

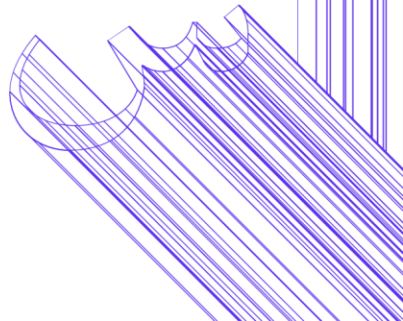
## ADC\_03 Introduction to ICT & Entrepreneurship:

### Disruptive Business Model



# Topics:

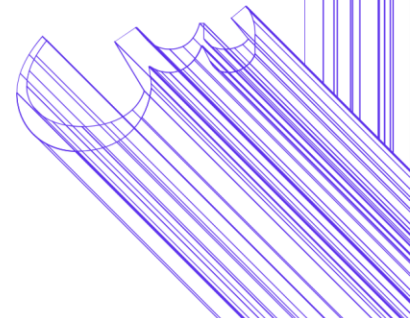
- Disruptive Business Model





# Disruptive Business Model:

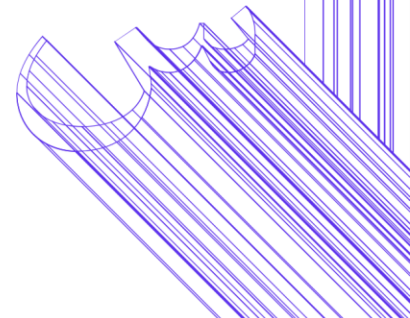
- Business disruption happens when:
  - An existing industry faces a challenger
    - In order for something to be disruptive, something else must be disrupted
  - Offers far greater value to the customer
    - Whenever disruption occurs, it is because a new offering is suddenly much more attractive to customers
  - In a way that existing firms cannot compute with directly.
    - Strike from different dimension
- Not all innovation is disruptive
  - ***Disruptive is used simply to mean “extremely innovative.”***
  - Carving out a new market space (the “blue ocean”) is also not new disruptive. (An unexplored market, without any competition)





# Disruption in the Digital Age:

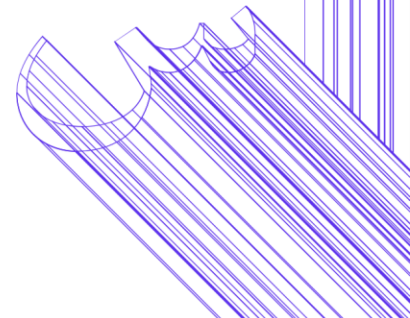
- Why in digital age?
  - Digital technologies are rewriting the rules of business
  - New rules have created opportunities for countless new challengers
- For example:
  - Newspaper Vs. News Website
  - Airbnb Vs. Hotels
  - And so on...





# Disruptive Business Model:

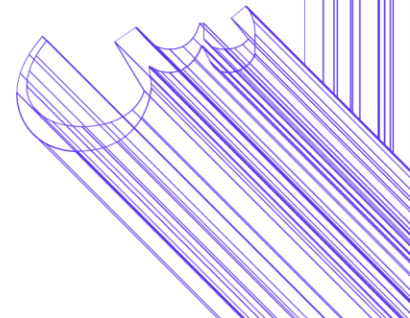
- Understand word: business model
  - The first side is the **value proposition**
    - the value that a business offers to the customer.
  - The second side of the business model is the **value network**
    - The people, partners, assets, and processes
    - Enable the business to create, deliver, and earn value from the value proposition
    - This includes things like channels, pricing, cost structure, assets, resources, and the customer segments on which a business is focused.





# Disruptive Business Model:

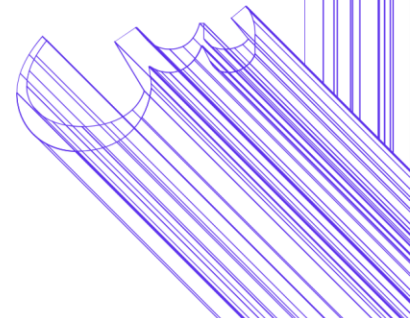
- The theory of business model disruption is:
  - In order to disrupt an existing business, a challenger must possess a significant differential on each side of the business model (met both):
    - 1) A difference in value proposition that dramatically displaces the value provided by the incumbent (at least for some customers ) ( Competition)
    - 2) A difference in value network that creates a barrier to imitation by the Incumbent (Copycat)





# Value Proposition Differential

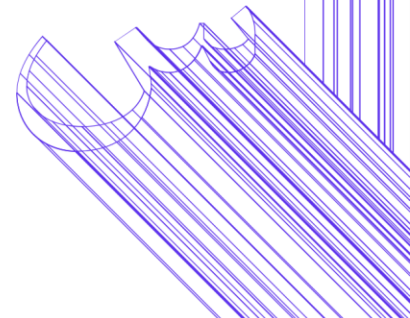
- Every disrupter requires a difference in value proposition that dramatically displaces value provided by the incumbent.
- Key value proposition generatives that are common to digital disrupters include the following:
  - Price
  - Free
  - Access
  - Simplicity
  - Personalization
  - Aggregation
  - Unbundling
  - Integration (or rebundling)
  - Social





