


# Sustaining Through Disruption

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Do you know what disruption actually is, what it isn't, and how to avoid becoming extinct when the next disruption happens?

by Andrew Rice & Jacqueline Rizo



*“Sustaining innovations  
reinforce, rather than  
disrupt, the market  
status quo.”*

*– Clayton Christenson*

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# Disruptive Innovation is Not New.

In fact, dealing with market disruptions is as old as commerce, but their scale and speed have never been greater. Knowing how to survive, even thrive, in such turbulence is essential to every industry.

Before we get into all you need to know about disruptive innovation, we must make this one fact absolutely clear: This is not some overused, business jargon; like “empower”, “buy-in” or even “drink the Kool-Aid” that we are throwing around loosely.

If you have read anything on the latest, new app or a tech-based service now trending, you know what we are saying here. You’ve likely seen every new product or service described as “disruptive.” The problem with overusing this term is it lessens the impact and devalues its usage – leaving readers confused as to what the true disruption is.

*Understanding the differences between disruptive and sustaining innovation, and the reasons you need both in your innovation strategy will better equip you to drive results and business profits.*



# Disruptive Innovation

*Disruptive innovation* - describes a process by which a product or service initially takes root at the bottom of the market – typically less expensive and more accessible – and then relentlessly moves upmarket, eventually displacing established competitors.

When we think of innovation, disruptive innovation is most likely the first to pop into our minds. It grabs our attention. This type of innovation is exciting. We like to hear stories of the underdog coming from behind knocking out their competitive giant. Their competition didn't see them as a threat, so they ignored them and did nothing to sustain their status quo. Hence, their demise.

However, this displacement doesn't have to occur if the established competitor has put sustaining innovation into place.

## Disruptive Innovation

### Example: Netflix

Back in 2000, Blockbuster refused the offer to purchase Netflix. They didn't see Netflix's model of an online to mail DVD rental platform as a threat. Turns out, Blockbuster missed its opportunity to ride the disruption wave that was about to storm through video rentals.

Netflix surfer on to be a \$145 billion-dollar company and pioneered streaming subscriptions, while Blockbuster sank and had to file for bankruptcy just 10 years after Netflix's proposal.

The Netflix logo is displayed in white, bold, sans-serif capital letters on a solid red rectangular background.

# Sustaining Innovation

*Sustaining innovation* - is the process in which a company improves their product's performance in response to customer feedback found across all channels, like social media, online and phone-based customer service and surveys.

Clayton Christensen, author of *Innovator's Dilemma*, explains, "Some sustaining innovations are the incremental year-by-year improvements that all good companies grind out. Other sustaining innovations are breakthrough, leapfrog-beyond-the-competition products. It doesn't matter how technologically difficult the innovation is, however: The established competitors almost always win the battles of sustaining technology. Because this strategy entails making a better product that they can sell for higher profit margins to their best customers, the established competitors have powerful motivations to fight sustaining battles. And they have the resources to win."



## Sustaining Innovation

### Example: Uber

Uber is often misunderstood as a disruptive innovator, however, it is not. Uber originated in a mainstream market first, then increased overall demand that would later appeal to lower-end segments.

Uber, along with other ride sharing services, have improved the taxi industry by being convenient, being cost-effective and providing a review system to help improve customer service. Ridesharing services are sustaining innovations that simply improved an already existing taxi industry.

# For a company to disrupt, they must focus on four areas:



Consumer-centricity



Reconceptualizing the market



Engagement



Leading Fearlessly

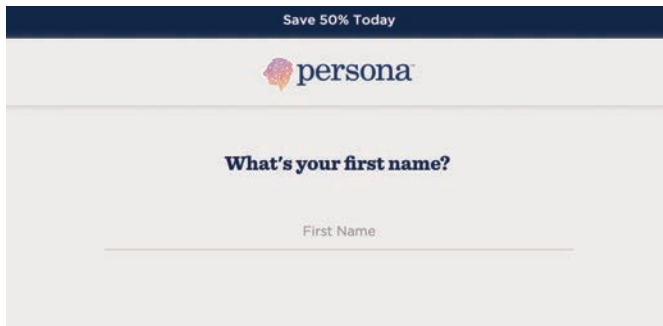
## Being the disruptor would be cool... Not becoming a fossil is pretty cool too.

