**Prospective Deep-Connect Management Practices for Amazon’s Offers to Shoppers**

Supplementary Chapter to *Amazon: Managing Extraordinary Success in 5D Value*

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**Introduction**

In the prospective future for Amazon presented in the last chapter of the book, Amazon would offer primary value in the Degree, Dexterity, Deed and Deep-Connect dimensions. The Deep-Connect value dimension would both supplement the value offers in the other dimensions as well as bind them more closely together into one integrated offer. How Amazon would come to manage itself in a prospective future of Deep-Connect value will be presented below, but first the managerial practices in Deep-Connect value in general are presented in the following section.

Following on the conclusion in the above section that it would be helpful for Amazon to offer Deep-Connect value, this section takes a closer look at what that would involve in terms of managerial practices. How would Amazon need to manage itself, in order to offer Deep-Connect value? What are the management practices associated with Deep-Connect value? To gain a greater understanding of the management practices in Deep-Connect, the MDW 5 Steering Logic of Deep-Connect can be outlined. The management practices of Deep-Connect have been examined elsewhere in some depth with regard to the auto firms Tesla and BMW. In this book the MDW 5 Steering Logic in Deep-Connect will be briefly illustrated with regard to the firm Patagonia, introduced in Chapter 2. Figure 12-5 summarizes the MDW 5 Steering Logic of Deep-Connect, elaborated in the following discussion of Patagonia.

**Figure 12-5: MDW 5: Steering Logic in Deep-Connect**

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| **Element** | **Deep-Connect Practice** |
| **Market Fit Construct** | Live Test |
| **Efficiency / Effectiveness Construct** | Internalize and Externalize Codes |
| **Profitability Construct** | Cash Flow |
| **Management Construct** | Petri Dish in Lab |
| **Market Construct** | Forward-Looking Benefits |

The **Market Fit Construct** in Deep-Connect is the live test of every value exchange to confirm or reject it in the new paradigm of MDW 1: offers which are the best for mankind, and inputs which function as a transformation vehicle. The live test is needed because the paradigm is entirely new, where the past is no guide; the firm in Deep-Connect “feels” its way towards defining the elements of the paradigm, discovering what fits and what does not. The live tests are necessary, because only in this way can the firm discover what fits to the new paradigm whose characteristics are still unknown. For example, for Patagonia’s customers, new materials have been introduced regularly by means of market launches more than feedback groups: polyester sweaters, polypropylene underwear, bunting fleece outer wear, Synchilla jackets made with recycled polyester, and more recently natural dyes. Each new launch enabled the firm to learn more about the requirements from both the customer and from itself: what were the demands placed on the firm externally and internally in defining the new paradigm, which has been done on the run.

Regarding Patagonia’s employees, different personnel profiles were tried out to discover what worked best in terms of the requirements of the new paradigm. The first employees were friends and acquaintances of the founder who were also climbing devotees and thus understood the nature of the products. As the firm grew to need specialized skills and employees who did not disappear for months at a time on expeditions, the original employees were replaced by personnel with business backgrounds. The business specialists did not sufficiently relate to the products, and were in turn replaced by employees who combined a love of the outdoors – and thus embodied the kind of value the firm wants to offer - with capabilities for a nevertheless demanding business environment. In the relation to suppliers, different kinds of contracts and working relationships with different kinds of suppliers have been established and updated. In particular, in this decade the firm has addressed the environmental impact throughout its entire supply chain by deepening the relationship to the suppliers in order to raise the level of transparency (Chaouinard 2016, throughout).

Regarding owners / investors a kind of live test has been performed several times over the years, in that the owners Yvon and Malinda Chouinard deliberated at various points in time whether opening up to employees the shareholding in the firm would be appropriate. Their conclusion at each one of these “tests” was that the firm faced challenges and pursued objectives which only could be resolved and realized in the long-term. A long-term stability in the financing was needed, and the horizon for a return on the financing was long-term. Neither of these conditions necessarily fit to share ownership from employees, who for legitimate reasons could well have a shorter term horizon: They would be disappointed with the short-term performance of their investment and / or press for actions and decisions which would not serve the long-term interests of the firm (Chouinard and Stanley 2016, p. 90). However, the legal form of the firm, establishing the legal framework for the return to the owners, has been altered several times. In 2012 Patagonia became one of California’s first B Corps (benefit corporations), where benefits to the environment and other stakeholders must be written into the firm’s charter and objectives. In 2014 the structure of all the activities took on the form of a holding to allow the business and charity organizations to each develop more freely (www.patagonia.com).

