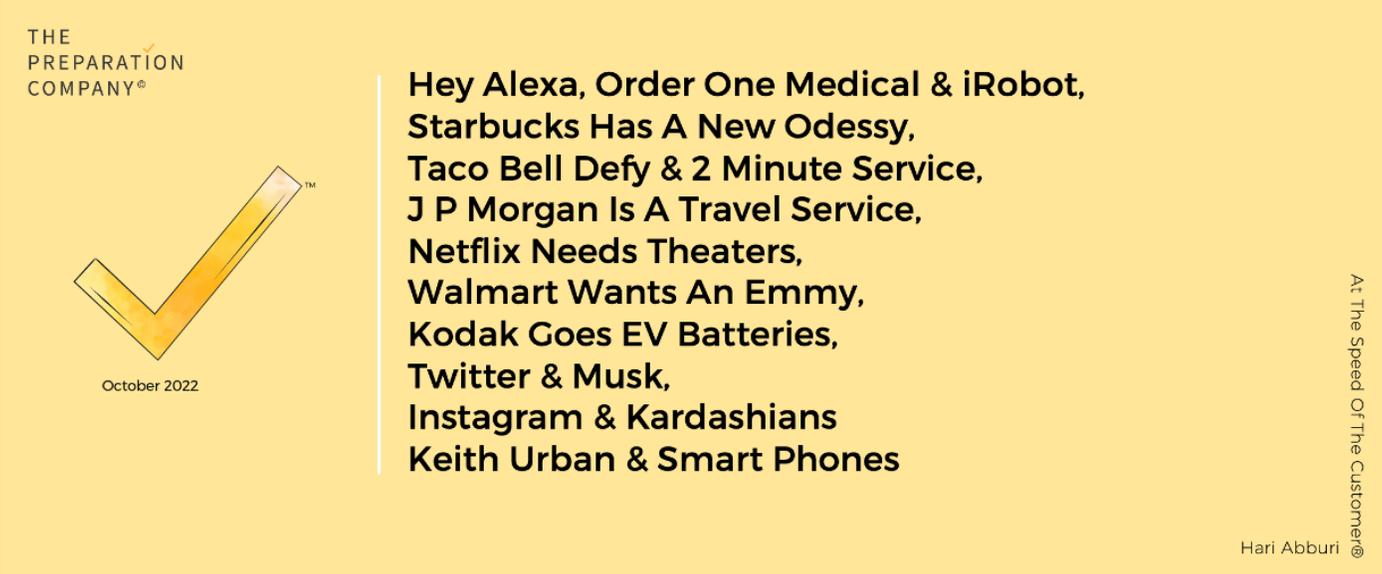


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THE PREPARATION COMPANY®

October 2022

Hey Alexa, Order One Medical & iRobot, Starbucks Has A New Odyssey, Taco Bell Defy & 2 Minute Service, J P Morgan Is A Travel Service, Netflix Needs Theaters, Walmart Wants An Emmy, Kodak Goes EV Batteries, Twitter & Musk, Instagram & Kardashians Keith Urban & Smart Phones

