A large, stylized graphic consisting of two overlapping chevrons pointing to the right. The top chevron is blue and the bottom one is a lighter cyan color. They are positioned behind the main text.

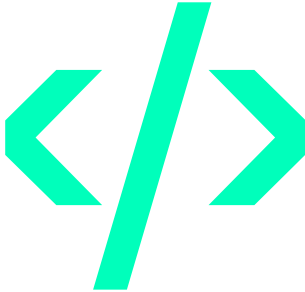
DISRUPTION NEED NOT BE AN ENIGMA.

Our **Disruptability Index** reveals the patterns so businesses can crack disruption and map a clearer path forward.

DISRUPTION IS NOT TO BE FEARED. WHY?

**Because it has an understandable,
predictable pattern.**

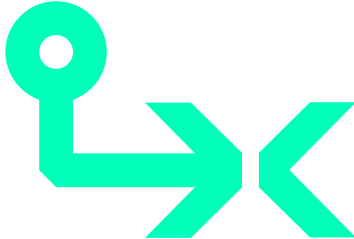
Now is the time to learn how to:



**DISSECT
DISRUPTION**



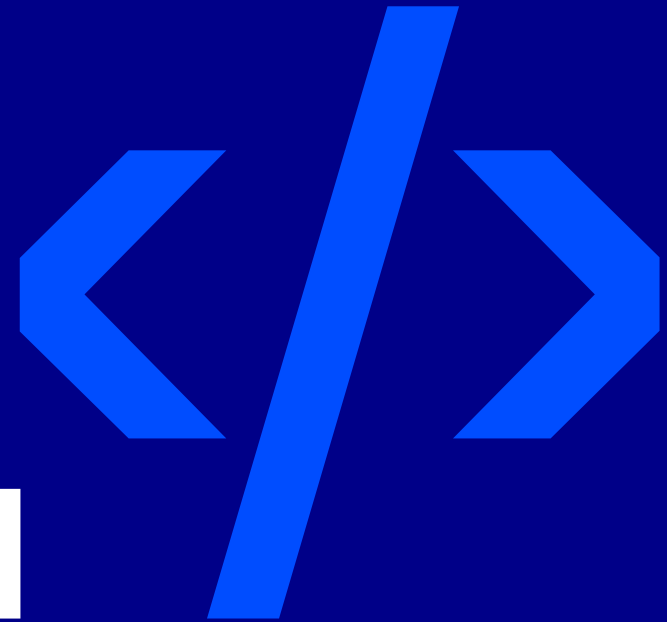
**UNDERSTAND
THE PATTERN**



**SEIZE THE
OPPORTUNITY**

DISSECT DISRUPTION

GET UNDER THE SURFACE



DISSECT DISRUPTION

UNDERSTAND THE PATTERN

SEIZE THE OPPORTUNITY

DISRUPTION IS YOUR REALITY

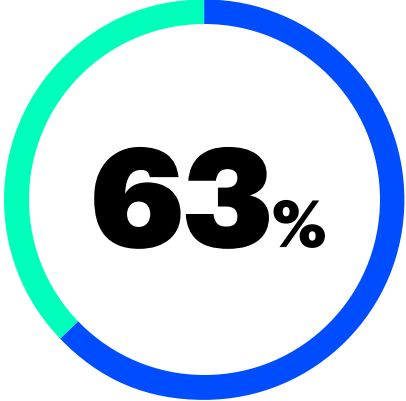
IT'S HAPPENING NOW, AND MANY INCUMBENTS ARE STRUGGLING

Companies are **spending increasing amounts of money** each year trying **to drive disruption** (rather than end up its victim) by identifying the next big market breakthrough.

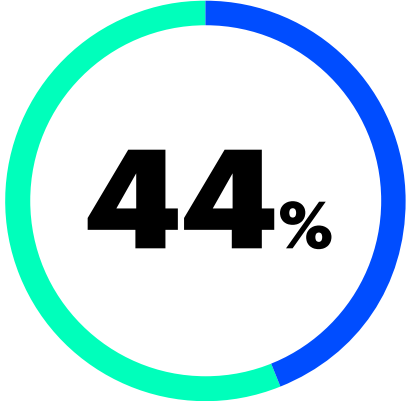
Despite these investments, however, **profits of incumbent companies** are down, the scale of corporate bankruptcies is up, and our analysis of more than 3,600 of the largest companies in the world suggests that there is more of the same to come.

In fact, **our research has found that more than 40 percent of companies** across 20 industries—accounting for a combined enterprise value of US\$26 trillion—**are highly susceptible to future disruption.**

The specter of Blockbuster looms large. Will Tesla be the downfall of traditional car manufacturers? Will Amazon upend the global retail landscape? Ultimately, is disruption to be feared?



of companies are **experiencing disruption**



of companies are **highly susceptible to future disruption**

Source: Accenture Disruptability Index—see [About the Research](#) for further details; Capital IQ

INCUMBENTS ARE COMPRESSED

ACROSS MANY INDUSTRIES

Cumulative revenue and EBITA for top 50 largest companies in each sector (US\$ billions)

— Revenue — EBITA

Source: Capital IQ, Accenture analysis

THERE IS NOTHING TO FEAR IF YOU CAN GET UNDER THE SURFACE OF DISRUPTION

What are disruptors really doing when they upend industries?

They're simply releasing new forms of value—value that was ready to be unlocked as a result of technological progress, combined with other external changes.

Companies rightly expect **technology-driven innovations to shape the new reality** of their industries. (In a global C-suite survey, 68 percent of respondents expect their industry to be significantly disrupted by new innovations brought by technology in the next three years.)

And if you've been in the thick of it, you know that disruption can feel overwhelming.

But the reality is that **once you dissect disruption into its key components, you can understand and address its risks with confidence.**

What's more, disruption is not impossible to predict.

