

GROWTH MIDST RECESSION *SCARCITY & ABUNDANCE*

During tough times is when innovation breeds and new leaders emerge . Primarily, as most organizations hunker down in attempt to ride out the storm, stretching resources others are spurring innovation to create a game changer. Clayton M. Christensen observed the rise of Steel mini-mills during the last recession and wrote several papers about the perils and benefits of "Disruptive Technologies", we constantly encourage companies to find their "Strategic Differentiator" now Jim Pinto discusses the strategy behind scarcity and abundance ... enjoy

Even in the current global downturn, most of us are better off than our parents and grandparents. People are living longer, healthier lives, and have more choices than ever before.

This past weekend we were in Las Vegas and we went to Cirque du Soleil for their "Beatles Love" program. The Mirage was crowded and the auditorium was packed. Where was the "recession"?

Food is cheap and abundant; yet some people pay \$10 for "special" organic lettuce. MIT offers all its courses for free online; yet students attend classes paying annual fees over \$36,000 (plus dorm expenses and books).

These paradoxes make sense when we consider how markets work, and redefine what is being bought and sold. Midst the abundance of choices, we buy "scarcities" - the things we really want. In the case of the live show, it was the sense of authentic connection. Before and after the show, people were buying expensive books, DVDs and T-shirts to capture the memories of BEing there. Going to MIT - BEing there - cannot be replaced by any on-line course.

The technology guru George Gilder has long postulated: "Every economic era is based on key abundances and scarcities." Every new abundance brings matching scarcities, and many of our problems are centered on these recurring anomalies. Our current "scarcities" offer opportunities.

Markets create abundance by identifying needs, determining prices and allocating goods. Markets thrive on scarcity, and turn it into abundance. Wealth is generated when something is scarce and can be offered at a high premium over cost.

Markets have given the world an unprecedented amount of information to help make choices. Google is free, yet the company is profitable, growing and making more money each quarter. They have found ways to sell scarcities midst the free choices.

In the midst of a seemingly abundant choice of cellphone, Apple broke into the market to gain a leadership position fairly quickly. They did not offer what was already abundant - lots of cellphones with slightly different features. They offered the real value which people wanted, and were ready to buy at a premium.

Why do consumers still shop at old-fashioned retailers when they can buy cheaper on-line? Because they can touch and feel and compare products. Also, buying on the web is a lone experience; shopping becomes an outing for the family on a Saturday morning. Everyone participates, and you can have lunch together at Target. Or, you can get a cheap hot-dog and a drink at Costco - and cheap gas and a car-wash.

Where Lean
Thoughts
can become
Reality

"Unless you try to do something beyond what you have already mastered, you will never grow."

Ronald. E. Osborn

Unintended Consequences of Cheap Oil *A compelling argument to on-shore manufacturing*

With the abundance of email, what is the true value of Facebook or Twitter? They have attracted all the buzz for creating social networking; it's like hosting a big cocktail party. But making money is their challenge - it's free and nobody shops. They must find scarcities, things that everyone at the party needs which they can sell, without driving away the crowd. They don't yet have a "scarcity" revenue model. That's the challenge - to monetize social networking without ruining the atmosphere.

Searching For Scarcity: <http://tinyurl.com/f734t6>

The problems of Scarcity & Abundance: <http://www.jimpinto.com/writings/abundance.html>

Where Social Networking Cashes In: <http://tinyurl.com/nouju8>

SOFTWARE - APPLE'S REAL VALUE-OFFERING

In my article Future of TV (eNews 12 May 2009) we discussed mobile-phones becoming the primary Internet connection, replacing TV and desktop computers. It's clear that what's needed is NOT just the commodity connection product, but the software environment that provide special values.

From this standpoint, Apple is not an iPod (music-player) company, nor a smart phone company (iPhone). It's not even a computer company
- MAC hardware is relatively mundane.

In the midst of commodity products and markets, Apple is morphing into a serious software giant. The iPhone OS 3.0 software update released this month for the iPhone and iPod Touch is probably the most important technology event of the past few years.

Sure, the latest iPhones are good phones; but they are like most other phones - capable and easy-to-use multi-tools for the connected age. They not only make phone calls, they check your e-mail, browse the Internet and take a decent picture. And they have games and GPS.

Most of the competitors do too. Heck, if all you need is a good phone, buy the new Palm Pre which was designed by an ex-Apple genius.

The real iPhone breakthrough is the software it unlocks for developers of third-party applications. It becomes not just a cell phone, but a computing platform. The AppStore is now packed with more than 50,000 iPhone applications. There are apps for working out, for around the house, for going out, for making money.

For a couple bucks iBeer uses the iPhone's accelerometer to slosh around a beer, brew, drink, shake and burp. Or you can pour beer from your iPhone to another. It's like ridiculous cellphone ring-tones, which still sell in the millions.

Many iPhone applications are "free" downloads - software developers make money by selling subscriptions for add-ons and premium content.

The software is the "scarcity" - no one else has the capability yet.
By the time they catch up, Apple will be locked in as "the standard".
It remains to be seen how the other cellphone companies will react.
Early leaders (Motorola, Eriksson) are falling behind by just offering hardware and proprietary software. Apple's marketing genius comes from offering a complete development environment for third-party developers.

Is your company affected by the recession? Are people simply not buying your products because of a budgetary crunch? This may be because you're selling "commodities" - abundantly available stuff.
The secret is to sell "scarcity" - something in demand, which your customers MUST buy.

Apple's most important product this year = software: <http://tinyurl.com/lqw45s>

Your iPhone gets better with every new App: <http://www.apple.com/iphone/apps-for-iphone/>

On iBeer: <http://zeptotools.wordpress.com/2009/03/24/on-ibeer/>

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Lean Thoughts

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