



disruption

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- rabbits arrived in 18th century,
- multiplied quickly
- people reacted late
- devastated the ecosystem (crops, waterways, vegetation,
- no strong natural predator,
- ecosystem had to adapt and find a new balance
- (similar to digitalization)

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- Stable times it is about productivity and business development.
 - Disruption is a useful theory for unstable times.
 - Wanted to understand the contemporary business environment, and structural changes of industries. He lived in an era when the railway, car, and many other industries were born (e.g. Ford, GM, GE, Ericsson, Scania, Electrolux).
 - Defined “creative destruction”: something new is evolving at the same time something old is being destroyed “How could the railway industry outperform the stagecoach industry?” “In general, it is not the owner of stage-coaches who builds railways.”
 - After Schumpeter’s time, industry structures as such became more stable.
 - “Digital transformation” stems from theories of disruption, but it is action-oriented.

The red queen effect

Companies engage in similar business approaches. They peddle to get ahead, this levels up the industry standards, but the individual business cannot get ahead of its competition.





Disruption: how a smaller company with fewer resources is able to successfully challenge established businesses.

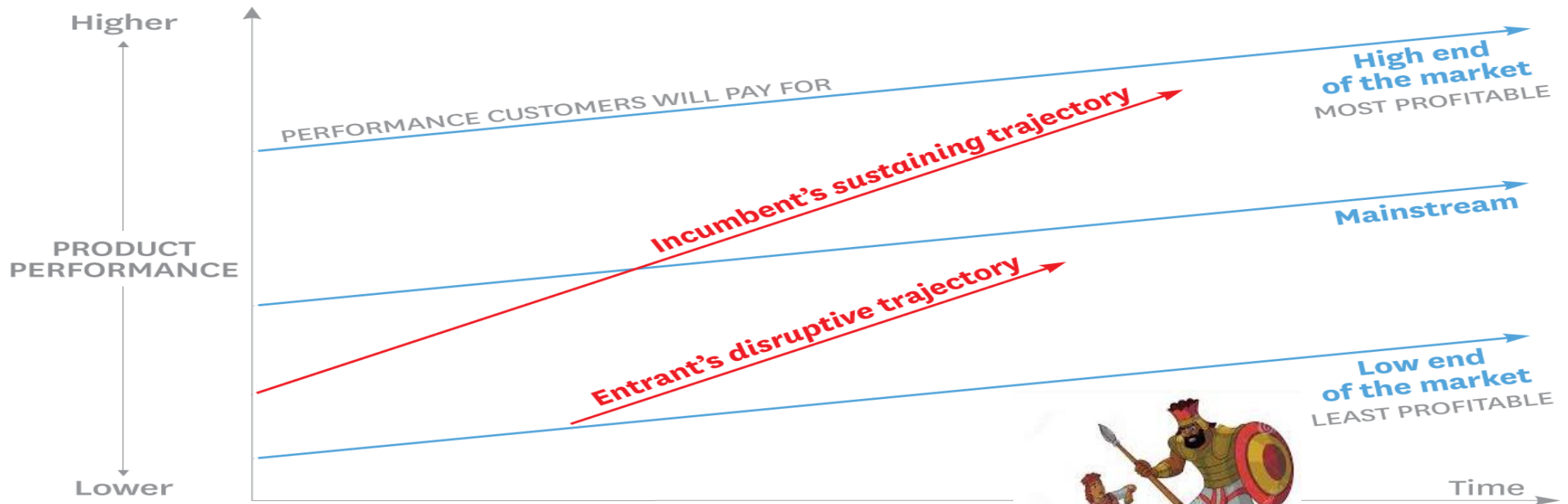
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- 1. **incumbents** focus on improving their products and services for their most demanding & most profitable) customers, they exceed the needs of some segments and ignore the needs of others.
- 2. **disruptive entrants** successfully target those overlooked segments, (**non-customers!** e.g. deliver more functionality, at lower price;
- 3. **Incumbents** keep on focusing on higher profitability in more-demanding segments, miss responding
- 4. **disruptive entrants** move upmarket, delivering the performance that incumbents' mainstream customers require, while preserving the advantages that drove their early success.
- 5. When mainstream customers start adopting the entrants' offerings in volume, disruption has occurred.




The Disruptive Innovation Model

This diagram contrasts *product performance trajectories* (the red lines showing how products or services improve over time) with *customer demand trajectories* (the blue lines showing customers' willingness to pay for performance). As incumbent companies introduce higher-quality products or services (upper red line) to satisfy the high end of the market (where profitability is highest), they overshoot the needs of low-end customers and many mainstream customers. This leaves an opening for entrants to find footholds in the less-profitable segments that incumbents are neglecting. Entrants on a disruptive trajectory (lower red line) improve the performance of their offerings and move upmarket (where profitability is highest for them, too) and challenge the dominance of the incumbents.