68%

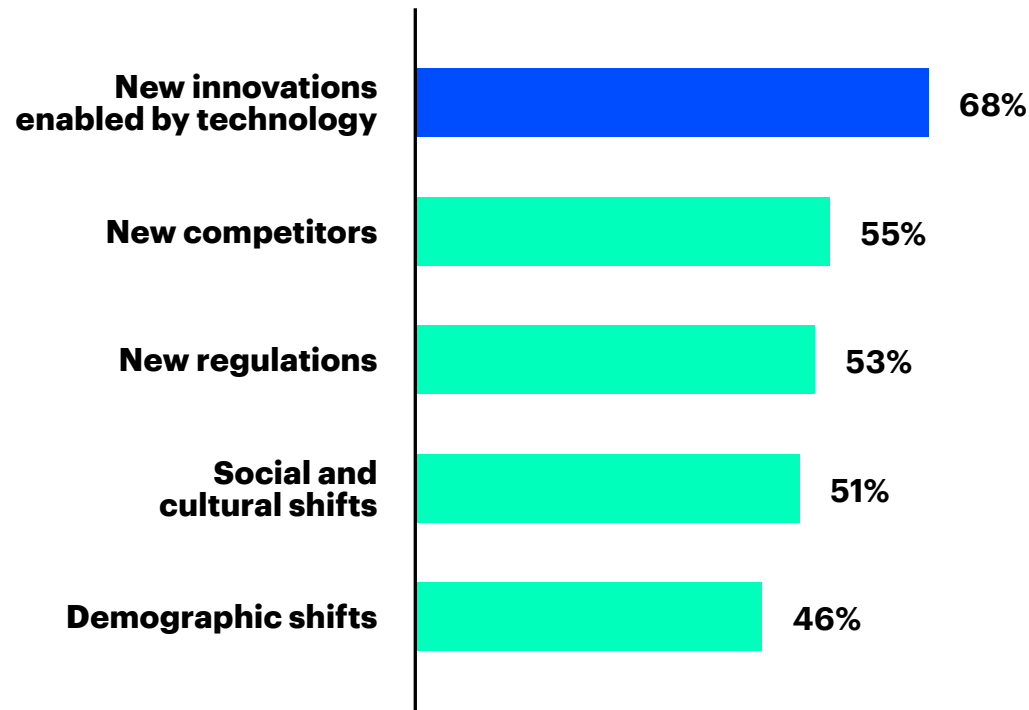
of respondents in a global C-suite survey expect their industry to be significantly disrupted by new innovations brought by technology in the next three years

.....

THERE IS NOTHING TO FEAR

IF YOU CAN GET UNDER THE SURFACE OF DISRUPTION

To what extent do you expect your industry to be disrupted by the following in the next 3 years? (% of respondents saying “to a large/very large extent”)



Source: Accenture Research survey of 1,440 executives conducted in April-May 2017

DISSECTING DISRUPTION

THE FIRST STEP TOWARD OVERCOMING COMMON MISCONCEPTIONS

To help business executives better understand disruption, Accenture has created an **index** that reveals 20 industries' current level of disruption as well as their susceptibility to future disruption.

To measure these industries' **current level of disruption**, we examined two dimensions: the presence and penetration of disruptors, and incumbents' financial performance.

Our research has shown that disruptors tend to be successful in three ways:

1

They dramatically lower historic prices through new cost structures

2

They deliver significant innovation in products and experiences for consumers

3

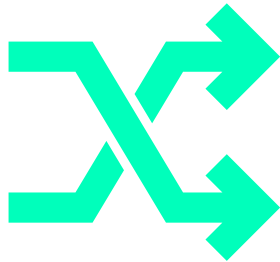
They break down incumbent defenses and barriers to entry

To measure **susceptibility to disruption**, we assessed each industry against those three dimensions.

DISSECTING DISRUPTION

THE FIRST STEP TOWARD OVERCOMING COMMON MISCONCEPTIONS

News headlines often imply that disruption is:



