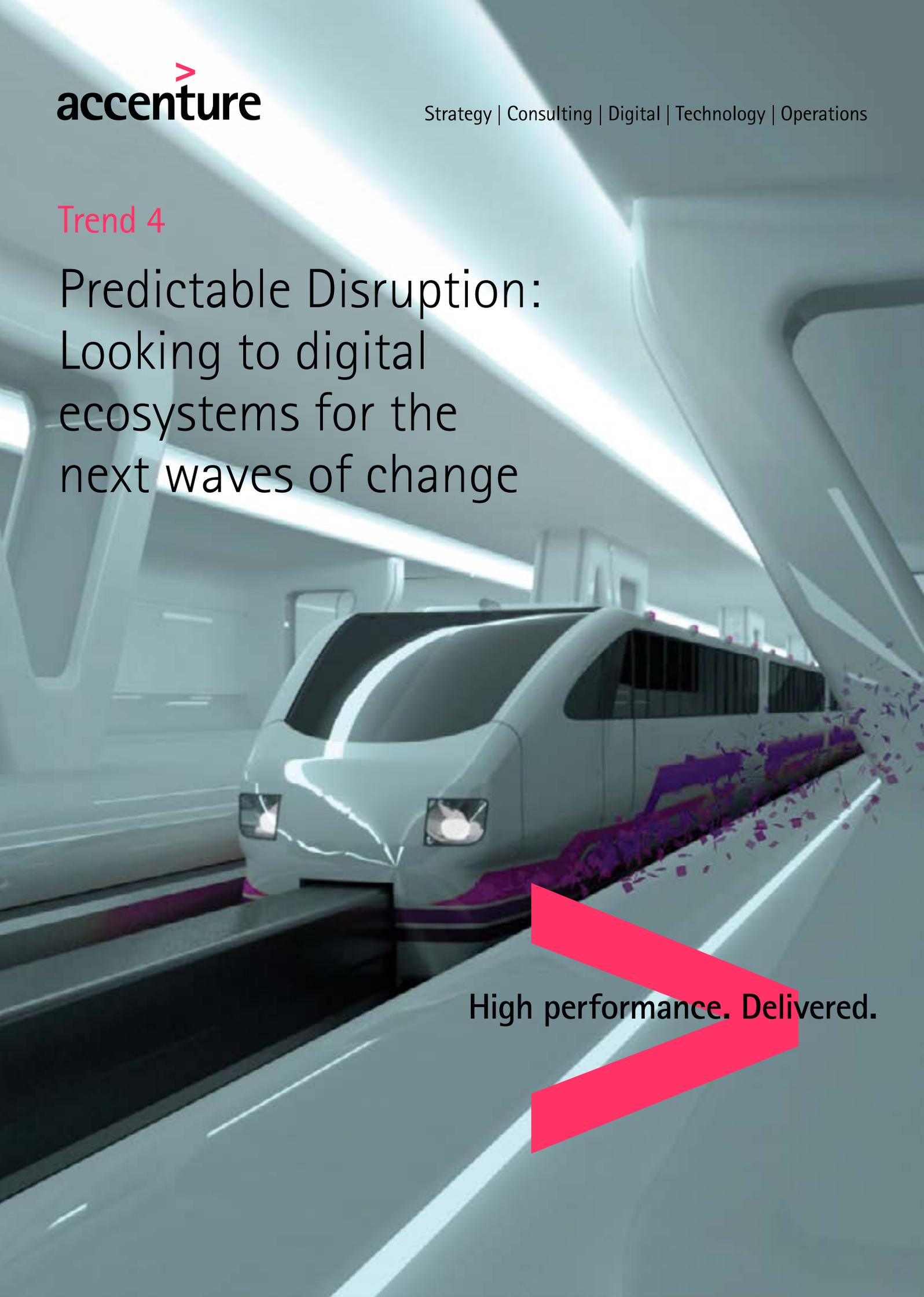
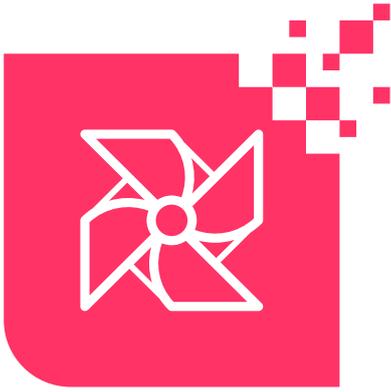


