

# Is creating co-dependent business ecosystems the new competitive advantage?

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When you buy a Nespresso coffee machine, you do not buy a coffee machine. You buy into a system of consumer benefits. Or what I would call an "ecosystem" of related offers. A system that is interconnected in that offers a range of products, services, options, experiences, tastes, aromas, rewards and benefits.



Nespresso created an ecosystem where the sum total of the individual parts is greater than the whole.

That from a very large Swiss multinational not generally associated with innovative products!

With Nespresso, you buy into a lifestyle ecosystem, of which one of the benefits is good coffee - fast, pleasant, and simple. Where the total experience is as important

as the coffee you taste.

## Buying into 'a brand ecosystem'

This is what I term buying into "a brand ecosystem". It deeply entrenches a value proposition. It vertically integrates many consumer benefits generally offered by different brands in related - and even unrelated - product, retail and service categories. It collaborates with specialists like Krups, offering best-of-breed partnerships where they do not have the in-house expertise.



Similar to the fact that Starbucks redefined the entire coffee experience and re-energised a new global growth market for coffee consumption, Nespresso did it in a different, yet equally impressive way.

You buy a well-designed coffee machine - much easier to use than most other machines. It is available in a variety of colours and options that can fit any need, kitchen, and household size. It will look good in the kitchen, at the office, in a lounge, in a bedroom and in a dining room. You can match your décor. It is light years away from making a cup of instant Nescafe in the kitchen before work. In fact, I think many people that converted cannot even believe that is what they did for so long.

## Making good coffee easy

Like Nescafe itself became a global icon of instant coffee, Nespresso did the opposite, yet also in a highly accessible way. So Nestle realised that convenience was most important in a time obsessed global context. Yet, it is assisting people not to have to trade-off experience.

In business terms, it made making good coffee easy, that whilst many makers of coffee machines tried for many years to commercialise pure coffee consumption. Even though many achieved good growth, Nespresso took it to a totally new level. They can claim to have commercialised it, thereby creating a new markets space altogether.

They have recreated the ritual of coffee within a contemporary global urban landscape.

Then they aligned all the brand touch points to enable a seamless experience regardless of time and place.

When you buy a Nespresso machine, you buy it in a store that is designed to look like a high-end electronics or fashion outlet. Where the way products are displayed, merchandised and designed create a look that goes way beyond any traditional association of a place that sells coffee machines. The staff are not typical sales people. They make the customer feel good and important. Stores are distinctly high-tech, it uses dark colours and metallic finishes - all symbols we generally associate with sophistication, style, high-end electronics and fashion. The way merchandising is used underscores exclusivity: this is not an example of "stack them high, sell them cheap", there are few products visible, being displayed like pieces of art, within an environment created to exemplify

that.

## The 'Clooney' component

They used a high-profile actor, George Clooney, to create fast awareness for the brand and present it as a desirable, acceptable alternative to ground coffee. Whilst I personally do not like that as it is Marketing 101, it worked for them.

Once you are "in" the Nespresso system, it is not so easy to get "out-of" the system - even if for some reason you want to. Now you can these days buy many generic versions of the "pods", whilst still using the same hardware, but I have to assume the right profile of customer still enjoys going into the store with its distinctive design and well appointed staff, as that alone is an experience.

Going into a Nespresso outlet is similar to going into Louis Vuitton store: Even if you do not buy, the experience is a rewarding one - you exit a different person, more aware of the capabilities of us humans to push the edge of inspiration. So you feel good about yourself afterwards. The brand is created to make each consumer touch-point feel unique, special, alive.

Yet unlike Louis Vuitton, Nespresso is accessible for most, offering moments of indulgence at a high, yet for many, affordable price.

Nespresso created a new, integrated ecosystem. One that is creating huge value for the company.

Nestle could only do all this by "going outside" of itself. The Nespresso example of Nestle is an important indicator to global multinationals that even stalwart global multinationals can innovate in significant ways.

Yet to do so, they need to "open their minds" to influence and collaboration.

Other companies have also done this.

## An Apple a day

One cannot have this kind of argument without mentioning Apple, mainly because in so much, they were the first. They have become taskmasters at creating new, unique and inspiring ecosystems in a few business arenas.

