for a particular computer standard, the more valuable the computer. The Internet provides more information on complementary products, thus increasing rivalry (in offering complementary products) and the number of complementary products that are sold. This in turn increases the number of industry products that are sold, augmenting industry profits.

The Internet's Multiple Forces

One underlying assumption in Porter's five forces is that customers are the ones who pay firms for the customer value offered by these firms. When an automaker sells a car, the buyer pays for it. The more power the customer has, the less a firm can expect for the customer value it offers. The mediating and network externalities properties of the Internet, however, suggest that frequently the customer who gets value from a firm is not the one who pays for it. This has significant implications for the competitive forces that impact an industry. Take the newspaper industry, which we said has two interdependent types of customers: its audience and advertisers. A newspaper actually has two types of rivals: those in the news business and those who sell and buy the kinds of things advertised in newspapers. Thus, with the Internet, a newspaper's rivals are not only other newspapers (or online news services), but also the auctioneers like eBay who advertise *and* sell many of the same items that are—or used to be—advertised in newspapers. The threat of new entry also takes a different dimension since anyone with a website and the capability to offer any of the content that newspapers do (e.g., news, weather, advertising, sports scores, and stock prices) is a potential competitor for newspapers.

In the bricks-and-mortar world, a retail store in Bentonville, Arkansas, does not compete intensively with one that is 200 miles away. In the virtual world, it competes with one that is thousands of miles away. Also, any store can potentially compete with any other store. This takes rivalry to a different dimension.

For many industries, then, the Internet shifts the bargaining power from suppliers to firms and in turn from firms to customers. To determine how attractive an industry is, however, we still need to perform a five forces analysis for that particular industry. The Internet service provider (ISP) industry serves as our example.

A Five Forces Analysis of ISPs

Internet service providers (ISPs) in 1998 provided their customers with basic Internet access to information, e-commerce, entertainment, community, and communications.⁵

Threat of Entry

The threat of entry was high. There was plenty of communications capacity available from competing telephone, cable, and wireless providers. The computer hardware, such as servers and routers, and the basic software required to

enter the industry were inexpensive and readily available. There was no clear product differentiation; strong brand loyalties were yet to be established. There was no fear of retaliation since this was a new industry with no incumbents.

Suppliers

Suppliers were the owners of communications infrastructure, makers of hardware and software, and the providers of content (e.g., entertainment, e-commerce, information, and communications) such as Disney, Playboy, and news networks (see Chapter 2). Some of these suppliers had their own ISPs, demonstrating a credible threat of forward vertical integration into ISPs. They were also relatively less fragmented than the thousands of ISPs in business in 1998. Effectively, suppliers of content had bargaining power over ISPs while suppliers of equipment such as hardware and software did not.

Buyers

Buyers in 1998 were the businesses and individuals that used the Internet. Since the service ISPs provided was undifferentiated with little switching costs, customers had the bargaining power.

Rivalry

In 1998 the Internet service provider industry was highly fragmented, with over a thousand ISPs and no sign of a slowdown of entry (see Chapter 2). The service offerings were still largely undifferentiated with low switching costs. On the other hand, the industry was experiencing high growth. Competition also tended to be regional; for example, ISPs that served Ann Arbor might not serve Los Angeles. Overall, despite the high industry growth and regional competition, rivalry was high.

Substitutes

In 1998 customers used ISPs to communicate and access information, e-commerce, entertainment, and community. Many customers still had plenty of alternative ways to satisfy these needs at low cost. The telephone and traditional hard-copy mail still allowed customers to communicate inexpensively. Television and theaters still provided entertainment while bricks-and-mortar stores still supplied low-cost shopping alternatives.

An Important Point about Industry Analysis

Our analysis suggests that the ISP industry in 1998 was very unattractive. Does this mean that in 1998 no firms could make money in the industry and that firms such as America Online (AOL) should have pulled out of ISP activities? Of course not! Does it mean that an industry analysis is useless? Of course not! It provides us with critical information. It tells us that the industry is, on average, not very profitable at the time the cross-sectional analysis was performed (1998). More important, an industry attractiveness analysis tells us why the industry is unattractive or attractive and a firm can, through

appropriate strategic actions, make the industry more attractive for itself by influencing the competitive forces in it. For example, this analysis suggests that the service offered by ISPs in 1998 was, on average, undifferentiated. Thus, firms could differentiate themselves, for example, by building strong brands. AOL has taken several strategic steps to differentiate its service, including building a brand name. Since a critical success driver in the ISP industry is network size, AOL has also taken strategic steps to build loyal subscribers in a larger network. Brand and membership loyalty can help AOL stand out in the ISP market. Thus, a five forces analysis allows a firm to ask itself the following questions:

What can we do to moderate rivalry in this industry?

