

The Power Of Us

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Skype, a program that lets them make free calls over the Internet, with better sound quality than regular phones, using headsets connected to their PCs. Callers simply click on a name in their Skype contact lists, and if the person is there, they connect and talk just like on a regular phone call. "Better quality at no cost," exults Meiosys Chief Executive Jason Donahue. Poof! Almost 90% of his firm's \$2,000 monthly long-distance phone bill has vanished. With 41 million people now using Skype, plus 150,000 more each day, it's no wonder AT&T (T) and MCI Inc. (MCIP) are hanging it up.

A big, hairy, monstrous organism, that is. The nearly 1 billion people online worldwide -- along with their shared knowledge, social contacts, online reputations, computing power, and more -- are rapidly becoming a collective force of unprecedented power. For the first time in human history, mass cooperation across time and space is suddenly economical. "There's a fundamental shift in power happening," says Pierre M. Omidyar, founder and chairman of the online marketplace eBay Inc. (EBAY) "Everywhere, people are getting together and, using the Internet, disrupting whatever activities they're involved in."

Behold the power of us. It's the force behind the collective clamor of Weblogs that felled CBS (VIA) anchorman Dan Rather and rocked the media establishment. Global crowds of open-source Linux programmers are giving even mighty Microsoft Corp. (MSFT) fits. Virtual supercomputers, stitched together from millions of volunteers' PCs, are helping predict global climate change, analyze genetic diseases, and find new planets and stars. One investment-management firm, Marketocracy Inc., even runs a sort of stock market rotisserie league for 70,000 virtual traders. It skims the cream of the best-performing portfolios to buy and sell real stocks for its \$60 million mutual fund.

Although tech companies may be leading the way, their efforts are shaking up other industries, including entertainment, publishing, and advertising. Hollywood is under full-scale assault by 100 million people sharing songs and movies online via programs such as Kazaa and BitTorrent. The situation is the same with ad-supported media: Google Inc.'s (GOOG) ace search engine essentially polls the collective judgments of millions of Web page creators to determine the most relevant search results. In the process, it has created a multibillion-dollar market for supertargeted ads that's drawing money from magazine display ads and newspaper classifieds.

Most telling, traditional companies, from Procter & Gamble Co. (PG) to Dow Chemical Co., are beginning to flock to the virtual commons, too. The potential benefits are enormous. If companies can open themselves up to contributions from enthusiastic customers and partners, that should help them create products and services faster, with fewer duds -- and at far lower cost, with far less risk. LEGO Group uses the Net to identify and rally its most enthusiastic customers to help it design and market more effectively. Eli Lilly & Co. (LLY), Hewlett-Packard Co. (HP), and others are running "prediction markets" that extract collective wisdom from online crowds, which help gauge whether the

government will approve a drug or how well a product will sell.

At the same time, peer power presents difficult challenges for anyone invested in the status quo. Corporations, those citadels of command-and-control, may be in for the biggest jolt. Increasingly, they will have to contend with ad hoc groups of customers who have the power to join forces online to get what they want. Indeed, customers are creating what they want themselves -- designing their own software with colleagues, for instance, and declaring their opinions via blogs instead of waiting for newspapers to print their letters. "It's the democratization of industry," says C.K. Prahalad, a University of Michigan Stephen M. Ross School of Business professor and co-author of the 2004 book *The Future of Competition: Co-Creating Unique Value with Customers*. "We are seeing the emergence of an economy of the people, by the people, for the people."

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