Trend 4

Predictable Disruption:
Looking to digital
ecosystems for the
next waves of change

A sleek, white high-speed train is shown in motion, traveling along a modern, brightly lit track. The train is angled towards the viewer, and its headlights are on. The background is a clean, futuristic station environment with curved architectural elements and recessed lighting. A large, vibrant red chevron graphic is overlaid on the bottom right of the image, pointing towards the right.

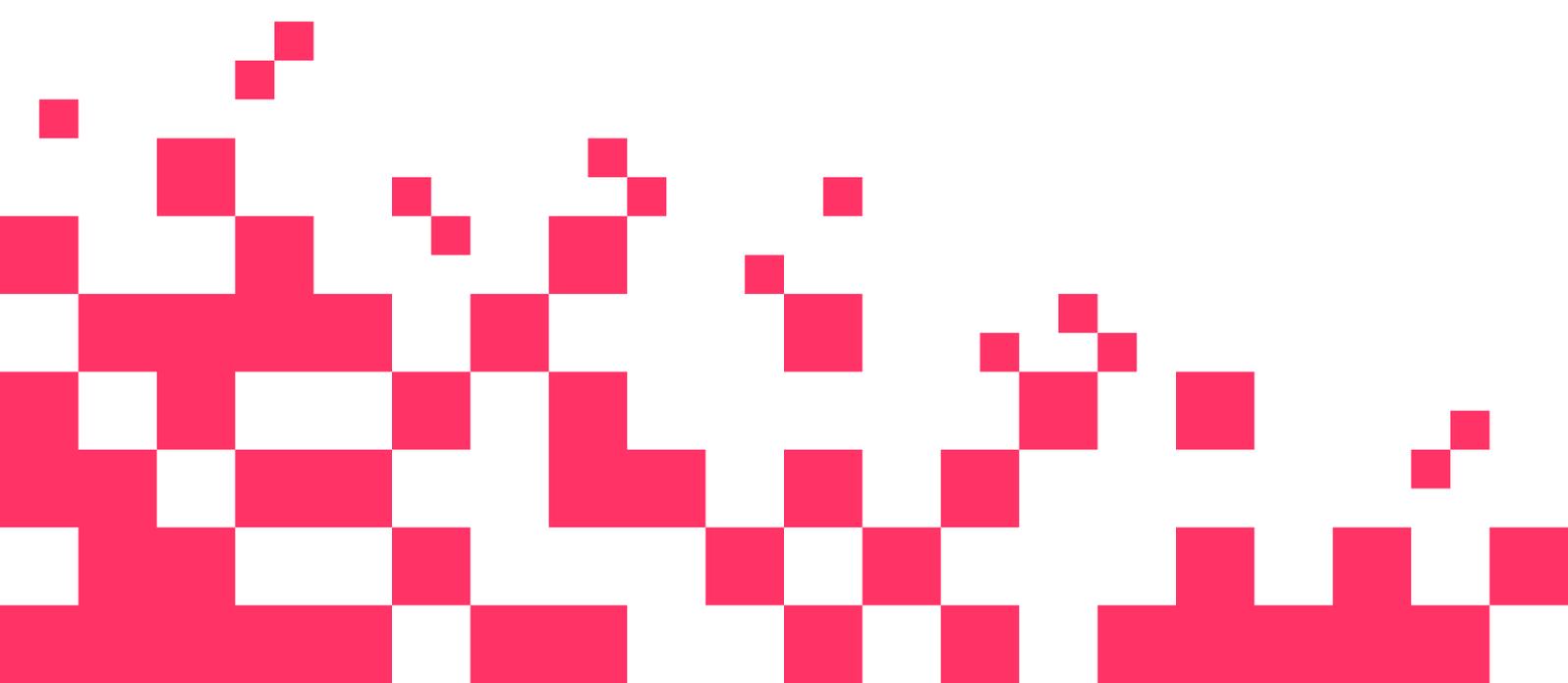
High performance. Delivered.