SOURCE CLAYTON M. CHRISTENSEN, MICHAEL RAYNOR, AND RORY MCDONALD
FROM "WHAT IS DISRUPTIVE INNOVATION?" DECEMBER 2015

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- A man in a white shirt and tie and a woman in a red dress are dancing in front of a dark, sleek car at night. The car is a luxury model, possibly a Tesla, with large wheels and a modern design. The scene is dimly lit, with the car's lights and the couple's clothing providing the main sources of illumination.
- new-market disruptions take hold in a completely new value network and appeal to customers who have previously gone without the product.
 - Tesla entered the premium auto market (with customers willing to spend \$70,000 or more on a car), that segment attracts incumbents too.

Uber: no disruptor in taxi business



U B E R

TAXI

- Started in 2009
- mobile application connects consumers who need rides with drivers who are willing to provide them.
- disrupters *start* by appealing to low-end or unserved consumers and then migrate to the mainstream market. Uber has gone in exactly the opposite direction: building a position in the mainstream market first and subsequently appealing to historically overlooked segments.
- **Disruptive innovations don't catch on with mainstream customers until quality catches up to their standards.**

- Uber viewed disruptive in the limo business
- UberSELECT option provided more-luxurious cars at higher price than its standard service, but cheaper than traditional limo services
- compromise: no acceptance of in advance reservations at UberSELECT
- this offering from Uber appeals to the low end of the limousine service market: customers willing to sacrifice a measure of convenience for monetary savings.
- „We learned from drivers that these trip types are too similar to other trip types. Additionally, fewer riders are requesting trips on via these options . With that in mind, UberSelect, Uber Premium, Uber Premium SUV, LUX, and LUX SUV will no longer be available after July 31, 2020. ” (Uber website)



- In the case of *new-market footholds*, disrupters create a market where none existed & turn nonconsumers into consumers.
- Xerox targeted large corporations and charged high prices in order to provide the performance that those customers required.
- Small customers (e.g. librarians, etc) could not afford, used other solution
- in 1970s, new challengers introduced personal copiers, offering an affordable solution to individuals and small organizations—and a new market was created. From this relatively modest beginning, personal photocopier makers gradually built a major position in the mainstream photocopier market that Xerox valued.

