

The background features a dark, textured surface with numerous small, light blue 3D cubes scattered across it. On the left side, there are vertical and horizontal lines resembling a circuit board, with small circles at the end of the lines. The overall aesthetic is modern and technological.

BUSINESS DISRUPTION & DIGITAL INNOVATION

DTSL EEP: DIGITAL TRANSFORMATION

NEENA PANDEY, IIMV

SESSION OBJECTIVE

- Traditional vs. Digital Businesses: Scale & Scope
- Disruptive Innovation
- Business Model Theory of disruptive innovation
 - Role of DTs

FIRMS CLASSIFICATION: OUR FOCUS

Industry Incumbents

Tech Entrepreneurs

Digital Giants

DIGITAL GIANTS

RANKING OF FIRMS



TRADITIONAL VS. DIGITAL: SCALE-BASED GROWTH

Traditional

- Linear Market-share growth
- Depends upon firm's capital
- E.g., Walmart, Marriott

Digital

- Non-linear, exponential expansion
- Incumbents vs. Digital Giants
 - Walmart/Amazon; Marriott/Airbnb

Scale Disadvantage: Only with respect to direct competitors – no. of products produced/sold

TRADITIONAL VS. DIGITAL: SCOPE-BASED GROWTH

Traditional

- In Near-by businesses
- Incremental and methodical
- E.g., Bajaj, Honda

Digital

- Apple
- Google
- Amazon

Scope Disadvantage: Extending Reach/Vulnerable Only to/from adjacent Industries

INNOVATION

- Innovation is a process of **successfully** creating something **new** that has significant **value** to the relevant unit of adoption
- It can be for a service, product, or a process

INNOVATION TYPES

Sustaining (Incremental)

- Remodeling functionality
- Within the boundaries of existing market and technology or processes of an organization
- Carries lower financial and market-acceptance risks

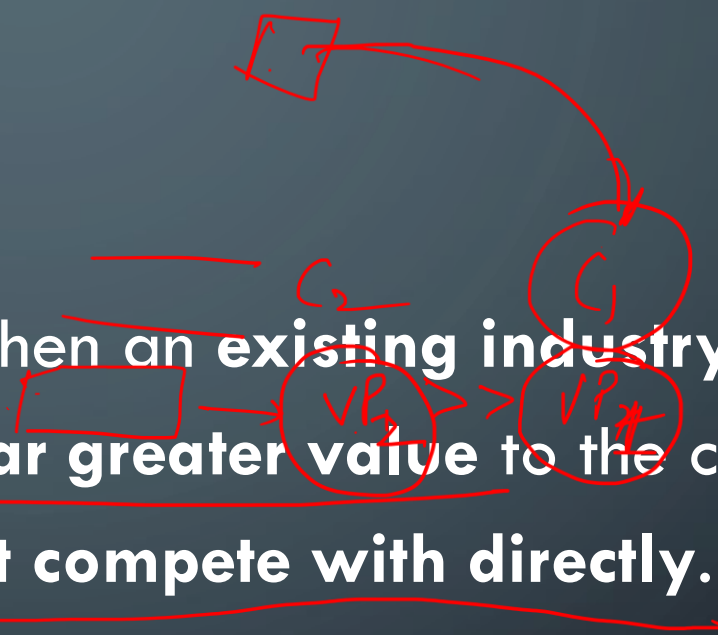
Disruptive (Radical)

- Breakthrough, Paradigm shift
- Change the game
- The more radical, the more difficult it is to estimate its potential and market acceptance

DISRUPTIVE INNOVATION

- **Definition:** A disruptive innovation is a **product, process or service** with either **unprecedented performance features** or familiar features that offers **significant improvements in performance or cost that transform existing markets or create new ones**

