POST CORONA
SCOTT GALLOWAY

CHAPTER 1 - COVID AND THE CULLING

THE COVID GANGSTER MOE: VARIABLE COST STRUCTURES

Cash is great for survival purposes, but the real gangster move is to be capital light, that is, to have a variable cost structure. Uber is the paradigm of this new model. The way the company leverages *other people's assets* is why its share price held its value, despite the near collapse of its core business in the early days of the pandemic. Uber rents space in other peoples cars, driven by non-employees (in the eye of the law, anyway). The second an uber car stops making the company a profit, it effectively disappears and costs the company nearly nothing. Revenue can go to zero in a crisis, and Uber can take it's cost down to 60-80%. Hertz, on the other hand, owns its cars and went bankrupt. Boeing has $10 billion in cash, but if its revenue goes down by 80%, they can take costs down maybe 10%.

THE GREAT DISPERSION

Covid-19 is accelerating dispersion across many economic sectors. Amazon, of course, took the store and dispersed it to our front door. Netflix took the movie theater and put it in our living room. We're going to see this dispersion across other industries, including healthcare.

CHAPTER 2- THE FOUR

THE POWER OF BIGNESS/ THE MONOPOLY/ ALGORITHM/ FEATURIZATION

People often ask me what stocks I own. My investing advice is simple: I only invest in unregulated monopolies.

THE FOUR EXPAND EVERYWHERE

Some examples. First, delivery. Amazon has decided it wants to own the delivery business. So, it's going to turn what used to be an industry (delivery), into a feature (Prime). Jeff Bezos, a few billion dollars, and a team of engineers could give FedEx a run for its money. At least it would be a fair fight. But Bezos is not fighting the least bit fair. He helms an online retailer that reaches into 82% of american households, provides online commerce for everyone from Bucks4Books to Gucci, and generates $17 million in sales in a minute. And he's pointed that market power at FedEx.

Amazon is better at FedEx's own game: its on-time delivery rate is better, its prices (for delivering third party goods sold on Amazon) are lower, and Amazon is investing to extend its lead, moving to one-day shipping on more and more items in more and more markets.

Apple is dominating wearables, a category that has existed for hundreds of years, only we didn't know it had a name.How dominant? From inception five years ago, Apple is now the largest player in the watch business- by a factor of four.

Apple's ability to grow its services and wearables business speaks to Tim Cook's management acumen-the firm is now getting nearly half its revenues from something other than the iPhone. Apple's wearables business(Apple Watch, AirPods, and Beats) alone generated over $20 billion in revenue in 2019, making it bigger than Mcdonalds.

THE FOUR COME TO HOLLYWOOD

Streaming video adds momentum to the flywheel. Movies and entertainment evoke powerful emotions. The NPS score (consumers' emotional connection to a company) is negative to zero for ecommerce and internet companies, but it's strong for SVOD (streaming video on demand) companies. Loving *Fleabag* means you're more likely to buy your next toaster from Amazon, not Target or Williams-Sonoma.

The shift in value has already started, in the 13-month period between January 2019 and February 2020, Apple and Amazon *added* Disney, AT&T, Fox, Netflix, Comcast, Viacom, MGM, Discovery, and Lionsgate to their market capitalization. Read the last sentence again.

Great strategy cuts a swash between market conditions and a firm's assets. Put more simply, strategy is a firm's answer to the following question:

WHAT CAN WE DO THAT'S REALLY HARD

Leadership is the ability to convince people to work together in pursuit of a common goal.

APPLE

We are likely entering into the mother overdue global shutdowns. Every executive team needs to explore the limits of their comfort zone and imagine a business with 20% less revenue, that commands twice the value. Their is only one path to a dramatic increase in stakeholder value in the face of flat/declining revenue: The *rundle--* my term for a "recurring revenue bundle"

This was a strategic move before the pandemic--now it's gangster. That revenue is substantially immune to short-term pandemic disruptions and can cover for softness in the core hardware business.

THINK RUNDLE

In 2018, estimates were Apple TV+ would spend $1 billions original content for the envisioned streaming video offering. But in AUgust 2019, they announced $6 billion for original content. SO, a tech hardware firm is devoting the same capital to content featuring Reese Witherspoon and Khal Drogo (Jason Momoa) as the state of California allocates to the

23-campus California State University System. If it sounds as if we're living in a dystopia, trust your instincts.

CHAPTER 3 - OTHER DISRUPTORS

THE DISRUPTABILITY INDEX

Industries become ripe for disruption when existing players fail to adopt technological change to improve quality and value, as it may threaten their core business. A decent signal in industry is vulnerable is the presence of pseudo innovation--the addition of features that add no real value to the product

YOGABABBLE

(according to LinkedIn, there are more corporate comms personnel working for Bezos at Amazon (969) than journalists working for Bezos at *The Washington Post* (798))

THOROUGHBRED VS. UNICORN

There are 175 online mattress retailers besides Casper. (Think about that.)