**13th November 2021**
**Thoughts on Entrepreneurship- How to own the market like apple**

**Branding, scaling cost advantages, network effects and proprietary technology; a combination of these four elements is an absolute necessity to own any market. Needless to say, of these elements, brand is probably the hardest to pin down.** Gaining customer loyalty and genuine appreciation from them about the products you produce is one task which can never be mastered through a written strategy or a business plan.

One way to think about brand is as a classic code word for monopoly, but, getting more specific than that is hard. Whatever a brand is, it means that people do not see products as interchangeable and are thus willing to pay more. Take Pepsi and Coke, for example. Most people have a fairly strong preference for one or the other. Both companies generate huge cash flows because consumers, it turns out, aren't very indifferent at all. They buy into one of the two brands. Brand is a tricky concept for investors to understand and identify in advance. But what's understood is that if you manage to build a brand, you build a monopoly. And once the monopoly is built, the company is on the path of becoming a Great company. On the longevity side, the most accurate definition of a brand is development of substantial empathy about the company in the mind of the customer. **Branding is a process of developing affection for the brand.**

The next three elements- economics of scale (advantages to the company because of its size), network effects (The increase in the value of the product due to the number of people using it), and proprietary technology are more easily understood.

- Scale advantages come into play where there are high fixed costs and low marginal costs. Amazon has serious scale advantages in the online world. Wal-Mart enjoys them in the retail world. They get more efficient as they get bigger. Thus, gaining Scale advantages are possible as the company grows and expands.
- Next, we consider the network effects. There are all kinds of different network effects, but the gist of them is that the nature of a product locks people into a particular business. The product creates a niche application that makes them invaluable to that business/application.
- Similarly, there are many different versions of proprietary technology, but the key theme is that it exists where, for some reason or other, no one else can use the technology you develop.

Apple—probably the greatest tech monopoly today—has all these things. It has complex combination of proprietary technology. By building both the hardware and the software, it basically owns the entire value chain. With legions of people working at Foxconn, it has serious scale cost advantages. Countless developers building on Apple platform and millions of repeat customers interacting with the Apple ecosystem provide the network effects that lock people in. And Apple's brand is not only some combination of all of these, but also something extra that's hard to define. If another company made an otherwise identical product, it would have to be priced less than the Apple version. Even beyond Apple's other advantages, the brand allows for greater monetization. All these are perhaps one of the main reasons why it is so hard to value a company like apple. A simple Balance sheet approach is and will never be viable to get a proper value of this conglomerate.

**Conclusion**

In my opinion, instead of being slightly better than everybody else in a crowded and established field, it is often more valuable to create a new market and totally dominate it. The profit margins are much bigger, and the value to society is often bigger, too. Doing something creative to establish a distinct market, niche and identity establishes a creative monopoly and everybody has to come to you if they want that service, at least for a time. You don't have to compete; you can invent. This forms the founding principle of Peter Thiel's book "Zero to One"