

Note on Transforming Business Models:

I think the key line in the article below (written by Erick Schonfeld) is a quote from John Battelle: "build your business by letting your customers build your business."

I have argued this many times with the house building industry, for example. Why not build an online engine that lets consumers come to a homebuilder's web site and browse the different lots available in their various communities, the different home plans they offer, the different finishes available, and so on. At the same time, why not have an online cash register that shows the consumer how much all this costs. If it is greater than their budget allows for, they can take some of the goodies out of their shopping carts until they have something they can live with.

Sales people spend untold hours with home buying clients trying to get this right. Why not *reverse out* some of this work to the client. They can spend as long as they like on the web site until they get it right. And think about the information the homebuilder can glean from all of this activity even from people who never actually buy anything...

I have always liked Amazon's use of their relational data base—the answer to the question: "Do you want to know what other people who bought this book also bought?" is a very valuable research tool for people like me. Now that Amazon is allowing others to access this data, they are creating new ways to use the data.

"Do you want to know what people who purchased this musician's CD also bought?" That's a neat new service (from MusicPlasma.com) that Schonfeld talks about in his article and couldn't have come about if Amazon treated its information as confidential and proprietary or, worse yet, subject to draconian copyright rules.

Now, it obviously is good for Amazon to share this information because, presumably, MusicPlasma.com's users might actually buy more (related) music CDs. But it is also good for music lovers because if they get to listen to similar music that they might not otherwise have known about. In a way, MusicPlasma.com is creating a type of 'Top 40' play list for everyone, no matter how obscure their taste in music might be.

At the end of the day, I have always felt that the killer application on the Internet has proven to be none of the usual suspects—movies on demand, pornography or email. It's the browser, stupid.

Dr. Bruce M. Firestone, Ottawa, Canada. October 2004.

Amazon, eBay, and Google Turn Themselves Inside Out

By [Erick Schonfeld](#), October 15, 2004

<http://www.business2.com/b2/web/articles/0,17863,724655,00.html>

In [software](#), if you own the platform, you own the empire. The platform is that layer of

software on top of which all other applications are written. During the [PC](#) era, the platform of choice was the [Windows](#) operating system. The browser was supposed to replace the operating system as the preferred platform, but it failed to do so.

Now nearly every major [Internet](#) company -- [Amazon](#) ([AMZN](#)), [eBay](#) ([EBAY](#)), [Google](#) ([GOOG](#)), Salesforce.com -- is trying to turn itself into a software platform. That is, each one wants customers, software developers, and other companies to build new applications and new businesses based on the very same data that runs its website. In order to do that, they are literally turning their companies inside out and making available for free much of the information they use for their own businesses.

Can you imagine [Wal-Mart](#) ([WMT](#)) sharing sales data or pricing information with anyone other than suppliers? But that's exactly what these Web-based businesses do. And when they reveal their application program interfaces, they are in effect sharing some of their most critical business data. Their bet is that if other companies can build applications on top of their businesses, they will create miniature economies around the most popular platforms. And in the software world, that is how empires are built.

Why would a big company do that? Because it hopes to unleash the creative energies of people besides its employees to create new applications that tie into its website. That, in turn, will drive more sales. Amazon, for instance, makes available through [Web services](#) the product descriptions, pricing, product images, and customer-written reviews for every item available on its site. During the past two years, 65,000 developers have registered to access this data, and they are doing some creative things with it. A company called [ScoutPal](#), for example, offers [cell phones](#) with bar-code scanners to Amazon booksellers, so that they can compare prices at book fairs or garage sales with the going rate on Amazon.

Some Amazon developers, though, are just building cool sites. One is [Musicplasma](#), which prompts users to type in the name of a favorite artist and then displays a map of related artists based on the purchasing and clicking patterns of people who visit Amazon. Type in "Otis Redding," for example, and you will see that he is directly connected to Al Green, who, in turn, is connected to Barry White and the Isley Brothers. Each artist is visually represented by a planet. Click on the Barry White planet and it shifts to the middle of the screen to reveal other connections, such as Stevie Wonder and Patti LaBelle. On the left-hand side is a discography, with each album linked to the page on Amazon.com where you can buy it.

"Two people in France built this," Amazon CEO Jeff [Jeff Bezos](#) told an audience at last week's Web 2.0 conference. Because Amazon opened up its data through APIs, these two developers "were able to use very powerful assets that would be difficult for them to get access to any other way," Bezos noted. Developers have an incentive to link back to Amazon thanks to an affiliates program whereby they can get a cut of any sales they refer. The upshot: Amazon benefits as well. "We want to get people to use the guts of Amazon in ways that surprise us," Bezos said. "I think it is something every company can do, if they look inside and think what are some unique assets that others might enjoy."

He is not alone in this assessment. So far, 10,000 developers have tapped into [eBay's auction data](#), mostly to create tools to help sellers manage their eBay auctions. [Meg Whitman](#) recently told me that expanding eBay as a software platform is central to her strategy. "We think it is important to open up the platform because it makes eBay stronger as other people develop applications to the platform," she explained. Similarly, Google is opening up its [search APIs](#) and Salesforce.com lets customers and other software developers [add new features](#) to its Web-based [customer-relationship management](#) software.

Most of us may think of companies like Amazon simply as services we access over the Web. But to software developers, they are huge applications with vast databases of extremely valuable information that can be used to build other Web-based applications and businesses. These are the new platforms on top of which they want to write their software. "We are going to see the rebirth of the software industry," predicted Salesforce.com CEO [Marc Benioff](#) at Web 2.0. "In this new architecture, the platform is really the Internet itself."

John Battelle, one of the organizers of the Web 2.0 conference (and a Business 2.0 contributor), perhaps sums it up best: By making the Web a software platform, you can now "build your business by letting your customers build your business." But it will require a measure of openness unheard of until very recently. ♦