



RISK & INNOVATION

How Customer Experience Is Driving Digital Disruption

OVERVIEW

Disruption is inevitable and no organization is immune. Findings from McKinsey suggest that the current pace of disruption is happening ten times faster than the industrial revolution, at 300 times the scale, and with 3000 times the impact. This is a historically unprecedented opportunity for businesses to thrive, but at the same time an unprecedented threat to slower-moving organizations, who may end up allowing themselves – or their industry – to be disrupted.

“We are at the precipice of unbelievably powerful advancements driven by technology. We no longer have to ask if we *can* do it, but if we *should* do it, and if we do, how do we do it responsibly,” says Eric Boyum, Managing Director, Technology & Communications Industry, Aon.

Embracing disruption – both managing it and anticipating it – is crucial for businesses to thrive during this change. But what constitutes disruption and how does it differ from innovation? Putting the customer experience first and truly understanding audience needs is critical. From agility to forward-thinking industry trends, established organizations can learn from newcomers and help their teams innovate on behalf of customers – key to thriving amidst change.

IN DEPTH

“Today, innovation and disruption confront many industries. What we are seeing is that this is being driven by a host of entrepreneurial firms looking for opportunities to beat incumbents at their own game. It becomes even more interesting, however, when they are a leading force in creating a *new* game” says Paul Mang, Aon’s Global CEO of Analytics.

Boyum, who works with some of the world’s leading technology companies, offers a key distinction between innovation and disruption: “all those that participate in disruptive movements can be considered innovators – however, not all those that innovate are necessarily disruptors.”

Randy Nornes, Executive Vice President, Aon Risk Solutions, further elaborates: “disruption does not come from typical competitors,” where most companies traditionally focus their defensive efforts. Instead he notes, disruptors often originate from outside the industry being disrupted – which means established players don’t recognize what’s happening until too late. The ‘disruptor’ then captures and develops a market, eventually unseating incumbents.

When Apple released its first smartphone in 2007, it probably wasn’t looking to transform the transportation industry. But it turned out that putting a GPS unit in the pockets of billions of people across the world would crack open a whole universe of commercial applications inconceivable to the original inventors. Uber, the paradigmatic “disruptor,” was quick to see this

Smartphone technology was available to everyone. Uber’s ability to capitalize on Apple’s innovation and aggressively outpace incumbents in the taxi industry through offering cheaper, more flexible rides, marked it out as a true disruptor. It is now the most valuable private company in the world.

Apple itself was, of course, also a disruptor. It jumped on the then-new technology of file-sharing with iTunes, and disrupted (many would say fatally) the physical music retail industry. Spotify in turn disrupted iTunes by putting subscription streaming ahead of paid downloads.

It’s not just about innovating and making products better – it’s about anticipating consumer needs. This type of disruption often comes from new players, as opposed to traditional competitors. “The company that provides the most taxi rides does not own any taxis; the company that rents the most rooms does not own any rooms, and the company that distributes the most media does not generate any content,” says Boyum. “These companies are, of course, Uber, Airbnb and Facebook.” They got there not by being the best in their field at providing a certain product, but by providing a completely new one.

Data For The People

“We’ve seen entire industries emerge because they promise something to the end-user: a better customer experience,” says Nornes. Uber could have made bigger, plusher taxis. Instead, they correctly saw that what travelers wanted out of their experience wasn’t necessarily luxury, but affordability and convenience of a kind that traditional taxis had yet to provide.

Through a data-driven understanding of audience or a market, disruptors seek to prioritize customer experience and work to improve the status quo – often creating a new one. “A lot of sharing economy companies focused on technology and new ways of capturing data,” says Nornes. “In the transportation world, disruptors leveraged the GPS technology that’s inside a smartphone to create a superior service.” In turn, this data has been used in other ways to improve the ridesharing services. An Uber passenger can feed back data via ratings, which the company can then leverage to further optimize user experiences, and create a model which is, to an extent, self-regulating.

“How do companies in other sectors take the data they’re generating from the customer interaction and translate that?” asks Boyum. “Increasingly, as companies seek to improve their customer experience, it’s our role as a partner to focus our innovation efforts to help them achieve those goals. Doing this effectively differentiates those who provide strategic advice from those that sell products.”