Apple is famous for designing such a system with its central iTunes ecosystem that interrelates with its hardware and its supporting applications, music and videos. It offers a seamless experience across, one that "locks in" the consumer on many levels.

Every industry that was disrupted by Apple, extrapolated the industry boundaries. One the incumbents could not see themselves.



Apple has always done more than that. Its products do look and feel unique. Its packaging has always been unique. Its colours are distinctive and look and feel as though they are designed for people with more discriminating tastes.



Even some banks are doing this now.

## FNB gets technical

Banking is one of the most insular industries in the world, to this day. Most surveys will tell us, time and time again, that customers really do not like their banks. That they believe they are all the same anyway, but that they are a necessary evil. Not exactly anything one can get excited about.

When FNB started placing technology centre stage in its business, it accepted that financial services are and always will be instrumental: people do not buy a bank because they love what it does. They buy it because of the fact that it enables what they want to be. (Hence the quote by online bank 20twenty years ago "Banks are dead. Long live banking.") Mostly reluctantly... as the process of buying has been made so complex and officious by banks. It is almost as though banks assume they are important to people, when in fact they are a necessary evil most people would be able to live without if they had an alternative.

That is why banks like Ally in the US and local Capitec are applauded for their "no-nonsense" approaches to banking.

So FNB redesigned the ecosystem of its business, to be pivoted by things people want to engage with, in ways in which this engagement is part of their life. They do not have to "go outside" of themselves to "do banking" - banking becomes a part of what they do anyway. By implication, it re-contextualised the routine aspects of banking, using technology as the entry point. Thereby placing centre-stage what people now naturally do.



It could only do that by creating a collaborative ecosystem. One in which the ecosystem is more important than its constituent parts.

## So what has to change within our companies to think this way?

- Most importantly, we to get away from the argument of "what business are we in" and get into the argument of "what purpose do we want to serve, for whom?" Why does it matter to them? Then, how can we do it and who must assist us to get there? What natural trends and tendencies can we tap into?
- To accept we need to collaborate with other companies and specialists with unique insights and capabilities. We cannot do it alone. Building an ecosystem is also about "letting go".
- It means we need to inculcate an open-minded culture in our companies, where the prevailing attitude has to be "why not?" instead of "why?"
- We need to create collaborative networks of influencers and collaborators, way outside of who we would generally see as specialists in our kind of industry. Here the strength truly lies in diversity.
- We need to use iconic brand examples in any industry - and the change in other industries - as examples of what can be done. We need to unpack their value proposition components and speculate why they worked. We need to ask others about these changes and talk to people outside of our company and industry. We need to read and listen to issues and trends way outside of our own definition of "relevance". In short, we need to break out of our own industry constraints.
- To ensure our own company internally changes to be open, adaptive, collaborative. If this does not start at the top, it is unlikely to ever work. If we remain autocratic, this can never happen.
- Most companies in most industries go through phases, after the initial benefits of high growth, where autocratic management often works well, as industries change, collaborative management styles have to be central in how we manage.
- To accept that uncertainty is now more certain than certainty in our company. To develop the aptitude and competence to deal with dichotomy, opposing views and scenarios. To use that to "acid test", talk through, argue and debate.
- To create a complimentary, collaborative culture, one that is open to new ideas. To attract staff that can deal with this.
- To employ rebels as staff members and to create the ability to deal with them. To employ people for their attitude, more than for their skills base and experience.
- To most importantly, accept that the future can at best be facilitated by us as companies, we can no longer own the

solution to everything. That we have already lost control of the future, that our security now lies in how we deal with this and stay ahead in our ability to deal with it. Our security now becomes outer-directed. Yet, once we have done it, everything seems easier.

## ABOUT THOMAS OOSTHUIZEN

Thomas Oosthuizen is a marketing and brand strategist ([www.drthomasbrand.co.za](http://www.drthomasbrand.co.za)) who focuses on helping clients achieve greater marketing and brand success by spending less, for which he has devised his own methodologies. He has consulted widely to major companies across Africa and the Middle East and holds a doctorate in marketing communications. Email [thomas@drthomasbrand.co.za](mailto:thomas@drthomasbrand.co.za), read his blog at [brand-blog.drthomasbrand.co.za](http://brand-blog.drthomasbrand.co.za), follow @drthomasbrand and connect on LinkedIn.

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