Trend 4

Predictable Disruption: Looking to digital ecosystems for the next waves of change

Fast-emerging digital ecosystems—think precision agriculture, the industrial internet or smart cities—create the foundation for the next big wave of enterprise disruption.



Digital ecosystems like these, and the businesses that power them, are already straddling markets and blurring industry boundaries. The threat they pose? Unexpected new competitors seizing advantage.

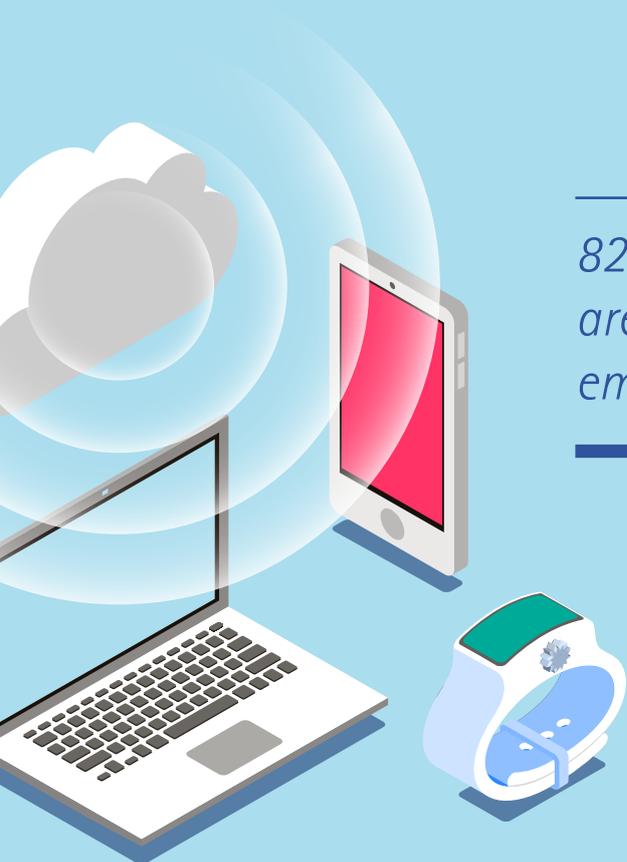
The opportunity? Unlike previous technology disruptions that were often unpredictable, enterprises now have a line of sight to track growing ecosystems' trajectories and anticipate their impacts. Forward-thinking leaders can get ahead of the game, develop their ecosystem strategies, and ride the results into new markets. But they must start now.

Across industries, leading enterprises are starting to make big investments in building digital platforms. As they do, they're uncovering

exciting growth opportunities that fundamentally change how they create and deliver products and services as outlined in our Platform Economy trend. But these technology platforms and the new business models they drive are only part of the story. As more companies build or partner in industry platforms, new digital ecosystems are growing around them. These digital ecosystems will become the foundation for the next major stage of technology and economic disruption.

