
Are You Next for Digital Disruption?



By , INSEAD Adjunct Professor of Strategy

No industry is safe from the tsunami of digital disruption, but some will be hit sooner than others. Three checks could reveal if you're next.

Have you ever been bitten by a snake? Fortunately this has not happened to me (yet) but it might be a similar experience to what happens when your business is hit by digital disruption. One minute the reptile is calmly enjoying the sun, the next moment it lunges forward. Before you know it you have received the deadly bite and if you do not administer the antidote as quickly as possible you are finished.

One industry after the next has fallen victim to the digital trap in the last decade. The music industry had the honour of being the first to go, Followed by the travel industry, newspapers and magazines, the retail sector, telecommunications and advertising. With the advent of Uber and Airbnb, the transport and hotel world are now under pressure.

And, if we look at the developments currently in the pipeline, there is significant chance that soon the payment industry (bitcoins, iPay and M-

Pesa), television world (Netflix) and even the automotive and logistics industries (self-driving cars, drones and warehousing) will be next in line.

The fact that the digital transformation is gaining ground is no surprise. Ambitious entrepreneurs in Silicon Valley not only dream about building the next global company and becoming millionaires, they are looking to stir up the existing order. They strive to improve the world (in their eyes) by replacing established, bureaucratic and often inefficient practices with services that offer what the client actually wants.

Will your industry be next?

The crucial question facing businesses today is: will my industry be next? If yes, when? At first glance this seems difficult to predict: who could have predicted the advent of Airbnb or Tinder? Whether you will be disrupted, however, does not depend solely on brilliant inventors. In fact the current characteristics of individual industries have a much greater predictive value than the latest developments in Silicon Valley. Three factors in particular increase the chance that disruption will occur. The first being the amount of waste in your industry. This could refer to unused capacity (empty rooms, car seats, freight trucks or containers), time-consuming processes or actual waste.

The second element that you should look at is how much money your industry makes by being opaque. In other words, do clients keep on using a suboptimal product because it is too complex or too difficult to find something better (this may be the case with many investment and insurance products or mobile subscriptions).

Finally, you should ask whether your industry forces clients into artificial straight jackets because it better suits your production processes (such as fixed schedules for flying, driving or television watching) or sales processes (selling a standard deal instead of tailor-made offers).

If the answer to one or more of these questions is yes, then beware – it is certain that disruptive digital innovation will arrive sooner or later with new companies offering your customers more convenient, complete transparency and tailor-made products.

Consumer exposure and complexity

Where you operate in the value chain will influence when it will happen: the closer you are to the end consumer, the more vulnerable you are. A consumer can quickly decide what is best for him, in a business-to-business world, vested interests, ingrained practices and organisational resistance might delay digital disruptions by three to five years.

Strongly regulated industries (such as the financial world) will also be protected longer. Finally: the more complex the product, the stronger the barriers. While these delaying factors won't prevent the disruption, they will give businesses time to prepare.

One thing is certain: the analogue paradise is over and sooner or later everyone will have to bite the digital bullet.

Beware of snakes.

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