This data-led process of transformation is set to intensify. By 2020, there could be a predicted 20 billion internet-of-things devices worldwide. Understanding the emergent narratives of consumer behavior that this enormous mine of data produces will be the first order of business for tomorrow’s would-be disruptors.

The Ripple Effects Of Disruptive Innovation

“The most important lesson to learn is that disruption can happen to everyone – no-one is immune” says Boyum. This disruption can come in many forms, other than direct competition.

“How do you deal with independent contractors? How will regulations evolve? What are the talent implications – do companies have the necessary disruptive talent to keep ahead of competitors?” asks Nornes. Some of the more wide-reaching implications of disruption could include:

Insurance & Regulations: Businesses don’t operate in a vacuum – from insurance to regulations, they are governed by a complex network of secondary services, which will also have to adapt to disruption. Current insurance policies are built on certain assumptions about how customers engage with products or services. Initially, Uber struggled with getting its drivers insurance coverage, as providers had no products that accommodated the unique risks of non-employee drivers – of course, disruption here also means an opening up of markets for new products.

There must also be responses to the shifting nature of work in the gig economy. Is an Uber driver a freelancer using an app or should they be treated – and compensated – as a full employee?

Employment & Talent: Headlines proclaiming an unemployment doomsday at the hands of automation are abundant. Don MacPherson, Partner, Global Engagement Practice at Aon Hewitt, frames this as a hiring and retention issue: “Are we still going to be able to bring people into this organization as we’re seen to be shedding jobs that are now obsolete?”

But, he explains, organizations should relish this as an opportunity to transform their talent and training strategies. Incumbents should look at what innovators are doing: What types of talent are they bringing on? How flexible is that talent? And, perhaps most importantly, are they fostering functions like R&D, which will allow them to leverage their disruptive capabilities in a competitive environment?

Societal Impact: Models which disrupt multiple industries, like the sharing economy, also have widespread societal implications. A firm like Airbnb disrupts far more than just hospitality incumbents. Homesharing can incentivize more buy-to-rent activity, which causes distortions in rental markets as prices rise. This in turn can provoke regulatory responses from local governments – which affect the whole housing landscape, rather than just the operations of one company. And so they have, in Paris, San Francisco, and New York.

The onus is on the disruptors to communicate the benefits they bring for *all* stakeholders. For instance, customers enjoy ridesharing because it’s more affordable and convenient, but reducing the number of cars on the road also helps fight pollution. Similarly, flatsharing could emphasize the tourism revenue it generates.

Disrupting For Tomorrow

If companies can perform this balancing act – from embracing new technologies, models and services around consumer needs, to preparing for the unknowns disruption can bring – then they can find huge success in the coming years.

“Disruption is the result of dramatic innovation. And whether business models rise and fall on this is not the point” says Nornes. Disruption is a bigger trend than the fortunes of an individual company – it’s the rise of new ways – perhaps *better* ways – of doing things. By recognizing evolving customer needs and forcing new ways of thinking within an organization, companies, and their leaders, can make sure they are on the right side of history.



TALKING POINTS



“How do companies make sure they continue to operate with excellence while also inventing, twisting and turning in the directions required for long-term success? A systematic problem requires a system-level solution: cohesive interventions to build innovation deeply within the culture of your organization.” – Scott D Anthony, Managing Partner, Innosight



“[There is sometimes] a false choice between blind obedience to disruption and blind obedience to continuity. Clearly, neither is a winning strategy. In truth, successful disruption does not merely destroy, but creates a shift in mental models.” – Greg Satell, Popular Speaker



FURTHER READING

- Embrace, Not Fight Disruptive Technology – Straits Times, January 28, 2017
- 5 Disruptive Tech Trends In 2017 – Huffington Post, February 10, 2017
- Disruptive Innovation: Intellectual History & Future Paths – Harvard Business School, January 23, 2017
- Brokers Can Benefit From Disruption In 2017 – Insurance Age, January 31, 2017
- Why Bigger Data Means Big Disruption – Forbes, February 1, 2017