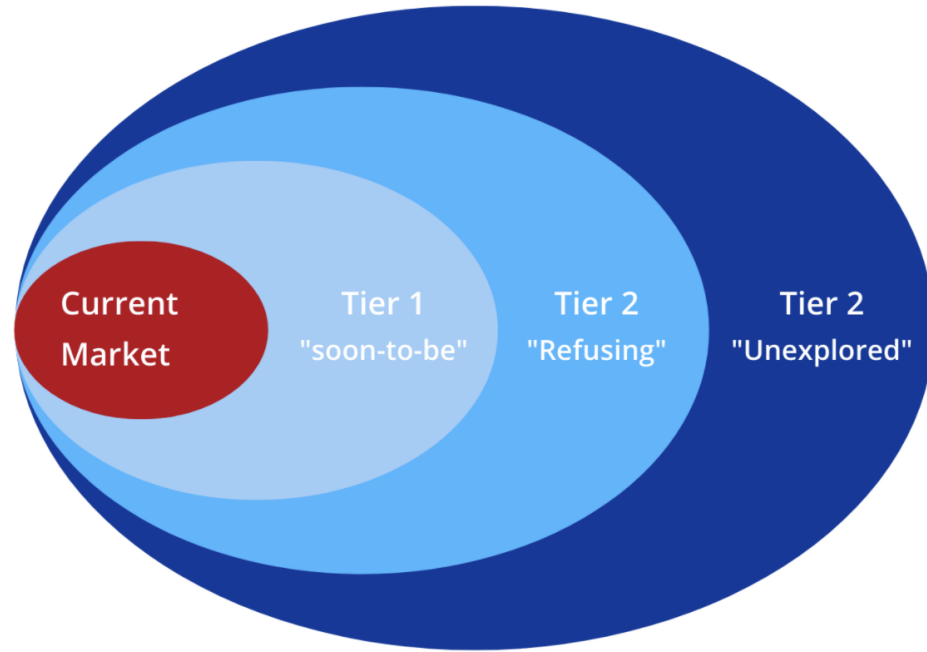




Apple's own iPhone disrupted
iPod

red ocean vs. blue ocean





SOON TO BE
noncustomers

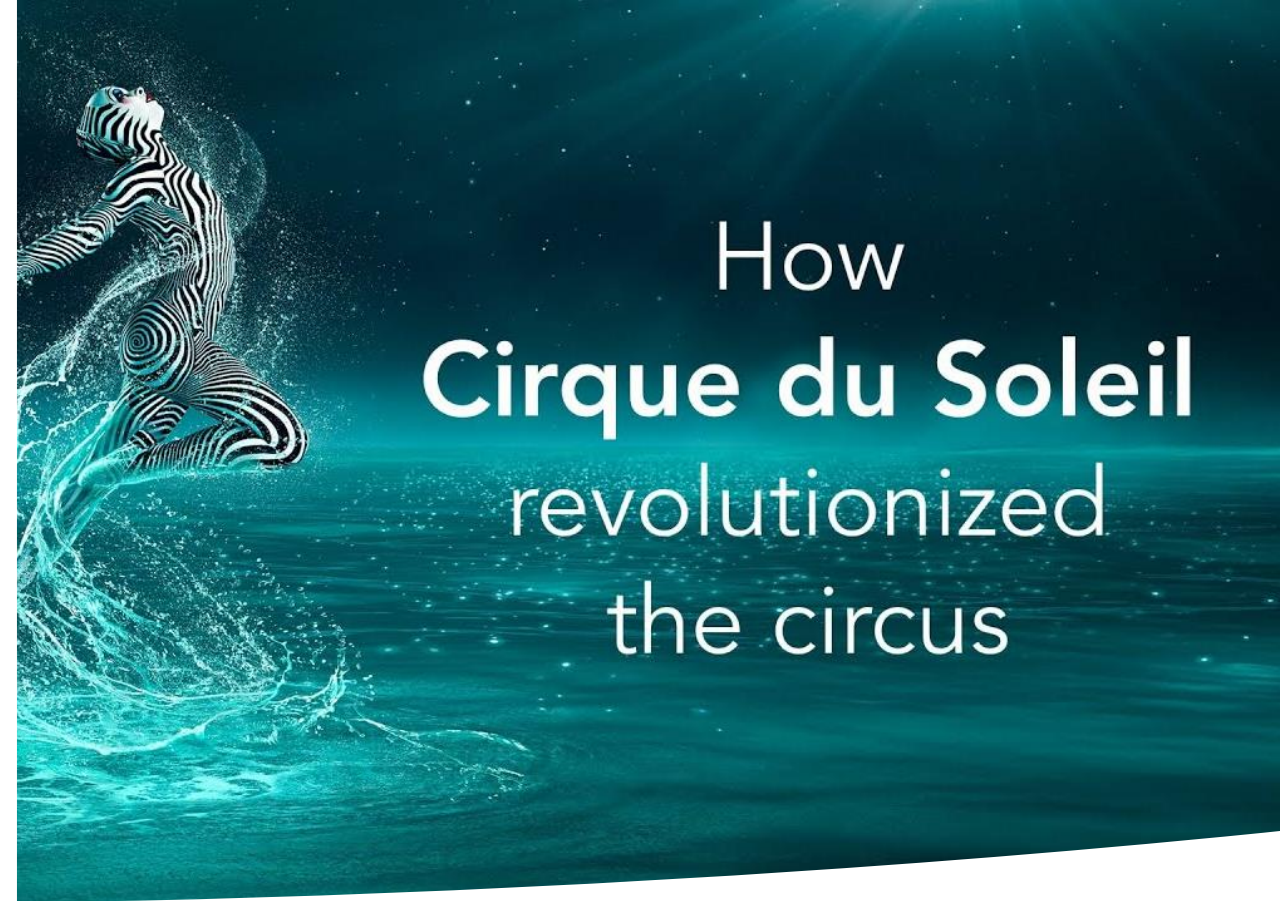


REFUSING
noncustomers



UNEXPLORED
noncustomers

	<div></div> Customers of your industry	
Pain points	<div></div> "Soon-to-be" noncustomers who are on the edge of your market waiting to jump ship	Eager to change
Cannot afford, or consciously rejects	<div></div> "Refusing" noncustomers who consciously choose against your market	Compare pros and cons
Never been considered	<div></div> "Unexplored" noncustomers who are in markets distant from yours	Consider them



- structurally unattractive circus industry. ☹️
- Strong „red ocean” competition☹️
- Changed consumer habits: videogames☹️