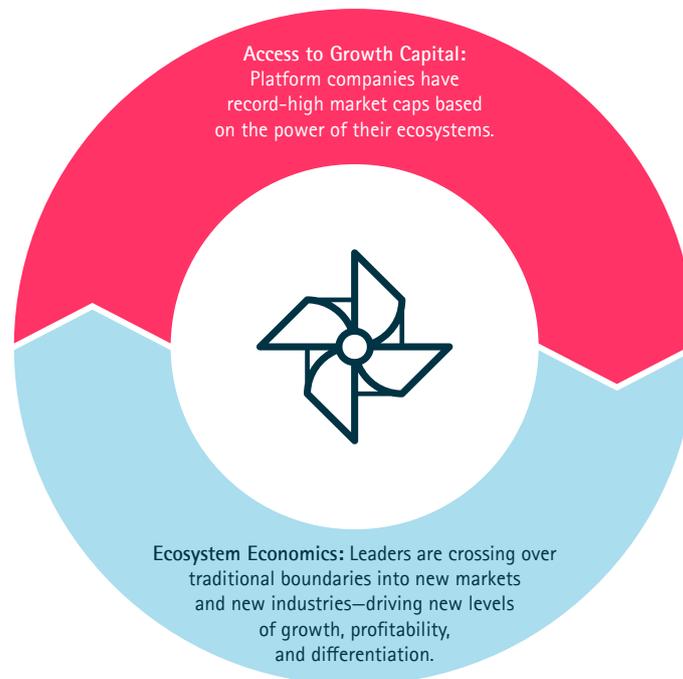


82% of executives say industry boundaries are being erased, and new paradigms are emerging for every industry.



Platform businesses are dominating the digital economy with record-high market caps, and growing asymmetrically by crossing over traditional industry boundaries into entirely new markets.

Capital Supports Platform Business Model Investments



Ecosystem Power Drives Profits and Valuations

How are we seeing this play out today? Look at the automotive industry. Every major manufacturer is building 'connected' cars that are transforming business model opportunities—that's the platform. As a result, the technology in the connected cars is fueling a rich ecosystem that is becoming one of the next major hubs of innovation. Now, companies across industries are joining the ecosystem to offer digital services and capabilities such as mobile hot spots, remote diagnostics, safety and security, infotainment, variable insurance, car sharing, and much more. This digital ecosystem is redefining what automakers do. Rather than just

building cars, they're engaging with customers throughout the vehicle lifecycle, directly managing software upgrades, diagnostics, and safety.

But, the changes that are being driven aren't limited to the industries that these platforms start in. As the ecosystem matures around such platforms, it is becoming the foundation for far more widespread disruption. But unlike technology revolutions of past eras, the disruptive forces of ecosystems can be predicted with a fairly high level of certainty. Using the power of their industry knowledge, companies can map out ecosystem scenarios—unveiling the disruptive opportunities and threats.

Looking again at the automotive example, we can see that telematics data from a growing ecosystem of connected vehicles is transforming the way businesses optimize their supply chains—reinventing logistics and reducing costs with real-time asset tracking and precise delivery. It's also becoming an integral piece of smart cities—enabling local governments to start developing advanced services, from smart traffic monitoring to road planning and energy management.