Random and unpredictable



Beyond your control

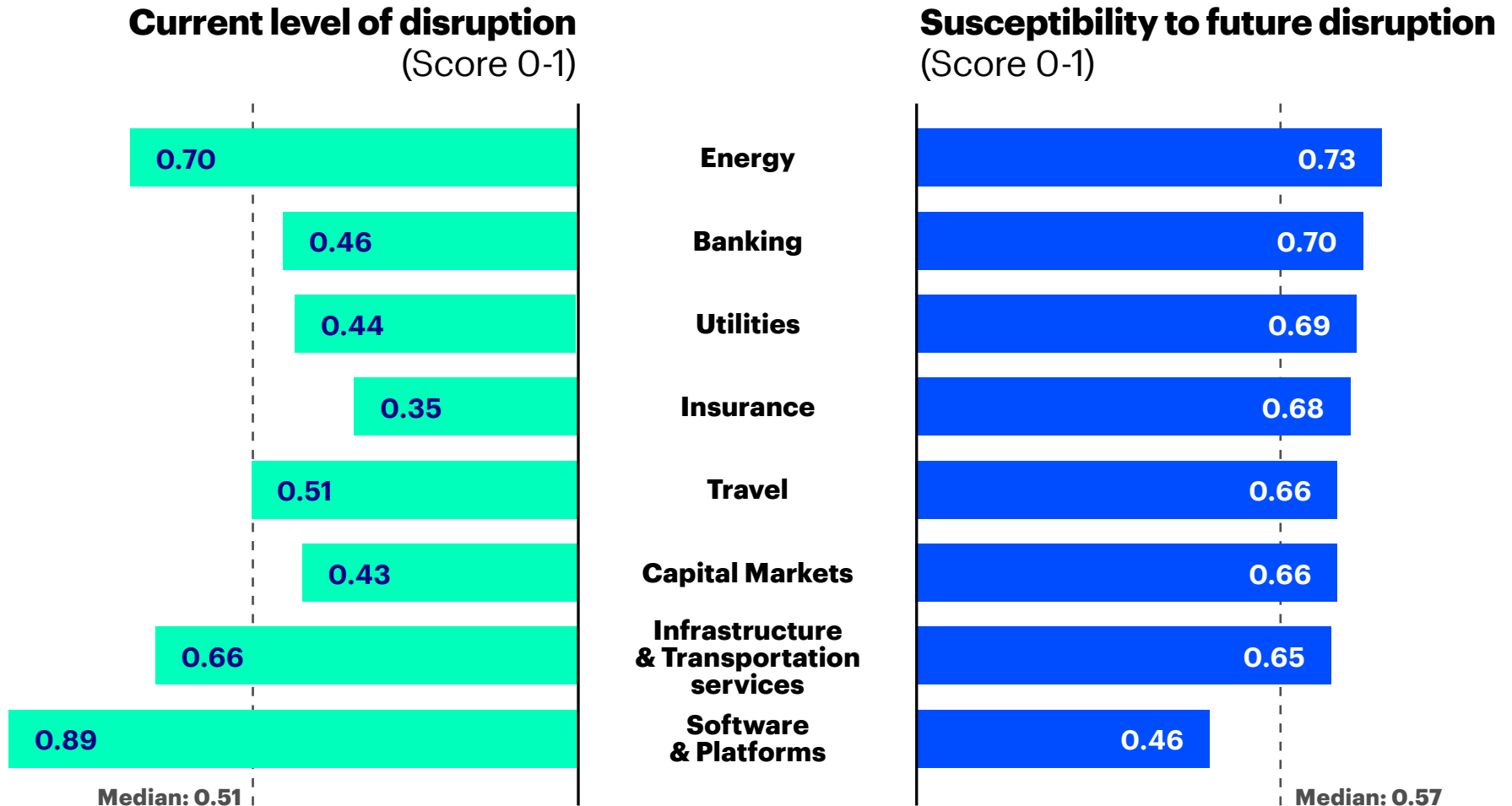


Something to respond to from a position of weakness, rather than leverage from a position of strength

That's not the case!

DISRUPTION IS INEVITABLE

YET, NOT EVERY INDUSTRY IS IMPACTED BY DISRUPTION IN THE SAME WAY



Source: Based on composite index measuring 20 different industry sectors by current level of disruption and susceptibility to future disruption—see [About the Research](#) for further details

HOW CAN COMPANIES PREDICT AND RESPOND TO DISRUPTION?

Disruption follows an understandable pattern. The starting point for business leaders is to understand where in this pattern their industry is positioned, and why that is the case.

Next, they must **gauge the likely speed of change** by measuring how susceptible their industry is to future disruption.

By understanding the intersection between the current level of disruption and susceptibility to future disruption, **leaders can predict where opportunities will come from for their business.**

**From disruption
comes opportunity**

HOW CAN COMPANIES PREDICT AND RESPOND TO DISRUPTION?

In periods of rapid change, **a new strategy is required**: one that enables companies to act in the face of disruption, confidently.

We call this strategy “**rotating to the new**”—it entails transforming and growing the core business, while scaling up new businesses.

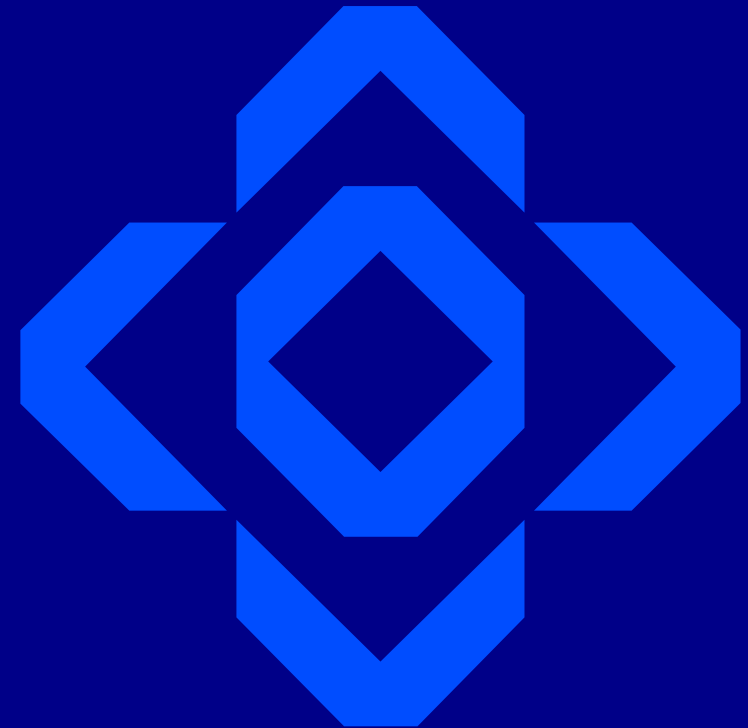
The level of current and future disruption determines which of these **strategic actions companies need to prioritize, today**.

Only those companies that **act on their rotation strategy confidently**, in a timely manner, **can take advantage of disruption**.