Let's face it. As cool as your brand is, it may not be disruptive. Keep your brand from becoming extinct through sustaining innovation by focusing on the four areas listed above. If not, you'll become like the dinosaurs who didn't adapt. Remember, they all died out. Don't be the brand digging up your bones later. Pay attention to where the disruption might occur and strive to achieve some insurance in the form of sustaining innovation - just in case there's a company planning on "Block Busting" your industry. Disruption doesn't equal success.



## Sustaining Innovation: Consumer-Centricity

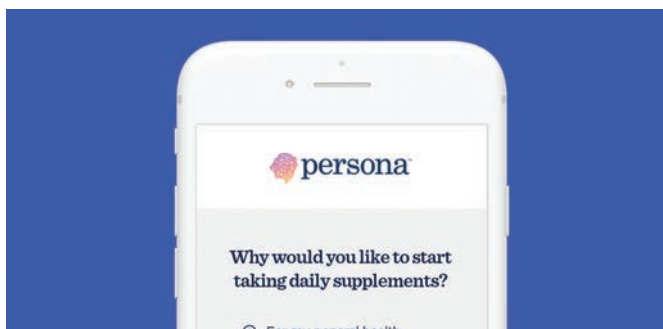
### /// Persona



Personalized vitamin and supplement subscriptions have changed the way consumers shop for consumer dietary supplements. Long gone are the days of standing in the cold, grey supermarket trying to read the fine print on supplement bottles. In today's personalized experience, consumers can sit in the comfort of their own home and take a five-minute assessment where every question answered creates a new path that leads consumers to recommendations.



Persona carefully looks at gender, age, diet, allergies and lifestyle factors as well as current health conditions to ensure the vitamins and supplements recommended are exactly what each consumer needs, nothing more or less. They are the only personalized nutrition company that cross references more than 850 prescription medications to help consumers avoid risky drug-nutrient interactions and drug-nutrient depletions.



The beauty of their algorithm is complex and ever-growing. Persona uses well-known databases, government research sites, scholarly journals and education sites to stay up to date on the latest research for ingredients to help with specific health conditions. They have created the next level of nutrition personalization with the safest and most comprehensive online questionnaire available.



Cutting through the hype and confusion of dietary supplements, Persona offers personalized vitamin packs that automatically arrive on consumers' doorsteps monthly, wrapped in convenient tear-away daily packs, and packaging technology making it extremely easy for consumers to stick with their supplement regimen, especially on the go.

## Customer Centricity Sets Disruptors Apart

*Customer centricity is a way of doing business that fosters a positive customer experience at every stage of the customer journey. Engaging your customers through social media platforms will help your brand stay focused on the customer, build loyalty and increase profitability.*



## Disruptive Innovation: Reconceptualizing the Market

# /// Cannabis and CBD

Over the last 20 years, nothing has come on the market with nearly as much attention as CBD oil. Although the FDA has not taken a concrete stand on CBD oil, its use in everyday life is having a profound impact on not only disrupting the healthcare industry, but also nine other industries.



### 1. Biodiesel

– turns out hemp can produce nearly four times as much oil per acre and could soon be the go-to for making diesel fuel from a renewable plant source.



### 2. Plastics

– entrepreneurs are figuring out ways to use hemp as an eco-friendly alternative to plastic.



### 3. Paper

– an acre of industrial hemp produces around four times the amount of paper than one acre of trees do.



### 4. Billboard advertising

– billboards can skirt the issue of regulating signs in retail locations where cannabis is legal.



### 5. Construction

– one word: hempcrete.



### 6. Textiles

– hemp-based fabrics can stand in for cotton, denim, wool or athleisure wear.



### 7. Packaging

– the packaging industry is booming with the more cannabis-related products hitting the market.



### 8. The Law

– cannabis lawyers have come onto the scene as more states legalize marijuana.



### 9. Banking

– smaller banks and credit unions are helping legal cannabis companies bank while also making bank.

As the market continues to expand, so will the hype and profitability of CBD. Entrepreneurs from all industries are considering the achievements of CBD and how they can profit from its benefits and disrupt further industries.