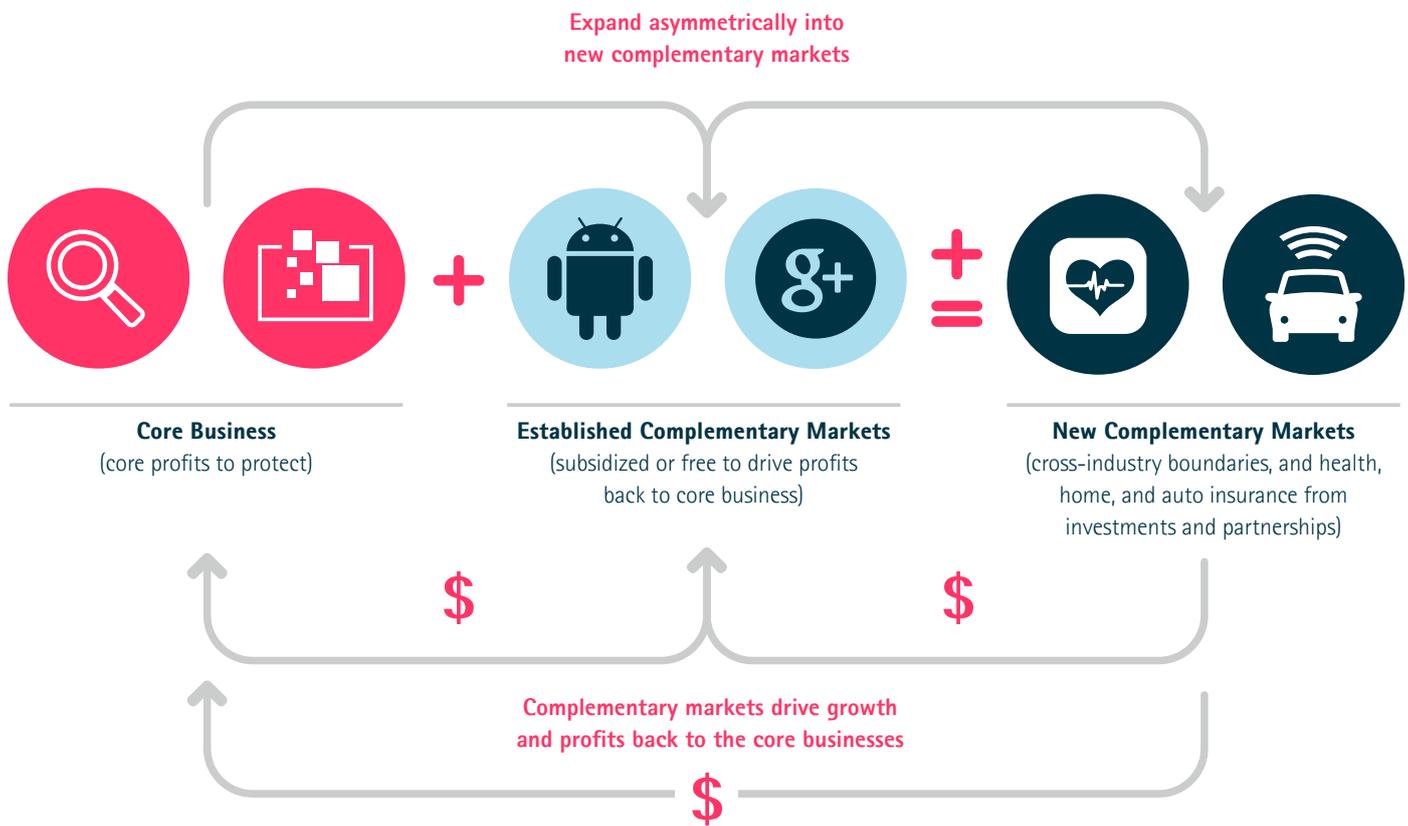
Similarly, in the insurance industry, pulling down driving data from connected car platforms has enabled new services such as pay-per-mile insurance with newcomers like Google and Metromile to challenge the industry status quo. With driverless cars becoming a reality within just a few short years, pay-per-mile is providing a glimpse into the imminent disruption of consumer transportation. Furthermore, Tesla is starting off by offering cars with autopilot, and Google wants to go full throttle in launching driverless cars without steering wheels and gas pedals. But both technologies are posing even tougher questions for regulators and insurers—for

instance, who is at fault when two autonomous cars hit each other? Does personal auto insurance even exist for autonomous vehicles?

As these examples show, the disruptive nature of these new digital ecosystems is not bound by traditional industry barriers. As every industry becomes digital, an ecosystem forming in one sector can rapidly become the foundation for disruptions in another. Take Uber, for example. The company started by building a mobile device platform to create an ecosystem of connected cars and drivers that disrupted the taxi industry. But as this foundation has settled, Uber is now using that

same ecosystem to push disruption into new sectors—such as the recent trial of UberHEALTH in Boston. With its existing network of cars and customers, and a new set of skilled workers—registered nurses—Uber has been able to provide on-demand delivery of flu shots and similar vaccinations. Neither hospitals nor major pharmacy chains in the United States would have ever previously seen Uber as a competitor.

Asymmetric Growth



Power to Predict

Enterprises have become accustomed to disruption over the last few years, and now many will be hearing alarm bells once again. But this time there's a big difference: enterprises can see it coming. Ecosystem disruption will typically be predictable disruption.

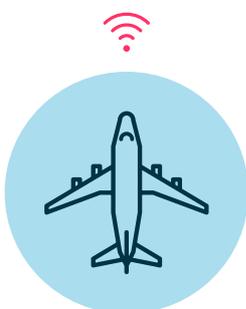
That's because ecosystems are inherently tied to industries and business models, so large organizations are particularly well placed to predict ecosystem trajectories—and, what's more, take advantage of them. The scale, resources, years of industry knowledge, and maturing digital abilities of leading businesses provide them with the power to create and capture immense opportunity by crafting new roles and forging inroads into new industries.