The **Efficiency / Effectiveness Construct** in Deep-Connect is the duality of internalizing the external and externalizing the internal. Patagonia internalized the external first in that it took on social concerns to become the fundamental principles of the firm, e.g. use materials and conduct practices which do not harm the environment, produce clothes and equipment for people who cherish nature and throw their soul into outdoor activities, and create working conditions which take account of the fact that people are social beings with lives beyond the job. These internalized principles became part of MDW 2 - the new inter-connected paradigm - and spoke to the hearts and minds of many parties – effectiveness. Patagonia internalized the external second in that it took advantage of existing technologies which were freely available in that Patagonia did not have to develop them from scratch, but “only” refine them to the requirements of outdoor wear. E.g. all the new materials listed above already existed in other types of clothing, where Patagonia applied them to the specific applications and the special requirements of Patagonia. Thus in MDW 3 Patagonia re-constituted the application of “free” external materials and the associated technologies in its operations - efficiency.

Patagonia externalized the internal first in that it required parties to bend to its requirements in the relation. For example, people with a business background tended not to cherish nature and thus did not fit into the organizational culture, whereas people who cherished nature could be taught business practices. Or, Patagonia produces the clothes and accessories that it thinks are right for the planet and the human being, and only such products. The firm is not willing to bend with the winds of fashion or consumer taste (Shaw 2017, pp. 75 – 8). Thus in the inter-connected paradigm of MDW 2 Patagonia could work in its own way – efficiency. Patagonia externalized the internal second in that it spread into the business world and the society the goals and solutions propagated by the firm. For example, other firms are adopting the materials and other features used by Patagonia, making Patagonia into a kind of reference firm. Given this promotion of re-constituted applications of technology in MDW 3, the mills are more willing to meet the innovatory requirements of Patagonia because they know orders for the same kind of materials will come in from other firms - making a world in which Patagonia is increasingly effective (www.patagonia.com).

The **Profitability Construct** in Deep-Connect is the cash flow involved in Time To Market or more precisely Time To Revenue. That is, the MDW 4 Business Model in Deep-Connect is not simply to join up the dots for a new way of doing business, but to develop the dots in the first place, and then join them up. Thus the development effort leading to a market launch is considerable and eats up cash to cover the outlays before the revenues flow. Rather, given that firms practicing Deep-Connect engage in live tests, simply getting to the market launch is not enough. Relevant for the profitability is to arrive at the market launch which is successful on the market and generates positive cash flow; or even more precisely, relevant for the success of the business model is to get to the market launch which is successful on the market and meets the firm’s own requirements for a product with which it is satisfied and behind which it can stand. Thus, the hurdle is very high before a stable flow of revenue is attained, and thus sufficient cash needs to be available to cover the outlays for personnel and other resources during this substantial product development effort. Before the firm’s cash is used up, positive cash flow is needed to kick in from successful sales. Indeed, given that the Deep-Connect firm is continually in the mode of developing the dots which are to be joined up, for the firm to survive as an institution there is a continual requirement to generate sufficient cash so as to finance further development of the products and the organization.

At Patagonia the drive to introduce natural dyes has worked through multiple rounds, with product development work beginning in 2014. In 2015 Patagonia launched denim with nontoxic dyes, followed by the Clean Color clothing in 2017. Innovations have been introduced in smaller collections, and when the “experiment” succeeds, have been then applied to entire lines. One of the colors had to be withdrawn from the product line due to unexpected fading. Patagonia will continue to search for alternatives to synthetic dyes (www.patagonia.com).

The **Management Construct** at Patagonia has been a Petri dish in a laboratory. The firm itself has been a petri dish in which people and ideas have been brought together in a purified context, to some extent removed from the immediacy of daily business, in order to continually experiment, explore options, conduct tests and make new discoveries. E.g. one product line took one year longer to launch than expected because so many “experiments” needed to be conducted. Of course the bulk of the firm’s attention goes to addressing daily business, but the driving force of management is oriented to the broader contexts of business and society – being an example of a business which minimizes its harm to the environment - and not simply to products for a market. In this sense the fundament of the firm constitutes an experiment in reacting to and furthering those broader contexts; other business should follow the example of Patagonia. Furthermore, the petri dish strives for the world around it to be as pure as a laboratory. For example, Patagonia has begun to urge customers to not buy a new jacket but rather repair the old one. In addition, Patagonia takes an activist stance on many specific environmental causes, defending the priority of nature over business. Patagonia’s mission is to use business to inspire and implement solutions to the environmental crisis. Thus Patagonia would like a world of businesses and consumers unsullied by practices which do not fit to the new paradigm (www.patagonia.com). In the Management Construct of Deep-Connect as illustrated by Patagonia, the petri dish drives the laboratory, that is, Patagonia has leveraged its relatively small collection of resources to change the world in its image.