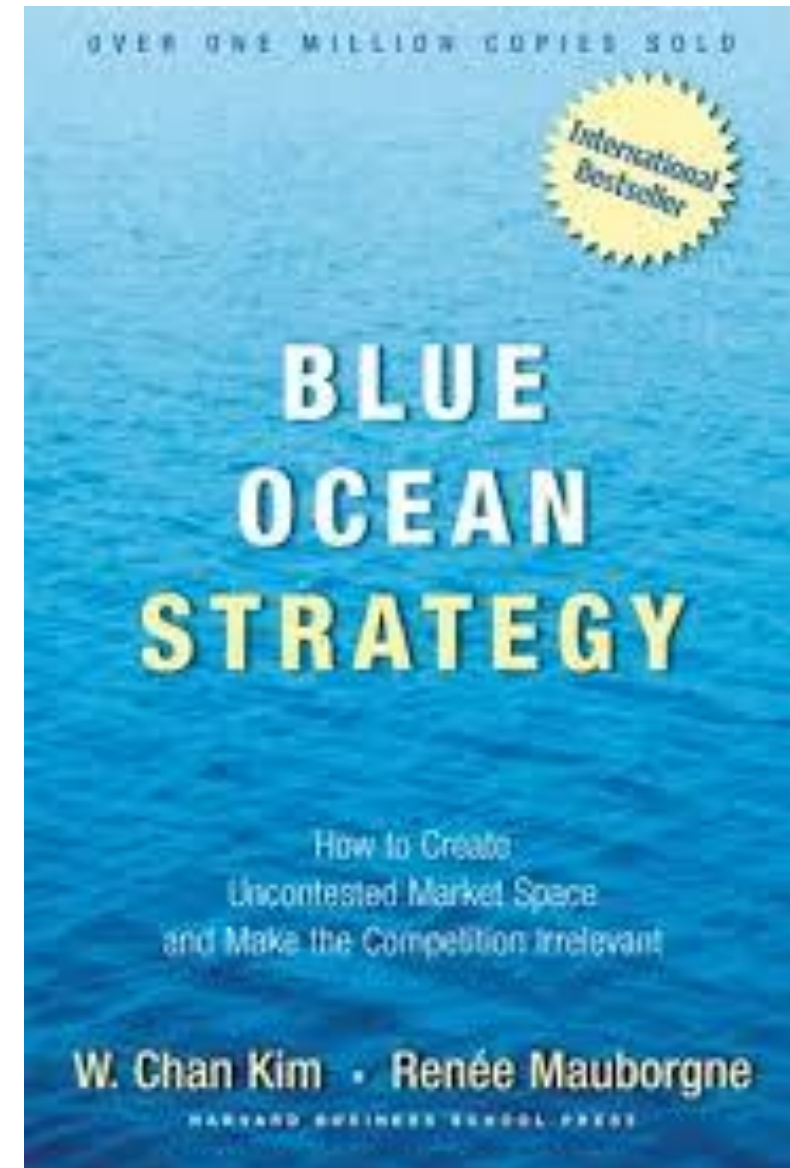
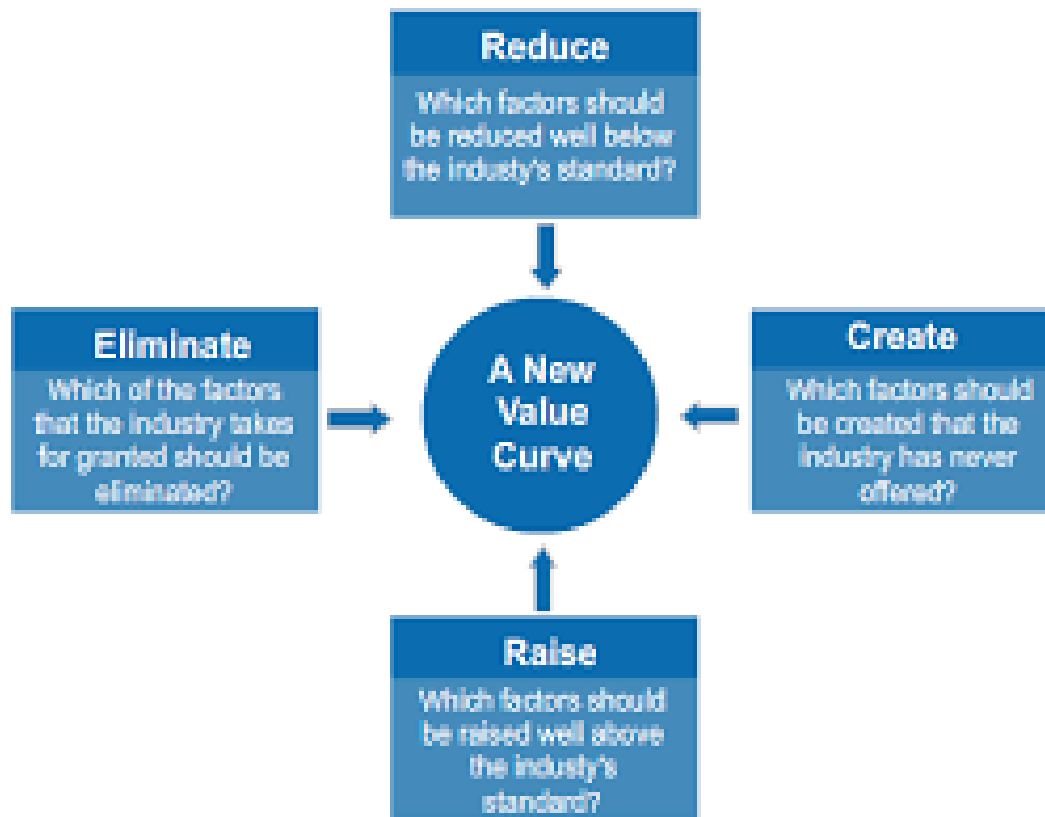
