Three Ways to Get Ahead of the Digital Competition

By Liri Andersson , INSEAD Guest Lecturer, founder of this fluid world

Leaders seeking to capture value in the digital age need to expect the unexpected.

To thrive in the digital age, business leaders need to accept that competition, like technology, has transformed. It is no longer primarily direct, of the same size, or from predictable geographical locations; nor does it come from firms with similar value propositions and cost structures.

With the increased capability and affordability of technology breaking down traditional entry barriers (access to finance, consumers, and talent), today's competitive environment is crowded and organisations are finding that the competitive advantages they once relied upon, such as intellectual property, economies of scale and a large customer base, are no longer sustainable.

In this era of seemingly unrelenting change, the new wave of competition emerging across sectors shares four key traits:

- ***It can appear at an unprecedented speed.*** When Joe Gebbia and Brian Chesky struggled to pay rent in 2007 they came up with the idea of leasing out airbeds on their living-room floor. The next day they created the Airbnb website, six days later their first guest arrived, and within days requests started coming in for similar sites in Buenos Aires, London, and Tokyo. Nine years on, it's estimated that hotels in New York City alone lose approximately **US$450 million** in direct revenues each year to apartment listed on the Airbnb site.

- ***It may be small but it is potentially powerful.*** The peer-to-peer (P2P) lending site Prosper, for example, has 240 employees and two locations, compared to Wells Fargo's staff of 270,000 and 9,000 locations to maintain and support. Despite their size and limited services, Prosper and other P2P companies are turning the tables in the financial sector. By challenging traditional banks with their ease of application and efficiency, they are well-positioned to **take a significant share of the personal and business loan** market whilst increasing consumers' expectations, and putting pressure on incumbents to innovate in order to compete.

- ***It has the ability to substantially erode industry revenue.*** In an early interview, Skype co-founder Janus Friis **noted**, "The telephony market is characterised both by what we think is rip-off pricing and a reliance on heavily centralised infrastructure. We just couldn't resist the opportunity to help shake this up a bit." An understated threat given that in 2013, Skype brought in US$2 billion, while simultaneously transferring a whopping **US$37 billion** away from incumbent telecom firms!

- ***It trades on trust.*** In today's environment, legacy is no longer important; instead capabilities that inspire trust, such as exceptional customer service, or authentic and transparent behaviour in a firm's thinking and action are seen as key traits on which a firm can extend its products and services, beyond its core offering. This goes a long way to explaining why recent **surveys** showed 73 percent of millennials in the U.S. were "more excited by a financial services offering from a company such as PayPal, Square or even Apple, Google, and Amazon than from their own nationwide bank".

Positioning for change

Preparing for and capitalising on the opportunities brought about by an environment with such unpredictable competition and unrelenting change requires an attitudinal and behavioural shift within organisations. To better position themselves to create and capture value, leaders might follow these recommendations:

1. Ensure a wide and agnostic understanding of the industry and business you operate in and the key trends that can impact it. The sudden and significant fall in the cost of data storage (from US$437,500 per gigabyte in 1980 to US$0.03 in 2014) was the driver behind the business models of Netflix, Airbnb and many other organisations disrupting most sectors today.

2. Recognise competitive analysis as a broad and continuous activity. While traditional components of competitor analysis (future goals, current strategy, assumptions and capability assessments) assume some awareness of who the competition is, or will be, yearly competitive analysis of a predefined set of competitors will no longer suffice. Beyond the real-time benefits, continual analysis is necessary to help businesses spot left-field competition, and identify which potential threat to act on.

3. Become someone else's unpredictable competition. Looking beyond what your firm currently offers to better understand what it's capable of can create new opportunities for you. Fuji Film did not suffer the same fate as Kodak due to its ability to think beyond its core product. A strategic analysis of the firm highlighted surprising synergies between technology used to manufacture film and the anti-ageing, anti-spotting and nano technology used in manufacturing cosmetics. Building on these capabilities, Fuji developed a skincare range, Astalift, and entered a global cosmetic market, which in 2014 was worth US$460 billion.

When it comes to analysing competition and their firm's competitive capabilities, leaders will have to show a combination of foresight, lateral thinking, intuition and courage because it's unlikely that the competitive landscape will become any more predictable in the future. In fact, the waves of creative and unrelenting change powering today's competitive environment suggest this is just the beginning.

This is the second of a ***series of articles*** *to help leaders navigate their way through today's digitally enabled business environment. Using tangible examples, the articles illustrate how organisations and industries are* *adapting technologies and ideas in ways that put them ahead of the game.*

Liri Andersson is the founder of this fluid world; a boutique business and marketing consultancy. She co-authored the report, ***The Real Impact of Digital - As Seen From the Virtual Coalface****, with* ***Ludo Van der Heyden, INSEAD Chaired Professor of Corporate Governance & Professor of Technology and Operations Management.***

Follow INSEAD Knowledge on Twitter *and* ***Facebook***.

Find article at

https://knowledge.insead.edu/strategy/three-ways-get-ahead-digital-competition

---

About the author(s)

Liri Andersson Liri Andersson is the founder of this fluid world, a boutique business and marketing consultancy.

About the series

Corporate Governance

Established in 2010, the **INSEAD Corporate Governance Centre** (ICGC) has been actively engaged in making a distinctive contribution to the knowledge and practice of corporate governance. Its vision is to be the driving force in a vibrant intellectual community that contributes to academic and real-world impact in corporate governance globally.

The ICGC harnesses faculty expertise across multiple disciplines to teach and research on the challenges of boards of directors in an international context. The centre also fosters global dialogue on governance issues, with the ultimate goal of developing high-performing boards. Through its educational portfolio and advocacy, the ICGC seeks to build greater trust among the public and stakeholder communities, so that the businesses of today become a strong force for good for the economy, society and the environment.