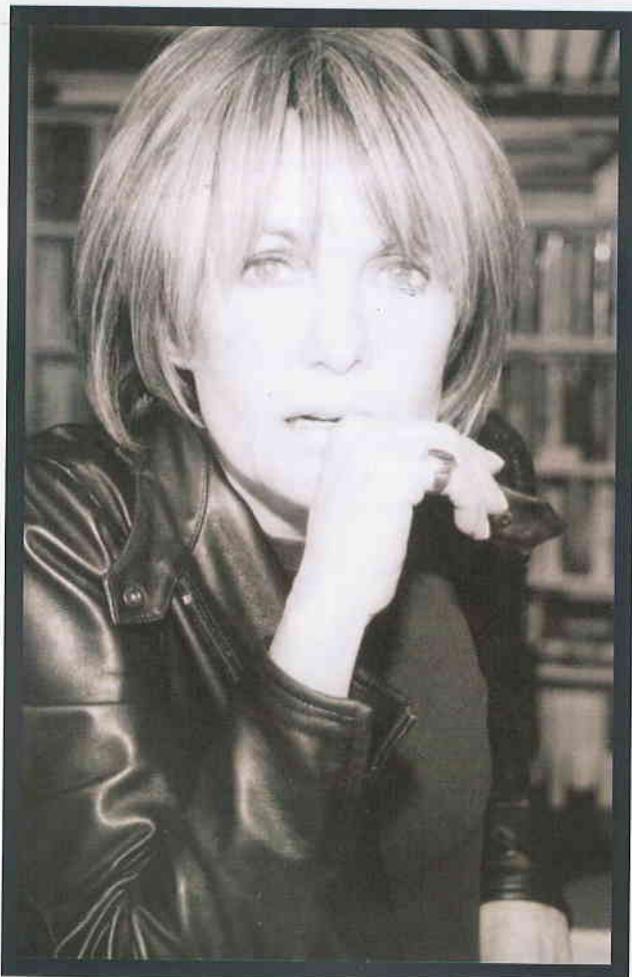


THE RISING POWER OF AGNOSTIC BRANDS

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A colloquial definition of an agnostic is someone who neither believes nor disbelieves. Here it means brands which are neutral, with no vested interest in specific products or services they make or stock. Their sole purpose? To optimise customer outcomes.



Today most agnostics are digitally based, driven by new technology. But, as the examples will show, the technology doesn't just provide the data. It leads to more intelligent decisions that enable customers to act differently. The result is superior experiences at lower cost for customers. And for agnostics rapid, profitable scaling, rather than the commoditisation inevitably resulting from just making and moving stuff.

Power comes from unlocking value using the principles discussed below, which feed a virtuous cycle.

1) WASTE IS CONVERTED TO VALUE

Inefficiencies or wasted resources (time, money, energy or space) are uncovered and monetised. Most people would have shuddered at earning income by strangers living in their homes. Airbnb altered this perception, changing unutilised space into value, matching customers looking for accommodation with owners who have it spare.

For a transaction fee of two euros, France's BlaBlaCar uncovers waste from empty seats in cars, which it fills for 20 million customers in 18 countries, ridesharing long-distance. The same principle is used by business carrier operator Australian Freight Exchange, which finds unutilised space on trucks and sells it to shippers via its online platform.

Waste turned to value can also come from high charges and unnecessary customer time and effort spent. Peer-to-peer lending and equity speaks to this, as do over 800 000 South African stokvels which offer 12 million customers alternative, collaborative saving and buying schemes, freeing up their time and resources.

2) BRANDS ARE MADE SMART

Agnostics are good at knowing things, not just producing and selling things.

Through app-based platforms, BlaBlaCar or Uber know who can pick up and who needs a ride, in real time.

The more drivers, the more trips, the smarter the system.

Agnostic smart is owning the data and converting it into an intelligent algorithm, not necessarily owning the assets. Uber owns none of the cars, which in nearly 70 countries belong to people who are partners, not employees.