From action comes advantage

UNDERSTAND THE PATTERN

HOW DISRUPTION HAPPENS



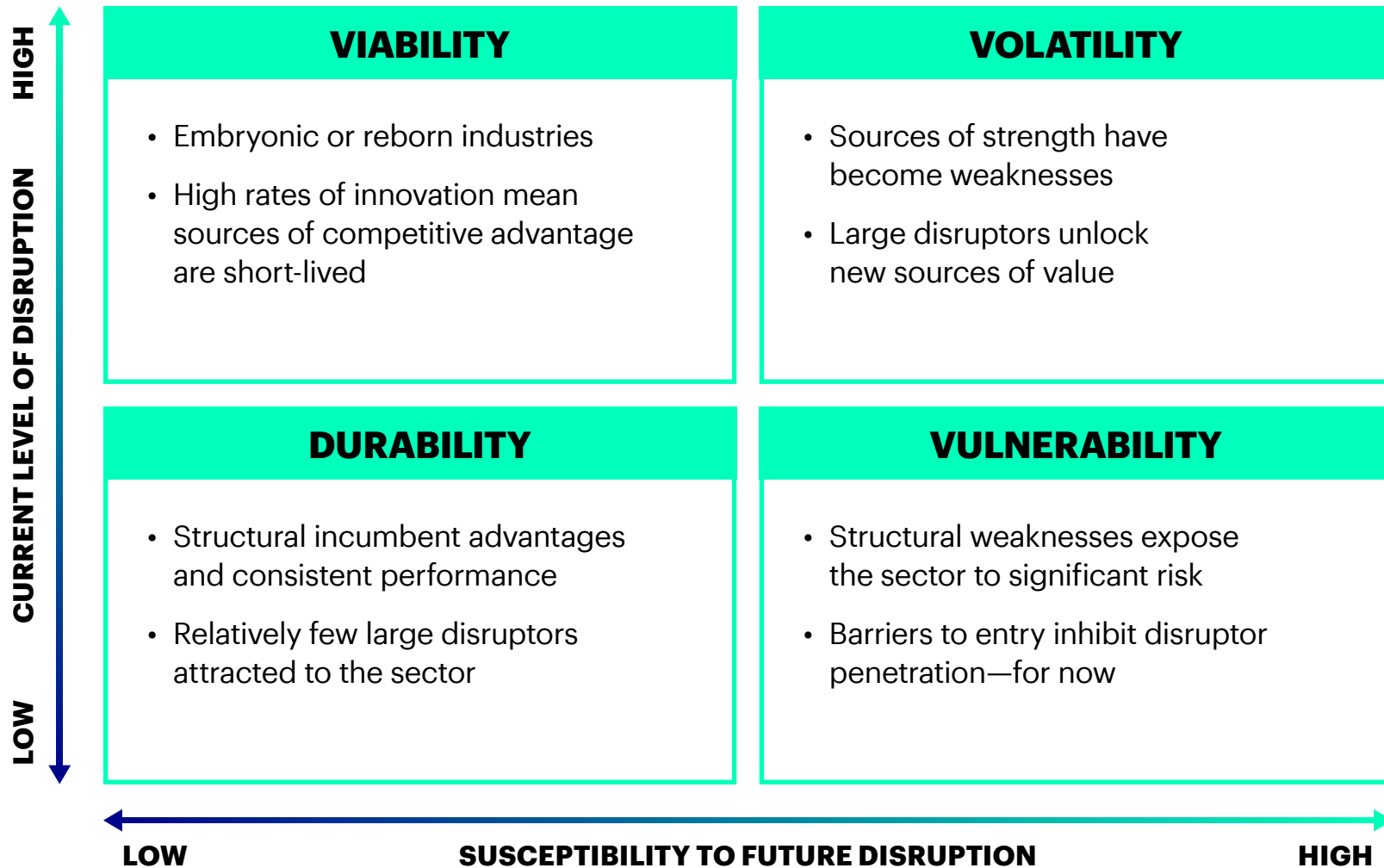
DISSECT DISRUPTION

UNDERSTAND THE PATTERN

SEIZE THE OPPORTUNITY

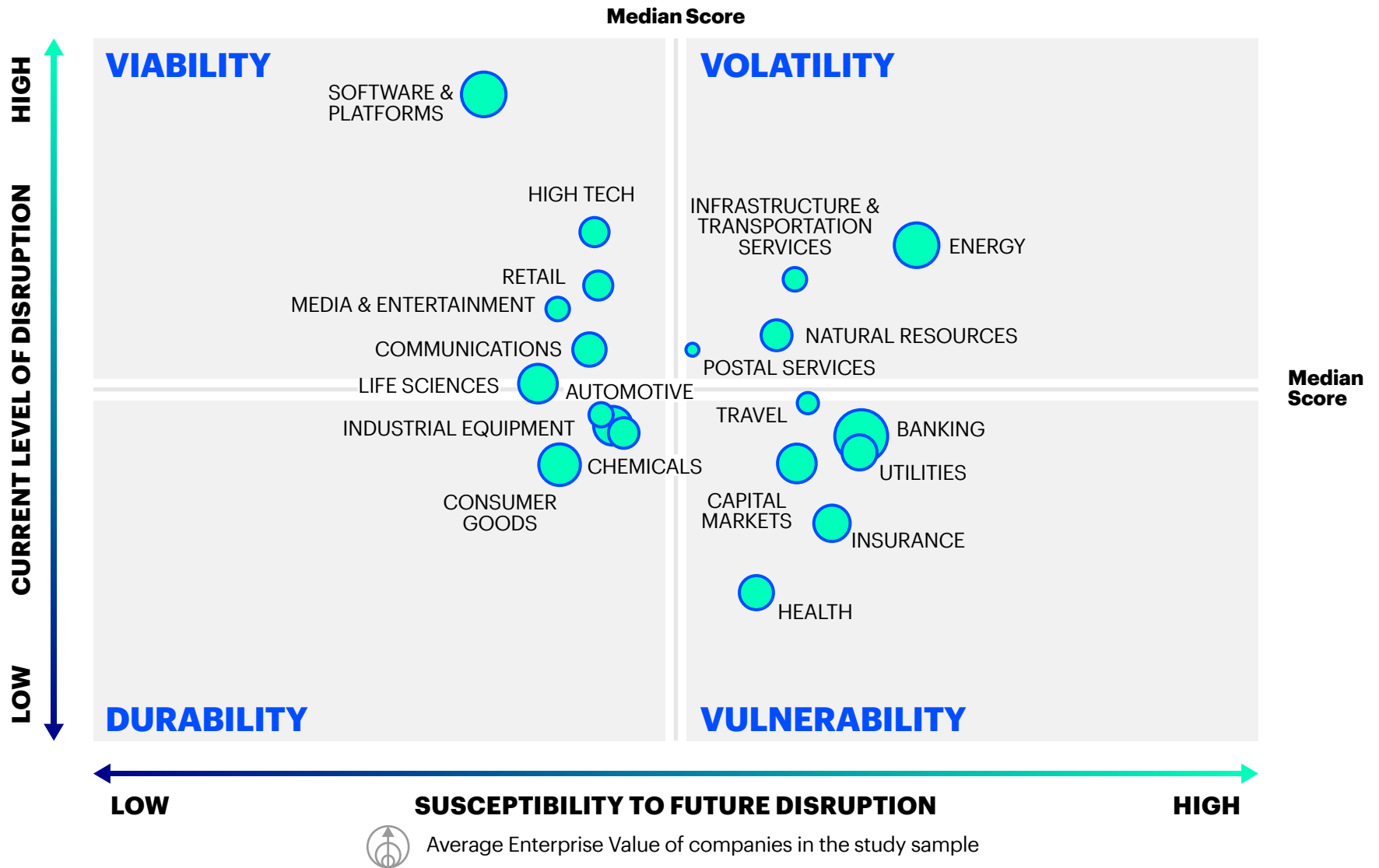
DISRUPTION HAS A PATTERN

DEFINED BY FOUR DISTINCT PERIODS



BEFORE YOU ACT

UNDERSTAND YOUR INDUSTRY'S CURRENT POSITION



DISSECT DISRUPTION

UNDERSTAND THE PATTERN

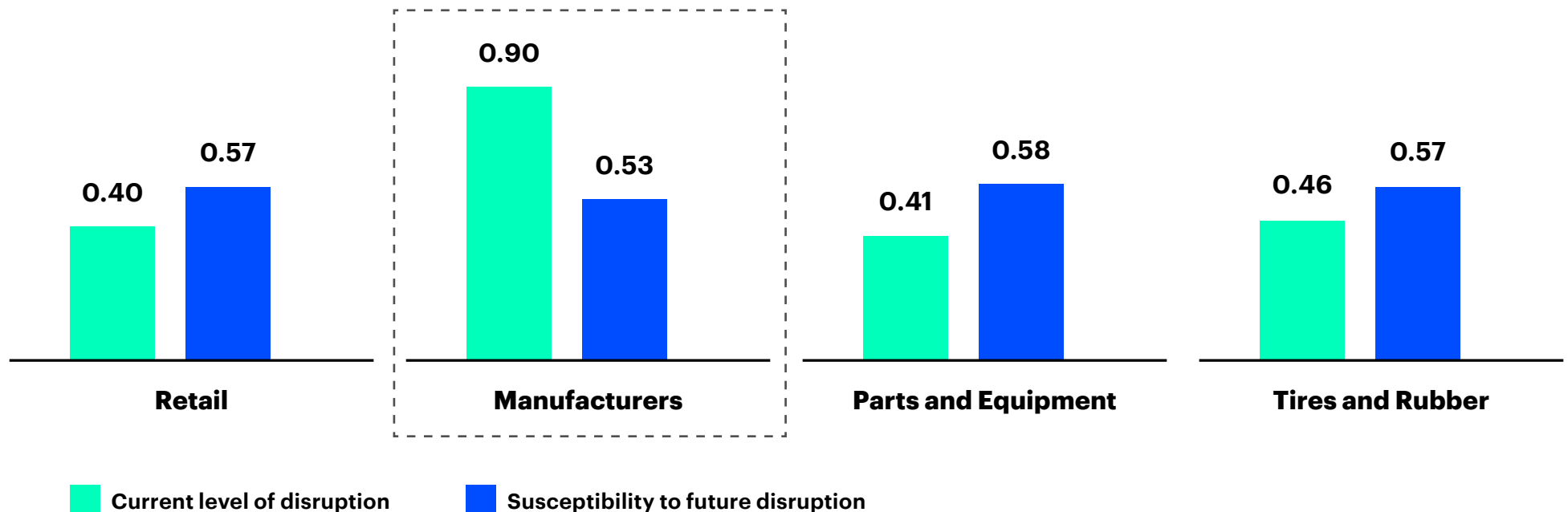
SEIZE THE OPPORTUNITY

PATTERNS OF DISRUPTION

ARE NOT HOMOGENEOUS WITHIN THE SAME SECTOR

We looked under the surface of disruption in the automotive sector and discovered that the current level of disruption for automotive manufacturers is significantly higher than it is for automotive parts and equipment, retail, or tires and rubber businesses.

Current level of disruption vs. susceptibility to future disruption for the automotive sector



PATTERNS OF DISRUPTION ARE NOT HOMOGENEOUS WITHIN THE SAME SECTOR

Five years ago, carmakers and suppliers had roughly the same price-to-earnings ratios. But they have since diverged: As of August 2017, German carmakers' valuations had fallen to just seven times this year's earnings, while large suppliers' valuations increased to 12.7 times their earnings. Three megatrends—electrification, car sharing, and autonomous driving—are changing the business model for carmakers more rapidly than for suppliers. With carmakers now investing heavily to respond—Volkswagen AG, for example, will spend US\$24 billion to build electric versions of all 300 models in the 12-brand group's line-up—other parts of the value chain will need to be wary of their susceptibility to future disruption.

US\$24 billion

Volkswagen AG will spend US\$24 billion to build electric versions of all 300 models in the 12-brand group's line-up

.....

Source: Accenture Research analysis, based on sample within Disruptability Index and using normalized PE ratio; Bloomberg, VW to build electric versions of all 300 models by 2030, September 11, 2017

