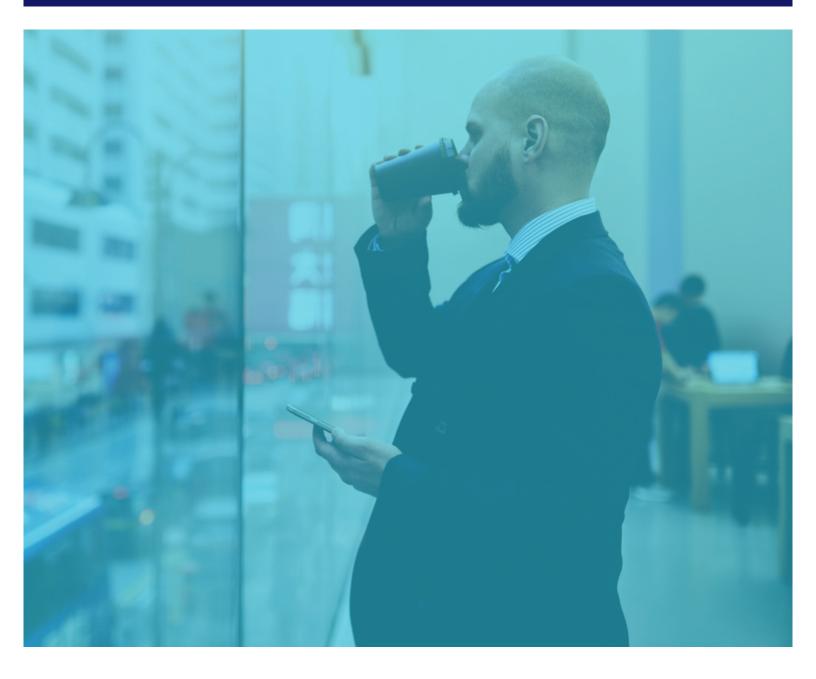# Disrupt or Be Disrupted:
5 Steps to Combat Digital Disruption in the Modern Era

Consumers and businesses exist in the age of "here and now." Technology evolution is now a technology revolution, forever changing our expectations; such as how users interact with applications, their expectations that payment happens instantaneously, and for all things to simply "work."

But for businesses with a history of exceptional performance with their consumers, it is more dangerous than ever to rest on your laurels of victory. Companies who compete well on established advantages, like traditional customer loyalty or the lowest price point, are too often disregarded over newcomers with a simply better idea or more unique customer experience.

Today's most progressive businesses are pairing flexible technology models with employees that have the skill sets and platform knowledge to deliver software that can deliver the "kiss of death" to established industries. Businesses will be categorized into two distinct groups: those who disrupt their industries and those who will be disrupted by others.

The question remains: how do you prepare to disrupt your industry without being disrupted yourself? Here are 5 steps for remaining proactive in a modern era of digital transformation:

1. Embrace the trend to evolve into a technology company, even if that's not your heritage.

Leaders across multiple industries have made a shift to develop digital product offerings for their customers, even when digital products are not their core competency. This transformation to embrace both digital and traditional products within their portfolio not only increases customer loyalty and satisfaction, but also the ability to deliver experiences long term on a multitude of different platforms. For example:

- The Nike+ product consolidates retail, fitness, and customer service processes into one single customer experience. Expanding beyond their apparel products, Nike launched an open-source software tool to optimize the customer's ownership and satisfaction of Nike products. Beyond just being a product, Nike+ is a premium athletic training experience.

- Wal-Mart has also been an undercover technology company for sometime, developing three iPhone applications and maintaining an open product catalog API.

- Tesco, a British multinational grocery and general merchandise retailer, has created a subsidiary worth $1 billion dollars to monetize the data gathered from its customers by allowing packaged goods companies to access it.

2. Look for ways to defeat or disrupt your own business.

Often the most progressive changes come when we look at our own internal structures. There may be hurdles you encounter, or you may find that you are already equipped to elevate your organization to handle new objectives. Gather key stakeholders within your executive team or digital task force and review the following areas to determine if you are ready to disrupt or if your business is vulnerable to disruption:

- **Current employee skill set:** Do you have the adequate skill set in-house to develop the user experience, products, or service that will set you apart from others in your industry? Conduct an inventory of your employee skill sets and identify where you are lacking the expertise to bring your digital vision to life. If you find you don't have the skill sets needed, consider bringing in a third-party with validated strengths to accelerate your product to the marketplace.

- **New digital staffing:** If your organization has been successful in more traditional business models, you may have never needed employees with validated digital skills with backgrounds in commerce platforms, Big Data analytics, social media, and the Internet of Things (IoT). These skills require a different business acumen and background than other conventional staffing models that have fueled business growth in the past.

