Shop.Org 2012 Keynote: Michael Zeisser, Senior Vice President, Liberty Media Corporation
"15+ Years of Consumer Internet Industry – What (If anything) have we learned?"
Tuesday, September 11, 11:30a - 12:15p

Bio:
Michael Zeisser is Senior Vice President of Liberty Media Corporation, a leading media holding company. Michael created and oversees Liberty Media's eCommerce Group of companies, along with investment activities in eCommerce, interactive gaming and digital media.

Michael has led numerous M&A transactions in the US, Canada, and Korea, and assembled Liberty's eCommerce Group of companies. Michael serves or has served on the boards of Trip Advisor (Nasdaq:TRIP), IAC/InterActiveCorp. (Nasdaq:IACI), Fun Technologies (TSX:FUN), OpenTV (Nasdaq:OPTV), QVC Inc., Provide Commerce, BuySeasons Inc., Backcountry.com, BodyBuilding.com, CommerceHub, GSN/The Network for Games, GoPets Ltd, and SlingMedia.

Prior to joining Liberty Media in 2003, Michael was a partner at McKinsey & Company in New York, where he co-founded McKinsey's Internet Practice, and was a member of McKinsey's Media & Entertainment and Private Equity practices.

Michael is a frequent speaker on industry issues. He serves on the Advisory Board of the Silicon Flatirons Center, University of Colorado, and was named Technology Executive of the Year 2009 by the Colorado Technology Association.

Michael earned a business degree with honors from the University of Strasbourg, France and an MBA with distinction from the J.L. Kellogg Graduate School of Management at Northwestern University, where he was a Procter & Gamble International Academic Scholar.

Keynote Highlights:
- Liberty's Internet Brands is comprised of:
  - QVC
  - RedEnvelope
  - Expedia
  - Ticketmaster
  - Gifts.com
  - RightStart
  - Evite
  - Tree.com
  - Commerce Hub
  - ProFlowers

- We are not here as a profiteer, but here as an investor
  - We are trying to figure out why some companies work and why some don't

- Agenda:
  - Where are we?
  - What have we learned?
  - What matters now?

- Where are we as an industry?
  - Firsts of our industry:
    - 1994: First banner ad; First eCommerce transaction (Sting CD from netmarket.com)
    - 1995: First Internet IPO (Netscape)

- What has happened in those 15 years? (Five major/dramatic shifts)
  - o Massive changes, cycles, innovations shifts
    - 1990-95: Online services
      - AOL, Compuserve, Prodigy
      - Cable model: Access and content sold together
    - 1995-99: Web Portals
      - Unbundling of access and content
      - Emergence of pure-plays in media and commerce
        - o MSN, LYCOS, Yahoo!
    - 1999-2001: Bubble
      - Everyone is a genius
      - Massive destruction of wealth
    - 2001-2006: Search
      - New competitors with strong scale advantages
      - Google, Baidu
    - 2006-2010: User-generated
      - Content as enabler of social interactions
      - Facebook, Youtube, Yelp, Twitter
    - 2010 - ?: Mobile
      - New use occasions
      - Battle of app vs. web
      - Platform companies
        - o Apple, Android
  - o Note that some leaders did not make the shift
    - There is a major industry shift every 3-5 years
    - The last one was in 2010; we are due in 2-3 years
    - Don't know what next one will be: augmented reality? Internet on TV? etc.

- <u>What have we learned?</u>
  - o The degree of change will continue
  - o 3 conclusions:
    - No Second Chances
      - Don't get into a situation where you are losing momentum
        - o First there was Friendster (7million/month), then MySpace (peak usage at 70million/month), now Facebook (peak usage 150million/month)
        - o Digg failed - missed the mark
      - What happened to guy who lost momentum?
        - o "I do not know of a single Internet company that has been able to turn around."
      - Conclusion = No second changes

- The Product is King
  - This is defined as the product experience offered to the user
  - Focus on the consumer, to design experiences grounded in insights
    - Lesson #1: Engineer around (proprietary) user insights.
      - "The obvious is always least understood"
      - The bar on the Internet is much higher than in the physical world
    - Lesson #2: Always stay relevant
      - If you have a great experience, you need to stay relevant
      - See the evolution of the Coca-Cola logo; (Attention to detail to consumers, to their needs, to their mindsets)
        - Brand is 126 years old (sold first glass of coke in 1886)
        - How many Internet brands will be in business in 126 years
      - It takes obsessive focus to be relevant to user
    - Lesson #3: The power of the network effects
      - Have a "network effect" - every time a new person joins it, make the experience richer and more powerful
      - Best example is telephone service (more that use the network, the better)
      - Google is a good example, Google engineered into its product "network effects"
        - Every search is analyzed to make every other search better
- Management 2.0: The culture of the workplace is a competitive advantage
  - Work looks different from the past than it does today

	Management 1.0	Management 2.0
Organizational Goal:	Optimization	Near-Constant Innovation
Decision Process:	Command and Control	Fact-based Iterative
Human Skills Required:	Conformance, Obedience	Imagination, Problem-solving
Role of Leader:	Commander-in-Chief	Inspirer-in-Chief
Culture:	Hierarchy	Community
Enabling Tools:	Controls, Procedures	Collaboration, Transparency

- What Matters Now?

  - Open or closed?
    - *Wired* cover story: "The Web is Dead"
    - Battle between open and closed:
      - A Titanic battle is going on; Do our companies exist in open or semi-closed networks, i.e. Apple.
    - There is a balancing that goes on; it swings back and forth to open and closed
      - It determines who gets what wealth
  - Privacy
    - Regulation? What should we do?

- o Globalization
  - Internet: The first global industry in history
  - Industries created in post-WW era were American dominated
  - It is different now
    - Of the top 10 publicly traded Internet companies, 3 are Chinese
  - Share of eCommerce growing globally is increasing
    - In 2015: China will have a bigger Internet industry than US

Summary:
One last thought. I am an avid student of our industry. I pay attention to what the leaders of our industry say:

Jimmy Wales, Founder of Wikipedia: " It's bigger than I ever imagined it would be."
Mark Zuckerberg, Founder of Facebook: " Facebook didn't start with some grand theory but with a project hacked together in a couple weeks."

They didn't know what to expect; they couldn't see the future. We can't limit how far we can take these historical perspectives. It appears there are no limits to the magic of innovators and entrepreneurs.