



The DynaSis Education Series for C-Level Executives

Digital Disruption: Harnessing a Powerful Force

While the term itself may sound daunting, Digital Disruption is the strength modern businesses must use to take advantage of today's technology, without which, they will likely be left behind.

By now, most senior business executives have heard the term "Digital Disruption", but we suspect most are not fully familiar with all its implications. As you will see, digital disruption can be your best friend, driving your business to new heights and undreamed of profitability, or a total nightmare. We are also going to look at two levels of digital disruption. The first, those that have a global impact on business, even life as we know it, such as the personal computer and the second, on an industry-by-industry basis, such as the effect of Uber on taxicabs, Amazon on retail, or AirBNB on hotels.

But first, let's define "digital disruption." A disruption is something that impedes your progress, keeping you from reaching a business or personal goal. If your flight is canceled because of an airline's computer glitch while on the way to a business meeting, that is a disruption. The internet going down while you are researching data for a business presentation, that is a disruption. But neither of these, in spite of the fact that they are technology related, are digital disruptions. These are singular, isolated events that, while annoying and possibly costly, do not have a long-lasting effect on your business...or anyone else's for that matter.

A true digital disruption is a technologically based change in the way an industry, or the world, does business. The true winner may be the company (or individual) who develops this technology, or it may be other players who latch on to these advances, and share the benefit. It may also be the ones who see the opportunity and improve upon the concept. Facebook was not the first social network of its type, but it has beaten all the others. LinkedIn took the concept and adapted it for business and professional people. But please do not think that in order to benefit from digital disruption, you need to develop an application as intricate and far-reaching as

Facebook. This paper is intended to show you, the CEO, CIO, President, Owner, etc., of a small to mid-sized business, how your company can adapt and benefit.

Digital Disruption on a Global Scale

While you as an executive of a small to midsized business will likely never be involved in the development of disruptors of this magnitude (neither will we), for your business to reach its full potential, it is important that you understand these technologies and properly employ those that can improve your business. These digital disruptions can lead to your company's digital transformation.

Personal Computers – Nothing has transformed our daily lives, personal and professional, as dramatically and rapidly as the PC. But companies need to make sure that hardware and software are up-to-date and not compromising security or productivity. Aging computers and out-of-date applications can put you at a competitive disadvantage, not to mention wasting employee time and other resources.

Cloud Computing – as a company that specializes in cloud computing, this is one of our favorites, but, no, we did not invent cloud computing. A simple definition of cloud computing would state that data is stored off-premises (meaning not in your office), and is always available. Early adaptations would include email and messaging, and newer ones would include file sharing, data storage, websites, data processing and more.

Mobile Computing – Smartphones, laptops and tablets have made it possible for many of us to accomplish our tasks anywhere, anytime. It has changed the way people work. Business processes are turning into mobile apps. People working from home can spend the time they used to spend in traffic jams getting to work actually doing the work...or with their families. Your sales people can meet prospects face-to-face and instantly download facts, figures and even full reports and presentations.

Artificial Intelligence & Automation – Computers are becoming smarter and in some industries, such as consulting, there are expected to be machine learning packages that will instantly provide analyses that would be hard to produce today. This is an area in its infancy today, so only time will tell its long-term impact.

Data – The amount of data being created and stored today is almost unfathomable. Those who harness it, manipulate it, and use it for both short and long-term planning will have a tremendous competitive edge, regardless of their industry.

The Internet of Things (IoT) – Today's Internet provides communication essentially between people, organizations, and government. The IoT provides communications between "things." It is the remote controlling and monitoring of things such as HVAC systems, light bulbs, access doors etc.; it is also the collecting of information about the usage, life spans, and availability of these things, and this data will be used to develop better products.

Proper use of these technologies increases your technical capability which lead to **three core competencies**:

Availability – your IT network always being up and available; **Security** – knowing your data and applications are safe and secure, as well as always backed up; **Mobility** – your employees being able to access the applications and data they need, anytime, anywhere on any device. The expected outcomes of achieving these core competencies are: **Increased Productivity, Reduced Costs, Minimized Risks, and Maximized Growth**, all leading to **Increased Profitability**.