What can we do to reduce the viability of substitutes?

How can we create and maintain barriers to entry?

What can we do to increase our power over buyers and suppliers?

In general, firms should be asking, If the Internet has caused power to shift from suppliers to firms and from firms to customers, what strategic steps must we undertake to prosper from these shifts? The answers to these questions should be incorporated in the firm's business model.

In any case, our five forces analysis of the industry so far has two major shortcomings. First, it sees suppliers and customers as competitors over whom firms fight to gain bargaining power. But we know that suppliers and customers are more than just competitors. Second, the analysis is static because it considers industry attractiveness at a particular point in the life cycle of the industry.

CO-OPETITORS AND INDUSTRY DYNAMICS

Co-opetitors

The sole focus on the competitive relationship between a firm and its **co-opetitors**—the rivals, suppliers, customers, complementors, and potential new entrants with which a firm must compete *and* cooperate⁶—does not do justice to the critical role that these co-opetitors can play in helping firms exploit the Internet. First, the value that customers perceive is very difficult to break down into the contributions from firms, suppliers, customers, and complementors. Look at a tantalizing game played over the Internet. Is it fascinating because of the ISP's portal site, the speed with which signals are delivered over the Last Mile to the house, the backbone provider, or the way the game is designed? The point is that it takes all of these players to deliver the right value to customers. Thus, an industry analysis should also include an analysis of the industries of major suppliers, customers, and complementors. It should consider that customers are there not only to exercise any bargaining power they may have, but also that they may be interested in cooperating with firms. Much of the advantage that Japanese automobile companies had over

their U.S. and European competitors in the 1980s came from cooperative relations with suppliers.⁷

Industry Dynamics and Evolution

In the five forces industry analysis, in which we predicted the likely outcome of the impact of the Internet on competition and profitability in industries, we assumed that these industries were static. However, following a major technological change such as the Internet, competition is a dynamic process in which firms fight for competitive advantage and survival. Industry structure and conduct change as the industry evolves.

Evolution of Technology

The rate at which firms enter or exit an industry parallels the evolution of the technology.⁸ Early in the life of a technology, venture capitalists and other investors want to invest in it, entrepreneurs want to take advantage of the opportunities it offers, the product/service and its components are still ambiguous, and there are a large number of entries and few failures. In the late 1990s, for example, plenty of venture capitalists and many entrepreneurs took advantage of the Internet. The ISP industry alone attracted hundreds of new entrants. In the growth stage, firms fight for standards, establish relationships with customers, build brand-name loyalty, and struggle for market share. For most Internet start-ups, this has meant acquiring subscribers and clients, building large communities and infrastructures, winning “mindshare,” and establishing brands. At the same time, customers are trying to “discover” their needs. Eventually, some product/service designs emerge as dominant designs. Some firms are forced to exit, others merge, and the number of surviving firms is greatly reduced as the evolution enters the stable state. As of 2002, the Internet had not yet reached the mature phase in any industry.

Example The automobile industry illustrates what may be in the future of the Internet and the many industries exploiting it. In the early and growth phases of the automobile industry from the 1890s to the 1930s, more than 2,000 companies entered the industry in the United States. Just as the catchword in the late 1990s was “dot.com,” the catchword in the automobile industry was “motor.” In 2000, there were only two major U.S. automobile companies (Chrysler is now considered a German company since it merged with Daimler Benz to form DaimlerChrysler). In the mature phase of the Internet, there is likely to be a lot fewer dot.com firms than existed in 2000.

THE MACRO ENVIRONMENT

Firms, suppliers, customers, and complementors do not operate in a vacuum either; they are surrounded by the macro environment of government policies and laws, social structure, technological environment, demographic structure, and the natural environment which directly impact the industry environment.