Consider GE. This industrial equipment manufacturer has deep experience in building essential tools for all major industrial sectors. With the rapid growth of its digital industry ecosystem and the industrial internet, GE saw the opportunity to do much more than simply sell connected equipment.

The company took its understanding of the ecosystem created by connected machines and integrated it with its extensive industry knowledge to capture new disruptive opportunities and forge new partnerships. Now, instead of 'simply' building wind turbines GE is partnering with energy giants like E.ON to build the software systems to analyze and improve the turbines' energy output—in the process becoming a key contributor to the development of alternative energy sources (an innovation that's already spawning an ecosystem of its own). And rather than 'simply' selling locomotives, GE is creating an ecosystem of connected trains that are contributing to the growth of transportation—and creating services that allow customers to optimize fuel efficiency and their supply chains. Now GE stands at the center of the industrial internet, with its impact reverberating far into other digital ecosystems.

As digital technology transforms how all sectors operate, ecosystems are emerging in every industry. The home is becoming the smart home; governments are building smart cities; manufacturers are moving to Industrie 4.0, which includes precision agriculture; digital health—the list goes on.¹ Enterprise leaders must study these large-scale changes to spot which ecosystems will press up against their own industry and, more importantly, how their business can take advantage. For example, both the smart home and smart city will significantly impact companies across the energy sector—it's therefore a disruption that power companies should be planning for today. As forward-thinking companies anticipate these disruptions, they can redirect them, turning them into an opportunity to get ahead.

