INTERNET DOCUMENT INFORMATION FORM

A. Report Title: Blown to Bits: The Impact of the “New Economy” on the Structure of Business

B. DATE Report Downloaded From the Internet: 03/13/02

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #): Congressional Budget Office
Second and D Streets, SW
Washington, DC 20515

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: ___VM___ Preparation Date 03/13/02

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.
Blown to Bits

The Impact of the ‘New Economy’ on the Structure of Business

Congressional Budget Office Briefing

June 6, 2000

Philip Evans

The Boston Consulting Group
evans.philip@bcg.com

20020314 062
THE ECONOMICS OF INFORMATION

Traditional Tradeoff

Impact of Connectivity and Standards

“Richness”
(Bandwidth, Customization, Interactivity)

“Reach”

Copyright © 2000 The Boston Consulting Group. All rights reserved
THE PROPRIETARY PHYSICAL VALUE CHAIN
Retail Financial Institutions

ORIGINATION
- Products
- Services

PACKAGING
- Statements
- Relationship management
- Advice

DISTRIBUTION
- Branches
- ATMs

Copyright © 2000 The Boston Consulting Group. All rights reserved
THE PROPRIETARY ELECTRONIC VALUE CHAIN
Retail Financial Institutions

ORIGINATION  PACKAGING  DISTRIBUTION

Copyright © 2000 The Boston Consulting Group. All rights reserved.
THE DECONSTRUCTED VALUE CHAIN
Retail Financial Services

SUPPLIERS  NAVIGATORS  DISTRIBUTORS

Citibank

Allstate

Bloomberg

Checkfree

‘e-Citi’

Lipper

Motley Fool

Moody’s

Quicken

GMAC

Financial Engines

Microsoft Investor

Quicken.com

AOL Browser

Prudential

Capital One

Excite

AOL

Vanguard

ISP

Netscape

Reuters

Copyright © 2000 The Boston Consulting Group. All rights reserved
DECONSTRUCTION

Connectivity and open standards

- Separate the economics of information from the economics of things
- Blow up the trade-off between Richness and Reach

These two events undermine proprietary information channels, and melt the informational “glue” that defines businesses and business relationships

- Value chain definitions
- Distribution channels
- Customer searching and switching costs
- Supply chain relationships
- The firm’s relationships with stakeholders (investors, employees)
- Organizational structures and boundaries