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TOMORROW'S CHALLENGES

THE MARKETING STRATEGY OF INDUSTRY DISRUPTORS

SOLVING CUSTOMER HEADACHES AND 4 OTHER WAYS TO LEAD YOUR BUSINESS IN TODAY'S FIERCELY COMPETITIVE WORLD

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We are all familiar with Uber, Airbnb, Tesla, and Netflix as disruptors. But how many of you know Mediq? It's a Dutch healthcare company that aims to make traditional pharmacies a thing of the past. My colleague Carlos Cordon has been closely watching Mediq. He has observed that today highly trained pharmacists are more in the business of "moving lucrative boxes" over the counter in exchange for "a piece of paper" (the prescription), rather than caring for patients.

Prof Cordon says that thanks to companies like Mediq, pharmacists are next in line for a major disruption. For people suffering from chronic diseases such as diabetes, for example, big data can help anticipate on which day patients will need their insulin drugs renewed, ending the need to go to the drug store to wait to find out that your medicine is out of stock.

All the best recent disruptions have something important in common: They involve companies with the marketing common sense needed to solve customers' headaches by using technology and cutting costs.

Here are the top 5 marketing principles of today's disruptors like Mediq:

1. **Solve a "customer headache"**

   While marketing gurus have always suggested that business executives should know what their customers want and need, very few of those customers often know themselves what they desire. The founder of Ford Motors used to say: "If I had asked what my customers what they wanted…they would've said a faster horse!"

   Until recently, one of the major challenges for marketers was to come up with great customer insights. My belief is that most great marketing insights come from observation and common sense. Steve Jobs was very good at that game when he invented the iPhone, the iPod or iTunes. Nobody wrote Jobs an email to say: "These are the products, services or experiences we need". What some people call "vision," I call "common sense observation". Although there is no real scientific recipe to get these insights, four key steps can help develop them: observation of customer behavior, identification of what I call a "customer headache," reflection, and experimentation. The customer headache is having a huge stereo with hundreds of CDs. Observation collects facts (e.g. "It would be great if I could carry 10,000 songs around with me on a device I can fit in my pocket). Reflection combines them ("Could this be done on a gadget smaller than a pack of cigarettes?). Experimentation tries out possible combinations of the previous elements (a small hard drive could be the solution). And that's how the iPod was born! It's all about solving a "customer headache".

2. **Make the best out of big data**

   Today, thanks to big data, it's easier than it used to be to scientifically identify trends and spot new consumer behavior. Using big data is how Mediq saw that it could predict when patients with chronic diseases would need a particular drug on a particular day and save money for everyone: the customer, the insurance company and the government (but at the expense of the intermediary). Big data has been at the core of web marketing and the success of most modern day disruptors. It also enables marketers to identify and prioritize customer headaches. The challenge of whether customers can trust a particular restaurant or hotel was the headache at the source of the fortunes being made by TripAdvisor and other travel app creators.

3. Rethink industry boundaries from "inside-out" to "outside-in"

Many of today's disruptors have no less than redrawn entire industry boundaries by focusing on consumer insights. In its early days thanks to Amazon's vast offer of books and its ability to use big data, the company could reliably provide its users with recommendations on what else they might be interested in buying. But nowadays its industry is almost impossible to define; is it an online retailer? A logistics company? Something else? Is Google an internet search company or a future transportation company?

In parallel, old industries are being redefined by new competitors. The health industry used to be centered mainly on pharma companies. Now players as diverse as Nestlé (wellness), Nike and Disney (healthy lifestyles), AXA Insurance (affordable healthcare), DSM (life sciences), IBM (analytics), Oracle (software), and many others have broadened the definition of both their own businesses as well as transforming their entire industries to capture a share of the growing pie. Redefining the industry you want to be in is not an entirely new idea. Back in the 70s and 80s, Peter Drucker or Ted Levitt were already suggesting it. However, today big data enables us to see the consumer world with different lenses from the "outside-in" rather than the "inside-out".

Most companies I know claim to be customer-focused. But, a closer look often leads me to conclude that many are more product-driven than customer-driven. They create new products and then look for clients who will buy them; a typical inside-out business model. "Now that we have a great product, how do we convince customers to buy it?" Few corporations take consumer insights to heart (outside-in) and deliver extra value at lower costs. Sir Stelios Haji-Ioannou broke the mold in the airline industry by founding easyJet and focusing on only one customer segment: those who pay for their tickets out of their own pockets. Traditional players competed on economy seats but also business and first class.

4. Add more value by redefining new ecosystems

The next key element in disrupting an industry and solving customer headaches is to create new ecosystems. Again, Apple was a pioneer in this area. In 2013, Apple CEO Tim Cook said at a Goldman Sachs conference that Apple can be distinguished from other companies due to its expertise in software, hardware, and services. On the so-called vertical integration that the company has followed for the last few decades, he said: "Apple has the ability in all three of these spheres to innovate like crazy and make magic happen".

Other companies are trying desperately to catch up but it's not easy. Google, Microsoft, and Amazon have entered the fray by setting up their own ecosystems, which include devices, books, games, music, media, and storage services. Each company has its own distinct strength and has been trying to grab market share from Apple. Amazon leads in e-commerce, while Google dominates in online search and advertising. Apple had a head start in music with its iPods and iTunes but its recent Apple Music streaming service was underwhelming and it may be losing ground in the music area. Who will come out on top? Only time will tell.

5. **Cut costs**

Finally, one of the defining traits of disruptors has been to drastically cut costs for consumers. You know your book from Amazon is probably a good deal cheaper than from your local bookstore and your ride with Uber will set you back less than a Taxi. In Paris, I recently discovered great quality eyeglasses for £9.99 delivered in less than an hour from a company called "Lunettes pour tous". Needless to say I bought more than one pair.

One of the ways of lowering costs for consumers is using the internet and other technology to cut out the old middle man, who, from what we can see today, was funneling maybe too much value for himself. The jobs market will adjust in time but not without some pain.

Another key success factor is scale. Thanks to its sheer size Alibaba can offer services for next to nothing but still make a profit due to the colossal numbers of transactions it makes.

Understanding these five principles is a good start to getting ready to disrupt whether you're a startup or an established company. This is the new way of doing business and it's not going anywhere anytime soon.

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