Regulation and deregulation can increase or decrease barriers to entry and therefore the profits that firms can make. By issuing a limited number of taxicab licenses, for example, a city is creating industry barriers to the taxicab market and how much cab owners can make. The increasing number of people who have grown up with the computer and see it as an integral part of their work and social lives means different customer expectations and preferences and different opportunities for creating new industries that depend on computers. National and international economic factors such as interest rates, exchange rates, employment, income, and productivity also impact an industry. Government plays a critical though indirect role in creating new industries. The Internet itself and the World Wide Web derived from government research and development.

Impact on Performance

A firm's macro environment indirectly impacts its performance by influencing the competitive environment and business models. As we indicated earlier, it does so by impacting the industry environment; that is, the properties of the Internet may suggest, for example, that the retail book industry is a good candidate for transformation and that anyone anywhere can start an online retail bookstore to sell to customers anywhere in the world. But it still takes a certain kind of environment to launch an Amazon.com. In other words, some environments are more conducive to innovation than others.⁹ We consider four attributes of such environments: (1) a system that provides financial support and rewards for innovation; (2) a culture that tolerates failure; (3) the presence of related industries, universities, and other research institutions; and (4) government policies.¹⁰

Financial Support and Rewards: IPOs and Venture Capital

Money still talks, even on the Internet. It takes money to finance Internet activities. Many entrepreneurs or employees are attracted to the Internet by expected future earnings. Thus, an environment that provides both would be more conducive to Internet businesses than others. Let's start with the reward system, which differs from country to country. In the United States, for example, the rewards for innovation can be astronomical. These rewards come in several forms. First, as we described in Chapter 8, there is the initial public offering (IPO) in which firms sell their stock to the public for the first time. In one day, following one to five years' work, an entrepreneur can become a billionaire while many others see their personal wealth go up by millions of dollars. A firm can also push up its net worth by spinning off an entrepreneurial unit and offering its stock for purchase. Expectation of such rewards can be an excellent incentive to start new Internet businesses and work hard at them. Money raised in IPOs and subsequent stock valuations can be a valuable resource for pursuing a strategy. As James H. Clark, cofounder and former chairman of Netscape, explained, "Without IPOs, you would not have any start-ups. IPOs supply the fuel that makes these dreams go. Without it,

you die.”¹¹ Internet firms, such as Amazon.com and many others, did not even have to be making a profit at the IPO date. Unfortunately, not all environments offer such rewards and sources of financing. In Japan, for example, firms must show several years of decent profits in order to be listed on that country’s over-the-counter (OTC) market.¹² That can take as many as 10 years compared to 5 or less in the United States, and even less in 1998 and 1999 for Internet-based IPOs.

The availability of venture capital, partly a result of the expectations of financial rewards, also plays a critical role in Internet business formation. By making money available for projects that banks and other financing sources would normally consider too risky, venture capitalists allow firms to be more daring in their pursuit of new ideas. Some entrepreneurs use personal or family savings or loans from friends to finance their innovations, again in anticipation of the rewards. Anticipation of such rewards, coupled with readily available venture capital, allows more people to search for more innovative ideas. Many of those who succeed usually reinvest in other innovation-searching activities.

Culture That Tolerates Failure

Many start-up firms never get to the payoff at an IPO, or they fail right after it. For several reasons, such failures stop neither the entrepreneurs nor the venture capitalists who finance the innovations from founding other start-ups. First, those who fail learn in the process and that can improve their chances of doing well the next time around. They acquire competencies that can be used to tackle another innovation. Even if all they learn is what not to do next time, that can be useful too. Second, venture capital firms have seen many failures before and have found ways to reduce their risk, for example, by offering management expertise to ventures. Moreover, some of the venture capital comes from entrepreneurs who had succeeded only after having failed earlier. During their stints in Silicon Valley, the authors do not remember seeing anyone point a finger at a person and say, “That’s an entrepreneur who failed.” Whereas in Europe bankruptcy laws are harsh and entrepreneurs who fail are stigmatized, in the Silicon Valley, “bankruptcy is seen almost as a sign of prowess—a dueling scar.”¹³ In general, firms in the United States, be it in New York City’s Silicon Alley or California’s Silicon Valley, have these conditions in their favor.