SEIZE THE OPPORTUNITY

STRATEGIES TO TACKLE
DISRUPTION HEAD ON



SEIZE THE OPPORTUNITY

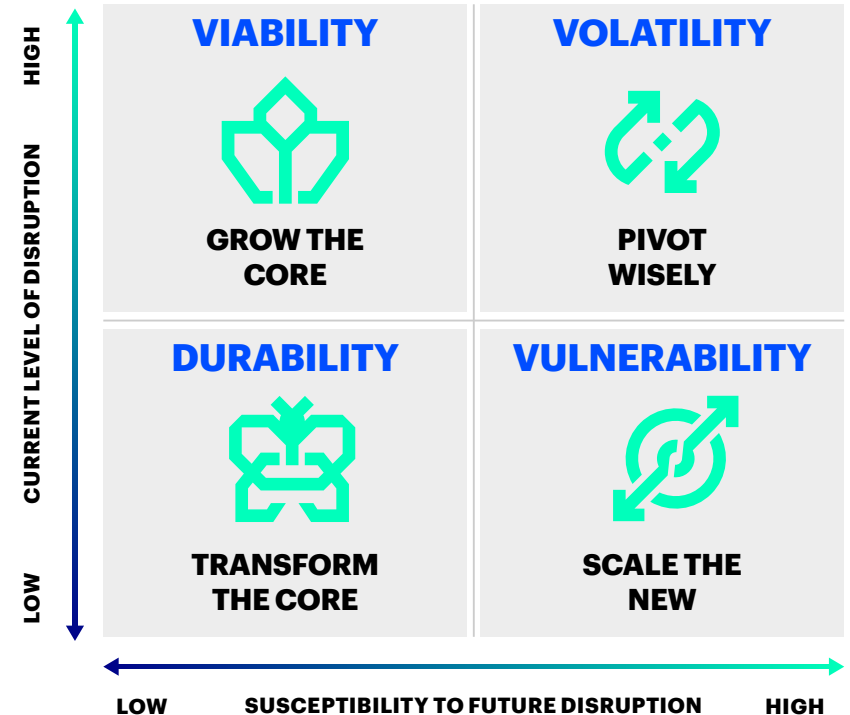
STRATEGIES TO TACKLE DISRUPTION HEAD ON

To take advantage of disruption, executives need to deploy a tailored strategy, underpinned by a combination of four actions.

But each of the four periods of disruption will require a different emphasis on these strategic actions.

In the **Viability** period, it is time to focus on growing the core business by offering new products in existing markets, or expanding the footprint of existing products to new markets. In the **Durability** period, the emphasis needs to be on transforming the core business to maintain cost leadership, while experimenting massively with new disruptive businesses.

In the **Vulnerability** period, where incumbents benefit from the continued presence of high barriers to entry, it is time to scale up new opportunities. In the **Volatility** period, where there are pressing issues in the core business to address, focus should be placed on retaining only the relevant parts of the core business, while increasingly redirecting investment capacity to grow new businesses.



SEIZE THE OPPORTUNITY

STRATEGIES TO TACKLE DISRUPTION HEAD ON



VIABILITY

Grow the core

In the Viability period, we find new or reborn industries that have endured significant disruption. The new competitive landscape brings opportunities for new structural efficiencies, but high rates of innovation mean **sources of competitive advantage are often short-lived**, as new disruptors consistently emerge. This is where disruption is constant, instead of being sudden and violent.

Companies in this period need to embrace actions that keep them in a constant state of innovation, directing investment capacity to build new capabilities, such as digital marketing and analytics. This will open up incremental sources of growth for the core business by activating new demand for innovative offerings with existing customers. New investments will also enable aggressive expansion into adjacent or entirely uncharted markets by leveraging the strength of the core business.

SEIZE THE OPPORTUNITY

STRATEGIES TO TACKLE DISRUPTION HEAD ON



Consider Amazon's US\$13.7 billion acquisition of Whole Foods—the company's biggest ever.

Its expansion into the groceries segment reflects a strategy that combines Amazon's understanding of online customer behavior and new data about customer habits in physical stores. Together, these sources of insights will enable the company to test pricing points, new products and services; improve customer experience; and use insights to grow the market for health foods, and beyond.

Source: <https://hbr.org/2017/09/whole-foods-is-becoming-amazons-brick-and-mortar-pricing-lab>

SEIZE THE OPPORTUNITY

STRATEGIES TO TACKLE DISRUPTION HEAD ON



DURABILITY

Transform the core

In the Durability period, we find efficient, mature industries—think alcoholic beverages, or tires and rubber. Incumbents in this period often own established brands and proprietary technology, and control distribution channels.

But you can't stand still in a rapidly changing world. **Companies in this period need to proactively transform their core business, rather than focus on preserving it.** This will involve taking steps to maintain competitive cost structures in their core business, leveraging technologies that create efficiency benefits, to increase profitability. The resulting investment capacity should be channelled to extensive experiments to increase relevance, for example, by making key offerings not only cheaper, but also better for target customers.

SEIZE THE OPPORTUNITY

STRATEGIES TO TACKLE DISRUPTION HEAD ON

Audi has revolutionized the 100-year-old linear manufacturing process with modular assembly.

Working closely with start-up Arculus, Audi's Smart Factory is testing standalone workstations, manned by one to two staff, where components are transported via automated guided vehicles. This makes the workflow more flexible, enabling Audi to address the growing trend toward personalization. The new assembly approach can eliminate downtime, reduce each step to between 60 and 240 seconds, and improve efficiency by an estimated 20 percent.

Audi's ongoing efficiency savings are being reinvested into growth initiatives.



Source: <https://manucore.com/industry40-audi/>

SEIZE THE OPPORTUNITY

STRATEGIES TO TACKLE DISRUPTION HEAD ON



VULNERABILITY

Scale the new

In the Vulnerability period, incumbents benefit from the continued presence of high barriers to entry, such as regulatory and capital requirements. However, our analysis of companies in this period revealed **weaknesses in operational efficiency and innovation commitment.**

Companies in this period need to attend to structural productivity challenges in their core business. To arrest impending demand and profit compression, companies need to learn to spot and scale up innovations, for instance, by leveraging technology and data to build enhanced services and offerings that alleviate customer pain points. This strategy requires companies to build an innovation architecture using innovation hubs and labs.

SEIZE THE OPPORTUNITY

STRATEGIES TO TACKLE DISRUPTION HEAD ON



The Australian bank Westpac has recently released its own range of wearable payment devices.

PayWear wearables are battery-free, waterproof, durable, convenient and safe. These new devices enable customers to make contactless payments with either a silicone wristband or “keeper,” which can be easily attached to an existing watch. The company will initially distribute the devices free of charge to its customers to promote this innovation in a market with the highest contactless payment penetration in the world.

Source: <https://www.westpac.com.au/personal-banking/mobile-wallets/paywear/>

SEIZE THE OPPORTUNITY

STRATEGIES TO TACKLE DISRUPTION HEAD ON



VOLATILITY

Pivot wisely

In the Volatility period, previously strong barriers to entry have eroded. Traditional fixed assets are weaknesses that have been exploited by disruptors, contributing to the compression of revenues and profits for industry incumbents.

