BUSINESS MODELS FROM THE DISCONTINUITY OF AN INDUSTRY

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Content organized by **Claudia Samartin** in 2021, based on the book **Reinvent your Business Model: How to Seize the White Space for Transformative Growth**, published in 2018 by Harvard Business Review Press.

LEARNING GOALS

- Know the forces that can be determinant for the discontinuity of an industry

- Make connections with companies that have gone through this discontinuity and understand the reasons why they were unable to recover or reinvent themselves in this new scenario.

INTRODUCTION

We constantly see the need for reinvention and innovation of business models, products and services, structure, processes, profit formula, market, among many other changes. In any transformation process, we see the preservation of some of these aspects, in others, little remains of what was originally done, due to very drastic changes caused by the discontinuity of the industry, change in the market, which often involve technology or regulations and government policies.

If we look at it, climate change threatens automobiles, utilities, oil and other hydrocarbon-based industries, and this change is necessary and impacted throughout the planet, not just in a specific region or market.

More emblematic episodes help and make clearer the changes needed in some industries and businesses. The September 11 attacks, the financial collapse in 2008, the UK's exit from the European Union, are more regional events, but they can change the course of many industries arising from laws or regulations that may reverberate in many countries.

Today, we do not yet know with great precision the effects, consequences and impacts of COVID-19, but we already have numerous indications of change needs in several segments, such as the hotel industry, aviation, retail, e-commerce, among many others. It is practically impossible to think of any sector that has not been reached and that does not need to review its modus operandi or its value proposition.

These events, although quite distinct, have something in common - they arrived without any warning or without any indicator to be monitored and have two characteristics –

1. have changed and will still radically change the game
2. the scope and impact of these events are very difficult to predict

According to Mark Johnson, many forces can contribute to a structural change in any industry, but he focuses on 3, which directly creates opportunities and imperatives for business model innovation:

- Radical and unpredictable changes in market demand stand out about those planned and anticipated changes, within their natural course of evolution

- Discontinuous changes in technology, with the development of revolutionary movements, enabling new technologies.

- Dramatic changes in government policies that affect business environments

When we talk specifically about business discontinuity, many companies fail to recognize these external forces, especially attached to the track record of success so far or, if they recognize them, are unable to trace the inherent implications in a precise, complete and rapid manner, mainly because these events have happened without precedent.

Many business models, since the 2000s, have been transformed by internet technology, which gained a greater prominence with the boom that occurred years earlier. We can, from the outset, mention great names of companies that hitchhiked on this opportunity and that were the pioneers and inspirations of the models that followed them:

- Ebay: Online auction business model of just about everything

- Amazon: Online retail that has under your umbrella pretty much everything

- Google: Research market for just about everything

ENCYCLOPEDIAS

The encyclopedia industry, which sailed quietly before the advent of the Internet was one of the businesses that died, mainly caused by the technological upheave, to which we talked above. It was replaced by Encarta, a multimedia digital encyclopedia, owned by Microsoft, created in 1993. It was then undermined by Wikipedia, a free-licensed, web-based, collaboratively written multilingual encyclopedia project launched in 2001.

Along with Google's unlimited search resources, the encyclopedia industry was discontinued and we said goodbye to established sources of research – Barsa, Encyclopedia Britannica, Delta-Larousse, among others, which were practically our treasure in the area of knowledge at home.

TRAVEL AGENCIES

The travel agency industry has also lost its majesty with technological innovation. The competitors of the agencies were not other agencies, offering the same product, same business model and value proposition, and on top of all that, competing for price.

The new market players were hitherto unknown and non-existent. Expedia and Decolar took the captive place of the agencies, making their clients plan their trip with a friendly platform, easy access and without the intermediary, fees and commissions of the agencies. Agency service aggregators, as we call it, were complemented by other players such as TripAdvisor, which we gave information and more security to seek our vacation more autonomously.

NEWSPAPERS

Perhaps an example of a more everyday industry, which had its business extremely impacted and had a large part of its representative companies discontinued was the newspaper. When we talk about this product specifically, some points can be highlighted with regard to the business model.

Newspapers have always seen the Internet as a major threat. Few companies have seen opportunities to grow within it. This was the starting point for the collapse of its product, in the format that it existed. Newspapers had their profit formula from advertisements, advertising (their biggest revenue) and their own sales, through newsmen and/or bookstores and subscriptions.

At the time the internet was present, they did not plan any new value proposition, revenue model or ways to change their profit formula and continue adding value to their stakeholders (customer, suppliers, partner, etc.). They simply took the content that was produced and put it online, lengthening the resources and processes of their existing model. At no point did they question the above points or come to the customer asking what experience they would like to have reading a newspaper online.

In the meantime, sites born in the Internet era were already seeking to meet the expectations of these users / readers. Google News, Yahoo! and UOL News segmented and democratized new content and along with materials produced by social networks such as Facebook, Twitter and Linkedin, allowed the user to do their own curating.

CONCLUSION

As we have seen, industries and businesses, without warning and without foresight, can suffer major continuity problems, generated by events without historical or previous similarity. Companies born post traumatic period has had a common feature, which is the use of facilitated network models, as we have seen in greater detail in previous topics and within a technological platform.

We understand that in the first decade of the millennium 30% of the businesswas created on top of technology platforms, as shared by Mark Johnson in his research (Reinvent your Business Model, p. 125), however, after twenty years I believe that this percentage has increased significantly, and that it should not stop growing in the coming years.

LEARN MORE

"Technological Disruption" - shows the scenario of technological disupage, some of the markets that will be impacted and how, by tainting artificial intelligence. In Portuguese.

Available at: <https://youtu.be/xDedmn8aDvw>
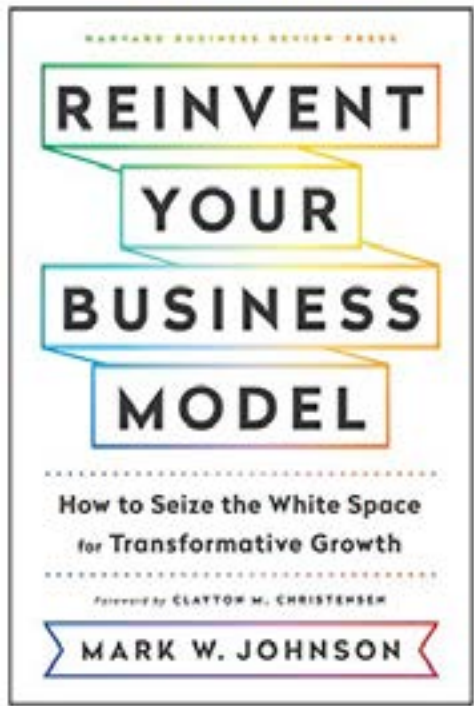
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