Don’t Get Disrupted! How to Protect Yourself From Your Competition

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Leaders spend a lot of time thinking about how to be disruptive—to unseat bigger players through a combination of innovative technology and new business models. But they spend a lot less time asking themselves, *How likely are* we *to get disrupted?* And that’s a problem.

Disruption often feels like it comes out of nowhere, but it doesn’t. It comes from the corners leaders aren’t looking at, and from companies leaders consider outside their industry. By not getting in touch with the vulnerabilities of their own organizations, leaders leave their companies open to harm, both strategically and financially.

In my academic and professional studies around disruption, I have identified three major blind spots that leaders often have—and that their disruptive competitors often exploit. Here are the three things leaders most often ignore but must keep front and center if they want to defend their firms against quick obsolescence.

1. Own the standard, or get outmoded by it.

Every industry has things in common. Competitors may end up using the same underlying technology, for example, or consumers may start engaging with an industry through aggregator platforms. Amazon’s five-star rating system is a

type of standard: It takes millions of retail items and lines them up against each other. Price comparison platforms like Skyscanner are also a standard; they enable consumers to shop across airlines, comparing their options based on basics like ticket prices and travel time.

Standards are often good for consumers, but they're bad for businesses. They tend to easily flatten out any differences between competitors, and they hand over power to whoever owns the standard. If you see new standards rising in your industry, either own those standards outright by acquiring the firm creating them or, if you can't do that, join forces with other players in your ecosystem to create a competing set of standards you can control as a means of defense.

This is why Google bought Android in 2005, when it was just a nascent mobile operating system. At the time, smartphone manufacturers were all using their own OS. There was no standard. Nokia had Symbian, for example, and RIM had BlackBerry OS. Google foresaw the growing importance of mobile to its core advertising business and wanted to ensure that Google search was used across as many mobile phones as possible—so it wanted to *create* a standard. It bought Android and presented it as an open source OS for a wide range of phone manufacturers, including, most notably, Samsung. The phone companies were happy to accept because they felt that Google's software development capabilities were superior to theirs…but in doing so, they lost many points of differentiation, increased their dependence on Google, and gave up the opportunity to monetize search and other business models in the process.

2. **The middleman is your bottleneck.**

If your company can't create a direct feedback loop with your customers—either personally or through various digital channels—then you're ripe for disruption. This is why disruptors either start with a direct-to-consumer business

model or cocreate their products with their consumers through means like Kickstarter or social media. They own the relationship, which helps them gain sharper insights and better products. Meanwhile, large incumbent companies are often stuck behind a long chain of vendors and channel partners; they're rarely in touch with their customers directly. If most of your revenues are dependent on intermediaries selling on your behalf, invest today in creating a direct relationship with your end users.

This is why Dollar Shave Club (DSC) was able to upend the razor blade market. With its lighthearted advertising and low-cost subscription offerings, it sold directly to consumers instead of entering the traditional brick-and-mortar retail channels dominated by incumbents Gillette and Schick. DSC's revenues grew from $4 million in its first year to an estimated $150 million by 2016. Then Unilever bought the startup for $1 billion. By 2018, DSC had reportedly taken up 8 percent market share of the $2.8 billion men's shaving industry, and industry giant Gillette—which many consumers now saw as just another product hanging on a shelf—dropped from its 70 percent share to below 50 percent by 2017. Gillette introduced its own direct-to-consumer channel that year but only did so when it was arguably too late.

3. Your upgrades could be your downfall.

Incumbents love making incremental improvements to their products and services. And why shouldn't they? Incrementality minimizes risk, and it guarantees that your more affluent customers keep coming back for more. But over time, this strategy alienates an important customer—people who want a low-cost, basic service. That's when a disruptor can swoop in, appealing to those people with a simpler offering and a different business model. Then the disruptor can increase its own offerings—stealing its competitors' affluent customers as well.

If your firm is cluttered with a smattering of product and service “upgrades,” and you’re not exploring new business models, you are setting yourself up for disruption.

This story has repeated itself over and over—with Casper in mattresses, Airbnb in hospitality, and EasyJet in travel. But one of the most stunning recent examples happened in home entertainment. Back in 2006, the industry’s greatest shift was between DVD and Blu-ray. Both were incremental products—the DVD was an improvement over VHS, and then Blu-ray came packing with better visual and audio quality than DVD. Both also followed Hollywood’s long-running business model: You watch a movie in the cinema, and if you like it enough, you could spend $10 or more on a copy for home. But the next year, Netflix’s streaming service took off—and even though its image quality was weaker than Blu-ray’s, consumers didn’t care. They just wanted a simple and convenient movie fix, which these disc manufacturers had overlooked. Netflix soared, and DVD and Blu-ray sales never recovered.

Any business can be disrupted —and that vulnerability has less to do with the business itself and much more to do with the mindset of its leaders. In the examples above, we can see that quite clearly. Handset makers *could* have cocreated a new operating system without adhering to Google’s standards, Gillette *could* have started a direct-to-customer selling model sooner, and Hollywood *could* have started its own streaming platform before Netflix did. But they didn’t. Watch out for these blind spots the next time you are thinking about strategy. If you’re aware enough, you will remain a disruptor…and won’t get disrupted.

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