ARE YOU BEING UBERED?

IN TODAY'S DIGITAL WORLD ANY PRODUCT CAN BE REMASTERED AND ANY BUSINESS DISRUPTED – WILL YOU BE NEXT?

Digital innovation is upending the core of every industry and incumbents are struggling to respond. Asset-light new market entrants with fewer resources and innovative business models are able to successfully challenge incumbent businesses and quickly scale….Uber disrupted the Taxi industry by facilitating access to drivers and vehicles, Airbnb disrupted the hotel industry by facilitating access to a room inventory of just under one million in 4 years that it took the Hilton Hotel chain 93 years to build.

The key question for businesses today, is how to expose such strategic blind spots and remain relevant in the face of an evolving marketplace? This article explores one methodology and framework into just how that can be done.

ABOUT FIRM THINKING

Founded in 2009 and headquartered in Dublin, Firm Thinking is a Business Consulting and Coaching practice and developers of The Order® model consulting framework. With extensive experience in working with CEO and senior managements teams, in strategy design and implementation across a variety of sectors, Firm Thinking is uniquely positioned to deliver business advisory and coaching services to organisations seeking change, development and growth. Firm Thinking advisors are highly experienced business practitioners with backgrounds as senior leaders in various industry sectors and results oriented environments.

What sets us apart is our ability to provide tailored solutions to meet our client's What we offer

- **Business Strategy:** unlocking opportunities that will transform your business and disrupt the competition.
- **Executive & Team Performance Coaching:** tailored programmes to fast-track your success in implementing objectives and achieving meaningful results.
- **Marketing Strategy:** focusing your resources and capabilities on the greatest opportunities that will deliver profitable growth and long-term value.
- **Marketing Communications:** determining the most effective communication methods for your marketplace and developing all marketing collaterals and mediums to convince your audience.
- **Business Development:** a suite of professional sales supports for business that may lack the resources and capabilities in-house.

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ARE YOU BEING UBERED?

IN TODAY'S DIGITAL WORLD ANY PRODUCT CAN BE REMASTERED AND ANY BUSINESS DISRUPTED

"Everyone is starting to worry about being ubered", Maurice Lévy, former head of Publicis Groupe, tells the Financial Times in a 2014 interview, referring to the car-hailing app that has upended the traditional taxi industry. "It's the idea that you suddenly wake up to find your legacy business gone….clients have never been so confused or concerned about their brands or their business model", said Lévy. Indeed Publicis Groupe, one of the world's largest advertising agencies, proved no exception to the digital disruption posed by the rise of competitors such as Google and Facebook et al, who have changed the way people consume information.

Disruptive Innovation

The theory of disruptive innovation, invented by Clayton Christensen, of Harvard Business School, is used to describe a process whereby new entrants with fewer resources are able to successfully challenge incumbent businesses and quickly move up the value network by eating away at the incumbent's customer base. The distinguishing features of disruptive innovations tend to be higher value offerings at lower cost and those that harness new technologies to disrupt entire sectors with their agile, innovative business models, as in the case of Uber, Airbnb and Netflix.

The process of disruption typically occurs in three stages:

1. ***Arrival*** – fist year, disruptor emerges with new technology or innovative business model
2. ***Spread*** - within two - three years – disruptor migrates from fringe to the mainstream, eroding the incumbents' market share and then their profitability
3. ***Mainstream Adoption*** – within four years – disruptor reaches large scale acceptance

'BEING UBERED' DEFINED:

Term coined by Publicis Groupe CEO Maurice Levy in an interview to describe innovation disruption and how new entrants with fewer resources and an innovative business model are able to successfully challenge incumbent businesses and quickly move up the value network, as in the case of Uber and the Taxi Industry.

"EVERYONE IS STARTING TO WORRY ABOUT BEING UBERED"

Maurice Lévy,
Publicis Groupe

A study by CagGemini consulting found that near 74% of companies responded to digital disruption only after the second year of their occurrence, while 38% of incumbents responded to the emergence of a disruptive company after the fourth year. That research also highlighted the majority of companies that went bankrupt responded only after digital disruption had firmly taken hold. Today, disruptors with minimal capital, experience and resources can unravel your business strategy before you even realise it.