Digital Disruption – On an Industry Level

As we said, the above examples have caused, or are expected to cause, monumental shifts in the way we do business and/or interact with each other. Now let's take a look at digital disruption from the perspective of how it can affect specific industries, based on a number of different disruption business models. As you read through this, think about how you might adapt one of these models, or more than one, to your specific business goals. Keep in mind that while the examples we give are generally of larger, well-known companies, there are many, many examples of companies joining the movement every day. Also note that some of the companies cited as examples are using multiple strategies:

Subscription: Instead of purchasing a product in the traditional manner, the subscriptions, the seller locks-in the buyer to repeat his/her purchases again and again. Examples: Apple Music, Netflix, Dollar Shave Club

Freemium: Rather than paying for this service with money, you pay by providing your info, or your attention, with the provider hoping you will opt for an upgraded service. Examples: LinkedIn, Dropbox, Spotify

Free: In exchange for receiving this service for free, the provider may sell your personal data and can also generate revenue by allowing advertisers to buy space and offer you their products. Examples: Google, Facebook

Marketplace: In creating a “marketplace”, the service connects buyers and sellers and then collects a fee for every item changing hands. Examples: eBay, iTunes, App Store, Uber, AirBNB

Hyper Marketplace: This is the use of tremendous market power to just crush the competition. Tactics may include selling at a loss to gain market share. Examples: Amazon, Apple

Access vs Ownership: Allows its member to use goods and/or services that they would formerly have had to have purchased to use. This provides customers access to homes, cars, capital, vacations, etc., while providing income to the owners. Examples: Zipcar, Peerbuy, AirBNB

Quality of Experience: Sellers provide to those willing to pay a higher price for a superior “user experience” than lower priced competitors. Examples: Apple, Tesla

Reseller: Uses a large number of affiliates or resellers who are generally rewarded on a commission only basis. Many times, all the affiliates do is put a link on their websites. Examples: Amazon, Microsoft, Dropbox

On-Demand: The selling of someone's time in exchange for money. As shown in the examples that follow, this can be for transportation, household chores, personal shopping, and much more. Examples: Uber, Operator, Taskrabbit

"Ecosystem": Like a natural habitat, these companies create integrated products that make it difficult, whether in actuality or emotionally, to switch to another provider for another service that your original provider also offers. The perceived value of each product increases as each product in the family is added. If you use a MacBook Pro, you are more likely to use an iPhone than an Android and an iPad than an Amazon Fire...and vice versa. Examples: Apple, Google, Microsoft

Let's look at one of today's most well-known disruptors and see how other entities are combating it. **Uber.**

Talk about disruption! This company, founded just seven years ago (2009), is now operating in 507 cities in 66 countries. In New York City, taxi medallions ("medallions" are effectively licenses to drive a taxi, and are restricted in number by the NYC Taxi & Limousine commission) were selling on the open market for \$1,000,000 prior to Uber entering the market. Today, this has been reduced by 50%. New York is used as an example, but this disruption has taken place wherever Uber has entered the market. So what are people doing about it?

- Competition has erupted from similar companies such as Lyft (220 U.S. cities), Curb (60 U.S. Cities), and Didi Chuxing (600 cities in far-east and backed by Apple).
- In India, taxi drivers banded together and had their own ride-share app created.
- RideConnect is a downloadable app that allows you to build your own ride share network among students, co-workers, friends, acquaintances, neighbors, etc., and all their co-workers, friends, etc. You post when you are available and how much you will charge, or when you need a ride and how much you are willing to pay.
- Juno Ride Sharing is a startup designed to compete with Uber and the others by offering drivers better pay, the opportunity to earn stock in the company, employee benefits, etc. To apply, a driver must be top-rated with Uber.
- And finally, taxi drivers in NYC are launching their own app that lets users hail cabs and pay for rides using a smartphone. All fares are meter based with no "surge" pricing. The app is called Arro and if it works, will likely be used in other cities across the U.S. and around the world.

Too often, when "digital disruption" is discussed, the focus centers on how technology start-ups threaten established businesses, rather than focusing on the opportunities this massive change in technology presents. Some C-Level executives of small to mid-sized businesses believe that as a smaller company, they are immune to these effects. Interestingly, others in the same position believe they are more at risk. We believe both are true: you are immune until a new player with a new way of doing business in your market comes along...then you are at risk. And our belief is that sooner or later, that new player will come along, or an old player will come up with that proverbial better mouse trap. Remember this: small changes can have major impacts. You don't have to be the next Uber or Amazon. But you do have to always be looking to take it to the next level because if you don't, someone else will.

So here is reality: you are not going to read this paper, then sit down tomorrow morning and map out a whole new way to run your business. Hopefully, you will sit down tomorrow morning and say, "I need to look at how technology can make sure my business remains competitive in the years ahead?" We repeat: "Today, every business is a technology business."

Here are starting points:

- Analyze your current technical capabilities.
- Analyze your current weaknesses in terms of production, product quality, customer service, etc.
- Thoroughly investigate your industry, both in your city and around the country, to see what others are doing.
- Do this with similar and allied industries.
- Consult with the best people you can find who understand today's technology and how to best adapt it. Ask for a technology assessment. Take the time to make sure they fully understand how your business works, where you are today, and where you want to be in the future.

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