Business on the Internet: Opportunity or Threat?
Joan Enric Ricart

There is no doubt that the Internet is an important source of business opportunities. One only needs to browse through any newspaper or magazine in order to see the large number of "start-ups" which are emerging, or of the new offers on the Internet of many established companies.

Everyday we are bombarded with another .com or .es. It appears that there are many entrepreneurs searching for opportunities. Or perhaps not so many. On 13th June, Expansión published an article by C. Ruiz de Gauna which was titled "More than 200,000 Spanish Companies now have a Web Page", but whose header indicated "Only 23.7% of Spanish Companies currently have a Web Page."

By reading the article, it became apparent that large companies showed a percentage of 47% whilst the SMEs showed 17%. It seems that many companies still believe that the new medium opens up new opportunities to other companies but not to their own. It should be added that the figures on numbers of Web pages do not indicate whether electronic transactions take place, nor even if the web page is merely to present the company. But without a web page, it is clear that no progress can be made in this direction.

The reader may think that these figures offer a certain logic. On the one hand, there are many opportunities for business and not all should be followed. On the other hand, they may not have the necessary resources... Someone will take up this opportunity and whilst they are busy with it, I can exploit many other opportunities... But let us reflect using the example we have on this page. Michael Dell saw an important opportunity in the direct sale of computers. The context was appropriate, the opportunity was there... and so he began. The Internet opened up the opportunities for personalisation, direct contact, reduction of costs... Dell was ready and took the chance. Other companies were not ready, for instance because they had conflicts between different channels. Let us continue with the same example. The Internet offered Dell a new channel. It allowed new consumers, perhaps those best prepared or more likely to have the latest technology, or those more price-wary, to be reached. This increases the market, opens up new niches and finally brings increased demand.

The problem, however, has become more evident over time. Sales over the Internet, once the learning and development stages have been passed, is much more effective both for the company and for the individual. Thanks to this, Dell is still growing but now by replacing the alternative channels. It is no longer a new market or a marginal element. Little by little it is swallowing up the large market segments. Suddenly the chance to trade using a new channel, to develop a new market and to make demand grow is no longer an opportunity which we can decide not to follow, since it has become a determining factor in order to compete. In other words, it poses a threat to
those companies which cannot react quickly, whether due to conflicts with their
established channels, or whether due to technical or organisational difficulties.
The Dell case (along with many others) illustrates a phenomenon which is being widely
discussed in company management literature under the title of "disruptive
technologies".

The idea is simple and goes beyond just technology. Its origin resides in the study by
Professor Clay Christensen of the HBS on the evolution of hard disks for computers. He
observed that each technological revolution was led by new companies which
developed the new technology, a technology sometimes initiated and then rejected by
established companies, in order to serve new markets which were of little interest to the
established companies.

However, the subsequent technological development allowed this new technology to,
from a better cost position and with better features in some areas, attack the traditional
market of established companies. This was the cause of the disruption which then
totally replaced the previous technologies. These concepts can be generalised. What
started off as an opportunity focused on "poorly served" markets has been transformed
into a fundamental competitive instrument which directly attacks the market of the
established companies. The opportunity which we may have decided not to take has
turned into a threat which endangers the survival of the company.

Of course there exist many other stories of technologies and innovations of all kinds
which have failed and enjoyed no success. The difficulty is in deciding whether the
Internet has the potential to be a disruptive technology in our business or not. If it is,
then today's opportunity may become a serious threat in the future, and in Internet time
this future is just around the corner.

Begin then to think of the Internet not as an opportunity for today, but as a possible
serious threat for tomorrow. Would you like my opinion? I indeed believe in the
disruptive potential of the Internet.