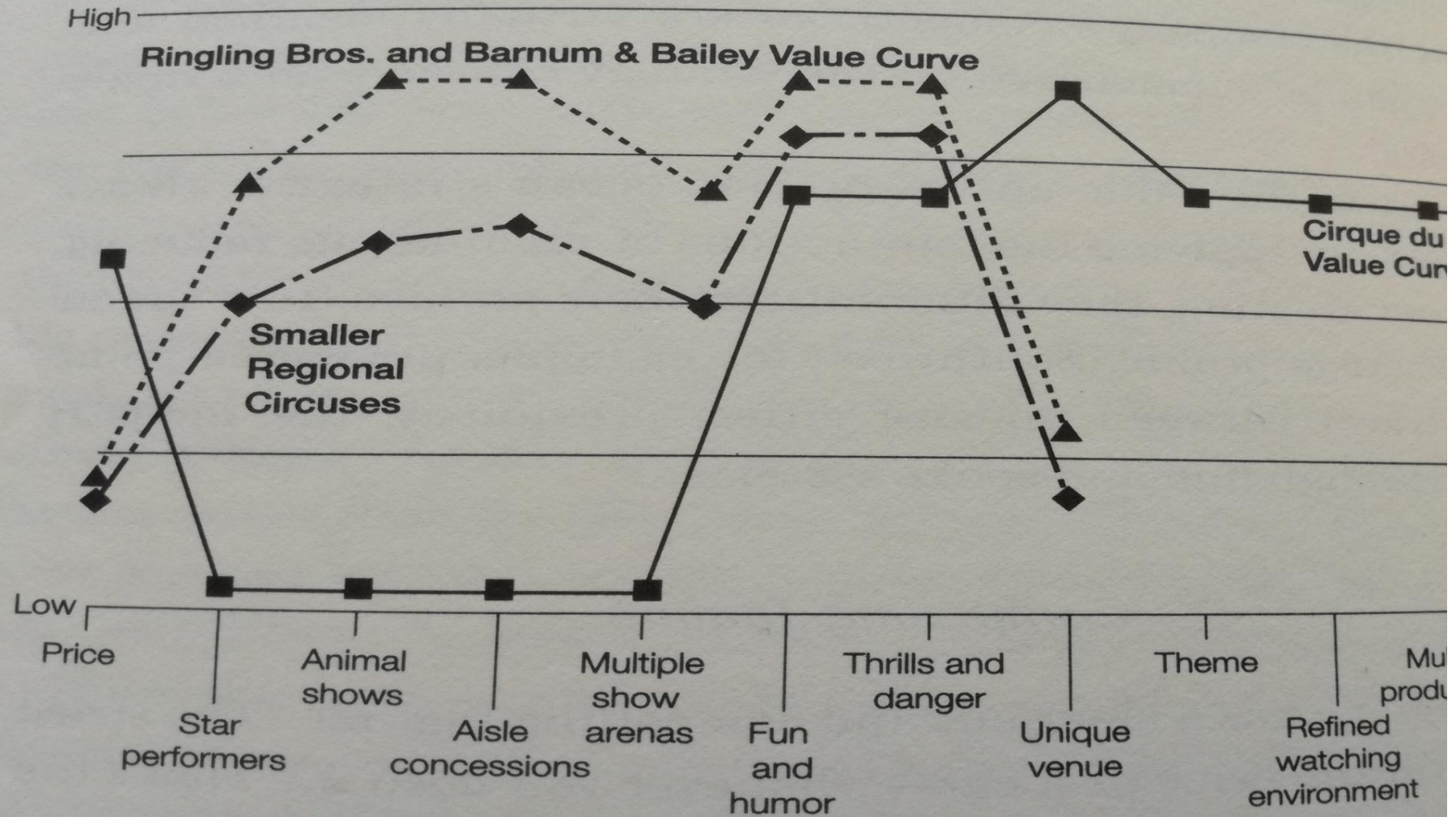