## Sustaining Innovation: Engagement /// Ancient Nutrition

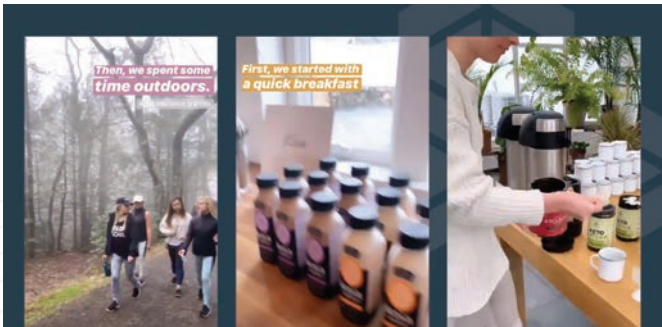
The most cost-effective way to avoid disruption today is to be willing to disrupt your own business from within through sustaining innovation. Companies must continue focusing on creating more seamless and efficient internal processes. In the past, companies veered off of the path of being customer-centric and even got away with it. Today that is not the case. Customers have choices and louder voices more now than ever.



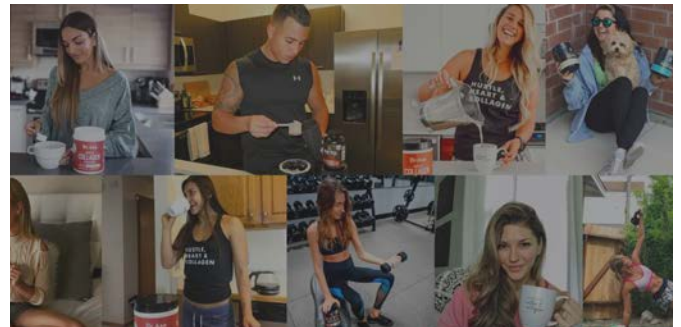
On Instagram, Ancient Nutrition has made it easier to engage its customers by creating contests, challenges and takeovers.



They have found ways to engage with their customers in between purchases that strengthens the emotional connection customers have with their brand.



Hosting live videos allows customers to experience real-time with their brand in an authentic way.



Ancient Nutrition also has an ambassador program that allows for their word-of-mouth advertising to spread quickly.

# 41 %

*of organizational leaders and managers are clamoring for more investment in social media to help with brand awareness and customer acquisition.*

## Brands like Ancient Nutrition

engage customers and are prepared to change their business model, products and messaging to sustain innovation. Maintaining the same business model over time can be a risk not worth taking. Just ask Kodak, which in less than 20 years went from one of the wealthiest companies in the world to bankruptcy. Why? Because they weren't prepared for customers to stop buying film and switch to digital photography. The market had been disrupted and Kodak failed to adapt.

# 77%

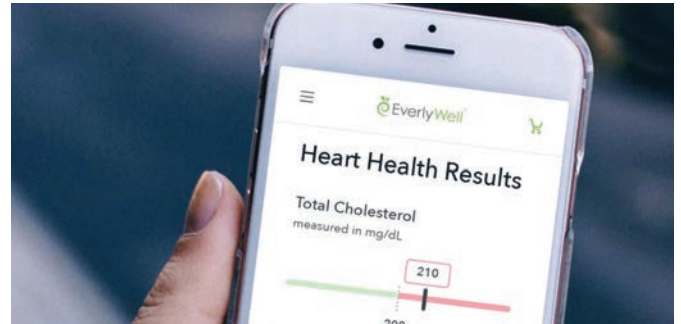
of marketers are actively using social media to support their lead generation and business goals.



## Sustaining Innovation: Leading Fearlessly /// EverlyWell



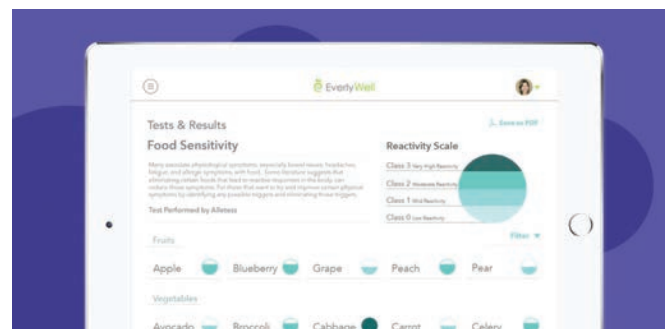
Long gone are the days of sitting in a cold, waiting room for your turn to have blood drawn by the middle man. Consumers can now cut the expensive, and sometimes unaffordable, cost of having blood work done.



Last year alone, Americans borrowed a staggering \$88 billion to pay for healthcare and 65 million people avoided treatment due to cost. As high-deductible plans become the norm, consumers are becoming discerning buyers who look for seamless, digitally-enabled experiences.

"Lab testing is arguably one of the most important steps in preventing and managing illness, but has been largely ignored by digital health companies."

