

Dear MBA participants in this video we will focus on the topic of how you can actually respond to digital disruption as a company. And actually there are three different response strategies that companies can apply. The first one is to team up, which means that you engage in collaboration or even acquire a disruptor. A second strategy can be to fight back, so that you really decide okay, we are disrupted by another company now. Let's fight back and create our own disrupted business model. And finally, and this is quite a special strategy, you can also go for the escape option, and I will later on explain what that exactly means. So let's first focus on the team up strategy. So this is a strategy where you decide as a company to actually collaborate with a potential disruptor of your business model, and here is just one example. So Zalando is one of these companies that has disrupted the retail industry, and today for instance Adidas, a traditional retail company, has decided to engage in a strategic arrangement with Zalando. Where actually Adidas is using the logistical chain of Zalando to manage their online sales. So instead of trying to fight Zalando or compete with Zalando, they actually teamed up with Zalando to deal with the disruption in terms of e-commerce. Another option might be to acquire the disruptor, so you cannot only collaborate with them. You can also acquire them, and this is for instance about the Dutch media company telegraphed it a 10 years ago. When they saw the disruption of social platforms by emerging and at that point in time in the Netherlands, for instance, the most prominent social platform was Hives, and what the telegraph decided to do was to actually acquire Hives to deal with the disruption of social media platforms. So you can also acquire companies to deal with disruption. Now we know from research that this acquisition option often is a tricky one because what we typically see is that established companies might acquire the wrong firm or at least at the wrong time. This is exactly what happened with the telegraph, so they acquired Hives, and actually they acquired it just before Facebook became really the dominant platform also in the Netherlands. So in the end, actually telegraph did not benefit from acquiring Hives, so in the end they had to write down huge acquisition costs with limited added value. Of course, there are examples of companies that have managed to successfully use acquisition to deal with the disruption. I think about how Facebook has acquired WhatsApp, a potential disruptor of Facebook. But we know from research that on average, actually, this acquisition strategy is quite challenging. Another strategy that you can apply is what we call the fight back strategy. So here you do not decide to collaborate or acquire a disruptor; you decide to create your own disruptive business model, and a nice example is the weather channel. The weather channel was a channel in the US, a traditional television channel where on a 24-hour basis you could watch the weather predictions on your television. Now in the 2000s, this business model of having a weather channel was disrupted because more and more advertisement went online, and of course, this weather channel was monetized by advertisements. And so what did they decide to do? This is okay? Let's create our own digital platform, and they created a website where people could on a daily basis just check the weather because of course they had all the data. So they had a huge data infrastructure to predict the weather, to give information about the weather in specific locations. And they said okay, let's leverage these data. Let's create our own websites where people individually can check the weather. And finally, they actually transformed the website into a platform where they can collaborate with companies that are in need of data related to the weather or where weather data can actually be kind of predictor for these companies. For instance, the weather channel today works together with companies like L'Oréal. You might know L'Oréal as the company that produces a lot of shampoos. Now what did the weather company find out that actually, depending on the weather, people buy different kinds of shampoos. So they were able to help L'Oréal with predicting what kind of shampoo would sell in which kind of regions based on weather data. Or today, for instance, they are working together with Mercedes. So if you buy a Mercedes car, actually, in the sensors of the wipers of your Mercedes cars, there will be sensors that continuously give data to the weather company. And of course, this can be quite important because when do you put your wipers on when it starts raining? So in that way, the weather company gets real-life data from Mercedes cars driving around all over the world, and in exchange, you as a Mercedes user will get updated weather information from the weather company. So here is see a company that has decided to fight back to destruction. They realized they were disrupted by digital business models. They created their own digital infrastructure, and today they are actually using that infrastructure to monetize it in alternative ways, collaborating with a lot of companies. A final strategy that you can use is that you escape the digital disruption. So here you don't try to collaborate with the disruptors. You don't try to create your own description; you simply come to the conclusion, okay, we are facing digital disruption, and we don't want to play this game. We go in a totally different direction. And a nice example is this bookshop in the city of Oostwoud in the Netherlands. And so this is a bookshop that decided okay, we are disrupted by e-commerce; you have now you can now order your books on Amazon. And we will not try to fight it because we will anyway lose that game. So we will not invest a lot of money in creating our own bookstore online that will not work out. Instead, what they decided to do was say okay, we will actually will buy a church, and in the Netherlands a lot of churches are empty nowadays because there are not that many people going to church anymore. So they said okay, let's buy an empty church, and we will integrate our bookstore into the church. So that our bookstore actually becomes a kind of touristic attraction for people, and so today this bookstore is actually very successful. Not because they sell a lot of books, but actually there are a lot of tourists visiting the church as a bookstore, and then of course they drink

expensive coffee and have a nice meal and that's how this bookstore nowadays makes money So I think this is a nice example of how you can decide to fully Escape the digital description and move into a business model where you do not have to directly compete with your digital descriptors So in sum to end this session on digital description let me summarize kind of the key insights So if you want to understand digital description you first Avall have to have a very good understanding of your own business model And so you have to analyze your existing business model before you can understand who is disrupting your business model It's also very important to realize that typically digital descriptors will not be your existing competitors so they might come from very different directions Existing business models can be disrupted in different ways There are different strategies like the long tail strategy platform strategy a data driven strategy and Fighting back is not the only option you can also decide to collaborate with the strippers or even to escape the description So I hope these videos helped you to get better understanding About the topic of digital description and how it has an impact on business models of companies And I'm looking forward to our live session where we can continue the discussion You