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Disruptive or incremental innovation?

'Radical' or 'disruptive' innovation is a prominent topic for many companies. Innovations that fundamentally change or create new markets are both emotionally attractive and fundamentally appealing. Whether from the perspective of the organization that takes on the status quo to reinvent the marketplace or from the point of view of an incumbent who needs to pre-empt potential disruption, identifying potential opportunities for high-level innovation is a real challenge. Spurred on by a range of high-profile disruptions, more and more companies seek to be the next disruptive innovator in a major market. In order to start on this ambitious journey, many are looking for a better understanding of who are today's emergent disrupters and what are their key areas of innovation focus. In order to highlight these current disrupters, this article will focus on three types of disruptive innovation: those which are driven by technology, business model and consumer value.

Here we examine those companies that redefine their markets

Technology-driven disruption

Technology

As the worldwide obsession with constant connectivity continues, it seems no sector of society will be excluded from this trend. Children in emerging regions and rural Chinese communities are becoming target markets for corporations such as Intel, Lenovo and Dell. These companies are involved in designing extremely rugged products, so energy efficient that they can be powered by hand cranking and each costing less than \$200 once all extraneous components have been removed. With vast investment from Intel's 'World Ahead' program, basic PC skills will soon be attainable in even the most remote of communities. In the developed world, WiFi is about to reach the final frontier of travel, as Aircell prepares to launch its air-to-ground based broadband solution on American Airlines' Boeing 767 planes. This technology will allow passengers to access email and the Internet on a fee-paying basis, just as if they were sitting in their local Starbucks.

Healthcare

There are many disruptions with a technology-induced starting point, but most capitalise on the improvement of an existing idea. In evaluating the top technology trends of the future, one of the strongest opportunities lies in the use of electronics in the medical world. While advances in electronics can certainly allow for improved treatment of patients, equally exciting is the work being done to assist medical diagnosis. SmartPillCorporation has created a digestible device the size of a vitamin that can be swallowed by the patient. Information about the patient's digestive system is then transmitted to a data receiver as the patient goes about their daily business. The device also enables the data to be

downloaded at a later date, when the patient returns to the doctor. As common digestive disorders are not only widespread but also difficult to diagnose and treat, the potential impact of the device on the medical industry and patient relief is substantial.

Business model disruption

Media

In addition to breakthroughs in technology, there are also a number of disruptive innovators that have adopted new business models to shake up the market. Blykoffers a totally new proposition to both its customers and retailers in the form of a mobile network funded entirely by advertising and aimed solely at 16-24 year-olds. Customers receive similar benefits to those of a standard mobile phone package -including a certain number of free calls and texts every month -all the while opting to receive targeted SMS ads based on their specified preferences. By April 2008, Blyk had already signed up 100,000 customers -six months ahead of schedule. The business model employed by Blykoffers a total win-win to both customers and advertisers, allowing the latter direct access to the youth audience they seek to target. Subscribers with the correct profile for a brand are targeted using text messages, usually with a question to which they need to respond, such as asking if they would like to receive more information about a particular product. The response rate is an extraordinary 29% on average, which, when compared with an average direct mail response rate of 2% or online banner response rate of 0.5%, makes this a remarkably efficient and successful form of marketing -one that is likely to revolutionise mobile advertising.

Technology

Silicon Valley start-up Ribbit has developed a platform-based web phone that effectively acts as a one-stop shop, providing its users with a single number for all incoming and outgoing calls, regardless of whether these are received via a mobile handset, fixed line or even through Skype. Although similar services are being offered by Google's GrandCentral, Lignup and Ifbyphone, Ribbit is differentiated by its open platform approach to developers. By making its APIs available to developers, Ribbit allows them to design new applications to merge voice with a web-based front end, opening up a host of new innovations in voice-ware applications and their integration with the web. Through this model, developers can do more than just design new applications: they have the opportunity to sell them as well, creating a symbiotic business model for Ribbit and its developers through which both are able to capitalize. Another company to watch in the move towards wireless is FON -a Spanish company building up a global community of hotspots by tying together home broadband connections already in place. The company sells customers a wireless router, which -once connected -acts as both a private and public access point. Customers who share their broadband with other public users get free access to all other FON hotspots, as well as receiving part of the proceeds generated from access sold through their own FON connection.

Customer Value disruption

Retail

While the concept of leasing is nothing new, "temporary ownership" is now beginning to come into its own, with companies like Streetcar and Zipcar offering to hire out a car for as little as an hour at a time. The temporary ownership idea has even expanded to a greener alternative. Bike sharing schemes are springing up in international cities; Paris, Seville and Copenhagen all offer schemes that allow citizens to pick up a bike at docks situated around the city, with the option to return the bike to a different location once their journey is complete.

Taking the concept a step further by tapping into celebrity trends, Handbag Hire HQ offers customers the opportunity to rent designer handbags -at a fixed monthly rate -for as long as they are wanted or needed. Similarly, paperspine.com allows its customers to build a wish-list of books that can be kept for as long as the customer wants prior to return.

The temporary ownership concept offers many consumer advantages, allowing customers the freedom to use or 'own' something that they might be unable to afford, or that might be thrown away in today's disposable society.

As people begin to think more about environmental issues and consider their personal social responsibility, short-term ownership effectively means never having a host of things to throw away once they are finished or go out of fashion, while the environmental benefits of car sharing and cycling are clear. The city bike schemes have gone a step further by helping to reduce street crime, thanks to a fall in bike theft. All in all, the financial and environmental benefits of temporary ownership make it a very valuable customer proposition and we should expect to see more schemes like this in the future.

Finance

In a society that increasingly values speed and overall ease-of-use, Barclaycard's OnePulse is a trail-blazing precursor to the future, where contact-less and mobile payments are likely to become the norm. OnePulse combines the traditional debit/credit card with the contact-less Oyster card function for use on the London transport system, as well as Visa's 'PayWave' technology, which allows users to pay for items up to £10 in value simply by waving the card in front of a reader at any participating retailer.

Barclays have managed to negotiate a three-year exclusive deal with Transys -the transit operator responsible for Oyster -giving them access to more than six million Oyster-carrying customers. While Barclays obviously stands to gain from the deal, the consumer is also likely to enjoy greater convenience, with one single card capable of paying for both goods and travel in seconds. The product has already encountered strong success in the capital, as increasingly numbers of retailers introduce 'Wave and Pay' points by the till.

Beyond these benefits, OnePulsere presents just the beginning for contact-less payment, with the technology likely to move to the mobile phone in the future. In short, this could be the beginning of the end for payments as we know them.

Disruptive innovation, the new business Grail ?

For organizations that desire to be 'Disruptive Innovators', it is critical to recognise the real scope of disruption in order to specify the approach, business model and partnerships that may be required in order to deliver the product or services.

Many successful disruptors have profited by transposing existing business models and proven technology from another sector into their own. Currently, this is more likely to result from the perspective of consumer need 'pull' than it is from a technology 'push'. The key is to identify exactly what and where the real consumer unmet need is, how it can best be met and at what premium versus the alternatives.

Disruptive innovation is clearly an area of major interest and rightly so, given its potential ROI impact when delivered effectively. While incremental innovation dominates many corporate product portfolios, organizations are increasingly seeking to add to the share of potentially radical innovations being nurtured. Consideration of various methods of disruptive innovation, as well as the specific examples outlined here, may help to provide focus ahead of action.

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