The **Market Construct** at Patagonia is forward-looking benefits, which has two consequences. First, the benefits are oriented to the parameters of the new paradigm, e.g. minimizing the harm to the environment and offering top quality in durability, reliability, fitness to purpose, and so forth. Second, the approach to the market is simply to divide it into those who do and those who do not want the particular benefits Patagonia offers. The CEO is not interested to serve customers pursuing fashion or simply drawn to the colors; his approach to the market is entirely oriented to serving those customers who appreciate all aspects of the product and the firm. Furthermore, the benefits constitute a blanket offer made across the entire product range. Segmentation in the products takes place only to a limited extent, e.g. between different kinds of outdoor activities and different body sizes. The distinction between men’s and women’s clothes is often minimal. The focus in addressing the market is that all products embody the forward-looking benefits to the full (Chouinard 2016, pp. 77 – 104).

**Prospective Deep-Connect Management Practices for Amazon’s Offers to Shoppers**

After briefly sketching Deep-Connect management practices at Patagonia in the form of an overview of MDW 5 Steering Logic, the MDW’s 1 – 5 for the prospective future of Amazon will be sketched here. The discussion will focus on the management practices which Amazon would have to integrate into its existing management practices in order to generate primary value in Deep-Connect. The management practices will be illustrated using the example above of Amazon online retail replacing a local farmer’s market.

The prospective future MDW 1 is summarized in Figure 12-6 (overleaf). The offer to shopping customers with primary value in Degree, Dexterity, Deed and Deep-Connect has already been outlined above. To attain the prospective primary value in Deep-Connect, the key element in the offer which Amazon would have to introduce would be transparency in the features, benefits and contributions in the contexts which are relevant to the shopping customers. Shopping customers would be able to compare products e.g. coming from two different local farms or from a farm in South America and compare the benefits and the contributions to the producing firms and their parties, to the local communities and the countries, to the environment, and so forth. On the basis of this heightened transparency, shopping customers would be able to make informed choices on how their purchasing behavior impacts the contexts which are relevant to them.

**Figure 12-6: Prospective MDW 1 and Market Fit Construct at Amazon**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Mgmt. Element** | **Primary  Degree** | **Primary Dexterity** | **Primary  Deed** | **Plus** | **Primary  Deep-Connect** |
| **Area** | Customer as member of society | Customer as online retail market participant | Customer as shopper | **Customer Contexts** | Customer as actively shaping transformed society |
| **Offer** | Elevated living standard | All-Rounder Features | Customer experience | **Customer-determined choice and transparency regarding multiple contexts** | Best for Mankind |
| **Input** | Organiza-tional assets | Shared market knowledge | Triggered value | **Champion of product, producing firm and Amazon; thereby helping to remove obstacles** | Transforma-tion Vehicle |
| **Market Fit Construct** | Top-Down | Consensus | Intrapreneur-ship | **Search for choice and transparency in multiple contexts which makes parties into champions** | Live Test |

In return, to attain the Deep-Connect input of being a Transformation Vehicle, shopping customers would be managed by Amazon to become champions of the product, the producing firm, and Amazon in four ways. First, shopping customers would become part of the product development teams at the producing firms and at Amazon by having their shopping data inputted to the firms; possibly making themselves available as a test consumer for either the producing firm or Amazon; and possibly testing out a new form of entry in the forums / blogs on the Amazon website about the contributions of the products and firms. For example, a shopping customer could make a small video about participating as a test consumer for a new strain of tomatoes cultivated by a local farm to have fewer seeds, and post the video on the Amazon website as a new form of blog entry. Second, as champions, shoppers would become loyal to both the producing firms and to Amazon. For example, an Amazon shopping customer would receive a weekly shipment of vegetables from a local farm, willingly accepting the assortment of vegetables which the farm prepares for the customer.

Third, shopping customers would furthermore become in effect members of the salesforce at the producing firm and Amazon via word-of-mouth or other kinds of recommendations, spreading messages about the value on offer at Amazon. In the video mentioned immediately above, the customer would include content in which the pros of the new tomatoes outweigh the cons, and also mention his or her excitement about being able to post the video on the Amazon site, because then neighbors and others from the local community can view it. Fourth, shoppers would become financiers of Amazon and the producing firms by purchasing products and possibly inputting finance as well. For example, the customer receiving the weekly shipment could pay a lump sum in advance for a season’s worth of deliveries. In these four ways the shopping customers would help clear away obstacles in the market and society to the new Deep-Connect value being offered by Amazon: e.g. local farms would be better financed, and the customers in the local community would be more receptive to the new strain of tomatoes. In sum, MDW 1 would be constituted to take account of the interests of customers in multiple contexts.

This MDW 1 value exchange of offer and input with shopping customers would be steered by the **Market Fit Construct** in Deep-Connect: the live test of every value exchange to confirm or reject it in the multiple contexts of the new paradigm found in MDW 1. Analogous to the example of Patagonia, the live test at Amazon would be needed because the paradigm would be entirely new: The past would be no guide. Amazon would need to “feel” its way via the live tests to define the kinds of choice and transparency in the offers which would turn parties into champions of the product, the producing firm and Amazon.

