

Direct Economy

Customer knowledge is replacing producer knowledge

*English Summary**

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Direct Economy:

Customer knowledge is replacing producer knowledge

By Xavier Comtesse, mathematician, ThinkStudio.com.

Globalisation, delocalisation, mobility and work flexibility take centre stage in the media world, creating a climate charged with fears. Despite this, a potentially more destabilising phenomenon is emerging: direct economy.

What is it exactly?

Combinations of four factors are generating a very different economy. The arrival of the consumer into the value chain – changing production processes; the disappearance of intermediaries which leave the door open for new forms of intermediation; the appearance of new business models; and finally price setting which follows the bidding trend. By acting together, these four elements of direct economy are upsetting and deeply transforming the old economy.

Some examples and explanations are necessary to grasp how much this metamorphosis is about to transform our vision of the economy.

Since IKEA, Easyjet, DELL, E*Trade and many others have offered consumers participation in the production process, especially in the product's end phase, we understand that the value chain is in a restructuring period. Indeed, by joining in the chain, the consumer

fully participates in the creation process; he is the key element because without his intervention, there would be no finished product. When IKEA entrusts the final stages of transport and 'setup' of a piece of furniture to its customers, there is, in a sense, a transfer because IKEA outsourced part of its production. Thanks to this mode, IKEA relinquished two costly processes – delivery and setup; and can thereby offer its customers price cuts, because of how much it has increased its external productivity. This is the central reading key to these new processes.

Easyjet, DELL and E*Trade don't act any differently. It is obvious that products which were shaped by the consumer's active participation cannot be sold differently anymore. Therefore, the value creation chain has been profoundly affected, and this permanently. It's under that angle that direct economy must be approached.

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Obviously, classic intermediaries such as tradesmen aren't satisfied, because the consumer will have tendency to circumvent them to find himself directly in contact with the producer. In the meantime, a new form of intermediation is being set up. E*Trade, eBay and many other direct economy companies have been forced to open a new type of "shop". These shops are primarily learning centres, and operate more like 'Internet cafés' than classical training rooms. Tutors meet participants who are in auto-apprenticeship. This collective, organised

as an interest community, will function like an enlarged competence network. Intellectual exchange and apprenticeship is free, but the motor for cooperation is success for all. We can imagine what effect this will have on our schools and universities if they were to function along the lines of such a business model! Intermediation leaves behind the more informational form (information/price/quality/after-sales), aiming towards the more formative (formation/bidding/completion/practical community).

New business models are therefore starting to supplant the older ones. It is not about looking for "low cost" in production, but for "high productivity" in the consumer. By inverting values, these companies create a move towards the customers' know-how. All that is basic knowledge information becomes free, and all that is complex knowledge must be paid for. In a sense we are leaving an economy founded on producers' knowledge for a customer knowledge economy. It is a background revolution which implicates revisiting the way we understand the economy. When Skype made Internet communications free, it demolished the telecommunications' industry's economic model. Also, when the three, mp3, iPod, iTunes appeared on the market, the music industry was shaken up. Without doubt this economical evolution will take over in the future, and that's only a beginning.

If we observe eBay and its model of fixing prices through bidding, we notice that even the mechanism of price fixing changes. eBay is the largest virtual shop in the world. Customers exchange not only their

used products, but tens of thousands of small specialised shops offer all sorts of new merchandise, a sort of huge online bazaar. The owners of these small shops are real professionals who live off these transactions and are organising tomorrow's shopping world, because everything is sold without price or negotiation but by bids. This practise is totally new for consumers, who were never before in a situation which makes them state a price in the hope of winning a bid. In the old economy, we were never used to fixing a price for merchandise which could also be coveted by others at a different price, and which could then be sold to the highest bidder. This situation necessitates apprenticeship first, but also leads to fundamental changes in consumers' behaviour. The question is to know whether the consumers will be able to come back to the old form of buying when they have familiarised themselves with and got used to these new practises. We could make some bets.

This change in price setting will probably entail an important economic mutation towards what we can today qualify as direct economy.

To conclude, I would like to propose a risked analogy with direct democracy. When Switzerland pushed the democratic concept as far as to offer governing tools to the people, such as the initiative and the referendum, the Swiss invented direct democracy. Are we not at the dawn of a new type of invention on the economic scale? If real power is given to consumers, meaning finishing the product, cancel out the intermediaries, change models and fix prices, are we not already modifying the bases of the economy?