



Disruption: Markets Ready for a Big Change

What makes a market ready for a big change or even a disruption? There are several indicators that point to a market that is ripe for a major disruption. The commonality to all indicators is that they all point directly on the industry's organizations' core business models. If an organization's core business model has eroded customer value or struggled to produce a profitable operation, then the core business model has denigrated, and the organization is moving toward dissolution. This is true of a company that has lost focus of their core.

But if an entire market or industry has denigrated than the industry or market is holding back performance and value to all of its customer base. Holding back either customer value or profitable performance provides opportunities. These opportunities or fissures in a market is the platform for innovation, business models and new products that can take advantage of a repressed market or industry. With that, a new core business model can be produced and will create a market disruption.

What are indicators of a market or industry ready for disruption? A major indicator is the business maturity curve. If a market has matured to the point of inward concentration, then the market or industry is waiting for a disruption or might just self-collapse with the replacement of a new industry.

Another indicator is if a core business model influencer is artificially propping up an organization's own core business model (see the insight paper - core business model influencers). A great example of this market situation is when the government artificially protects a market. There are other influencers that can artificially support and industry and when the influencer is removed the market falls and is usually replaced with complementary industry. The best way is to follow the symptomatic factors of an entire industry's core business models'.

The following are these symptomatic factors where an industry's core business models have inhibited customer value or eroded profitable operations. These are also indicators of a market ready for disruption:

- Monopolistic or High Barriers to Entry
- Stagnated Methods and Operations
- Old Technology
- Age in Market

Monopolistic Markets / High Barriers to Entry

Monopolistic markets, old technology and methods tend to stagnate and lead to a situation that fails to improve performance for their customers. Organizations erode their differentiators in these markets and create entry barriers solely based on significant capital requirements or perceived complexity. These barriers are the exact situations that have provided great opportunities for modernization and disruption. Innovators have identified this softness and leveraged technology to redefine business models into modernized, core business models with updated operations, products and services.

This is the great sign of disruption is an industry that is in a monopolistic or stagnate market. A new core business model will uniquely serve customers' in a profitable way. Leveraging technology in a stagnate market is the opportunity to break the old and create a new, innovative way to serve customers. We have seen this in the past with innovative companies like Netflix, Uber, Tesla and Lemonade. These companies disrupted their industry by harnessing new core business models created from innovative operational models and technologies.

Stagnate Operations or Technology

Another indicator is the industries common age in the market or old technology of each company. Either issue can be an indicator that an operation, technology can produce a new core business model that that will radically impact a market and cause a disruption.

There are many organizations that in this situation. They find their core business model is lost and drifting requiring a major upgrade in operational performance with either new methods or innovation. They rush to try and implement new methods but fail because they do not have the right experience or understand to where their industry is heading.

Sometimes all that is a operation or technology refresh and old core business models will be revitalized. This is especially true if a new core business model has been produced by “hyper-fusion” based core business model.

Hyper-Fusion – Basis for Many Disruptions

Hyper-fusion is when innovation itself re-constructs industry based operations by leveraging technology fused with core business model processes. In a sense the only way a process could be performed is the technology itself. When the technology is driving many aspects of an organization's core business model then the operation, process and customer services is fused to one delivery.

Businesses are leveraging more and more digital and advancements in technology to enable their operation. In a sense we are seeing the operation fused with this new technology to gain higher and higher levels of productivity. Hyper-fusion blurs the lines of business operation and innovation. When companies are producing process that are literally driven by the technology itself, we will then see a major shift in ability, functionality and productivity. This “hyper-fusion” of technology and business models are producing operations that have generated a paradigm shift and why we are seeing complete disruptions in many industries.

Some projected examples are in the content delivery, transportation, financial risk-based and energy markets. What is enabling these “hyper-fusion” based companies are artificially intelligence, machine learning, deep learning, modeless event analysis and continuous risk analytics engines. Soon new process methods will be produced that have not been able to attain because the innovation will have taken on many aspects of the “intelligence” that could not have been harnessed before. Hyper-fusion will be a significant part of disruptive core business models.

Markets Ripe for Disruption

What are signs to find disruption opportunities?

So, where there is a market convergence or concentration there is a great opportunity for those special innovators. The ones that have the vision to take advantage of the market softness and leverage innovation to do something great for the customer. That is the opportunity and the market that is ripe for a disruption.

So, what are some of the markets that may be in this situation? Based on current trends and innovation that is ready to impact industries I have identified a few potential markets that are very ready for a major disruption.

- Transportation / Distribution
- Insurance / Life Insurance
- Energy Management
- Telecom / Content Distribution
- Asset Valuation

Transportation / Distribution – Previous transportation disruption was produced with a new method or logistics process exemplified by FedEx and other carriers. The current disruption is about the transport vehicle itself. This opportunity is very current as new innovation has become reality quickly leveraging electric trucks that have been announced by automakers including Tesla.

But electric trucks are not the only area where transportation disruption will occur. Amazon and other organizations using drones are also driving to disrupt the distribution market. Why, innovation is pushing autonomous and electric transport hard. Electric and automatous vehicles are much cheaper than piloted fossil fuels vehicles. Plus with the advantages of synchronizing directly with fulfillment that will control not only the cost but also the total customer experience. Wait for this one to emerge with electric, autonomous transportation either with flying drones, high end automobiles or straight up trucks.

Life Insurance – This one is ripe and ready for disruption. Just about every category for a disruption candidate is met with the Life insurance industry disruption. This is very indicative with many of the top ten industry leaders have completely busted core business model. Meaning that the company’s core business models cannot either provide customers with furthering service with a profitable operation.