FIGURE 2-7

The Strategy Canvas of Cirque du Soleil





blue ocean strategy | Blue Ocean Strategy tools

Four Action Framework | The Case of Cirque de Soleil (A Circus Company)

ELIMINATE

- Star performers
- Animal shows
- Aisle concession sales
- Multiple show arenas

REDUCE

- Fun and humor
- Thrill and danger

CREATE

- Theme
- Refined environment
- Multiple productions
- Artistic music and dance

RAISE

- Unique venue

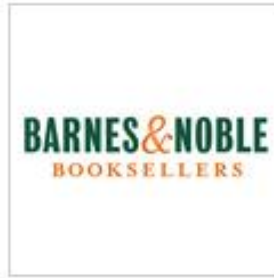




- 1990s, New York City anarchy
- Murder, maffia, armed robberies,
- No budget, low moral of the police 36000 officers

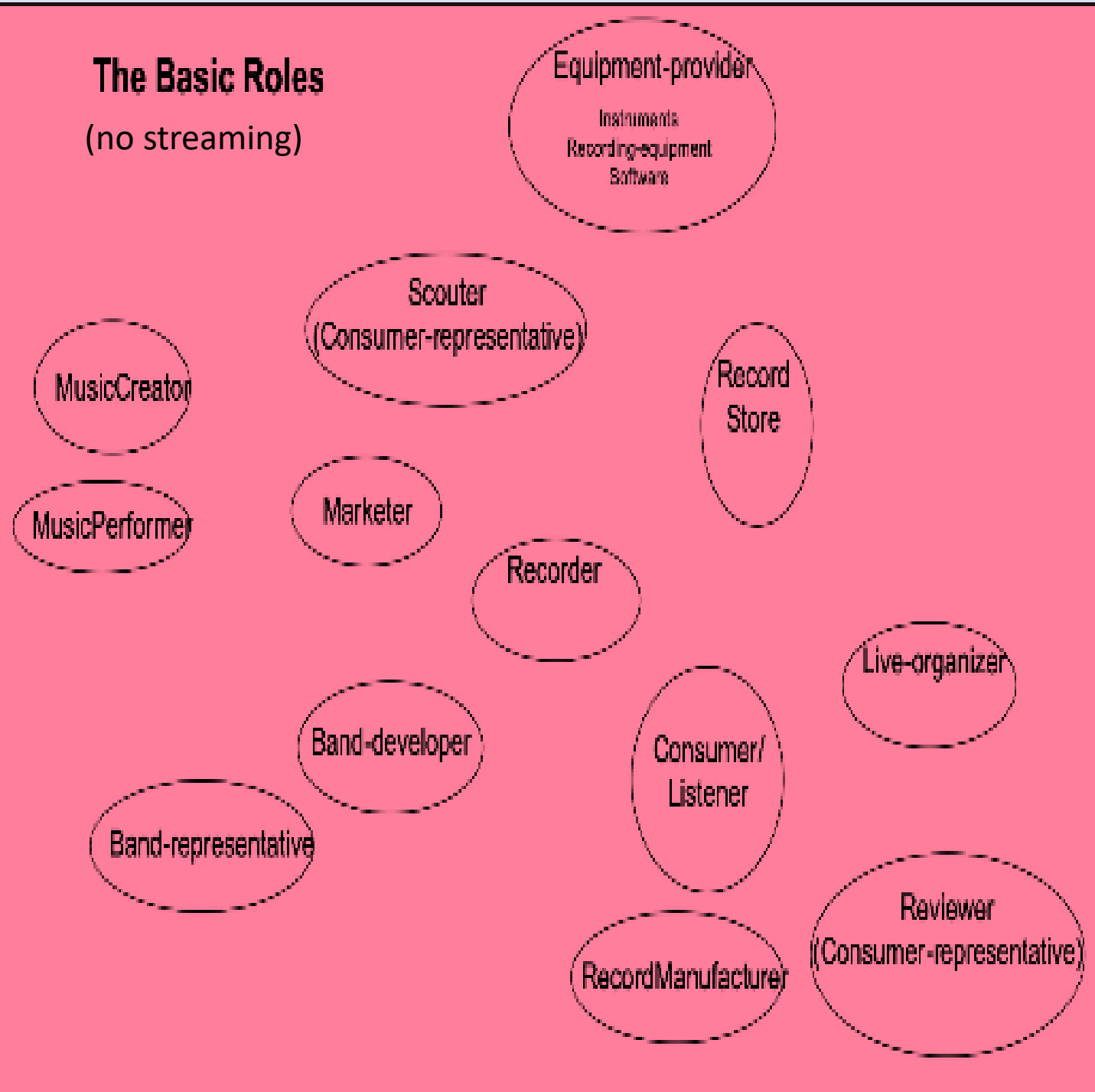


- Bratton turned NY into safest city within 24 months
- “We would have marched to hell and back for that guy
- Focus: people, acts, activities of huge influence
- Cognitive hurdle: focus on high visibility (subway, broken windows, graffiti)
- Resource hurdle: drug dept rescheduling
- Political hurdle: angels and devils in workforce



The Basic Roles

(no streaming)