3) WAREHOUSES CROSS BRAND, PRODUCT & PRICE POINTS

Whether physical (Amazon) or virtual (Google), agnostic warehouses carry multiple brands, products and services. Variety provides the backbone for comprehensive customer solutions.

From Amazon comes products, irrespective of price points. From Google, any information. From IBM's Watson mega-computer almost everything known about oncology.

Airbnb, now in 34 000 cities in 190 countries, offers accommodation from simple rooms for a night, to elaborate villas for months. Netflix's website has everything, including its own productions, to cover taste gaps.

4) CHOICE IS MADE PARAMOUNT

Agnostics strive to offer choice, so customers are not locked into something that is not optimal. Unwedded to any particular movie (even its own), through a continuous flow of stock seen from any device, anywhere, immediately, Netflix streams entertainment experiences to 70 million-odd customers.

Hong Kong start-up ConneXionsAsia repurposed employee benefits, creating a new consumer asset, namely "personal currency". No longer trapped in a standard system, employees choose what to keep and what to trade (like a car allowance or child support), in or across companies.

“ AGNOSTICS MAKE
MARKETS OPEN AND
TRANSPARENT ... ”

5) OFFERINGS ARE RANKED, RATED AND RECOMMENDED

Beyond choice, some agnostics rank, rate and recommend. Harnessing the wisdom and preference of crowds, they match like-minded individuals.

Netflix knows what customers prefer and how their profiles fit others, so they can recommend movies. The multi-bank trading platform Germany-based 360t revolutionised how banks, brokers and corporations buy foreign exchange. Gone is having to negotiate with banks across the world, because 360t provides the best global deal at that moment in time.

This accelerating trend is already in multi-airline and multiple-car dealerships, obviating customers hopping from one supplier to another.

Data is elevated from predictive (how the average customer may behave in the future) to prescriptive (what should happen now to a given customer).

From objectivity comes the relevance that makes rating, ranking and recommending possible. Agnostic reviews dictate Netflix's recommendations. In 2015, Amazon took legal action against more than 1 000 reviewers who faked them.

6) SCALE IS ACHIEVED AT LOW OR ZERO MARGINAL COST

When digitally based, once the initial investment is made, agnostics enjoy low or zero marginal cost. This fuels fast scale especially if economies are passed back in full or part to customers.

This fast, low-cost scale is achieved in several ways:

* Acquiring more customers: Uber ramps up by increasing supply, thus demand, and more supply, and so on, daily, making it easy for drivers by negotiating special bulk car deals for them, and

easy for customers because the App and experience is user-friendly and seamless.

* Entering (or creating) new market spaces: Uber has diversified into many new scheduling opportunities, by matching demand and supply, like massage and ice-cream vans. And in the USA, UberEats speedily delivers local food to customers.

* Upgrading the platform: Platform capability and the ease and low cost of upgrading makes it a lucrative asset to leverage continuously. Take for instance UberCOMMUTE which pairs people on the same route, saving on costs, congestion and carbon emissions.

* Entering new geographies: Digitalisation makes cross-country expansion easy, likely to accelerate as laws increasingly are revisited (see for example; Single Market Strategy (EU), National Land Transport Act (SA), California Labour Commissions (USA), Home Sharing Legislation (San Francisco), The Banking Act (Kenya)).

7) MARKETS ARE MADE OPEN AND TRANSPARENT

Agnostics make markets open and transparent, exposing gaps that generate new value.

e-Toro tracks the performance of investments and investors to help others become better at it. High performers and their strategies are exposed and relayed to customers to improve their investment decisions, using the e-Toro platform for a transaction fee.

A virtuous cycle is triggered accelerating demand, because the better the decisions made by customers, the smarter the algorithm becomes at creating value, so the more attracted customers are to the brand, pulling in still more suppliers, in an ongoing positive loop.

8) SUPPLIER AND CONSUMER QUALITY IS MANAGED

Agnostics thrive by being inclusive. That's what drives scale. Uber does not exclude regular metered cabs or casuals, as long as they use smartphone applications.