For companies in this period, changing course decisively is the only way to avoid potential obsolescence. **Rather than simply abandoning the core business, companies will need to strike a delicate balance.** If companies pivot too quickly from the core to the new businesses, they will stretch themselves too thin financially. If they pivot too slowly, they risk becoming obsolete. Confident corporate and financial restructuring moves will be critical during this period.

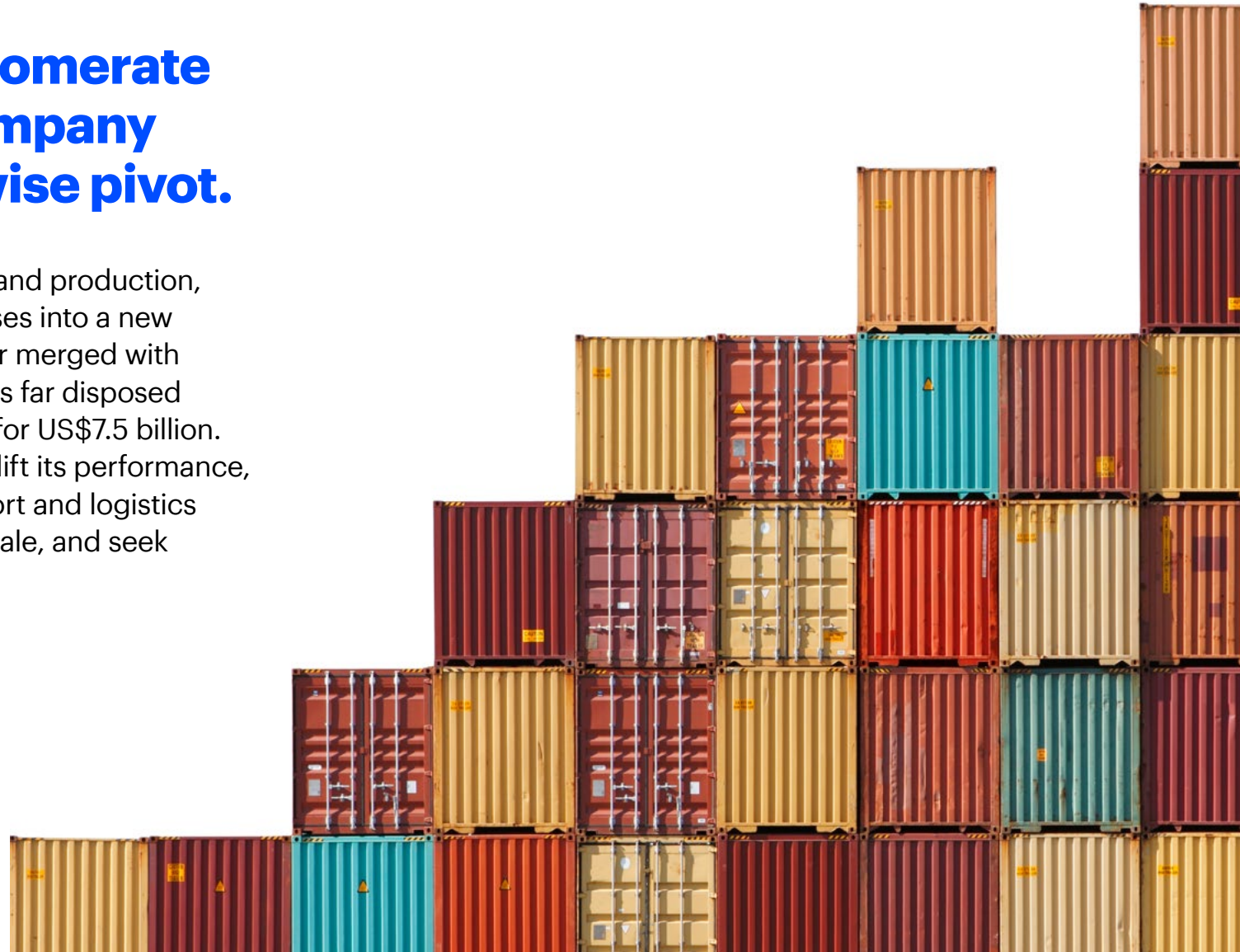
SEIZE THE OPPORTUNITY

STRATEGIES TO TACKLE DISRUPTION HEAD ON

The Danish conglomerate Maersk is one company embarking on a wise pivot.

It is separating its oil exploration and production, drilling rig and oil tanker businesses into a new energy unit to be spun off, sold or merged with other companies. Maersk has thus far disposed of Maersk Oil in a deal with Total for US\$7.5 billion. The pivot has enabled Maersk to lift its performance, focus on growing its core transport and logistics business in which it has global scale, and seek new opportunities for growth.

Source: <https://www.ft.com/content/3876ba0f-8773-385c-8b87-d8479a3cf9b2?mhq5j=e6>



IT IS TIME TO CONFIDENTLY FACE DISRUPTION

“Nothing in life is to be feared; it is only to be understood.”

– Marie Curie

Disruption can be seen in every industry today.

The starting point for executives is to **understand where their industry sits** in terms of its current exposure to disruption and its susceptibility to future disruption, and why that is the case.

Armed with this knowledge, executives will be able to **detect hidden opportunities** in their own and in other industries, and **be decisive** in making momentous strategic choices.

Ultimately, executives can choose whether their company will be swept into the inevitable future, or whether it will be ready for disruption, and even have a hand in shaping it.