Music industry

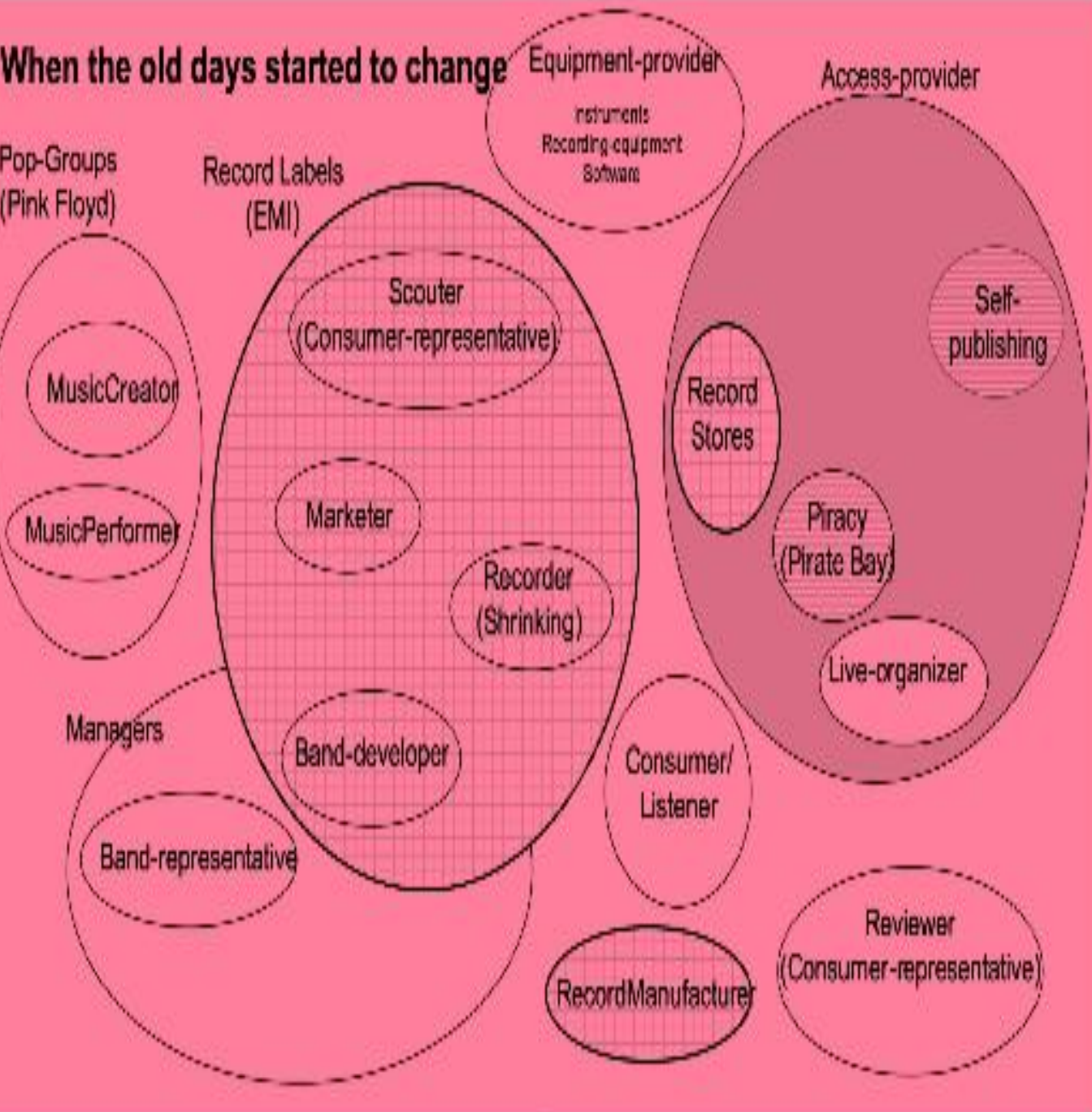
Disruption started with CDs in the 1980s.

music from **analog into digital**, but no major change in music industry

distribution form expanded: vinyl, tape, an CD (boost in sales) in the 90s MP3 format, early 2000s iPod and iTunes

Based on Blomgren, Henrik. Stop! Nobody Move: Transformation beyond digital (p. 128). International Independent Business Press. Kindle Edition.

When the old days started to change

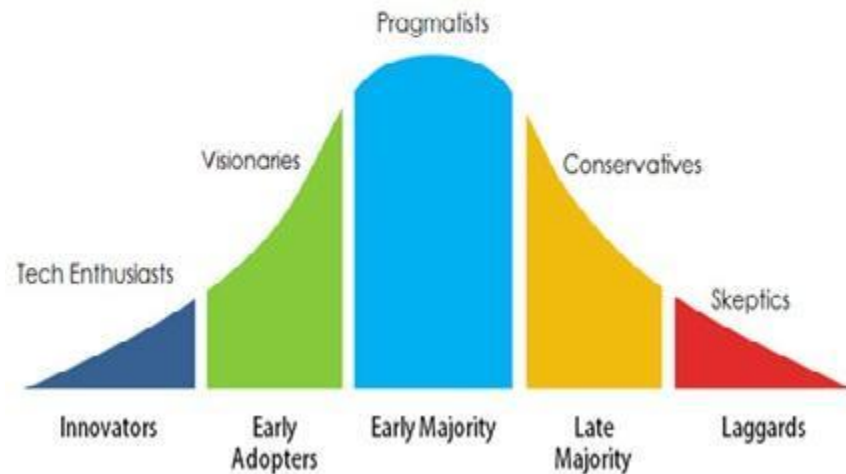


Music industry in transition

- **Piracy**
- 2006 streaming actor Spotify) provide better solution for piracy: freemium
- **Early day is not today's spotify**
- **Rules were unclear.** E.g. EMI (changed owners three times, downsized, fought against piracy etc),. Pink Floyd sued them, in 2010 because EMI had put the band's music on iTunes that went against the 1999 contract these albums couldn't be unbundled, so it wasn't clear if EMI could sell individual songs online. Just 10 months later, Pink Floyd came back to iTunes with the help of – EMI.
- **Roles became questioned:** record labels connecting musicians and their market (intermediaries) became costly. Record labels wanted their cut, and streaming actors also wanted their cut. That led to situations where influential musicians (like for instance Pink Floyd) started to question the royalty.
- **New roles emerged:** Live-organizer e.g. Live Nation as well as Reviewer (like Pitchfork)

