



Peak Values Ltd

Economic Intelligence,
Blind Spots and
Corporate War Rooms.

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Blind spots can affect corporate managers and wealth managers alike. They can reveal opportunities or be deadly depending on which side you are and how you see them. The blind spot can be VERY small, but could change the world.

To clarify a good example is the announced Apple strategy in 2001 and 2002, as published Apple's respective annual report.

I do hope you spot the difference in the strategy while reading, but honestly I have the feeling most of you will not. If you don't that will be your blind spot, and you need to think about it seriously.

Apple Strategy 2001

The Company is committed to bringing the best user experience to its customers through its innovative hardware, software, peripherals, and services. The Company's business strategy leverages its unique ability to design and develop its own operating systems, hardware, application software, and services to provide its customers new products and solutions with superior ease-of-use, seamless integration, and innovative design. The Company believes continual investment in research and development and marketing and advertising is critical to the development and sale of innovative products and technologies. As part of its strategy, the Company continues to expand its platform for the discovery and delivery of third-party digital content and applications through the iTunes Store. As part of the iTunes Store, the Company's App Store and iBook store allow customers to discover and download applications and books through either a Mac or Windows-based computer or through "iOS devices," namely iPhone, iPad and iPod touch. In January 2011, the Company opened the Mac App Store to allow customers to easily discover, download and install applications for their Macs. The Company also supports a community for the development of third-party software and hardware products and digital content that complement the Company's offerings. The Company's strategy also includes expanding its distribution network to effectively reach more customers and provide them with a high-quality sales and post-sales support experience¹

Apple Strategy 2002

Apple is committed to bringing the best possible personal computing experience to students, educators, creative professionals, businesses and consumers around the world through its innovative hardware, software, and Internet offerings. The Company believes that personal computing has entered a new era in which the personal computer functions for both professionals and consumers as the digital hub for advanced new digital devices such as digital music players, personal digital assistants, cellular phones, digital still and movie cameras, CD and DVD players, and other

¹ Apple Sec Filing 2001 <https://bit.ly/2MJ5h0c>



electronic devices. The attributes of the personal computer, including its ability to run complex applications, possess a high quality user interface, contain large and relatively inexpensive storage, and easily connect to the Internet in multiple ways and at varying speeds, can individually add value to these devices and interconnect them as well. Apple is the only company in the personal computer industry that designs and manufactures the entire personal computer—from the hardware and operating system to sophisticated applications. Apple ties it all together with its innovative industrial design, intuitive ease-of-use, and built-in networking, graphics, and multimedia capabilities. Thus, the Company is uniquely positioned to offer digital hub products and solutions.²

Did you spot the difference? Two words: Cellular Phones have been added in 2002 to the 2001 strategy.

Back in 2001 Nokia was the King of Cellular Phones. Nokia controlled more or less the entire market. The first iPhone was sold in 2007. Thus in 2002 Apple started to build up its capabilities to enter into the Cellular Phones business and had 5 years to do so. The Board of Nokia has been informed at the time of Apple's intention; however the Board felt comfortable with its business model, argued that Apple is in the computer business while Nokia is in the communication business. Nokia is now out of the entire cellular business, lost tremendously, simply because Nokia's management failed to realize that Apple is building its fortune through disruptive strategies. You know, it doesn't make sense to enter a market and copy what current participants are doing. Apple introduced the iPod and disrupted the entire music industry. Many of the major players at the time have since disappeared.

Nokia's Board, not only failed to see how Apple is behaving, but failed to realize that Apple, through the various small acquisitions, is intending to put a computer into a cellular phone and make out of the marriage a baby called smart phone.

Nokia's Board failed to question its assumptions and look into reality as it is. Economic Intelligence experts have screamed at the Board at the time, day and night pointing out to the lethal development facing Nokia. But, if you close your eyes and your ears, the world moves on, and you wouldn't notice it. Does your company has the culture of challenging assumptions and continuously monitor and question everything?

Economic Intelligence (EI) is not only about a continuous observation of the corporate Economic and Operational Environment, it is about foresight and creating strategies to counter competition, increase market share, defend the company and

² Apple SEC Filing 2002 <https://bit.ly/2Wyt1UX>



identify opportunities. One of the methods EI uses is corporate war games or rooms. Something hardly known or practiced in Europe and to a lesser extent in the Middle East. In such a “game”, the manager is forced to place him/herself in the shoes of his/her competitor and build up strategy for the competitor that would adversely affect his/her own actual business.

Two things are sure: Nokia had a blind spot and did not have a war room. I hope you don't and do.

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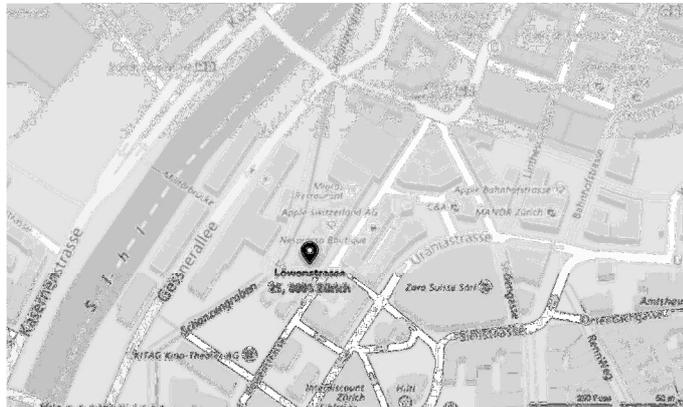
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