

## *Finding Better Roads to Creative Solutions for Freedom—Loving Consumers*

**We're going on a fascinating journey** on the "Old Town Road." You may recognize the reference to this very popular song of 2019, but maybe not.

On Halloween in 2018, Lil Nas X, a 20-year-old unknown singer from Georgia finds a "beat" while searching YouTube that he really likes to go along as the melody of a song he has written. He then records the song in his grandmother's bedroom closet.

Lil Nas X begins to push his song out through social media. A few social media influencers take notice and start to play his song which starts a following. All of a sudden, as the song catches on there are people making funny videos, acting like a cowboy on a horse (theme of the song) expanding more and more views on social media.

Meanwhile, YoungKio, a Dutch producer who created the "beat" and placed it on YouTube finds out that Lil Nas X bought his beat off the internet for his song, "Old Town Road." Shortly thereafter, "Old Town Road" makes it on the country billboard chart, but is removed because it's just not what the country billboard thinks is country. It fits the country rap category.

Well, as you might have guessed, Lil Nas X, though very disappointed, receives an interesting proposition. Country artist Billy Ray Cyrus (Miley Cyrus' father) hears the song, contacts Lil Nas X and they decide to remix the song in the studio with Billy Ray Cyrus adding some lyrics to

the song.

Less than a month later, on April 13, 2019, "Old Town Road" hits **number one on the Billboard Hot 100—the big time!**

**It gets better.**

By the beginning of August, "Old Town Road" made it to 17 consecutive weeks at number one, beating the previous record of 16 consecutive weeks.

That's right. An unknown, 20-year-old records a song in a closet, uses a beat created by another unknown on his keyboard in his room in the Netherlands, then collaborates with a country singer to produce the most popular song, by consecutive weeks at number one, in the past sixty years! Wow!

**This is an example of the power of platforms combined with collaboration of a group of talented individuals.** In most cases, the typical record label produces a song in the traditional way, by aggregating a present arrangement of contracted talent to release the song through traditional media channels. We are familiar with record labels, Wall Street, Amazon, Google, Facebook and many others aggregators.

Aggregators intermediate and control things. Platforms facilitate relationships and collaborations between companies like Apple, Microsoft, Netflix and even Advisors like us.

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Yes, it is confusing. You may be happy receiving timely packages in the mail from Amazon, UPS, FedEx or USPS or watching your favorite shows on major network television or cable channels.

**But, in the past five years, all that has changed.**

The three main television networks (aggregators), the mainstay of news and entertainment for 50 years, have lost major market share to the upstart platforms like Netflix, Hulu, YouTube, Sling, HBO Now and so on.

The younger crowd no longer buys the aggregator cable television packages, nor the aggregator landline packages. The smartphone and smart devices replace that by acting as a platform to combine and coordinate custom solutions.

strip malls and shopping centers are closing here and there unless they are in a niche or can differentiate themselves enough to not get “Amazoned.”

How about the big, medium or small chain stores? **How can they survive** when shoppers show up with a smart device, snap a picture of their displayed merchandise, go home and order it for less money and have it delivered the next day by Amazon with no shipping charge.

**Not very well.**

Recently, the Amazon overnight delivery competitor, Shopify, introduced the Shopify Fulfillment Network. You probably have not heard of Shopify. Shopify is a delivery platform

**Platforms tend toward an open approach, allowing both producers and consumers to enjoy more flexibility of choice. Aggregators, if left completely unchecked, can make us feel like the walls are closing in and we push back.**

This leads me back to overnight delivery. Amazon has made a huge dent — well, more like an open chasm — in the delivery of almost any merchandise through its Amazon Prime overnight service or its standard package delivery service.

**We love it!** We order a book on late afternoon Saturday and it shows up on the doorstep Sunday afternoon. Overnight on the weekend!

Those wonderful smiley-faced, plain brown boxes are instantly recognizable (Amazon’s boxes have a simple half-crescent black line with an arrow on every single box, big or small).

**That smiley face.** What is it about that smiley face?

As you may know, Amazon is attempting to compete with most retailers. Businesses in

versus Amazon as a delivery aggregator. As you may know, Amazon has over 300 fulfillment centers along with many distribution and sorting centers to aggregate/store merchandise on shelves throughout the country.

Amazon Prime came into existence once there was enough market penetration to make good on the promise of overnight delivery of many common products. The majority of products still take longer than one day to deliver.

Shopify, on the other hand, decided to compete as a platform for several reasons. First, Shopify and the rest of the world, watched Amazon go after and take business away from another retail behemoth, Walmart.