At The Speed Of The Customer®

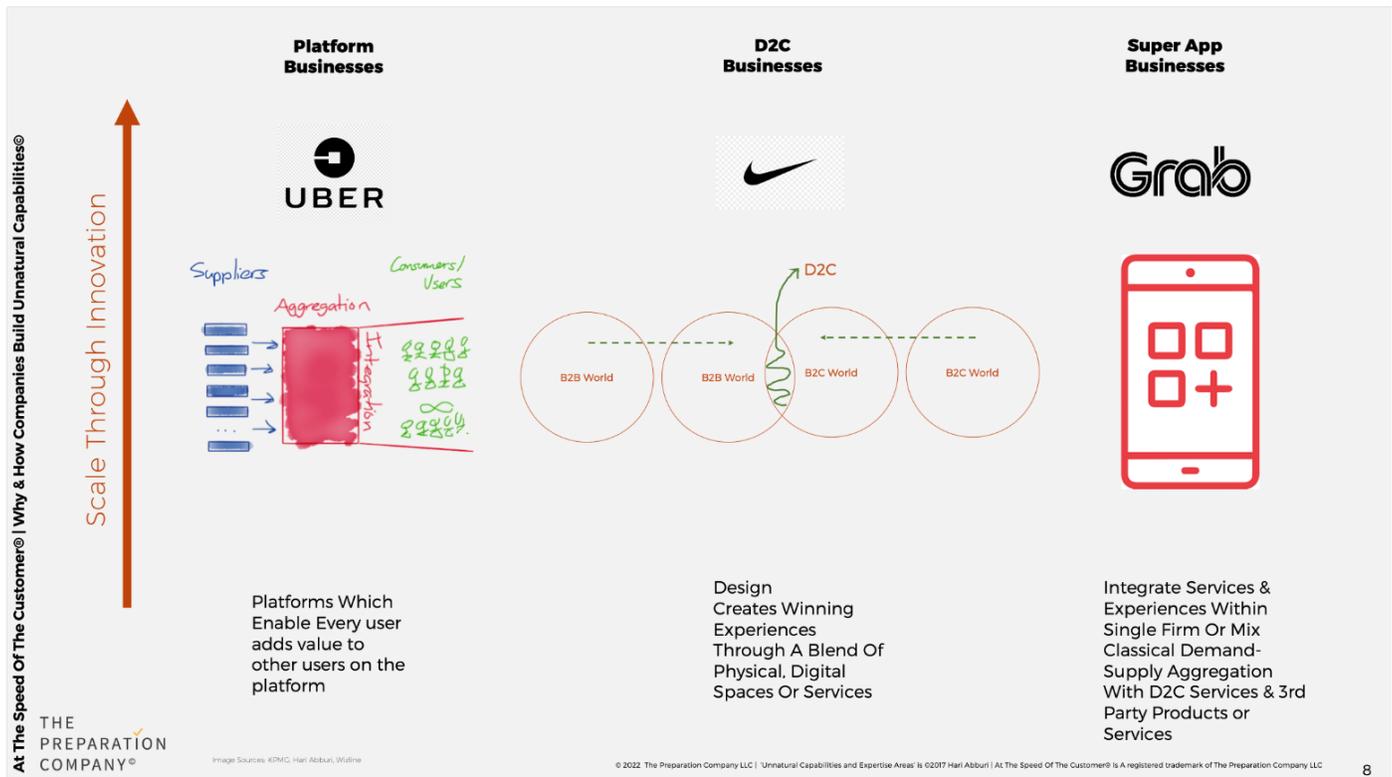
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**It has been a couple of busy months with interesting and disruptive developments. Leaders and companies continue to think differently and create new experiences, opportunities and business models.**

We have seen how classical strategy thinking has been turned on its head through the emergence of platform strategies, D2C customer play and now, the Super App business models. On Oct 4th, at the Frost & Sullivan's 16th Growth, Innovation & Leadership Forum in San Jose, I had the opportunity to discuss how these three approaches need companies to build capabilities that are not typical for themselves or their industry.

*Single industry thinking is dead. Capabilities needed for tomorrow are at the intersection of industries, expertise areas/technologies & future of work. No one industry can teach you this.*



Over the past 7-10 years, companies that have been consistent in their innovation, disruption and creating news ways of serving their customers, have been able to acquire, build capabilities that are dissimilar or unnatural to themselves or their industry. They do this because they follow their customer.

**Amazon** is always in the news. But you have to understand that this is in part due to their ambition of following their customers, creating a multi-moat services environment. Their acquisition of both [One Medical](#) and [iRobot](#) show how they are able to think and execute on what seems like a disparate set of businesses. But in their thinking, they all tie up to following the customer. Smart Home promise of big tech falls way short of the promised convenience. Apple has not been able to create the Smart Home experience and they seem to be in a similar stage of under leverage as they were with the Apple TV device till they launched Apple TV+ Streaming service. However Amazon continues to collect and build a set of capabilities to dominate your home experience. Ring was the starter, but now with Online

Pharmacy, One Medical, iRobot and experiments with [Astro](#), the 'cute but no use' home bot shows their perseverance.

More consumers, more suppliers, more products, broader services range, lower prices and more consumers gives fast scale to a point. But where Amazon is really good at is the breakthrough flywheels. It is able to learn and create alternate yet integrated flywheels. Smart Home is one such breakthrough capability.

This is a lesson that **Starbucks** has learnt over the past three years. It has been a digital powerhouse driving scale in consumption and customer loyalty through its app. Starbucks app is the Tik Tok of the food business. Addictive, great UX and makes consumers load money even before they plan to use it to buy a coffee. But the greater challenge for them has been the inability to understand and figure out the breakthrough flywheel that creates new products, services or experiences. Vertical scale through a normal flywheel has diminishing returns unless companies can create breakthroughs to follow the customer and create new experiences (and therefore new revenue streams every 2-3 years). The new vision putout by Starbucks focuses as much on refreshing the customer experience as ensuring the processes, technology and equipment in the store can manage that promised experience.