- **"Data First" decisions:** Making strategic decisions for the business in the past used to be made with general consumer personas informed by research that varied widely in age. With the advancement of Big Data analytics and user data now available in real-time, organizations can

make instantaneous decisions about what products go on the shelf, what services should replace others, and what user experiences should be offered on what day based on the data that is available and adjust them as necessary to continuously delight the end user.

3. Remember the "3 R's": Revise, Refresh, Reform.

At the core of this discussion, there are three basic fundamental areas which require attention and care to stay ahead of a digital disruption. But it's simple to do so by just remembering the 3 R's as they relate to your business: revise, refresh and reform. It's a continuous cycle that must be maintained, not simply "one and done," as digital disruption is always looming behind you and you must stay one step ahead.

- **Revise your cost structure:** This isn't limited only to your pricing structure, but every expenditure within your business: your people, your supply chain, and overhead costs. Control costs to compete with other digitally powered, low-cost new competitors.

- **Refresh revenue streams:** It's critical to build new sources of revenue across all segments of the business, geographies, and business models. Many organizations have found that legacy streams of revenue have dried up in the wake of digital disruption.

- **Reform corporate strategies:** Being nimble and agile in the age of digital disruption has never been more important. All digital stakeholders will have to consider assets, risk, and corporate agility in order to position the organization for long-term success in the digital marketplace.

4. Determine what type of disruptive business model you want to be.

Companies find themselves desperate to become the next Uber, AirBnB, or Amazon, or otherwise scrambling to solve for how to handle the disruption caused by these hyper-disruptive business models.

But hyper-disruptive businesses models are evolving constantly just like the businesses themselves. Let's examine some of the most popular business models[1], the types of businesses that have made them notable, and what you need to have in order to remain competitive in this model.

- **The Subscription Model** (Netflix, Dollar Shave Club, StitchFix): Disrupts through "lock-in" by taking a product or service that is traditionally purchased on an ad hoc basis, and creating a repeat customer by charging a subscription fee for continued access to the product/service. Beyond consistent revenue, it also satisfies the "need it now" user experience and eliminating the necessity for customers to shop in a brick-and-mortar store for products.

- **The Marketplace Model** (eBay, iTunes, Uber, AirBnB): Disrupts with the provision of a digital marketplace that brings together buyers and sellers directly, in return for a transaction, placement fee, or commission. This model extends the options and experiences that customers have beyond traditional models, for example in retail stores, rental cars, and hotels.

- **The Access-over-Ownership Model** (Zipcar, Peerbuy, AirBnB): Disrupts by providing temporary access to goods and services traditionally only available through purchase. Includes "Sharing Economy" disruptors, which take a commission from people monetizing their assets (home, car, capital) by lending them to borrowers. The Access-over-Ownership model extends capabilities to customers who otherwise would not have options, for example, the ability to drive a car without ownership or the ability to earn additional income on their property without long-term commitments.

- **The Pyramid Model** (Amazon, Microsoft, Rodan + Fields): Disrupts by recruiting an army of resellers and affiliates who are often paid on a commission-only model. Historically, pyramid models had a bad reputation within retail, but they have had a rebirth in the modern era. Technology companies use them to put their products in the hands

1. Source: Digital Transformation by Jo Caudron and Dado Van Peteghem

of partner organizations to extend their reach. Other retailers are now utilizing social media models to promote their products through associates while also maintaining a lower price point rather than having a brick-and-mortar.

- **The Experience Model** (Tesla, Apple, JetBlue): Disrupts by providing a superior experience, for which people are prepared to pay — handsomely. The Experience Model demonstrates a shift in thinking: lower cost is not always king when an improved customer experience accompanies the product, especially when the product is something that is high-value or frequently used.

5. Don't entirely abandon your core business operating model.

You have achieved success as a business due to the products, services, or experiences that you have offered to-date. The key to surviving digital disruption is not to entirely annihilate the way you have done business previously, but to enhance it with other offerings that meet the needs of your customers both from how they use your product and how humans consume products and services. You know your product best. Now it is up to you and your digital stakeholders to evolve how people can consume it better in their everyday lives.

The choice to disrupt or be disrupted is in your hands. It requires constant foresight and examination of your business processes, products, and customer experiences as well as careful evaluation of newcomers appearing in the marketplace to ensure you remain competitive. Innovation doesn't happen overnight, but disruption does.

By staying agile with these 5 steps, you'll enable your business of today to evolve into a business of tomorrow.

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