

Executive Summary



In 2005 and 2006 the media was full of talk about Web 2.0. To a large extent, this interest was justified, given the boom in social networking sites and the billion-dollar sums being paid for some of the most emblematic websites.

But what is Web 2.0? **Web 2.0 is really a new way of doing things** so it's hardly surprising that, in the technological arena, the basic standards on which Web 2.0 applications and services are based already existed long before the concept was given a name.

Technologies that were once inaccessible to the majority of **users are now far easier to use, more developed and free and the result is a massive increase in the number of social networking sites with active participation.**

In this new way of doing things, users play an active role in the web: they not only have access to information, they also **provide content**. The more people access the service, the greater the value for other users (this is the network effect), thus fostering **the development of collective intelligence**.

To sum up, Web 2.0 is a new philosophy which has arisen out of developments in technology, enabling users not only to access information but also to create content and add value. The underlying maxim is "if it isn't shared it's lost": the more users there are contributing content, the greater the perceived value of the service.

The power of the people

Web 2.0 is having a **huge impact on society**. The average citizen is more empowered than ever in the digital age, with the capability of expressing their tastes as consumers, sharing their opinions and casting their votes. The people now have a voice: they can be heard and they are more visible.

Notes

Furthermore, social relations are also changing, and this is reflected, for example, in the incredible boom in new **communities**. In the future, people may socialise differently than they do at present.

Interestingly, the adoption of Web 2.0 services does not follow traditional economic lines: on-line users in developing markets are just as involved or even more so than those in the developed world.

One of the areas in which Web 2.0 will have the greatest impact is **education**. The social and collaborative nature of Web 2.0 may encourage education to develop towards what is often called "collective learning". The great range of possibilities offered by Web 2.0 tools and the virtual worlds, coupled with the fact that children find it more entertaining, means that Web 2.0 holds out very good educational and business opportunities.

New opportunities in the company

From a business point of view, Web 2.0 has important implications for marketing and advertising models, and there are numerous business opportunities.

Because it requires a low initial level of short-term start-up investment and a light-weight organisational structure, **new companies can compete quickly** with traditional established companies.

There is no clear classification for all existing Web 2.0 business models in the physical world let alone on the Internet, though a rough idea might look somewhat like this:

Tactic - Direct Revenue	Strategy
Advertising	Mergers and take-overs
Subscriptions (flat rate, variable rate, flat+fixed rate)	The "Long Tail"
Transaction Commissions	Hard-to-copy Databases
Sales revenue	User Confidence
Revenue from services	Reputation
Donations	Creation of a Platform
	Increase in Competitiveness
	Customer Self-service
	Network effect

Illustration 1. Web 2.0 business models.

Source: own preparation.

Whatever model is chosen, there seems to be some consensus that any Web 2.0 company aspiring to succeed must be **capable of generating value for the customer**. The difficulty lies in making these applications—which were not necessarily created as money-making machines—profitable and sustainable.

Web 2.0 not only offers good opportunities for creating new companies, it also offer plenty of applications for traditional ones. Among the main reasons why a traditional company uses Web 2.0 services is the possibility of **improving interaction with customers**.

According to McKinsey, over 75% of management staff now say that their companies are investing in Web 2.0 and plan to maintain or increase their investments in technological trends that encourage user collaboration.

There will be a major shift in the area of advertising, with the possibility of creating more personalised—and thus more effective—campaigns.

Waiting For the Law

In this constantly changing world, the law is always a **few steps behind**. In some cases legal gaps exist with regard to situations that arise in the Internet by virtue of its anonymity and globality; in other cases the law simply lags far behind the real situation, slowing progress and innovation. **Global solutions** need to be found that will not slow the advance of the Internet or the incentive to participate.

Firstly, given that social networking encourages user cooperation, re-use of contents and free access to information for developing collective intelligence, it is reasonable to wonder about the implications for **copyright** and **intellectual property rights**.

Secondly, value has shifted from the applications to the data they contain, and the future legal battle will therefore be over **regulation of the ownership of databases and privacy, and non-fraudulent use of such data**.

Real or virtual?

In the future, the trend seems likely to be towards an intelligent virtual world, in which avatars function according to each person's data and habits. Avatars will bring their users news and advertising for products of interest to them, educate them about subjects they might find useful and foster relationships among people with shared affinities and interests. It will be a **participative, intelligent and effective web** which will save the user time and provide an **unlimited flow of knowledge**.