The prospective future live tests to define the offers and inputs would draw on the three existing elements of the Market Fit Construct at Amazon. First, the goals for the live tests would be established with a fiercely determined rigor driven from the top, as in Degree: the internal goals for initiatives to develop new services for shopping customers would be firmly oriented to the requirements of shopping customers in the broader contexts. For example, Amazon leadership could set as a target to increase the share of deliveries of local farm produce which make use of containers which are re-used many times in multiple rounds of deliveries, e.g. for milk. Second, the offers and inputs to be tested live would come out of internal development projects, where the completion of each step in the project would be a consensus agreement among the involved personnel, as in Dexterity: the internal meetings reviewing progress in the projects could be as stormy as ever, but the meetings would end in the agreement of all present as to the next steps. For example, all Amazon personnel would agree that Amazon would test the following: the re-used containers are to be washed and dried by the customers and not by Amazon or the local farms. Third, all of the personnel involved in the development projects for the live tests would be thinking, deciding and acting as intrapreneurs in the firm, as in Deed: the course of action in the development projects would allow for considerable leeway in how the project team would make use of Amazon’s resources in conducting the project. For example, the project team would design and implement the page on Amazon’s website which explains why it is best for consumers to clean the containers.

The new element in the Market Fit Construct in Amazon’s prospective future would be the single-minded dedication to the transparency and choice in the offers regarding multiple contexts which makes champions out of the parties. Offers and inputs would be steadfastly oriented to enabling shopping customers to shape business and society according to their own wishes regarding the location of businesses, management practices in the relation to personnel and other parties, the environmental impact, and so forth. Shoppers would collectively determine which local farms are successful, and which plantations in South America are successful. Amazon has already experienced something similar to this kind of build-up of a new business form, in that it has been a major force in developing and defining the new industries in online retail and cloud services. In the prospective future for Amazon, developing a new business paradigm compared to developing a new industry would be one order of magnitude greater with regard to the extent of change. Amazon would not simply win parties by attracting them to a new market, but would make them into champions by offering value in multiple contexts.

Figure 12-7 (overleaf) summarizes how Amazon could build on and add to its existing management practices in MDW 2 and MDW 3 to operate in a prospective future with primary value in Deep-Connect.

Considering MDW 2, the external demand interfaces are managed in Deep-Connect by taking account of the new inter-connected paradigm which links value in multiple contexts, e.g. for the customer, firm, country, humanity and the planet. A large step towards managing the external demand interfaces of this new paradigm in a prospective future Amazon could be taken by combining together the three elements of MDW 2 which are currently found in different parts of the Amazon organization: Best of Class in Degree, standards in Dexterity and operational solutions in Deed. Amazon would be able to bind together and raise up to the Deep-Connect level these three existing practices in managing external demand interfaces by drawing out of the existing practices the elements which it is convinced would promote the new paradigm. Looking at these existing practices through the prism of it’s own definition of the new paradigm would enable Amazon to interpret Best of Class, Standards and Solutions as they relate to the new paradigm, rather than in terms of the existing market conditions.

This shift to the new paradigm in the prospective future at Amazon can be briefly illustrated by taking examples of transformation in different elements of MDW 2: the Strength in Degree, the Go-To-Market model in Dexterity and the Competitive Advantage in Deed. The current Strength in Degree is the Best of Class supply chain, which currently operates according to the firm’s own requirements to be bigger, faster, wider, etc. In Deep-Connect the supply chain would be transformed to being the most accommodating in taking on sender and receiver needs and requirements. The supply chain would make essential connections between the requirements of sender, receiver and Amazon in order to operate a viable logistics operation. For example, in deciding on re-usable containers for local farm produce, Amazon personnel would have consulted local farmers, their customers as well as the truck drivers and other personnel in the supply chain to come up with the best solution for all. The Go-To-Market model of continuous improvement in standards for the features of Amazon after-sales services and the product information would shift to generating solutions regarding the contributions which are so convincing that parties and external media are drawn to promote them; the solutions would sell themselves. For example, the introduction of re-usable containers for local milk would stimulate interest in the local community and become the subject of an article in the local newspaper as well as an innovation commented on in social media. The Competitive Advantage on the website of fulfilling shopping missions would shift to an absorbing journey for the shopper in finding and evaluating benefits. For example, the Amazon shopping customer would be able to read several entries on the website in which customers explain their satisfaction in no longer throwing away milk cartons and the pleasure from re-using containers which they themselves have washed with their own hands. Taken together, in the prospective future the external interfaces would be managed to take Amazon and its parties towards the new paradigm of aware, individual collectivism to shape business and society as wished by consumers. In other words, customer contexts would be explicitly taken account of in the external demand interfaces.