Presence of Related Industries, Universities, and Other Research Institutions

The environment constitutes a very important source of innovations. Since tacit technological and market knowledge is transferred best by personal interaction, local environments that are good sources of innovation can make it easier for local firms to recognize the potential of an innovation. The presence of related industries is an example; being close to suppliers or complementary innovators increases a firm’s chances of picking up useful ideas

from them. Amazon.com’s founder Jeff Bezos went west where he could find a large number of computer software developers and be located close to book distributors.

The proximity of universities or other research institutions helps innovation in two ways. First, these institutions train personnel who can go on to work for firms or found their own firms. From Yahoo! founded by graduate students at Stanford to Netscape started by students from the University of Illinois, examples abound. The knowledge that they acquire gives them the **absorptive capacity** to assimilate new ideas from competitors and related industries. Second, scientific publications from the basic research often act as a catalyst for investment by firms in applied research.

Government Policies

Finally, governments play a critical role—direct or indirect—in creating environments conducive to innovation.¹⁴ The direct role may be in sponsoring research at the National Institutes of Health or the Defense Department. The Internet itself traces its roots to the Defense Department’s DARPA project. More important, the U.S. government sponsored research in computer science and communication networks while training hundreds of thousands of people in electrical engineering and computer science who now fill Internet business jobs.

The government’s indirect role is in regulation and taxation. Lower capital gains taxes or other regulations that allow firms to keep more of what they earn allow them to spend more on innovation. Taxing e-commerce can have a huge impact on the Internet. Other regulations also can be critical. In July 1999, for example, Internet signatures were not available; that is, people could not sign documents over the Internet. This meant that people still had to personally deliver documents or send them by “snail” mail to be signed. Making signatures delivered over the Web legal could increase the use of the Web. Government laws on intellectual property protection also influence the effectiveness of block strategies.

Summary

A firm’s performance is determined by three factors: its business model, its environment, and change such as the Internet. In this chapter we explored the environmental factors and the impact of the Internet on these factors and vice versa. Two environmental factors determine firm profitability: industry and macro environment. Some industries are, on average, more profitable than others. The profitability of these industries is determined by the extent to which suppliers, customers, rivals, potential new entrants, and substitutes exert competitive pressures on industry firms. These competitive pressures are themselves a function of the macro environment—the overarching political/legal, national/international, social, technological, and demographic forces.

Industry analysis provides information that firms can employ in formulating their business models and strategies. For example, a Porter’s five forces analysis of an industry in the face of the Internet tells a firm how attractive

that industry is, but more importantly, it tells the firm what this industry has that makes it attractive or unattractive. With this information, a firm can take the necessary strategic steps, in building its business model, to make the industry more attractive for itself. By developing more content, building a large network of subscribers, and establishing a brand name, AOL made an otherwise unattractive ISP industry more attractive for itself. An analysis of industry success drivers provides firms with key information that they can use in making decisions about business model components and linkages. In understanding how the macro environment can shape the extent to which an industry can profit from the Internet, firms in that industry can do something about the macro environment. For example, automakers are not allowed to sell cars directly to customers in the United States; they have to sell their products through dealers. But they might choose to lobby to scrap these laws so that they can better exploit the Internet. An industry analysis also has implications for policy makers: They can know better what kinds of macro environments they must create to make firms in their jurisdictions more innovative. For example, countries with low financial reward systems for Internet entrepreneurs and little or no venture capital may find it difficult to compete with the United States, which has a generous reward system and plenty of venture capital. Therefore, policy makers in other countries may want to find ways to change their environments.

Key Terms

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Discussion Questions

1. Name an industry in which new entrants have an advantage over incumbents. What factors allow them to have this advantage?
2. How might the Internet be different if it had been developed commercially instead of by the government?
3. Which properties of the Internet increase industry rivalry?
4. Name an industry that was created as a result of the Internet. What "traditional" industries could be threatened by this emerging industry? Why? Be specific.
5. Give examples of co-opetitors. Why do they cooperate? How do they compete?
6. Why do e-business "hotbeds" such as Silicon Valley emerge? What contributes to their formation?
7. Give an example of an instance when offering customer value is a necessary but insufficient condition for a firm's profitability.

Notes

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