

Economy in transformation

Focus on where you are really good at

by Jochen Ressel



Have you ever heard of Mjam? Or Lieferando? You may reply, "Sure, impossible not to know them as the urban streets are full of cyclists delivering food in these weird Covid times."

The two service companies mentioned are one well-known and straightforward example illustrating a change of the economy and its driving principles, which has been an ongoing and constant development for the last years and has been boosted more than ever because of the Covid19 crises. The terminus technicus for the process is known as "Digital Transformation". This term focuses mainly on the instruments that made the change possible from the technical point of view. Still, underneath, there is a much more fundamental change: The transformation from a "we-are-the-best-in-every-aspect" to a "we-focus-on-where-we-are-really-good-at" economy. As the field in which you are really, really good at is the one with which you really make money, but the fields in which you are weak or even bad, are the areas where you lose money. If you end up with slight profits, you are lucky. But if you eliminate the money burner aspects, you will be more profitable than ever. This is the concept of a transformed economy.

Transformation in practice – some examples

The biggest accommodation company doesn't own a single hotel room. We speak about Airbnb. Founded in 2008, it rapidly became the biggest platform for accommodation bookings worldwide. New database technologies and the rapid development of web access wherever you are made it technologically possible to implement this business concept.

And to make it very clear: It's not only positive in every aspect what effects Airbnb created if you look, e.g. to Venice or other cities and their impact on housing prices etc. But the business concept showed a vast market which is accessible as hotels could do something where they are really good at: Creating atmosphere and providing nice rooms, SpA's and additional services – but they fail to satisfy specific customer needs, as only a few guests use all the offered services. So why pay for that? Hotels fail in this customer need orientated sales process. They earn money in the core room rental service but losing it in the sales process, which also forced them to give the sales process in the hands of a partner who is good at that, e.g. booking.com etc. A concluding remark: Public authorities failed and still fail to provide an adequate legal framework to avoid harmful side effects of the Airbnb business concept implemented in 2008 – now we have 2021!

The most prominent people transportation company doesn't own a single car. We speak about Uber, founded in 2009. In continental Europe, taxis are most of their working time standing still and waiting for customers approaching them, or just waiting to receive bookings from the radiocommunication with a central booking desk where customers require taxi services by phone. Honestly: Taxi drivers do not sell their service – they just wait in a place where they expect a higher probability of people requiring their service. Uber takes over this sales process and collects as many requests as possible via an easy-to-use app and distributes it to the registered drivers close to the required meeting point. As this constantly generates bookings for the driver, the average income per drive is lower, but it minimises the waiting times, hence more movements per hour. But the real business of Uber is in the background. Uber collects via its technology operating in the background an incredible valuable database: How many people at what age move from A to B at which times? This generates data for the infrastructural development of cities (streets, public transport etc.) and many other Uber related services. If you want to know more about how Uber makes money, visit the CB Insights webpage and search for the detailed report. A concluding remark: Public authorities failed and still fail to provide an adequate legal framework to avoid harmful side effects of the Uber business concept implemented in 2009 – now we have 2021!

The biggest printing companies don't own all the printing machines they use. We talk about Saxoprint, Cewe, Flyeralarm, and others – companies specialised in online printing. Some of them have their own printing machines, but all of them partnering heavily with traditional printing companies. These might be excellent in producing, but they are traditionally weak in the sales process, as the focus is on consulting and servicing the customers approaching them. Additionally, they may not have enough orders for the same type of products to optimise their costs of their production processes – and this is where they lose money. The online printers take over this role and collecting customer orders, bundling them according to formats, paper type etc. and distributing them to traditional print companies partnering with online printers. Therefore, online printers are much less producers than logistical coordinators, optimising the production processes – as it makes no difference which business card is printed on a sheet of paper, as long as the machine capacity is filled up and hence the per piece cost is minimised. The traditional printing companies sending the ready-produced product, e.g. business cards, directly to the customer under the online printer brand – the customer never knows that it wasn't an online printer but a different company producing her or his business cards.

The biggest food delivery companies don't own a single restaurant. This brings us back to the beginning of this article. Only a very few restaurants are professional marketers, making their restaurant a brand. All others are mainly waiting for customers dropping in. There is no pre-sales concept, and the sales process starts when the customer already decided to enter the restaurant. Online food delivery companies take over the sales process. Based on the hungry person's specific needs, they suggest the meals – where it is cooked is second priority. Hence, the concept of professional food delivery logistics minimising waiting times through bikes and cycles is of outstanding success in urban areas. A concluding remark: Public authorities failed and still fail to provide an adequate legal framework to avoid harmful side effects of the food delivery business concept. Lieferando was founded in 2009 – now we have 2021!

What these examples have in common – these are the results we found

We experience a transformation of the economy where production and sales are separated, where sales and service are separated as well as other processes so far handled under one roof. Basically, we move to an economy where everybody should focus on those aspects of the business, in which you are really good at and hence have the chance to earn money in a more and more competitive environment. Wherever you are not good at – and this is a humbling experience to admit your weaknesses – find partners that can take over those parts and avoid losing money in these fields. Digital solutions have inspired these changes and will much more in the future through the ongoing digitalisation of society and products, like IoT, Decentralized Finance and much more.

Public authorities are forced to stop their “never change an established system” mentality. Innovative legislation should support the transformation process by creating a solid legal framework developed and constantly adapted alongside technological and business concept inventions – a framework which is appreciated and wanted by everyone – from customers and companies, as nothing is worse than acting in a grey area of uncertainty. One for sure: Transformation is a law of nature – either we are participating and are part of the process, or we are just passengers – it's our choice!

Let us have your thoughts and comments!
We are looking forward to receiving them!



About the author

Jochen Ressel is a Board Member of the Austro-British Society. He worked for several years for a UK company and its HQ in London. Currently, he holds the position as COO of SoccerCoin, a FinTech company active in sports. He has held management positions with responsibility for strategic development in various internationally acting companies. The views expressed in this article are entirely his and reflect in no way the opinions of the ABS.