Some of the factors fueling disruption include:

- ***Cheaper access to technology* –** the accelerated growth of the Internet, broadband networks, cloud-based computing and increasingly powerful and ubiquitous mobile devices, has lowered barriers to entry for startups and nontraditional competitors allowing them to destabilize mature industries and scale quickly.
- ***Rise of innovation ecosystems*** - a range of collaborations, shared business models and technology platforms among the developed and developing companies including deals such as Toyota's investment in Uber in ride-sharing and transportation services and Novartis collaboration with Google on the 'smart' contact lens. These highly valued collaborations seek to shape and be on the right side of changing consumer trends.
- ***Proliferation of technology* –** the availability of cheaper and more powerful computing and mobile devices. The growing user comfort with technologies in our personal and professional environments has transformed the innovation model from piloting to a small group of early adopters to mainstream market launch.
- ***Marketing Myopia*** – a lack of insight into what a business is doing for its customers and management inertia to sense the need to change is catching companies and industries off guard. Such was the case with the publishing industry that ignored the move from print advertising revenue as both reader and advertiser demand shifted to digital.
- ***Dissolving Boundaries*** – long-standing and clarifying competitive boundaries of asset infrastructure, financial capital, technology, geography, regulation, brand, resources and core capabilities that have traditionally determined the evolution of business are quickly dissolving. Today venture capital and availability of finance for startups is still at historic highs. Rapid technological advancement has lowered the cost of new product and service experimentation compared to traditional proprietary R&D. New ways of collaborating and interacting are creating new organizational forms and approaches to talent engagement. The era of digital disruption means competitive advantage often evaporates in less than a year.

Technological disruption is now driving industry transformation in manufacturing (3D printing, Robots), transportation & logistics (Autonomous Vehicles, Artificial Intelligence, Drones), consumer products and services (Augmented Reality, the Internet of Things), Finance (Blockchain), energy (smart home smart city), healthcare ("health internet of things"- on-body sensors, sensor enabled medication) and more...

Technological breakthroughs are blurring traditional boundaries and industry classification: automakers like Ford are investing heavily in connected services taking it from car-maker to a company focused on mobility, telecommunications companies have become entertainment content companies while bricks-and-mortar retailers continue to be shaken up by advances in online retailing.

A recent CapGemini Consulting paper found the disruptive phenomenon as partly responsible for the average job tenure of a Fortune 500 company CEO being halved from ten years in 2000 to less than five years today, while 52% of Fortune 500 companies have either gone bankrupt, been acquired of ceased to exist. Digital innovation is upending the core of every industry and incumbents are struggling to respond. The PwC CEO Pulse survey highlights 60% expect a tech based, non-traditional competitor to enter their industry, while 62% of CEOs anticipate their customers purchasing their products or services through a new provider.

