

Simplify to Create a Star Business

A visually-structured summary of *Simplify: How the Best Businesses in the World Succeed* by Richard Koch and Greg Lockwood (Piatkus, 2016).

A star business delivers superb value for money for the customer and high profits for the business. Young ventures have a choice of two very different simplifying strategies for creating a successful new product or service.



A choice of two very different strategies

PRICE SIMPLIFYING

Make the product much simpler to produce so its price is 50% or less than the current price.

Economic rationale

Developing a product with a spectacularly lower price leads to the creation of a mass market.

Examples

Budget airlines
Fast food outlets
IKEA

PROPOSITION SIMPLIFYING

Reduce the complexity of a sophisticated product to make it easier to use, more intuitive and more useful.

Economic rationale

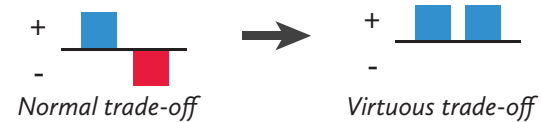
Increased ease and satisfaction of use creates customers who are willing to pay a premium price.

Examples

iPad
Uber
Boston Consulting Group



The essence of both strategies



The key to the success of both strategies is to move away from the straitjacket of normal trade-offs by identifying or developing virtuous trade-offs.

Normal trade-offs The ability to increase one desirable attribute often comes at the cost of a decrease in another desirable attribute (eg. an increase in performance often leads to higher production costs).

Virtuous trade-offs The goal in successful simplifying is to find a way to increase multiple desirable attributes at the same time.



Penguin Books identified a new strategy in the 1930s that allowed them both to lower the price of their books and to increase their quality.

LOWER PRICES → INCREASED DEMAND

→ MORE ATTRACTIVE TO THE BEST AUTHORS

→ HIGHER QUALITY OF BOOKS



Key thoughts

1. Don't expect the process to be easy. You need to come up with a radical simplifying idea and then develop a dramatically simpler product.
2. Simplifying is a creative affair but it is also intensely practical. Combining the two is hard.
3. Although there are limits to the genius of simplifying, there is no limit to the number of simple, universal products that can be imagined or created.

Two key strategic objectives for star businesses

CREATE GLOBAL OPPORTUNITIES

Reduce cultural or geographical barriers so that the product can become global or universal quickly. Any delay lets competitors poke their nose into the tent.

MAKE PRODUCT/COMPANY THE HUB OF A NEW BUSINESS SYSTEM

Ensure the product and company sit at the hub of a new web so that customers and suppliers orbit around both. Competitors should be banished to the periphery or excluded totally.



TEXT EDITED FROM RICHARD KOCH'S BLOG POST - www.richardkoch.net/2018/08/simplify-simplified
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