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No Magic = No Business Opportunity

Make no little plans; they have no magic to stir men's blood and probably themselves will not be realized. Make big plans; Aim high in hope and work.
Daniel Burnham, architect and urban designer (1846-1912)

And above all, watch with glittering eyes the whole world around you because the greatest secrets are always hidden in the most unlikely places. Those who don't believe in magic will never find it.
Roald Dahl, novelist, short story writer, poet, screenwriter, and fighter pilot (1916-1990)

Magic is that extraordinary, remarkable, sensational, fantastic and brilliant phenomenon. Every good business or business opportunity is built on its own special bit of magic. Magic is the differentiator that customers value and competitors can't match. The popular term for this nowadays is value proposition, but the term doesn't convey the same, all important WOW factor. The more unique, valuable and exciting that wow; that magic; that value proposition, the more interest and attention that it will receive from existing and potential customers, investors, partners, suppliers, as well as employees. This, in turn, can be leveraged into a sustainable, profitable and valuable business.

Magic enables the business: to provide your customers with valuable products, services and/or conveniences (the business model), and at the same time; to defend itself from competitors. Without these two aspects of magic, customers won't support the business and market forces which will conspire to wear down your business' margins and sustainability.

YOUR MAGIC MUST PROVIDE VALUE TO CUSTOMERS:
Author and business professor, Michael LeBoeuf wrote,"Every company's greatest assets are its customers, because without customers there is no company." It is thus important to attract and retain customers. Customers purchase based on three factors:

1) The job-to-be-done:
As made famous by business guru Clayton Christensen, customers buy products and services that help them get their jobs done. These jobs can be functional or emotional. They can be associated with work or life outside work. The magic of your offering must be seen as useful to your target customers - something that helps them achieve their goals. If the customer's job-to-be-done is to get more free time for family; a microwave, dishwasher, robotic vacuum, cook or gardener could be possible products and services of interest. If it involves increasing operational efficiencies; shop floor robotics, an inventory management system or material recycling might be of interest.

2) Greed or fear/gain or pain:
A purchase decision is based on either the expectation of some gain, improvement, benefit or joy; or conversely the avoidance or minimization of some form of pain. Dinners out, vacations and movies are intended to deliver a gain, as are automated and computerized processes. Routine dental appointments, medicines, insurance and hiring an accountant are examples that focus more on minimizing pain. The magic of your offering must address the customer's greed/desire or fear in a significant way.

3) Value:
Customers also make value judgements, where value is the measure of the desired outcome relative to its price. Using this definition, a Toyota automobile can be of more value to a given customer than a Rolls-Royce. Both will get them to and from work, however the Toyota will do so at a much lower price. Conversely, for long distance flights many customers value the extra space of first class seats at almost any price. Value is a subjective trait that often drives customer segmentation. It is easiest to measure relative value with closely related offerings.

Generally, providing value to your customers involves providing a newer, better and/or unique product, service or convenience in order to assist them get a job done that they and the competition have been unable to address satisfactorily.

YOUR MAGIC
MUST ALSO PROVIDE A DEFENCE AGAINST COMPETITION:
Entrepreneur and venture capitalist, Peter Thiel stated in his book Zero to One, "Monopoly is the condition of every successful business." The foundation of a business' magic usually incorporates one or preferably more of the following four defensible aspects:

1) Intellectual Property:
Patents and copyrights are perhaps the best known means of establishing a monopolistic position. All angel and venture capital investors including those on the TV shows Dragon's Den and Shark Tank ask about them. Patents usually cover materials, products, methods of production or uses. The magic of the pharmaceutical industry relies heavily on patents pertaining to the composition, production and use of their drugs and biologics. Many products and especially technologies are covered by patents from simple inventions like Procter & Gamble's Swiffer floor mop to the myriad of electrical components (chips, cameras, batteries) in a smartphone. Some business methods, i.e. services and convenience, may also be patentable. Amazon's "1-click shopping" is an example that provides its customers additional convenience. Content providers leverage their copyrights which protect creative and artistic works such as books, music, movies and other forms of media from commercial use by others. Disney is a good example of a company that leverages copyrights. They even successfully lobbied to extend the US copyright protection laws in part to protect Mickey Mouse! Keeping trade secrets is another form of intellectual property protection. The formula for Coca-Cola, developed in 1886, is the most famous example. Securing an exclusive license to the intellectual property of others, covering a given application or geography is common practice.

2) Limited or Unique Resources:
Controlling assets which are unique or where there is a limited amount can also provide a sustainable competitive advantage. Mines, oil fields, wind farms, hydroelectric dams, ports, and waterfront condos all depend

on the unique magic of the land which can be leveraged through higher prices or lower costs. The rights to the limited supply of aircraft landing slots, telecom bandwidth as well as other limited infrastructure like toll roads are additional examples. Exclusive access to the skill and expertise of top talent whether it is scientists, business managers, lawyers, programmers or athletes can be the basis of differentiation. The major sports franchises like the NHL, NFL, MLB and the Premier League being examples. Obtaining a geographically-limited distributorship like a McDonald's franchise is another example.

3) Customer Connection:
Reputation, reliability, brand, loyalty, security of supply, service and support can be strong differentiators. Apple, Coca-Cola and FedEx are just a few companies among many that effectively leverage this connection. The network effects, i.e. a good or service becoming more valuable when more people use it, associated with the likes of Facebook, Google ads, and eBay are another strong advantage especially with the internet. Customer connections can take time to build and be expensive to maintain, hence this means of differentiation is often not initially available to early-stage companies.

4) Structure:
Structural considerations relate to financial, operational and related aspects of execution. Economies of scale is the most obvious structural advantage. Samsung which produces 23% of all LCD TV's and a similar share of Smartphones thus enjoys a large cost advantage. Efficient (time and cost) and effective (quality) processes and information systems like Toyota's production system; a low cost structure like those of overseas manufacturers; local government support in the form of subsidies and tax relief; ready access to capital and talent such as is enjoyed in Silicon Valley; unique and expensive capital equipment like that of Newport News Shipbuilding; the financial stability that large firms like General Electric, Exxon Mobil and Microsoft boast; the buyer power that Wal-Mart commands; or the large portfolio of products sold by Nestle, are all sources of structural advantage. Again, some of these structural advantages may not be initially available to early-stage companies.

A frequently touted strategy is first-mover advantage. It is not a separate strategy; rather it incorporates one of more of the previously described factors. The first- or at least early-movers on a new business opportunity get a lead in both appealing to the unmet needs of customer segments, as well as in securing critical intellectual property and unique or limited resources, and establishing a brand and unit sales that allows them to expand and benefit from the cashflow and economies of scale. Unfortunately, early-movers also face the numerous risks associated with poorly defined markets and customer needs. As a result, they are often surpassed by fast-followers and established firms who learn from their mistakes and missteps and can bring their own magic to bear.

In order for a business to remain viable or a new business opportunity to succeed, it must serve a customer segment well and defend against competitors who wish to do likewise. This requires the business to be operating under some magical influences; a unique value proposition. When looking to innovate you need to ask yourself two questions: "What magic is my business built on?" and "Is there enough magic to succeed?" because your potential stakeholders including investors or senior management will be considering them as well.