Many of the organizations are simply leveraging the liquidity generated by ongoing policies to provide investment income revenue. The insurance companies cannot produce ongoing, sustainable profitability with providing straight up life insurance. Why, every point on the list for a market ready for disruption is in the life insurance industry. Old technology, high barriers to entry, operations and methods decades old with no significant improvements. With so many issues and busted core business models the Life insurance industry is just waiting for a new player to use “hyper-fusion” to generate an update, innovative core business model and completely disruption the industry.

Energy Management – Energy management of the electric grid is such an important part of sustainable energy platform. Just a 10% increase in productivity could save trillions of dollars of lost electric power and reduce the need for over production of electric power. Saving fossil fuels is great but one side is the consumption side and better demand management to do predicable electric resource management.

With the advancement in two areas and leveraging gaming engines and machine learning, applications could be uses to predict the demand side of electric grid management and significantly reduce the over and lost electricity for power grid management. This would not only cause a disruption in supplying electricity but also significantly change the need to overproduce unneeded powerplants not to mention the trillions saved in energy consumption management.

Telecom / Content Distribution – Telecom is already in a disruption. As is evident with so many new players providing digital services right now for traditional TV content. Players like Hulu, Sony Vue and Direct TV Now, all are providing steampable services for a fraction of the cost of tradition cable service. In just a few months after the merger of Spectrum and Time Warner Cable, these steampable services are gaining market share extremely fast.

Also, the internet deliver is changing rapidly. With the growth of fiber transport relays growing in cities, the amount and speed of communication is changing rapidly. Almost gone are home based pones replaced by all mobile devices and soon cable will be replaced by all fiber optics lines as well. This will also change content and content delivery as streamable services will dominate including the continued growth of cloud based technologies.

Asset Valuation – Asset valuation is not an industry, but it is a major part of the all industries. Think about it every asset that is utilized for an organizational operation has a value to further its core business model.

A change to the efficiency, accuracy or accessibility to asset valuation will cause a significant change. But for the financial industry, valuation is at the center of the entire industry. Valuation is both an internal operation and for the financial industry it is also a client operation. It is the basis for almost every business decision, contract and transaction. To understand what an asset is valued is to understand cost, revenue and operational impact all at the same time. Think about it, if you could value a fixed asset like a machine, auto, land or even a home with efficiency, accuracy and expediency will impact all industries but the financial industry would be disrupted.

Is such a disruption in the financial industry possible? It is not just possible it it is closer than we think. Innovation with new methods is just waiting for expeditious organization's to enable a new asset valuation and will cause a major disruption. Data science, intuitive process engines and machine learning has change many areas. These innovations will soon be able to leverage and change the way assets are evaluated with a high degree of accuracy which the financial industry has not experienced. There already some new methods and models that emulate real life activity that will get close to higher accuracy and risk tolerance are being developed. The financial market is waiting for a major disruption.

Looking for a Disruption

These are just a few of the markets that are rip and ready for a disruption. The key to any disruption is not just an innovation, method or new technology but the ability for

the new comer to realize a disruptive core business model. Only then will a market will not only be ready for a big change but also make the disruption complete.

A market disruption is a remarkable occurrence especially when the customer is the winner. But there is so much innovation that it is hard to sort out true when it will develop a true disruption. Not every new business core business model is going to be a market disruption. In fact, many of the new companies do not cause a market disruption at all. Some are just new entrants and some just fail. So how is it that a true market disruption is caused by the entrant of a new core business model?

As mentioned before, a new core business model requires new techniques, methods, innovation and balanced influencers that must all be synchronized to fulfill the law of business reality. When a viable operation with a needed new product is realized, it will produce a new core business model. That will develop a new entrant in the market but not necessarily a disruption. The issue is a disruption.

A disruption takes careful understanding of how a new core business model will serve customers in a profitable way. When Netflix developed its at home service it was unique to the industry. When ATT developed its new digital service it was unique to the industry and when Ford developed its manufacturing process it was unique to the industry.

There still must be a need for the customer and a new business model must perform it in a unique way. The issue for each of these examples were that it served customers in a **radically needed new way**. That is what caused the disruption. Let me show you what I mean. Standard Oil radical changed the industry by suppling stable (safe) oil at a very low cost which was different from the other competitors. Fedex overnight very reliable package delivery service which was different than the standard. Netflix provide DVD rentals directly to the home at a very low cost which was very different from the standard.

In each case the disruption occurs when a product or service is so radically different than the industry standard and is offered at a very high value. That is a radically needed new way at a high value to the customer. That is when a market disruption can occur. Where is the most likely for a disruption? When an industry is so stuck that it is commoditized. A commoditized industry is where a disruption can have the most impact and where many of the disruptions will emerge.

Recap

There are a number of industries ready for a big change and even the next disruption. I have previously listed a number of some of my favorites. If you look hard you can spot them. With Hyper-fusion there will be many opportunities emerging out there and the next one is right in front you. When it does it is a great thing just like the shattering of old and building a new.

I am sure if you look hard enough you can see the effects of a new core business model that was developed by some new operation or innovation that was realized productively and profitable. There are new ones being developed every day. It is exciting to see how the new disruptions will change the way we live and which ones will shatter the glass in a spectacular way.

Keep looking for the waiting disruptions for a big change. The winner is always the customer. The Disruption is Waiting...

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Look for David A. Duryea's how a new core business model is created for a disruption in his insight paper "Disruption – A New Core Business Model".