AUTHORS

Omar Abbosh

Chief Strategy Officer,
Accenture
omar.abbosh@accenture.com

Michael Moore

Thought Leadership Senior Principal,
Accenture Research
m.p.moore@accenture.com

Babak Moussavi

Thought Leadership Specialist,
Accenture Research
babak.moussavi@accenture.com

Paul Nunes

Global Managing Director of Thought Leadership,
Accenture Research
paul.f.nunes@accenture.com

Dr. Vedrana Savic

Managing Director of Thought Leadership,
Accenture Research
vedrana.savic@accenture.com

KEY CONTRIBUTOR

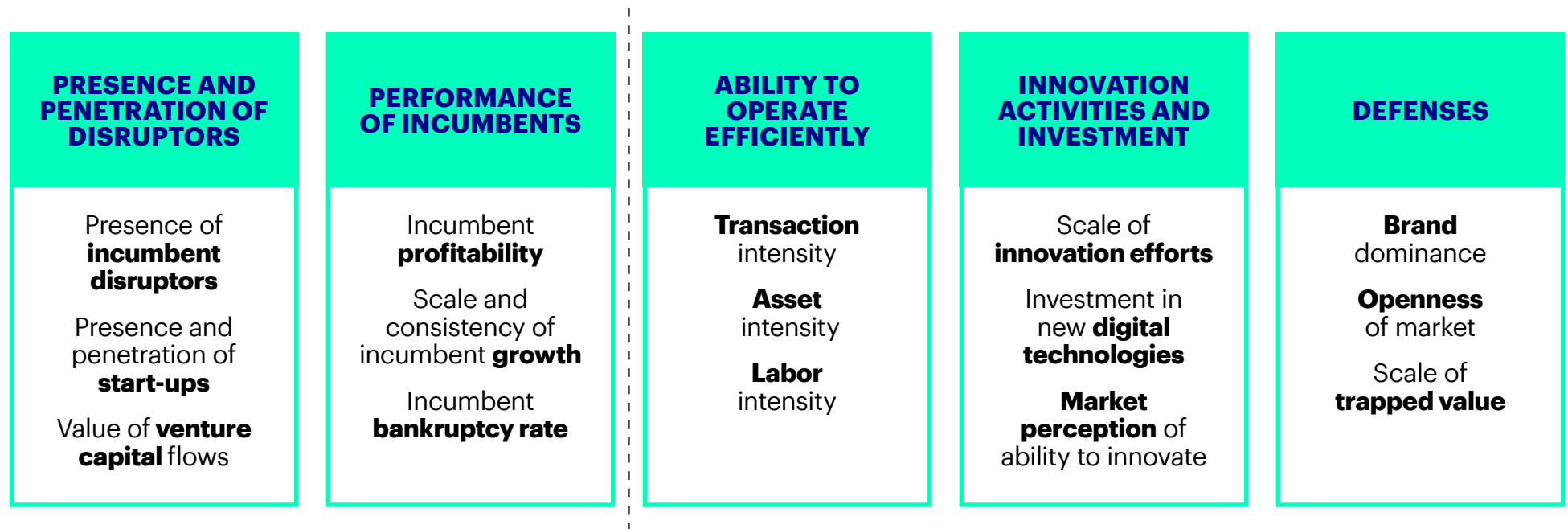
David Light

Principal Director of Thought Leadership,
Accenture Research
david.light@accenture.com

ABOUT THE RESEARCH

HOW THE INDEX WAS BUILT

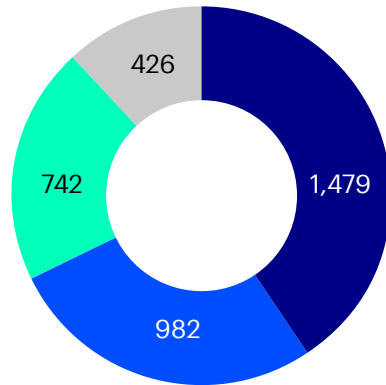
Our index measures an industry's current level of disruption as well as its susceptibility to future disruption. For the former, we examined two components: the presence and penetration of disruptor companies, and incumbents' financial performance. For susceptibility to future disruption, we measured three components: incumbents' operational efficiency, commitment to innovation, and defenses against attack. To measure these variables, we built a bottom-up index using data from 3,629 companies.



ABOUT THE RESEARCH

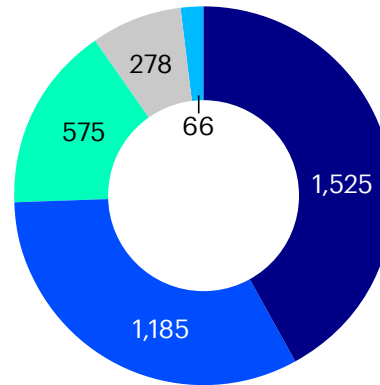
3,629 COMPANIES ANALYZED

Region, HQ



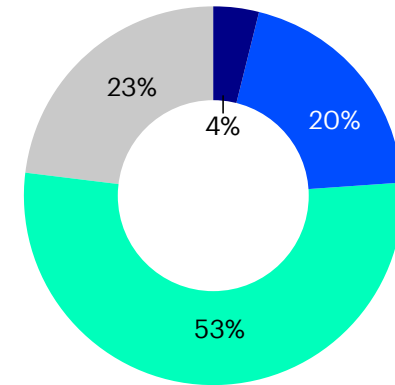
- Asia-Pacific
- North America
- Europe
- Other

Sector



- Products
- Comms, Media & Technology
- Resources
- Health & Public Services
- Financial Services

Size, Annual Revenue (2016, US\$)



- Over \$50 billion
- \$10-\$50 billion
- \$1-\$10 billion
- \$0.1-\$1 billion

11 DATA SOURCES
with experts on policy, economy, and digital business

LITERATURE REVIEW
Identifying the main risks of disruption within existing theory

98 INDUSTRY SEGMENTS
Grouped into 20 industry sectors

INTERESTED?

JOIN THE CONVERSATION:
@AccentureRSRCH

VISIT:
**[www.accenture.com/
disruptabilityindex](http://www.accenture.com/disruptabilityindex)**

ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With more than 435,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

ABOUT ACCENTURE RESEARCH

Accenture Research shapes trends and creates data-driven insights about the most pressing issues global organizations face. Combining the power of innovative research techniques with a deep understanding of our clients’ industries, our team of 250 researchers and analysts spans 23 countries and publishes hundreds of reports, articles and points of view every year. Our thought-provoking research—supported by proprietary data and partnerships with leading organizations such as MIT and Singularity—guides our innovations and allows us to transform theories and fresh ideas into real-world solutions for our clients. Visit us at www.accenture.com/research.

Copyright © 2018 Accenture All rights reserved.

Accenture, its logo, and High Performance Delivered are trademarks of Accenture. Any third-party names, trademarks or copyrights contained in this document are the property of their respective owners.