**Figure 12-7: Prospective MDWs 2 - 3 and Efficiency / Effectiveness Construct at Amazon**

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| --- | --- | --- | --- | --- | --- |
| **Mgmt. Element** | **Primary  Degree** | **Primary Dexterity** | **Primary  Deed** | **Plus** | **Primary  Deep-Connect** |
| **Area** | Customer as member of society | Customer as online retail market participant | Customer as shopper | Customer contexts | Customer as actively shaping transformed society |
| **Summary / Essence**  **MDW 2** | Best of Class in the Organi-zation | Continuous Improvement in Standardized Features | Operational Solutions for Situational Needs | **Own in-depth identification and definition of best standards for solutions which promote the new paradigm** | New Inter-Connected Paradigm |
| **Summary / Essence MDW 3** | Functional Excellence via Instructions | Process Enhancement via Knowledge Sharing | Skills and Judgment via Experience | **Excellence in skills and judgment regarding technological applications, executed in processes via instructions based on shared experience in re-constituting technologies** | Technology Application via Re-Constituting |
| **Efficiency / Effective-ness Construct** | Build and Economize on Positions in Products and Markets | Explore and Exploit Standard Features and Processes | Stimulate and Operate Internal Networks to Design and Implement | **Build and economize on positions in business and society which explore and exploit benefits and contributions by stimulating and operating networks inside and outside the firm** | Internalize and Externalize Codes |

In the prospective future at Amazon, MDW 3 internal supply interfaces would be oriented to re-constituting technologies which could be used in the supply chain, on the website, and for the after-selection customer experience. This re-constitution of technologies can be illustrated using the example of replacing a local farmer’s market. The prospective future supply chain, which would be best at accommodating the requirements of senders and receivers, would possibly include the following existing “technologies”: local pick-ups of farm produce; a great variety of containers and packaging for different kinds of produce; “subscribed” deliveries; and options for the receivers to choose the time of delivery. The prospective future website would showcase the products and the farms, by possibly making use of the following existing technologies: crowd-funding sites presenting information about a firm and a variety of offers from the firm seeking to entice interest; techniques which supermarkets like Whole Foods Markets or restaurant chains use to inform their personnel and their customers about the nature of the products and the associated farming practices, but translated to a website; websites with cooking recipes and tips; websites of hotels and holiday resorts which promote activities for tourists in their neighborhood; storytelling; infotainment; and content management. The after-selection customer experience would possibly include the following existing “technologies”: user forums and blogs with the option to post photos and videos; customer satisfaction surveys regarding products and individual farms; customer support to answer questions about the different kinds of deliveries; and making a loan via the website to a specific farm. In applying these and similar technologies to the prospective future website, Amazon would re-constitute the technologies in two ways. First they would be combined with other technologies on the website, and second they would be applied in a manner entirely specific to the functionalities of the Amazon site. This re-constitution of the technologies transforms them into generating Deep-Connect value in that they take account of multiple customer contexts.

In applying the re-constituted technologies to the website, Amazon personnel would draw on existing strengths in MDW 3 internal supply interfaces. First, Amazon personnel would work out clear ideas about how to apply the re-constituted technologies which everyone should follow, similar to instructions in Degree. For example, loans to a farm can only be paid in by means of a credit card transaction with a minimum value of $1000. The clear ideas would be formed in the course of the experience with re-constituting the technologies, as in Deed. For example, at first Amazon had allowed paying in loans by means of a check, but then found out that too often the checks had bounced. The clear ideas would be formed in the course of the experiences which the personnel share with one another, as in Dexterity. For example, Amazon discovered the high incidence of the bounced checks because every month there is a conference call in which the involved personnel share experiences in what has gone well and what not. In this way a process would be established, as in Dexterity: the process to pay-in loans to a farm would be standardized for credit cards only. The process would take account of the skills and judgment of the personnel, as in Deed: the personnel would have learned that having a credit card or not is a good indication of the creditworthiness of the shopping customer. The process would re-constitute technologies so that they are excellent in their application, as in Degree: paying-in loans with a credit card would have a fall-out rate of 0%. The Deep-Connect element is to combine the impersonality of a credit card with the personal touch of a loan to a local farmer.