- Eric Kim, Goodwater Capital



EverlyWell's mission is to provide everyone access to transparent and insightful lab tests. Over seven billion lab tests are run annually in the United States, and lab testing is used in 70 percent of medical diagnosis. However, the traditional lab testing process is cumbersome, costly and confusing.

EverlyWell has made getting lab test results easy with their 30+ at-home kits – from fertility to food sensitivity tests. Once a test is ordered, the consumer will receive a kit, send it back in at no extra charge and have the results read by a physician. In just a few short days, insights are sent to the patient's device.

**Disruptors create markets that didn't exist before. They are willing to take the risk and bulldoze a new path in order to stay ahead of the pack.**





# Disruptive innovation generally comes from outside the industry

– from new startups with business models alternative to the established industry order that can focus on providing low-cost alternatives to traditional services.

“Without change there is no innovation, creativity or incentive for improvement. Those who initiate change will have a better opportunity to manage the change that is inevitable.

- William Pollard

”





## 1. Newcomer builds better mousetrap

Disruption begins when a newcomer builds technology that simplifies and automates processes previously carried out only by “experts.”

## 2. Industry ignores newcomer

At first, the industry ignores the newcomer, leaving disruptive companies alone to innovate and create exciting new brands in a tired space.

## 3. Brand recognition grows

Most people can’t name five video store chains, but one can tell you the difference between Netflix and Blockbuster.

## 4. Industry taunts newcomer

It’s common to see big business taunt the little guy in an attempt to stifle growth and innovation.

## 5. Industry adapts and improves

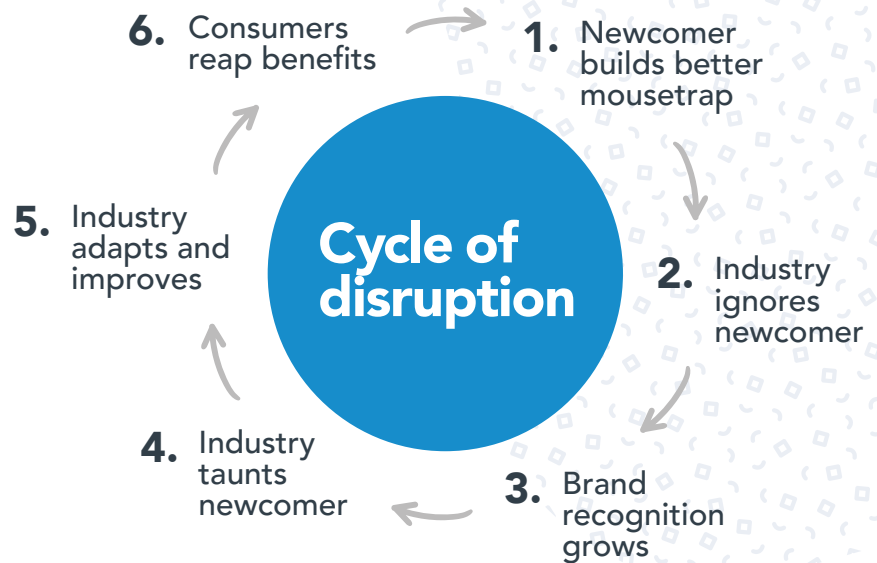
Some disruptors have enough funding and enough consumer backing that the industry is forced to adapt in order to compete. When this happens, new marketplaces are created, new laws are passed and antiquated pricing models change.

## 6. Consumers reap benefits

When innovation succeeds, the consumer wins. They often enjoy a better experience, more options, more transparency and better pricing as a result of the innovation.

# Disruptors are not bound by the rules of the market.

They can see beyond how things can be done. In doing so, disruptors open their growth opportunities to bigger ideas.



“Customers define their brands. Every touchpoint makes a difference in how the brand is described and whether customers believe in the company’s promise.