# Value Network Differential

- Every disrupter also requires a difference in value network that creates a barrier to imitation by the incumbent.
- Key components to consider in analyzing a challenger's value network include the following:
  - Customers
  - Channels
  - Networks
  - Complementary product or service
  - Brand
  - Cost structure
  - Skills and processes
  - Physical assets
  - IP assets
  - Data assets

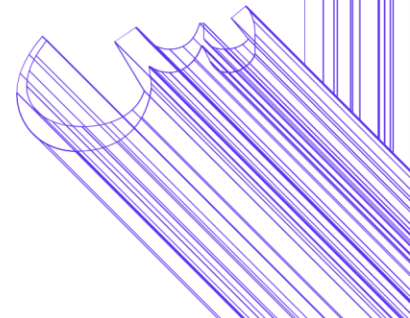






# Netflix vs Blockbuster

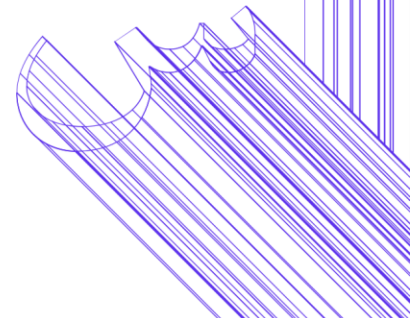
- **Business Model Disruption:**
  - Netflix DVD Services (**Disrupter**) vs. Blockbuster(**Incumbent**)
- **Value proposition differential**
  - No late fees
  - Easy access (product comes to you)
  - Wider choice
  - Personalized recommendations
- **Value network differential**
  - Subscription pricing model
  - E-commerce website
  - Data assets and recommendation engine
  - Warehouse and mail distribution system
  - No retail costs





# Three Key Variables

- The nature of the disrupter itself, its value proposition and its value network can predict much of how the disruption will play out.
- Three important variables that complete the theory of business model disruption are:
  - **Customer trajectory,**
    - Outside in : The disrupter starts by selling to buyers that are not currently served by the incumbent
    - Inside out : From the beginning, the disrupter starts by selling to some sub segment of the incumbent's current customers





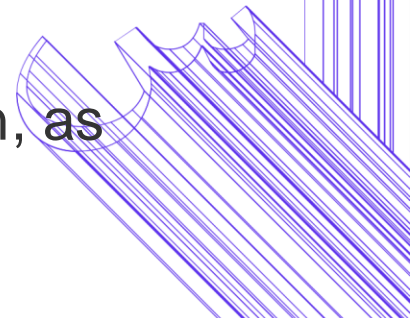
# Three Key Variables

## ➤ **Disruptive scope,**

- There is sometimes an assumption that whenever disruption occurs, the incumbent's business, product, or service will be replaced 100percent by the disruptive challenger.
- In some cases, this does happen.
- But in many cases of business disruption, the scope is not 100 percent.

## ➤ **Multiple incumbents.**

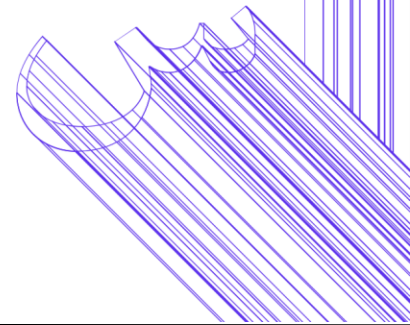
- A single disruptive business model can actually disrupt more than one incumbent.
- Entirely different industries or classes of companies that are each challenged by the same new disruptive business model.
- For example: online chatting App no only the telecommunication, as well as the social media
  - Facebook spent 22 billion bought WhatsApp





## 6 Possible Responses as an Incumbent

- **Three strategies to become the disrupter:**
  - Acquire the disrupter
  - Launch an independent disrupter
  - Split the disrupter's business model
  
- **Three strategies to mitigate losses from the disrupter**
  - Refocus on your defensible customers
  - Diversify your portfolio
  - Plan for a fast exit





# Class Activity

- **Finding a disruptive business and make a presentation:**
- **Answer following questions:**
  - What is the potentially disruptive business?
  - Who is the incumbent?
  - Who is the target customer?
  - What is the value offered by the challenger to the target customer?
  - How does the challenger's value proposition differ from that of the incumbent?
  - What enables the challenger to create, deliver, and earn value from its offering to the customer?
  - How does the challenger's value network differ from that of the incumbent?
  - Does the challenger pose a disruptive threat to the incumbent?