At The Speed Of The Customer® | Why & How Companies Build Unnatural Capabilities®

Vertical Scale

Breakthrough Flywheel

New, Different Capabilities

Starbucks 90-Day Active Loyalty Members

US Starbucks Mobile App Users, 2019-2026

Lower cost structure → Lower prices → Better customer experience → Traffic → Sellers → Selection → Growth

New Needs, Products, Services

Breakthrough Flywheel

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Flywheel Source: Too Much Profit Can Doom Your Company. By Brad Power And Rick Merrifield, June 2015. HBR

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Digital explodes customer throughput. But in most cases, the backend or operations physical infrastructure is Capex intensive and difficult to scale or remodel. The store size remains the same, the processes change a bit, you cannot add more headcount as the physical space is limited - hence the balance between digital experience for customers Vs reimagining work for employees is a tricky balance to achieve. Unless you redesign your digital+physical experience from ground up as in the case of this pilot of **Taco Bell Defy** that has store over the drive through lanes and have specific drive through lanes for food delivery pickups or customer drive throughs.

The breakthrough flywheel thinking to create new customer opportunities by building dissimilar capabilities is something we see across industries, including in Banking, Financial Services with **J P Morgan Chase**:

The Wall Street Journal [reported](#) that JPMorgan Chase:

*“Has been assembling the pieces to launch a full-service travel business*

*where customers can plan and book trips ranging from a simple domestic flight to an extravagant safari. It bought a booking system, a restaurant review company and a luxury travel agent. It is building its own airport lounges and a force of thousands of travel agents. A new website will launch in the coming months."*

The big question, of course, is "Why?" According to the article:

*"The idea is for JPMorgan to control the entire shopping and buying experience for a purchase customers are passionate about. Automobiles and homes might be next, executives said."*

*This moves J P Morgan's card business to a post decision purchase tool to actually a pre customer decision service. Something that embedded finance like Buy Now Pay Later have effectively done.*

([Listen](#) to **BNPL** teardown from my earlier series. [Read](#) related on Forbes)

As companies try to understand and follow the customer, existing large consumer companies are trying to decode what it would mean for them. **Walmart** may eventually turnout to be a Super App model. They have been on multiple 'follow the customer paths' with their forays into Healthcare, Fintech and [now streaming entertainment](#) through their app.

*It would be funny and sound odd, " And the winner for the best film of the year is <name> produced by Walmart". But Amazon, Netflix have accomplished this within their 10 year lifespan in entertainment.*

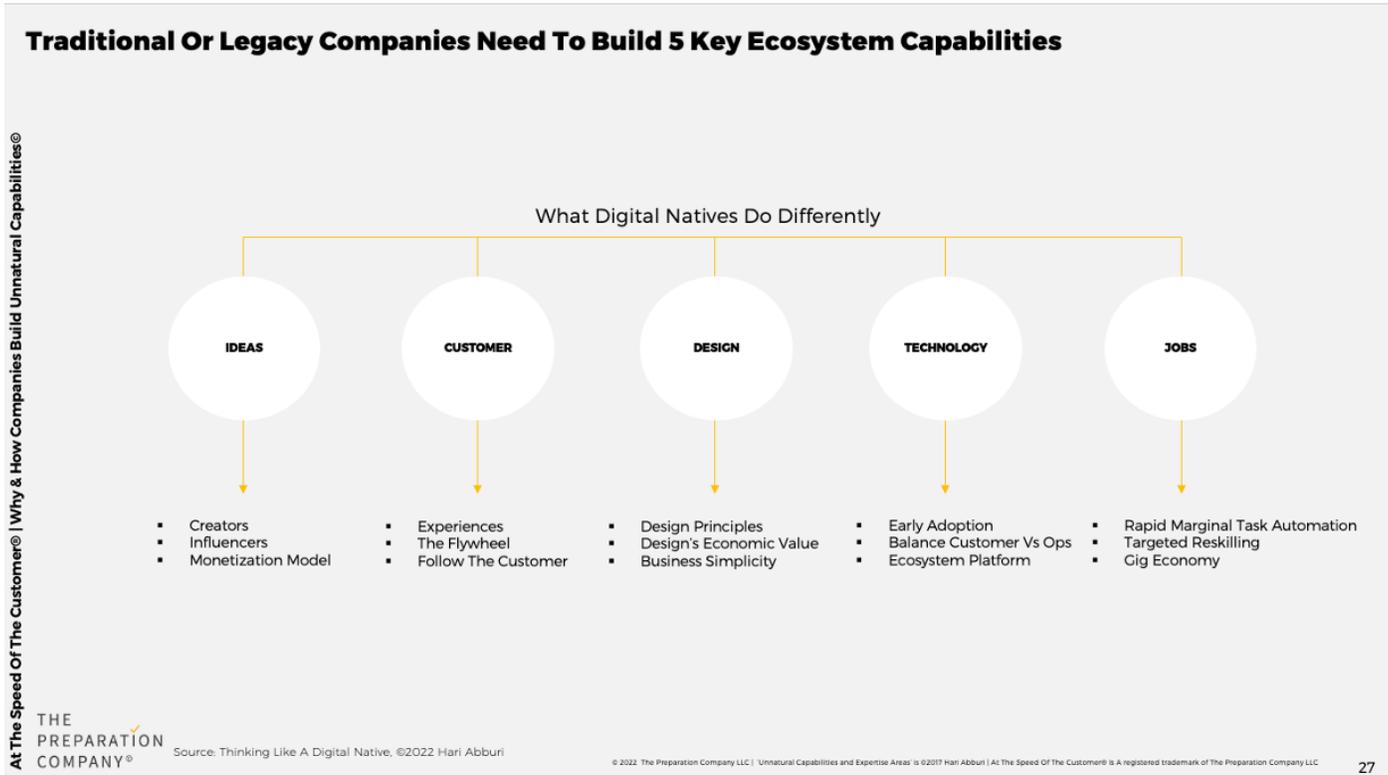
**Netflix** is under a similar pressure of diminishing returns of vertical growth. Their gaming entry has been slow and yet to hit the sweet spot for scale. They missed figuring out the breakthrough flywheel from their massive users globally. They could have easily been a Neo Bank or launched a Co-Branded