- Jay Samit

*Disrupt You Author*

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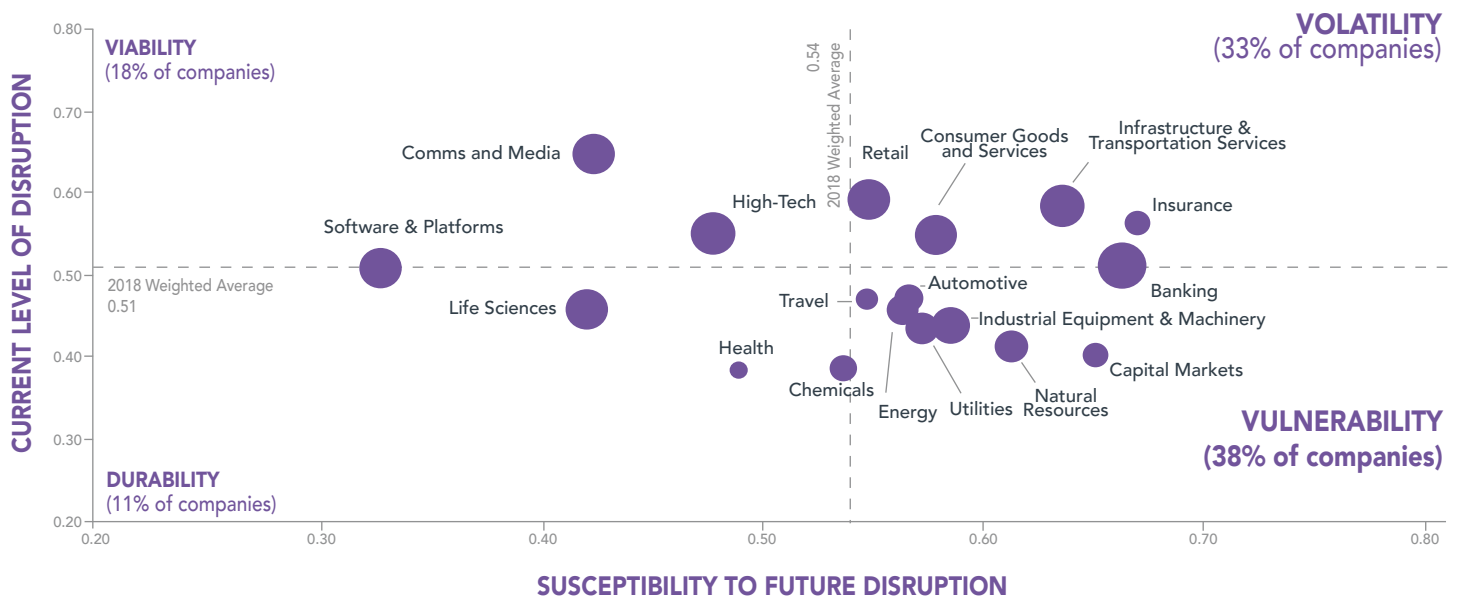
# 71%

of companies are currently in, or stand on the brink of, significant disruption

## Is Your industry on the Brink of Disruption?

Disruption across all industries is inevitable, but rather than bracing for the change, companies should be confident to embrace it, not presume that the best way to respond to disruption is by becoming the disruptor.

**Disruptability Index Industry Sector Matrix - 2018 results**  
0-1 scale (1=most susceptible/disrupted)



Source: Accenture Research Disruptability Index 2.0.





# Four Stages of Disruption

Regardless of whether you end up going through each of the stages list below and march on as a disruptive brand, remember that by committing to sustaining innovation along the way will prepare your company for when disruption occurs. You'll have way less ground to make up than those companies who rested on their laurels.

1

## **Durability State**

Companies must actively reinvent their legacy business rather than focus on preserving it.

2

## **Vulnerability State**

Companies must address productivity challenges in their legacy businesses right away and thoroughly to get in shape for future innovations.

3

## **Volatility State**

Companies decisively changing the current course is the only way to survive. They will need to strike a delicate balance when making corporate and financial restructuring moves.

4

## **Viability State**

Companies must embrace strategies that keep them in a constant state of innovation. This involves increasing the penetration of innovative offerings with existing customers while expanding aggressively into adjacent or entirely uncharted markets by leveraging the strengths of their core business.

# Disruption as an Opportunity

To identify the opportunities that disruption brings, companies need to first recognize which stage of disruption their industry is positioned and why. By looking deeper into disruption, companies can confidently address their risks head-on.