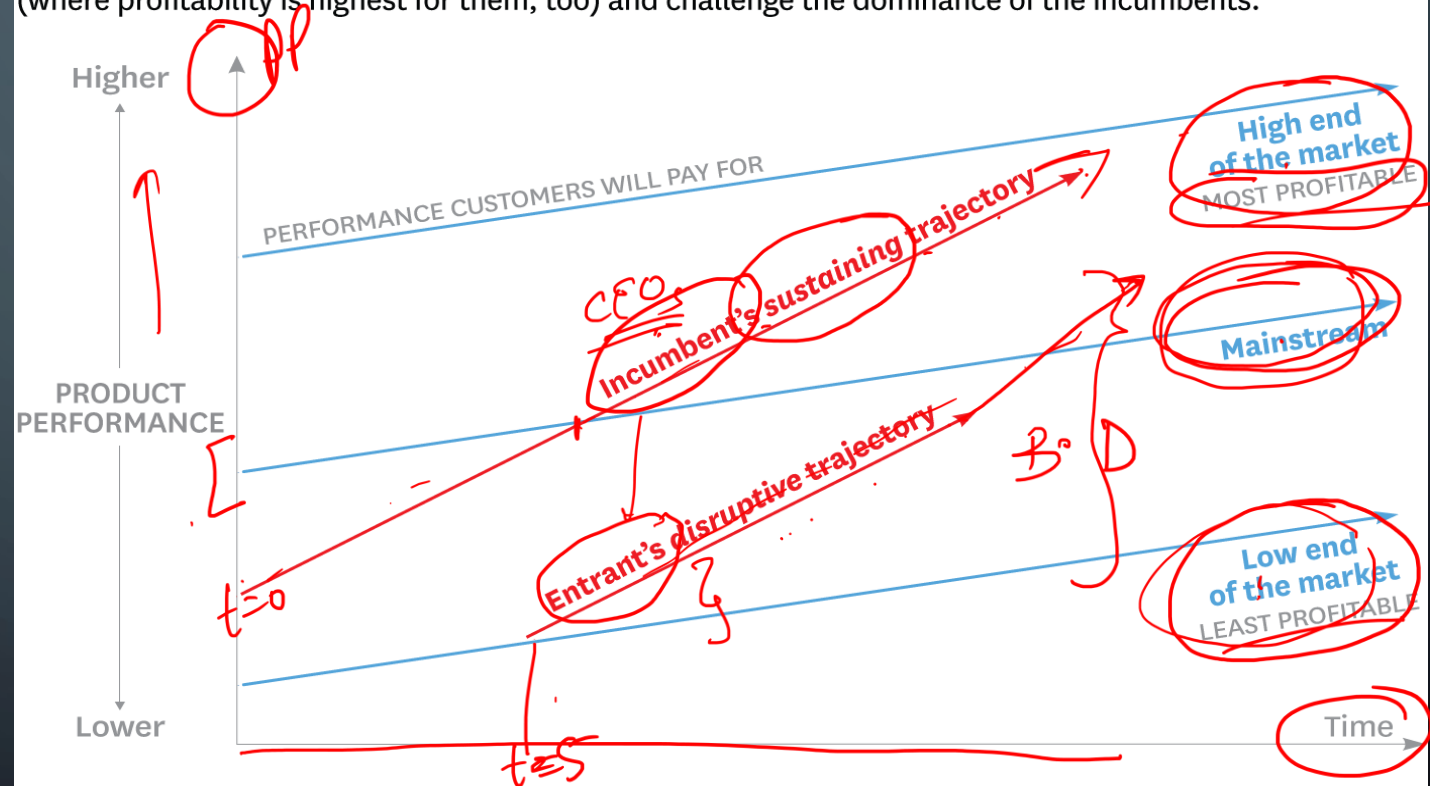
WHAT IS BUSINESS DISRUPTION?

- **Business disruption** happens when an **existing industry/firm** faces a challenger that **offers far greater value** to the customer in a way that **existing firms cannot compete with directly**.
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THEORIES OF DISRUPTION – CHRISTENSEN, HBR, 2015 (ORIGINAL 1995)

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.



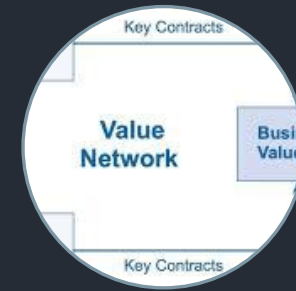
SOURCE CLAYTON M. CHRISTENSEN, MICHAEL RAYNOR, AND RORY MCDONALD
FROM "WHAT IS DISRUPTIVE INNOVATION?" DECEMBER 2015

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BUSINESS MODEL THEORY OF DISRUPTION



**Value Proposition
Differential**



**Value Network
Differential**



VALUE PROPOSITION DIFFERENTIAL

- Price
- Free/Freemium
- Access
- Aggregation
- Bundling – Unbundling/ Re-bundling

VALUE NETWORK DIFFERENTIAL

- Channels ✓
- Partners/ Networks ✓ V.N.D
- Revenue Model
- Assets: Physical/IP/ Data ✓ V.N.D
- Skill & Processes ✓ V.N.D ~~Apple~~



CASE STUDIES



➤ **Airbnb Vs. Marriott**



REFERENCES

- The Digital Transformation Playbook – David Rogers - book
- Christensen's Model of Disruptive Innovation - article
- Innovator's Dilemma - Book