However, scale isn't only what matters.

To gain and maintain confidence, agnostics must ensure the quality of both their providers and customers, i.e. their supply and demand base.

Airbnb has service, safety and trust departments to screen and veto hosts and occupants, thereby ensuring viability and reliability. Uber rates taxi drivers and customers. It also makes sure that drivers have liability and third party insurance from a reputable firm in case of an accident.

Agnostics finely balance uniqueness for individuals (Uber offers different tiers of cars for example), with standard experiences customers can anticipate. This requires both provider and consumer to adhere to strict quality standards, with appropriate checks and balances in place.

“THERE IS NOTHING TO STOP TRADITIONAL ENTERPRISES FROM BECOMING AGNOSTIC”

9) MONETISATION FOLLOWS GROWTH

Most traditionalists insist on covering costs of goods early, and getting a return on their investment for them before they grow the business or category.

Agnostics have a different perspective.

They don't have "cost of goods" to recover. What they do is invest initially in order to grow the demand and supplier base, to be able to deliver superior customer outcomes.

They don't try and recover quickly. Instead, they concentrate on becoming indispensable in the daily lives of customers. Then they scale, becoming infectious and finally indigenous to a wider population.

And once this tipping point is achieved, rewards become exponential, because growth is viral coupled with zero-based economics.

10) EXPERIENCES ARE INTEGRATED AND HYPER-PERSONALISED

Part of the value equation for agnostics is the ability to land an integrated, personalised experience. This doesn't come only from variety and choice – it comes from the connectivity that brings about an outcome that is both co-ordinated and customised.

A case in the making is start-up 22seven. Many South Africans may not be making the smartest financial decisions, it reckons. With a freemium-based model (nothing charged upfront), its primary objective is to improve the financial health of individuals, irrespective of what bank or card they use. Customers are given an aggregate view of their on-going buying, which is categorised to see where they are spending on what, and how these patterns compare with others like themselves. Financial literacy is improved by better budgeting showing where and how money can be saved by switching providers, for example, a mobile phone account.

As many of the cases describe, agnostic brands are hyper-personalised – 22seven knows what each person is spending, how and where, in real time. It has no vested interest, except to give each customer a better money result both immediately and in the longer term.

Stokvels will buy in bulk for members to get better deals, from say Jumbo (Massmart). But each individual customer gets goods packed and delivered to destinations that suit them.

IMPLICATIONS AND FUTURE

Agnostics shift power to customers enabling them to make better decisions and act in a way that achieves enhanced outcomes.

Rising in numbers and market power, they are a significant disruptive force, undermining traditional business models.

With a different set of principles they go against the conventional marketing grain. They cut across target segments appealing to affinity groups. They span product and price points and are consultative rather than relying on conventional promotion and selling tools.

Once up and running, investments become an asset which can be leveraged over long periods of time, rather than a cost to be amortised quickly. And they can be updated at minimal cost. With no cost of goods or supply chain costs, agnostics work with zero-based marginal economics growing and globalising fast, propelling them further faster.

They disrupt negatively and positively.

Uber is a threat not only to public transport, but to the automobile industry (who needs a car?), and its ecosystem including car financing and small parcel courier. And next maybe groceries?

But when Airbnb provides accommodation close to the 2016 Olympic games in Brazil, the entire tourism ecosystem is likely to be positively disrupted.

We also see from the examples that agnostics create employment, extra sources of revenue for people, in an era when the technology could eliminate whole job categories.

There is nothing to stop traditional enterprises from becoming agnostic. IBM famously went from making and selling computers to advising and recommending on what machines enterprises should buy in order to leverage cognitive computing.

Many traditionalists have the data, but they fail to use it appropriately. Adopting agnostic principles will require reframing what they know, transforming it into customer value producing outcomes, instead of perpetuating outdated minds and models which push product agendas.

They have no choice in our new global economy ●