Strategy is stuck

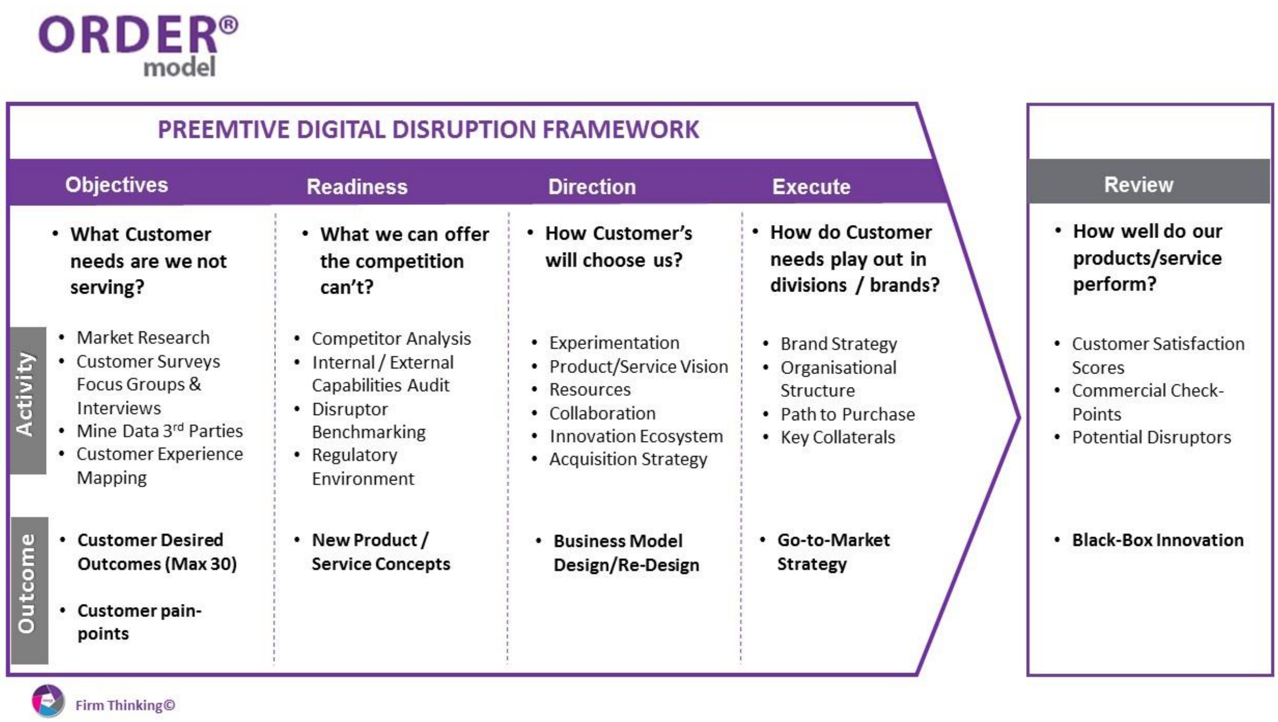
"For too long the business world has been obsessed with the notion of building a sustainable competitive advantage", argues Columbia Business School Professor, Rita McGrath globally recognized expert on strategy in uncertain and volatile environments. To stay ahead McGrath says companies "need to constantly start new strategic initiatives, building and exploiting many *transient competitive advantages* at once. The "core competency" management theory and business strategy, first introduced by, C.K. Prahalad and Gary Hamel in 1990, holds that the key to a firm's competitive advantage is the possession of valuable, rare, inimitable and non-substitutable capabilities – those that uniquely differentiate a firm and are knowable and controllable. The concept was hugely appealing to executives as sustained competitive advantage was comfortably achieved by investing and building on capabilities. In today's world of rapid disruption, the idea of having a core competency–an intrinsic set of skills that within reason can guarantee success- is viewed as an outdated principle. No business survives over the long term without reinventing itself.

But knowing when to act before a company has to, when to make a preemptive strike and even disrupt itself – can be a difficult undertaking for leadership teams. To compete in a transient advantage economy, companies need to honestly assess whether current advantages are at risk, notes Columbia's Professor McGrath. Against this backdrop is the unavoidable truth – the future is becoming too complex to predict using traditional strategic approaches. The annual exercise of updating sections of the strategic plan, tweaking demand forecasts and feeding into the annual budget and 3 year financial forecasts, will not cut it when digital disruption is sweeping whole industries away and the biggest leadership challenge companies face today.

The key question for businesses today, is how to expose such strategic blind spots and remain relevant in the face of an evolving marketplace?

