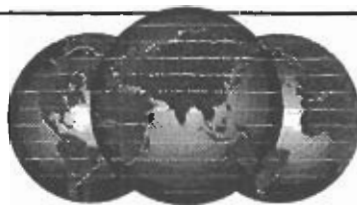


The Third Annual



Global Finance C o n f e r e n c e

April 4 - 6, 1996

**Hilton Hawaiian Village
Honolulu, Hawaii**

Yearbook

- **Program**
- **Proceedings**
- **Directory**

EXECUTIVE COMMITTEE

- **Manuchehr Shahrokhi**, (Executive Director), Craig School of Business, California State University, Fresno, CA, 93740-0007, USA. (209) 278-4058, FAX: (209) 278-4886/4911, E mail: manuchehr_shahrokhi@csufresno.edu
- **Richard Constand**, College of Business Administration, University of Hawaii, Honolulu, HI 96822. (808) 956-7679, FAX (808) 956-9887
- **K. C. Chen**, Craig School of Business, California State University, Fresno, CA 93740-0007, USA. (209) 278-4964, FAX: (209) 278-4911, E-mail: kuang_chen@csufresno.edu
- **Anthony F. Herbst**, Dept. of Economics & Finance, University of Texas, El-Paso, TX 79968-0543. (915) 747-7791, FAX: (915) 833-4813, E-mail: GQ01@UTEP(BITNET)
- **Arvind Mahajan**, College of Business Administration, Texas A&M Univ., College Station, TX 77843-4218. (409) 845-4876, FAX (409) 845-3884.
- **James E. Owers**, College of Business Administration, Georgia State University, Atlanta, GA 30303-3083. (404) 651-2619, FAX: (404) 651-2630.
- **Richard A. Weiss**, Sanwa Trust & Investment, 601 South Figueroa Street, Los Angeles, CA 90017. (213) 896-7423, FAX: (213) 896-7873.

GLOBAL INFOPRENEURSHIP: THE VIRTUAL VALUE CHAIN AND THE WORLD WIDE WEB

Sasan Rahmatian, California State University, Fresno

"Infopreneur" is a term coined by Skip Weitzen in 1985 to denote a person who gathers, organizes, processes, and sells information as a value-added business venture. A decade ago, the concept of infopreneurship, its value-added nature, and its supporting technologies were all valid as evidenced by a multitude of real-world success stories. Today, as we have progressed more and more in the direction of becoming an information society, the concept of infopreneurship is as valid as it was a decade ago, if not more so. However, a fundamental transformation has taken place. The question has arisen: How sustainable is the value added in the light of continuous advances in information technologies (IT), i.e., cheaper, smaller, more user-friendly, more portable, more powerful, and more connected to the rest of the world? In other words, the following issue has emerged:

- Is the fundamental value added so dependent on the specific nature of the supporting technology that significant advances in IT (and the economics associated with it) can erode it and make it obsolete? or
- Is the fundamental value added so substantial as to be almost immune to technological advances and its governing economics?

Consider two examples, each over a decade old. First: Wayne Lerrley started U.S. Quotes to make stock quotations available to anyone with a touch tone telephone at a charge of \$45 for opening an account and \$.12 per minute. Second: Bruce Kallenberg created the New York Restaurant Hot Line to help the residents and visitors to New York select restaurants that meet their specifications (in terms of type of food, price range, and location) and to automatically reserve tables for callers, all this without any charge to the calling customer. Compare the two cases and it becomes clear that the tenability of the first service has evaporated due to the flimsy value added, whereas the second case provides much more sustainable value that would not be easily threatened by advances in technological accessibility. The framework most commonly associated with value adding activities in business is that of the value-chain.

The traditional concepts of value and value-chain apply to firms engaged in the business of making and selling physical products. As such, the traditional value chain ought to be qualified as the *physical value chain*. Infopreneurs, being in the business of manufacturing information, are not likely to benefit from the insights associated with the physical value chain. Instead, they seem to need guidance along different lines: Those having to do with the *virtual value chain*

Firms that produce physical products seem to operate in two different domains: One, the physical world of tangible resources and products; the other, the virtual world of intangible data inputs (the primary resource) and information outputs (the exclusive product). While there are some parallels between the physical and the virtual value chains, the two involve different steps. The physical value chain is generally understood to involve the following activities: Inbound logistics, production, outbound logistics, marketing, sales, and service. The virtual value chain, on the other hand, involves the process of collecting, storing, and processing data, and then generating/disseminating useful information off of it. As it stands, the concept of physical value chain suffers from certain weaknesses. Perhaps the most important is the manner in which marketing is positioned along it. To place marketing *after* outbound logistics is to reveal a misunderstanding of marketing and its relationship with other business functions. Marketing is a multi-pronged activity, with each prong touching the value chain at a different point. For instance, the marketing research prong may touch the value chain at the very beginning where customer requirements are elicited (to be transformed into product design features), whereas the advertising prong touches the value chain after (or simultaneous with)

outbound logistics. This is the minor flaw. The major flaw in the traditional concept of value chain is that it fails to distinguish among the following three types of activity:

- A. physical value-added activities,
- B. informational value-added activities,
- C. hybrid (physical and informational) value-added activities

Transportation (physical movement of material from point A to point B) is an example of physical value-added activities. Routing and scheduling (deciding through what routes and in what sequence to execute the transportation) are examples of informational value-added activities. Inbound logistics (involving the physical transportation and the supporting planning) could then be conceived as an example of hybrid value added activities.

The concept of virtual value chain goes beyond informational activities in the traditional value chain, which turn out to have the character of supporting functions. The essence of the virtual value chain is that it treats information not as a supporting element but *as a source of value in itself*. A case in point: Federal Express allowing its customers to track their packages through the company's World Wide Web site on the Internet. If this case is felt to still smack of a support element (in that the tracking information is *about* the package in transport), then another example which has no parallel physical value added activity will serve: CUC International's Auto Vantage -- the membership service that hooks consumers up with discounted prices on automobiles (among many other goods).

Of all technological innovations creating virtual value chain (infopreneurial) opportunities, the World Wide Web (WWW) is by far the most potent and far reaching. With a presence on the WWW, any business -- regardless of industry, size, and other specifics -- has the potential of competing in a global market. The relatively straightforward use of the WWW will be to inform the global market about the many dimensions of a product (price, model, specifications, availability, etc.), and then provide an efficient transaction-based channel for ordering it. The completely revolutionary use of the WWW will be in terms of offering infopreneurial opportunities, such as the CUC case alluded to earlier. But the "info" in infopreneurship is not restricted to plain transaction data. It also encompasses the broader realm of multimedia. Consider groups such as the Internet Underground Music Archive (IUMA), which post digital audio tracks from unknown artists on the network, bypassing and potentially replacing the traditional music industry. It is not difficult to think of similar examples having to do with the other elements of multimedia, such as image (revolutionizing the photography business, for example) and video (revolutionizing the movie industry, for instance).

Despite its allure, or perhaps because of it, the WWW poses a daunting challenge to the infopreneur: That of being creative in formulating the value added in a competitive, differentiated manner. A search on "wine" on the WWW currently brings up 80,000 links! And this is at the infancy of the WWW as a business tool. The globalization of the market through the WWW is a two-edged sword: While the market is vast, so is the competition. Perhaps the most promising sources of differentiation will lie in huge, multimedia databases that allow users to conduct searches based on precise (yet high-level) specifications via user-friendly interfaces at rates far below those associated with physical searches (leg work), yielding results far superior to those found through physical searches.