

February 2014 Newsletter

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CVS Quitting Smoking, Davos Moments, INC. & More

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RITA GUNTHER | **MCGRATH**

Author. Speaker. Consultant.

Dear Colleagues,

Commiserations! For East Coasters, this winter has been one long slippery slog.

The best quip I heard so far was from a guy running a snowplowing business “forget the snow blower – you need to hire the guys that break down brick walls to move this stuff!” It was unusually warm in Davos, meaning that it was very icy and yours truly did a back flip on my way to the closing soiree. No harm done but to my dignity!

The Latest News

It's going to lose them \$2B in Revenue. So why was the CVS announcement that they would stop selling tobacco products savvy?

On February 5th, drugstore CVS announced that they intend to stop selling tobacco products. It was a savvy way to disengage from a business that was declining

anyway and that might open new opportunities for them in the far larger healthcare services business. That point of view was the focus of a flurry of media stories, including an interview by Sabri Ben-Achour of the Marketplace radio program (one of my favorites). [You can read the story here.](#)

Some Davos Moments

CEO Session – how shared values make you more agile

In a sometimes funny, sometimes dramatic CEO-only panel, distinguished company leaders described their challenges and practices for keeping their companies from getting stale. One theme was the importance of values, even in the face of dramatic environmental change. [You can read a summary here.](#)



Future of International e-retailing and nervous Chinese parents

The future of international e-tailing faces 3 barriers: 1) sheer cost of shipping; 2) the hassle of returning items; and 3) difficulties receiving packages securely. The most surprising line from Frank Appel, the CEO of Deutsche Post, which runs an on-line grocery delivery business was that they couldn't keep powdered milk in stock. Upon investigation, they found that there was overwhelming demand from China. Parents were so deeply mistrustful of local milk products that they were willing to pay dearly to have safe, quality products shipped to them. [Read a summary of the whole session here.](#)

Google bought this guy's company for \$3.2 Billion!



Tony Fadell, CEO of [Nest Labs](#) and one of the fathers of the iPod, gave a fantastic talk in which he outlined how he'd personally been involved with many failures, including the disastrous Sony Magic Link, the Netscape browser, early failed PDA's, and more. After all of that "learning" and along with technological developments like the advent of the internet and software that could be remotely modified, he was eventually led to the iPod, a product that changed the world. I won't bore you all with more but if I get a chance I'll summarize some of the other things I learned on the blog.

The top three concerns for 2014

As a follow up to the [announcement](#) that *The End of Competitive Advantage* was awarded the 2013 #1 best business book on strategy by strategy + business, I was interviewed by Nadim Yachteen, Senior Executive Advisor at Booz & Company in this [interview](#), we discussed the three biggest challenges faced by business in 2014.



The 3 Biggest challenges for Business in 2014”

Pollyanna or Pragmatic? The latest INC. Column

Too good to be true: Paying people well & treating them fairly increases profits

profits ?

What do Costco, QuickTrip, Trader Joe's, Zappo's, and Spain's Mercadona all have in common? They outperform their peers.

What do they also have in common? They have strong policies

of paying above-normal wages, which generates less churn, greater engagement, better customer service and ultimately higher profits. [In this article](#), I cite Professor Zeynep Ton of MIT, whose new book *The Good Jobs Strategy* outlines how this works.

Inc.

In the Works

On February 25, I directed a full-day seminar for "C" level executives in Mumbai, coordinated by my collaborator Dr. Mohamad Muneer of Customerlab.biz, a unique consulting firm. [Here is an overview of the event](#). On February 27th, I had a wonderful evening with Columbia and Wharton alumni in Bangalore, India.



March 12th will find me speaking at the [Managing Partners Forum](#) in London, an invitation-only gathering for senior level people in the professional services world. On March 26th I'll be broadcasting a webinar, hosted by TMG International, based on the core ideas from my book, *The End of Competitive Advantage*. [Learn more information or to register for this](#)

complimentary webinar where I will explain why the fundamental notion of sustainable competitive advantage is outdated and no longer relevant in today's fast moving, competitive, transient advantage economy.

Finally, on March 27th, I'll be speaking at a Columbia alumni event in Austin, Texas. If any of you are in the area, let me know if you'd like to come.

Stay warm and dry,

Rita



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