The Financial Times (FT) is perhaps one of the few incumbents that have successfully managed digital disruption. As one of the world's leading business news organizations with a revenue model almost entirely funded by advertisers in the 1990's, FT spotted the shift in reader and advertiser demand to digital and the imminent threat of disruption. From 2001, FT began experimenting with digital content, charging readers for access to publications and by 2007 introduced a metered charging model, using consumer demand to price content and establishing direct contractual relationships with content aggregators. By 2014 digital subscribers accounted for two-thirds of the FT's total paying audience having leveraged digital to bypass traditional intermediaries and reach customers direct. Ongoing black-box innovation continues to be at the heart of FT's success with an emphasis on how to improve the productivity of its readers and deliver compelling content. Investments include the acquisition of a software company, which later became FT Labs, to develop its mobile apps and data analytics capability to enable targeted advertising.

Effective spotting of disruption and crafting of a preemptive strike depends on managing five stages of interactions that starts with customers' priorities. And while no two businesses are entirely alike, we have found that most companies benefit from a structured approach that is rooted in analysis and integrates your target customer needs with business strategy. In our experience The Order® model, a comprehensive 5-stage framework, provides a structured approach to help management bridge the gap between customer definition of value and business strategy. The tool enables companies to get a well-rounded perspective on the business, to unlock new opportunities, address challenges and implement change strategies.



STAGE 1: OBJECTIVES

The process starts by clarifying the product or service needs of customers that we (the company) are not serving by capturing data from all channels to provide new insights into what customers really want. Elements of the customer needs study include qualitative and quantitative customer feedback discovery methods to determine the factors that drive demand and decision criteria. The methods range from in-depth interviews, quantitative surveys, focus groups, 3rd party data mining (social media, suppliers, partners etc.) and customer experience mapping, to identifying pain-points across the value chain. The outcome is to establish a baseline set of customers' priorities/desired outcomes (Max 30) and customer pain-points to unlock new product/service opportunities and functional specifications.

STAGE 2: READINESS

Focusing on assessment of the current situation this phase supports a deeper understanding of how we overshoot (or fall short of) customer expectations. Elements of the readiness assessment include competitor analysis, assessing internal and external capabilities that drive demand and choice, benchmarking disruptors that are addressing customer pain-points and how secure the product/service (and digital technology) is across dimensions: regulatory, legal and social/cultural. The outcome is to formalize new product/service concepts.

STAGE 3: DIRECTION

Evaluation of directions and strategies to address how customers will choose us above others. Elements to consider here include launching low-cost experimentation directly in the market, combining and collaborating on reusable components rather than designing from scratch, having a clear vision for the product/service, the reallocation of resources from the old the new model or, where the company lacks the in-house capability to build new businesses, to look to acquire them instead. Also, engaging with the start-up ecosystem by establishing innovation labs, incubators or accelerator programmes. The outcome of this phase is a combination of the right technologies, partners and business model in which take-off is immediate.

STAGE 4: EXECUTION

Development of action plans to accelerate implementation of objectives. Action planning, capability matching and resource management tools may be used to direct the process. Central to the approach is getting clear on how the new product/service will play out across divisions, business units and functional departments and may necessitate housing the new product/service in a division separate to the core business. The outcome is a clearly defined go-to-market strategy with appropriate resource allocation and investment supports.

STAGE 5: REVIEW

Ongoing review and assessment of data and detailed investigation to learn from mistakes and continue to influence customer behavior. To monitor customer satisfaction, commercial check-points and respond to market changes, challenges, and opportunities. The company should have a desire and ability to constantly evolve, to renew and reconfigure business models and evolve black box innovation.

CONCLUSION:

In summary, putting customer need at the heart of business strategy allows companies to preempt disruption and make a meaningful impact and profit in the process. Well-managed businesses can shift demand, command a higher price point, generate a higher EBIT margin than others and reap disproportionate rewards through differentiated value propositions.

Today business must maximise customer perceptions of value by continually managing forward expectations with innovation, creativity and evolving customer experiences. To keep on course, business needs to start with customers' priorities, and then determine how other elements of the business model (resources, suppliers, partners, brand etc.) can be harnessed to successfully respond to digital disruptions.

This article explored one methodology and framework into just how that can be done, to move business strategy from the realms of marketing puffery to being an embedded feature of the way the organization is run.

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