The **Efficiency / Effectiveness Construct** in Deep-Connect is the duality of internalizing the external and externalizing the internal: a rigorous kind of “dual osmosis”. In the prospective future of Amazon, the firm would externalize the internal first in that it would require parties to bend to its requirements in the relation – wash milk containers and pay in loans by credit card - and second in that it would spread into the business world and the society the goals and solutions propagated by the firm – spreading the word that online retail is better for mankind than local farmers’ markets. The firm would internalize the external first in that it would take on social concerns to become the fundamental principles of the firm – shopping customers want convenient access to local farm produce and farmers want to distribute their produce as widely as possible - and second in that it would take advantage of existing technologies – crowdfunding techniques and uploaded videos. The dualism would consist in spreading externally the internal convictions – which are convincing to parties - while embracing external concerns and technologies to shape internal strengths accordingly. Spreading the internal convictions to the external world enables Amazon to operate efficiently because parties align themselves to the firm’s operations. Embracing external concerns and technologies to shape internal activities makes the firm effective because it meets party requirements. In this internal / external duality the prospective future Amazon would be both efficient and effective because it would take advantage of as well as take account of the multiple contexts of customers.

To attain this duality, the prospective future Amazon could draw on the logic of existing elements of the Efficiency / Effectiveness Construct. The scope in applying the elements would be extended to impact the multiple contexts of Deep-Connect value. Drawing on the Degree practice, the firm would build and economize on positions in the business world and in the society, and not simply positions in products and the market. For example, Amazon would be positioned in the local community as the channel for building relationships amongst neighbors, and between customers and farmers, regarding access to local farm produce, how to prepare it, and so forth. Drawing on the Dexterity practice, the firm would explore and exploit standardized contributions, and not just standardized information about product features. For example, Amazon could establish guidelines for customer entries on blogs and forums including the suggestion that a photo or video is best included. Drawing on Deed practice, the firm would manage networks of parties and groups inside and outside the firm to design and implement solutions, and not just stimulate and operate internal networks. For example, via the website forum for a local community certain shoppers could declare themselves willing to serve as the drop-off point for fresh produce intended for all the neighbors on their street.

The **MDW 4 Business Model** in the prospective future of Amazon is summarized in Figure 12-8. The summary of the essence of the Deep-Connect Business Model is not only to “join up the dots”, as the saying goes, in a new and compelling manner, but to develop the dots in the first place. The Business Model for replacing the local farmers’ market would involve developing “the dots” – new logistical operations, techniques to showcase firms, processes to finance a local farm, and so forth – as well as developing how to “join them up”: joining the dots virtually in intuitive pages and links on the website, joining the dots organizationally in processes for the interfaces, and joining the dots with convincing communication measures to gain attention and interest. The underlying logic of the Business Model in Deep-Connect is the development of a uniquely new offer which fills an “empty space” by combining different aspects of existing technologies and businesses. The convergence of technologies draws on internal and external synergies and the uniqueness of the offer gives it a long-term horizon for the product lifecycle: it will take a long time for the rivals to copy the innovation and catch up, if ever. Replacing the local farmers’ market with online retail would draw on internal synergies with existing resources in logistics, website and customer services as well as external synergies with farmer and community networks. By bringing together local farmers and neighbors onto one virtual location, it would be the most convincing solution in the area and dominate the market for locally-sourced fresh produce.

**Figure 12-8: MDW 4 The Prospective Business Model of Amazon**

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| --- | --- | --- | --- | --- | --- |
| **Element** | **Primary**  **Degree** | **Primary Dexterity** | **Primary  Deed** | **Plus** | **Primary  Deep-Connect** |
| **Area** | Customer as member of society | Customer as online retail market participant | Customer as shopper | **Customer contexts** | Customer as actively shaping transformed society |
| **Sum-mary / Essence** | Market and Cost Leader | Sweet Spots | Bull’s Eye | **Processes to capture / address business and societal requirements result in activities and plans to identify / hit the bull’s eye in business and society, in which resources are concentrated from / in business and society** | Develop the Dots to be Joined |
| **Profit-ability Con-struct** | ROCE | DCF | Long-Term Margin | **Manage uncertainties in cash flow due to uncertainties in both service development timing / costs and developments in contexts** | Cash Flow |

In developing the dots and how they would be joined together for such a solution, Amazon could draw on the existing characteristics of the Business Model in Dexterity, Deed and Degree. The existing characteristics of the Business Model would in the prospective future of Amazon be augmented to generate Deep-Connect value in that the focus of the Business Model would shift from the market to the customer contexts in business and society, as explained in the following. In Dexterity, the processes around the sweet spot would no longer capture market requirements to smoothly translate them into features of an offer but would rather consider wider developments in the business world and society as the basis for developing solutions. Processes would be designed to scan e.g. technologies and lifestyles. For example, information would be collected about the hygiene of thoroughly cleaning milk containers in an environmentally-friendly manner as well as the latest trends regarding the timing of when different segments of households are at home and how dependable and flexible they can be in supporting their neighbors. Internal processes for developing solutions would be specified which translate this information into guidelines for washing milk containers and selecting neighbors to serve as drop-off points. The guidelines would include the formulation of the benefits and contributions relevant to the different parties.

