Understanding Abundance: Introduction

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What happens when friction goes away?

Capitalism, at its core, is fairly straightforward: **create shareholder value by providing customers with access to something scarce.** Everything beyond that is putting principle into practice, based on a set of fundamental assumptions: friction is present, something supplied is scarce, and clearly so. But what about when it's not so obvious?

Fifty years ago, this would have been an academic question. But since then, it has become a practical one. Software has eliminated much of the friction around execution — specify the instructions for achieving some output, and software can run those instructions over and over. The Internet has eliminated much of the friction around geography and distribution — create something of value, and it can be distributed around the world in a blink. As friction in category after category (media; retail; soon transportation; so much more) slips away, we enter a new kind of world — one of *abundance*.

This four-part series is not about specific companies, but rather about industry structures and competitive behaviour at large. We will introduce a few general mental models for thinking about abundance, how it differs from what we're used to, and what heuristics we can still count on to be true in the future.

We cover it in four parts:

Understanding Abundance, Part 1: Consumers are the Cause. It all starts with consumers. We define abundance — not in terms of supply, but instead in terms of demand. How come worlds of scarcity lead to normally-distributed outcomes, but worlds of abundance lead to bifurcated, extreme outcomes? What is the consumerization process, and how does it eliminate friction? (Published Sunday, February 5)

Understanding Abundance, Part 2: Silicon Valley's Secret Sauce. What exactly is the innovation of the modern tech industry? How did a powerful idea led to crazy outcomes like Moore's Law, and why it is so different from how the rest of the world thinks. The modern tech industry, built around this idea, is uniquely suited to accommodating our thirst for abundance. What lies do people tell that help us observe this is true?

At the end of part 2, we will settle on three heuristic rules of thumb for tech — A causes B; B causes C; C causes A — that drive the abundance cycle and describe industry structure & behaviour. Then we will peer into the future…

Understanding Abundance, Part 3: The Next Big Thing. First was software. Then came the Internet and mobile. What's next? Our object-oriented world of scarcity is getting reorganized as a functional world of abundance. When friction goes down, we hire functions to address jobs-to-be-done instead of hiring objects. Who is the function operating system? What does it mean for the next ten years?

Understanding Abundance, Part 4: What will not change. Many things will change over the next twenty years. But what will stay the same? How can we base our long-term thinking and planning around principles that will be true for the long run?

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For some background and related reading on scarcity and abundance, you can also check out our previous four-part collections:

Emergent Layers: an introduction to scarcity and abundance, overserved and underserved customers, and explosive growth

Paradigm Shifts: understanding the scarce resource; the future grand bargains of media, transportation, and energy

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Happy reading.

Thanks to Ashley Mayer.

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