Connected Transportation



Air

Honeywell Connected Aviation

- Improved Air Traffic Control
- On-board Wi-Fi
- Safety Management



Sea

Hyundai Connected Ships

- Product Differentiation
- Shipping Optimization
- Inventory Transparency



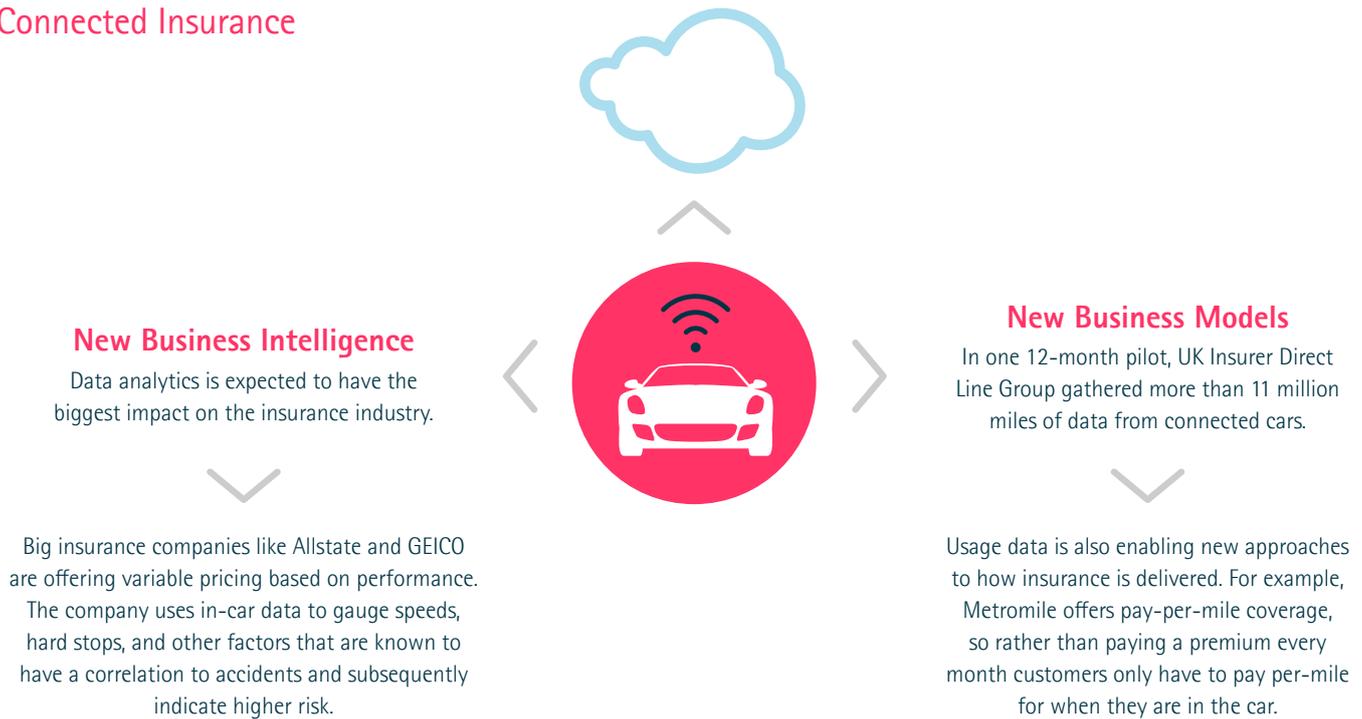
Land

Cisco Connected Rail

- Switching Routing and Mobility
- Increased Ridership

¹ The fourth Industrial Revolution, powered by new manufacturing technologies such as automation and cyber/physical interconnectivity.

Connected Insurance



New Business Intelligence

Data analytics is expected to have the biggest impact on the insurance industry.

Big insurance companies like Allstate and GEICO are offering variable pricing based on performance. The company uses in-car data to gauge speeds, hard stops, and other factors that are known to have a correlation to accidents and subsequently indicate higher risk.