In Deed, the plans and activities are currently focused on hitting the bull’s eye in the market. In the prospective future of Amazon, the firm would focus the plans and activities on hitting the bull’s eye in business and society. The content and conduct of the activities in implementing the solutions for washing milk containters and choosing neighbors for drop-off points would be left to the judgment of the individual employees in each locale. The local employees would use their judgment to select the specific milk containers and cleaning agents to be used in an area, considering local suppliers, the hardness or softness of the local water, seasonal temperatures and so forth. Similarly, who exactly would best function as a local drop-off point would also be a matter for the local employees to judge, based on how neighbors interact with one another. The local employees would have the leeway to adjust the solutions to the local business and community environment, thereby hitting the bull’s eye. In Degree, as the market and cost leader, Amazon currently manages resources which have been drawn from the market to build its market leadership. In the prospective future, the inputs employed in the process steps would be drawn from business and society, and the outputs would build up Amazon’s resources as positioned in business and society. Local businesses would provide the containers and cleaning agents for washing the milk containers as inputs, and as outputs the firms would advertise the Amazon solution, highlighting their own role but also the benefits of the solution to local communities, businesses and the environment; from which Amazon would also profit. The neighbor serving as a drop-off point would become a local salesperson for Amazon, urging neighbors to shop on the firm’s website. Thus Amazon would manage resources which have been drawn from business and society and are deployed to develop a leading solution for business and society – online retail which is a significant improvement on local farmers’ markets and is indeed best for mankind.

The **Profitability Construct** in Deep-Connect is the cash flow involved in Time To Revenue. Developing the dots which are to be joined up in a new way of doing business requires a considerable development effort. The cash flows during the Time to Revenue are subject to considerable uncertainty for internal and external reasons. Internally, the development effort involves many unknowns in re-constituting technologies in unique ways without precedent, and thus may well take substantially longer and cost considerably more than planned. For example, developing and rolling out the procedures, techniques and technologies for showcasing firms may well take much more time and effort than had been expected. Externally, the demand is based on developments in business and society, and not simply in a market, and it is especially difficult to accurately forecast such broad trends. The demand for learning about showcased firms may be restricted to a small minority, and Amazon would have to first educate the wider public in order to generate significant interest in this feature and / or wait for social movements to stimulate interest in this kind of consumer choice.

Nevertheless, Amazon’s existing capabilities in the Profitability Construct would provide a sound basis to manage cash flows in a prospective future of Deep-Connect. The ROCE in Degree has raised Amazon’s capabilities in being economical with the employment of capital, such that in a prospective future the firm would be able to conserve the capital outflow. For example, the capital outlays to build up online retail to replace local farmers’ markets would be minimized because Amazon could leverage its established reputation, supply chain, website and after-selection customer service operations, while drawing on the energy of farmers, businesses and local communities. The DCF in Dexterity has raised Amazon’s capability to plot complex inflows and outflows of cash, and match them as well as possible to one another. For example, Amazon could build up its online retail market share in dairy products before moving to replace local farmers’ markets. Dairy products have a steady demand throughout the year, while the number of suppliers and the range of packaging would be limited, thus keeping logistics simpler: revenues and costs would be more readily manageable. The Long-Term Margin in Deed has improved Amazon’s know-how in managing the profitability of business ventures with a long time horizon. Given the intensive and localized effort needed to replace local farmers’ markets, the payback on moving into this business would presumably require quite a few years. Finally, to be able to handle the cash flow of Deep-Connect, added to these existing capabilities would be a sure hand in managing the impact on cash flow of the special uncertainties in the Deep-Connect Business Model as described immediately above.

The rightmost column of Figure 12-9 (overleaf) summarizes MDW 5 Steering Logic at Amazon in its prospective future. The Market Fit, Efficiency / Effectiveness and Profitability Constructs have been described above. The Management and Market Constructs are presented here.

The **Management Construct** in Deep-Connect is a Petri dish in a laboratory. The fundament of the firm is analogous to a Petri dish in that the firm undertakes “experiments” which are oriented to objectives rooted in the broader contexts of business and society rather than, strictly speaking, products and the market. For example, the future prospective Amazon would experiment with which products are best suited for transport in washable and re-usable containers, where the criteria for selection would include the natural environment, working conditions on the farms and washing infrastructure in households. Furthermore, the petri dish strives for the world around it to be as pure as a laboratory, in that the external environment should reflect the new paradigm for business. For example, the prospective future Amazon would be oriented to building a community of shoppers / neighbors and farmers who together aim to shape the local production, distribution and consumption of food in the interests of the planet and the community, including the shared will to use as many re-usable containers as possible.