Credit Card with a movie theater chain to create cross network effects. But now they [realize the opportunity](#) with their tie-up with AMC, Regal and Cinemark. Their focus on original content and localized context did not penetrate markets like India as expected. So they are in search of new capabilities that will allow them to compete differently with Disney+ but also give them a different moat outside of entertainment.

Then there is **Kodak** that missed the opportunity earlier while at the same time Fujifilm diversified into OTC and Cosmetic segments leading to 49% of their revenue in 2019 coming from these segments. But Kodak is now on the move. In 2020 they got funding from the US Government to start manufacturing OTC Pharma products in US and now with the capabilities of existing technology, they are [creating new applications](#) for manufacturing EV batteries.

In my research, understanding the disruptive nature of digital natives, companies born in the past 7-10 years, I have seen 5 key ecosystem capabilities that are essential for traditional companies to transition to the new age economy. They are on Ideas, Customer, Design, Technology and Jobs as summarized on this chart:

*There are 5 key capabilities that are essential for transitional, legacy companies to transition to the new age economy and for new age companies to innovate around.*



## Flashback To Today: Twitter+Elon Musk & Instagram+Kim Kardashian

**Musk** is back to going through with his side project of acquiring **Twitter**. Leaving aside for now the lofty thinking of a decentralized social media free from control of government or social norms, this still is a question mark on if he can truly take a unique platform to any next level. I would not be surprised at all if in a couple of years, he exits. But there has been [talk of "App X", a super app](#) of no available detail, that could well turn out to be an undelivered promise. Hopefully, this is not a distraction to Tesla and its potential to become a AI platform with applications like Optimus. Read more on this from my previous article.

**Instagram** continues to make rookie design [mistakes](#) as it recons with the meteoric and addictive rise of Tik Tok. How would a tech company with the rigor of design and testing allow poor design choices like expanding video to fit screen and taking away the scroll to get to the next post easily?. But when

companies become powerful, they tend to forget their real customers. The influencers save the day as in this case: Instagram rolled back the design changes after **Kim Kardashian** [stepped in](#) with her public criticism. The influence economy works in this case.

## **Keith Urban's Live Wire With Only Smart Phone Lights**

Keith Urban's concert at the KIA Forum, Los Angeles in Sept this year was a live-wire. He stepped into the audience at one point to sing and sign away his guitar to a random audience member next to him. But the fun part was that he was entirely lit by the smart phone lights in the auditorium. The stage lights and the auditorium lights (other than the emergency ones) were shut off. But the lights of 18000 strong audience was more than just bright.



## Interested on Why & How Companies Build Unnatural Capabilities To Win?

Explore [more](#) and connect with me. I was recently at Frost & Sullivan Events 16th Innovation and Leadership Summit at San Jose where I spoke on this topic.