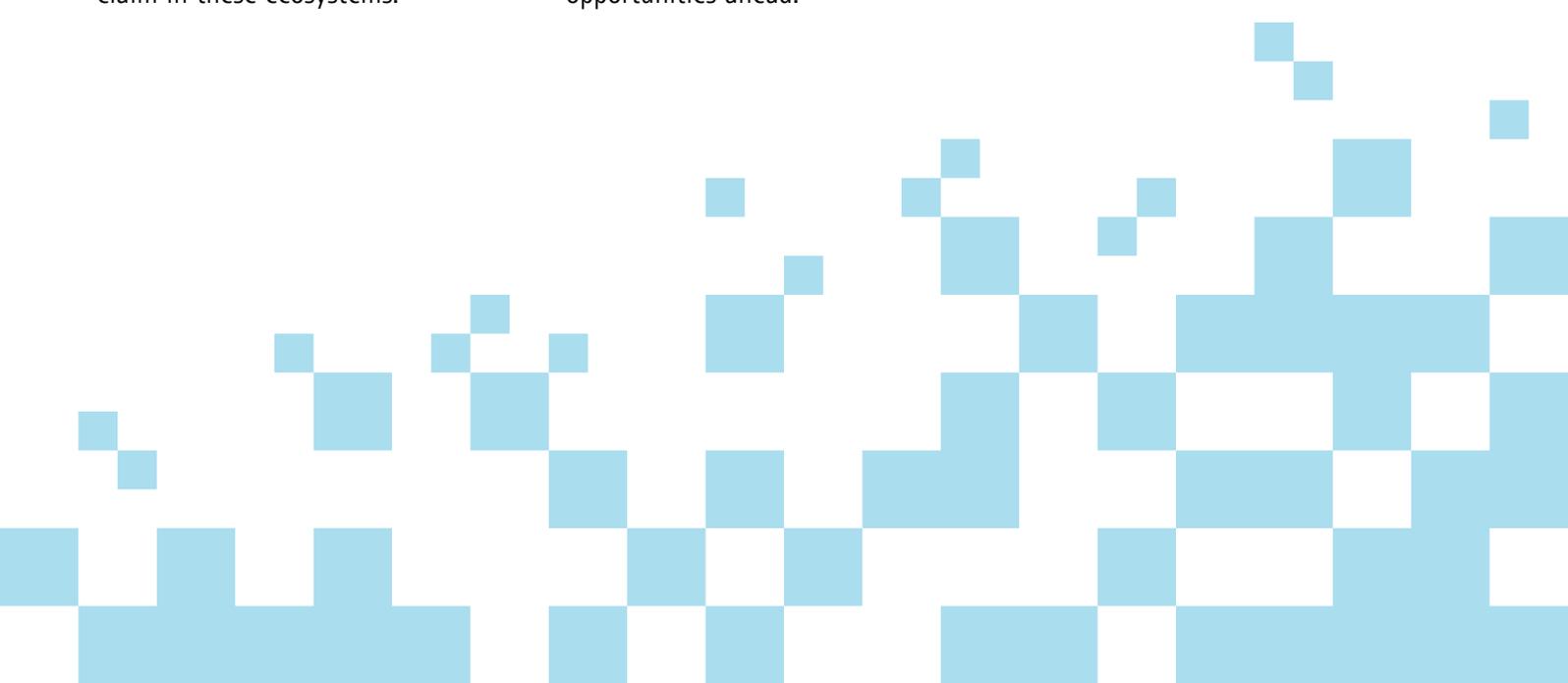
New Business Models

In one 12-month pilot, UK Insurer Direct Line Group gathered more than 11 million miles of data from connected cars.

Usage data is also enabling new approaches to how insurance is delivered. For example, Metromile offers pay-per-mile coverage, so rather than paying a premium every month customers only have to pay per-mile for when they are in the car.

Ecosystem disruptions won't arrive across all industries at the same time, or with the same velocity. But they will arrive and can be predicted. With new entrants already vying for position, industry leaders must act now, and act fast to build the services and develop the new partnerships that will allow them to stake their claim in these ecosystems.

Winners in this new phase of predictable disruption will expand their horizons, watching and learning from the changes in peripheral industries. Armed with that knowledge, they can forge new roles, set new strategies for growth, and, most importantly, plot a course to seize the unlimited opportunities ahead.



Predictions



Leaders Game the Ecosystem: Strategy teams use gamification to play out and predict disruptions.



Industries Go Horizontal: Traditional industry boundaries disappear, leading to the birth of entirely new industry segments.

Key Takeaways

- Digital ecosystems are becoming the foundation for the next wave of enterprise disruption.
- Industry boundaries are already blurring, shifting market power to newcomers.
- Enterprises can gain visibility into the disruptive forces of ecosystems and take action now by developing strategies to forge new roles and new paths.

Predictable Disruption: 100-Day Plan

Over the next three months, start to understand the disruptive forces and opportunities of emerging ecosystems.



1. Appoint a C-suite sponsor to oversee a team that is responsible for championing your new ecosystem and digital partnership strategies.

3. Have your team develop innovative ideas for how the organization will leverage emerging digital ecosystems. Envision your competitive position, new value chains, and new use cases for the ecosystems where you plan to compete.



2. Take an inventory of the ecosystems related to your business and prioritize the list according to those with the greatest potential for impact on your organization. Leverage external industry experts to provide fresh perspectives about growing digital ecosystems.

4. Craft the strategy that will bring these ideas to fruition. Start to line up the resources, stakeholders, and investments necessary to forge this new path.

Predictable Disruption: 365-Day Plan

A year from now, your company will have a balanced understanding of traditional industry competition and the ecosystem economy.



1. Build the partnerships that will support your ecosystem strategy. Identify the key players in digital ecosystems, choose your preferred alliances, and have initial discussions.

3. Create new metrics to determine success in digital ecosystems. Develop these by tracking the progress of your pilot and use those insights to uncover potential indicators; iterate this process until you find metrics that can reliably measure success.



2. Pilot an initial foray into a digital ecosystem. Pick the one business process, product, or service that is best aligned with your prioritization of potential disruptions and can benefit from existing and new partnerships.

4. Identify new skills demanded to support the expansion of your digital ecosystem strategy. What new technology skills are needed? Does your organization need experience in a specific industry? Develop a plan to acquire these high-priority skills.

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