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Product Adoption Curve



Spotify in the early days:

poor service provider with limited library,
poor interface,

no playlists

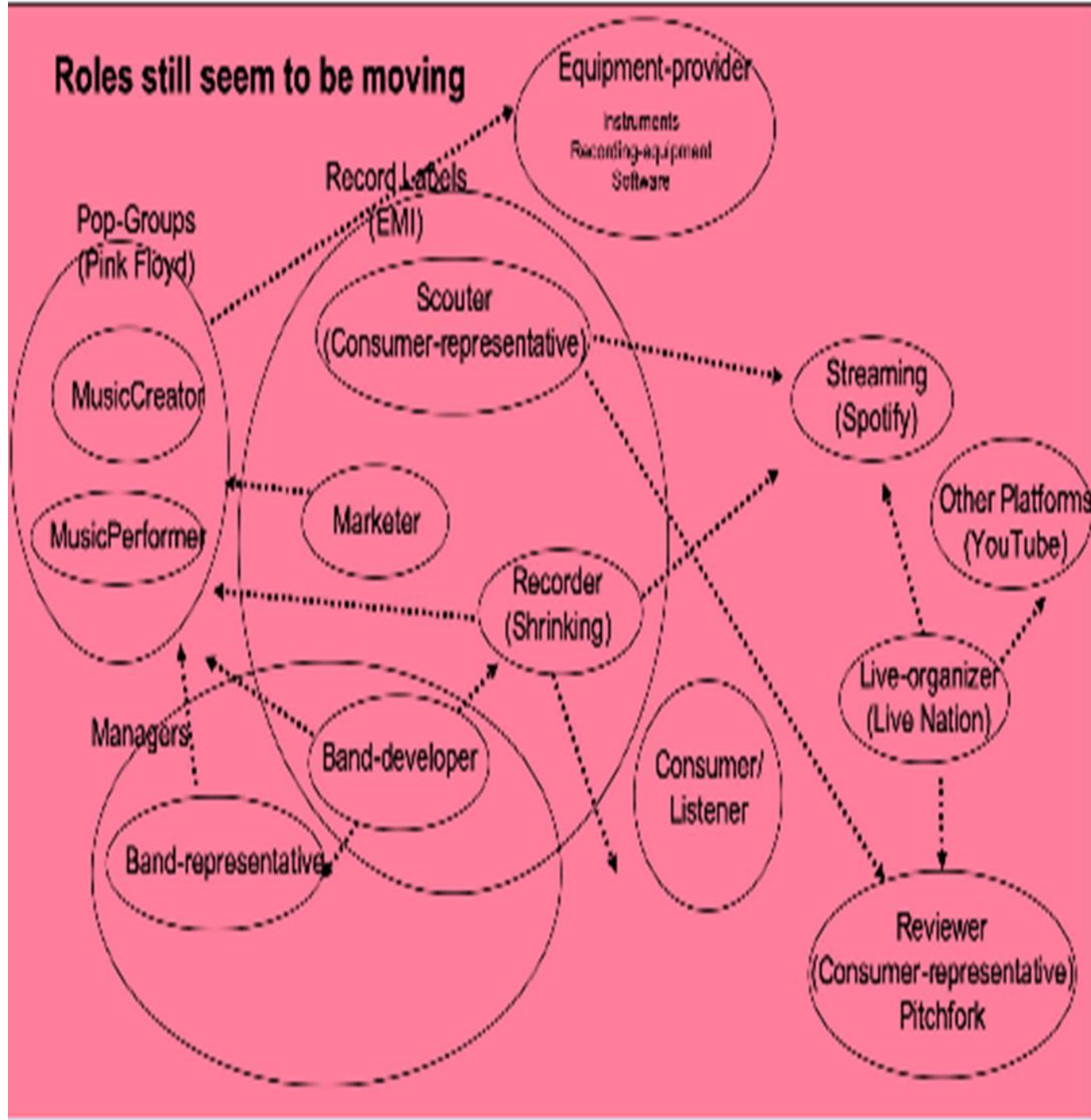
Customers had poor Internet connections,
few people had smartphones

no Iphone yet

Who went for that?

Early adopters: young people, with no albums, but with digital connection

Roles still seem to be moving



Music industry

2017, Spotify had employed the artificial intelligence scientist, composer, and director Francois Pachet to head the Spotify Creator Technology Research Lab

Music industry stabilized

Digital transformation and disruption takes more than technology. It needs changes in the customer preferences and the development of new business models.

Based on Blomgren, Henrik. Stop! Nobody Move: Transformation beyond digital (p. 128). International Independent Business Press. Kindle Edition.

appex

<https://www.youtube.com/watch?v=5DwYcNr0Nuw>