**Figure 12-9: MDW 5: Prospective Steering Logic in Deep-Connect at Amazon**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Element** | **Degree** | **Dexterity** | **Deed** | **Plus** | **Deep-Connect** |
| **Area** | Customer as member of society | Customer as online retail market participant | Customer as shopper | **Customer contexts** | Customer as actively shaping transformed society |
| **Market Fit Construct** | Top-Down | Consensus | Intrapreneur-ship | **Search for choice and transparency in multiple contexts which makes parties into champions** | Live Test |
| **Efficiency / Effective-ness Construct** | Build and Economize on Positions | Explore and Exploit Standards | Stimulate and Operate Networks | **Explore and exploit benefits and contributions by stimulating and operating networks inside and outside the firm which build and economize on positions in business and society** | Internalize and Externalize Codes |
| **Profitability Construct** | ROCE | DCF | Long-Term Margin | **Manage uncertainties in cash flow due to uncertainties in both service development timing / costs and developments in contexts** | Cash Flow |
| **Manage-ment Construct** | Building Blocks | Evolution / Mutation | Agile Platforms | **Internal structures and processes reflect key external parameters of the new paradigm** | Petri Dish in Lab |
| **Market Construct** | Product Categories | Market Spaces | New Market Categories | **Benefits directed to key external parameters of the new paradigm** | Forward-Looking Benefits |

In constructing a petri dish in a laboratory, the prospective future Amazon could draw on the approaches to Management Constructs which exist in the firm. In the building blocks of Degree, the organization is currently developed and managed somewhat in its own image, oriented to its own internal organizational logic. In the prospective future of Amazon, the organization would be developed according to its own criteria oriented to the new paradigm. For example, Amazon could structure the organization for replacing the local farmers’ markets in small, multi-functional teams who are responsible for the entire operations in a locale. That is, one team would oversee and operate the local supply chain, the content on the website, and the after-selection customer service. In this way all aspects of the operations could be linked to one another and to the criteria of the new paradigm. In the evolution / mutation of Dexterity, the firm currently tests small and large jumps to organizing itself around new standards in products and processes. In the prospective future of Amazon, the firm would test small and large jumps to organizing itself around new standards in business and society. For example, standardized processes to manage re-usable containers would evolve around fine-tuning washing instructions and mutate for new kinds of containers. In the agile platforms of Deed, the firm currently keeps its resources flexible, open to be utilized by individual personnel with leeway in addressing specific market situations. In the prospective future of Amazon, the resources would be open to address specific situations in the new paradigm, including the possibility that external parties such as customers would utilize the Amazon resources. For example, neighbors could form cooking groups to try out local produce, using the forum on the Amazon website to organize themselves and coordinate with local farmers. The organizational behavior which generates Deep-Connect value in the organization, i.e. which leads to the petri dish in the lab, is that internal structures and processes reflect key external parameters of the new paradigm in business and society.

The **Market Construct** in Deep-Connect value is forward-looking benefits: the firm works the market to move the market participants towards the new paradigm, while segmenting the market fundamentally between those parties who are open to the benefits of the new paradigm and those who are not. The prospective future Amazon would design and target its online retail offer strictly to those shoppers seeking the individual collectivism of the new paradigm. For example, the firm would not waver from the washable and re-usable containers because of fears that not all shoppers would be willing to make this extra effort; it would steadfastly and consistently market what is best for mankind, rather than what is best for all customer segments.

In marketing the forward-looking benefits, the prospective future Amazon could draw on the approaches to Market Constructs which currently exist in the organization. In the product categories of Degree, the firm has built up the markets it addresses by adding one product category after another into its supply chain. In the future prospective Amazon, the firm would build up its external offers by addressing one element of the new paradigm after another. For example, it might begin by selecting neighbors for local drop-off points. Then it could introduce washable and re-usable containers. Then it could explore the option that the neighbors serving as drop-off points would also wash the containers; and so forth. In the market spaces of Dexterity, Amazon currently fashions offers in after-selection customer service to match the characteristics of specific segments, e.g. different payment options to match segments with or without a bank account, with or without a credit card, for those wanting to pay in advance, and so forth. In the prospective future Amazon, offers would be fashioned to match requirements in the new paradigm. For example, if a natural disaster occurs somewhere in the world, the Amazon website could possibly promote products which are sourced from that region as a form of help from the international community. In the new market categories of Deed, Amazon has developed or significantly advanced the maturity of new online services. In the prospective future Amazon, the firm would be at the forefront in developing new services for the new paradigm. For example, the firm could possibly run a portal in which people willing to read aloud and people with failing eyesight could find each other; and the portal would make special offers and recommendations for books. The market approach which implements Deep-Connect in the Market Construct, i.e. which leads to the forward-looking benefits, is to direct the benefits of the offers to key requirements of business and society. Rather than be oriented to simply products and the market, e.g. books to be sold, the market approach would be oriented to key parameters in the new paradigm, e.g. community services involving books.