Walmart tried to compete for a while and it’s still trying to compete (Walmart currently has

overnight delivery on about 1 million items) but appears to be losing the battle overall. Walmart has only 20 fulfillment centers and has therefore appeared to have lost the aggregator advantage of geographically massive disbursement. Amazon—1, Walmart—0.

Let's flip those numbers.

### How about going from Zero to One? That

happens to be the title of a 2014 book by Peter Thiel. Peter is an entrepreneur and investor who is better known as a partner to Elon Musk in PayPal, the automated online payment service. Interestingly, Elon Musk, was booted as CEO by PayPal's board in 2000.

Peter posits, that collaboration (platform) takes a different approach to commerce than the competition model (aggregators). Amazon is competing with Walmart and driving prices and profit margins from One to N (Zero).

And then there's Shopify, taking on Amazon by collaborating with all of the same companies that are being Amazoned. But Shopify is not even on Amazon's radar. Over 800,000 merchants shipped products to over 200 million consumers last year using Shopify's latest machine language algorithms to source products out of warehouses nationwide.

It's too early in the game to determine if their collaborative platform will work and be more effective than Amazon's aggregation approach.

Back to Amazon's smiley face and plain brown boxes.

Simple, isn't it? **Great brand awareness—for Amazon.** We order a book, shoes, packaged food, furniture, you name it. Ever noticed how, inside



"It's difficult to place a value on my company. Which is worth more, a million shareholders or a million Twitter followers?"

the smiley-face box, the actual merchant's product is either in separate packaging of their own or just loosely placed in the box?

Not to get too far into the details, but Amazon either acts as a shipper for the merchant or ships the merchant's product out of their fulfillment centers. You probably don't really care how this works as long as you receive your Amazon Prime overnight package.

**But, the merchant cares.** They just gave away their branding to the ubiquitous smiley face.

This is where Shopify's fulfillment center differentiates the offer to your favorite merchant.

Shopify has coordinated and facilitated warehouses and fulfillment centers all over the country to provide the same overnight service to you. It is using artificial intelligence and other means plus algorithms, to be able to attempt to make the same overnight delivery as Amazon. However, your merchants are allowed to customize their packaging, keep their branding, specialize their message, and not get watered down by the one-size-fits-all smiley face.

This is one of those times that the jury is still out. Can Shopify with their Zero to One collaborative platform take market share from Amazon with its competitive one to zero aggregation model?

You may be curious **why this platform approach is important.**

It's important because companies like Facebook and Google are experiencing negative press about their role as aggregators. They started off with the promise of making life easier for us.

## At what price?

It's turned out to be at **the price of our privacy**. There's been a recent trend of the younger crowd, who were the first to embrace Facebook, to "unfriend" Facebook. The constant ads and the now public knowledge about the massive amount of personal information used by them as aggregators is creating a backlash.

**We like our privacy. We like our freedom. We like many choices.**

When an enterprise starts to become a monopoly, especially as an aggregator, we tend to push back. First as individuals and groups, and then through government regulatory intervention.

The unions were formed out of a necessity to combat the abuses by major aggregators such as Carnegie and Rockefeller in the steel and oil industries at the end of the 19th century.

Carnegie was so taken by his "robber baron" status brought about by his steel monopoly that he became a firm believer in the "Gospel of Wealth"—the belief that the wealthy are obliged to donate their money to help others. Carnegie spent the last few decades of his life funding over 2500 libraries throughout the United States and Europe, as well as donating millions to various causes. By the time of his death, Carnegie had given away over 90% of his wealth.

Platforms and aggregators have been with us a long time. Americans seem to like both models, but only if certain freedoms are not trampled on in the name of competition to operate commercial enterprises.

Platforms tend toward an open approach, allowing both producers and consumers to enjoy more flexibility of choice. Aggregators, if left completely unchecked, can make us feel like the walls are closing in **and we push back**.

Regulations increase. Groups are formed to protest the unchecked and unrelenting march of business down an unfriendly, unfree road. We may be affected directly or indirectly. New competitors arrive (Shopify) to offer an alternative to abusive aggregators.

Think cable, telephone, utility, internet and other "packages" sold to us. Much of it we don't value, but we pay for it because of lack of choice.

And that is why it's so refreshing to watch a young artist with no connections, no experience with record labels create something new, "Old Town Road," and watch it skyrocket to number one through the collaboration of an open platform approach.

It illustrates to all of us **how the depth of freedom to do what you want to do can result in great success** despite, in this case, the historical impediment of music aggregators as gatekeepers to hit songs.

Hopefully, there will continue to be the ying and yang of collaborative platforms and competitive aggregators to provide a variety of choices for all of us.

The actress-comedian Lily Tomlin observed, "The road to success is always under construction."

So—just don't twist my road. Otherwise there may be consequences!



Gary Klaben

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