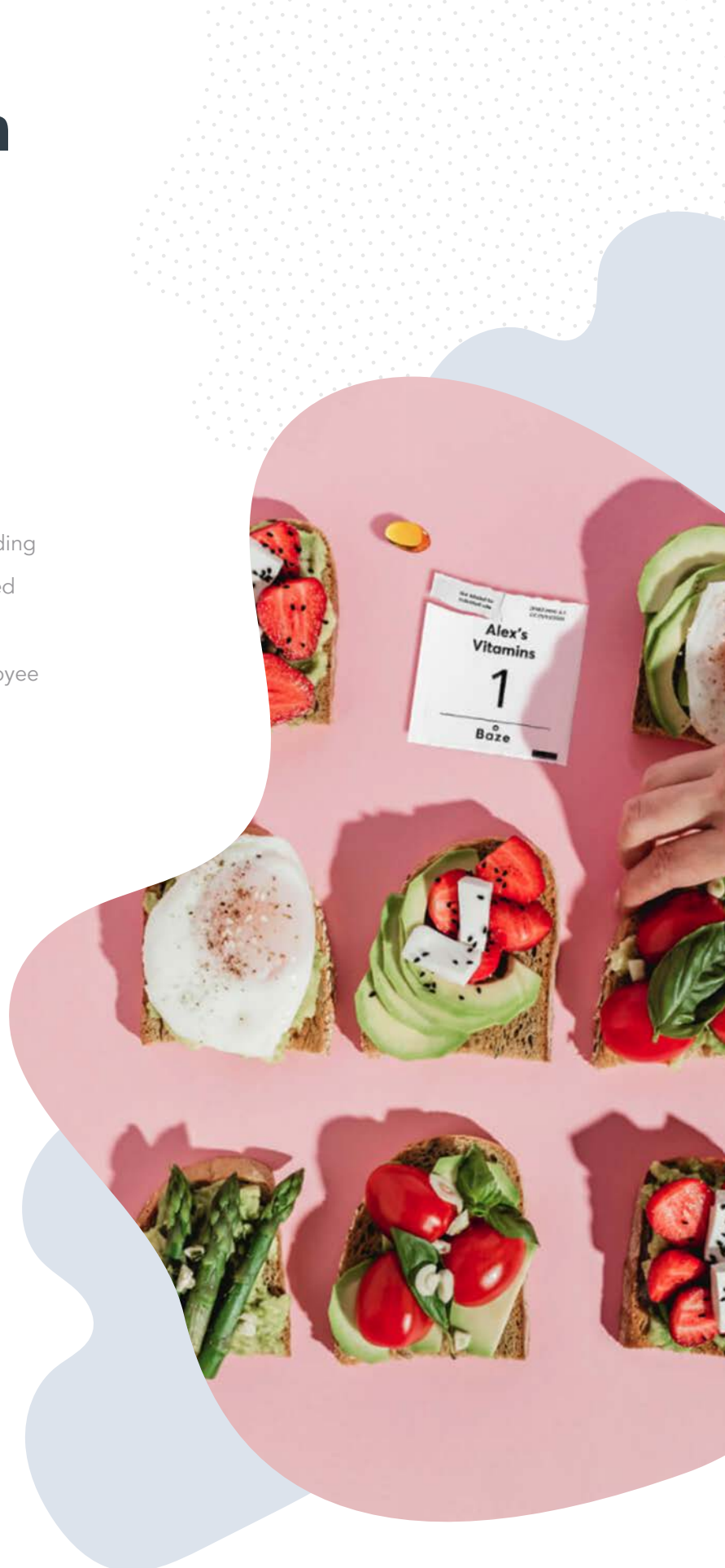
Technology is fueling the rate of disruption and providing new ways of engaging consumers at an unprecedented pace. The real threat and opportunity in technology's disruption lies in the evolution of customer and employee behavior, values and expectations.

Companies are faced with a quandary as they invest resources and budgets in current technology and business strategies versus that of the unknown in how those investments align, or don't, with market and behavioral shifts.

“Learning and innovation go hand in hand. The arrogance of success is to think that what you did yesterday will be sufficient for tomorrow.”

- William Pollard,  
English Clergyman

”





# Is the dietary supplements industry on the verge of disruption beyond the most recent examples?

From the discovery of vitamins in 1920 up through the late 20th century, dietary supplements were sold in stores and by door-to-door salesmen around the country. But once the Information Age hit, it opened Pandora's box – changing the way brands engage customers.

Vitamins and supplements are a mainstay of health, wellness and performance for millions of Americans. Despite it being a *\$115 billion industry\**, research has shown that consumers are increasingly confused, overwhelmed and disappointed in the purchase experience, which typically involves a drive to the local store where shelves are cluttered with thousands of supplement bottles and no clear voice of knowledge or trust. Consumers have been left to navigate nutrition on their own and most abandon the routine of taking supplements without understanding the health benefits.

Disruption of the dietary supplement industry begins with education. Educating the consumer when stagnant ingredients are replaced with new, innovative ingredients is pivotal in moving forward and gaining trust.

Companies can capitalize on sustaining innovation when areas of improvement are seen and heard through customer feedback. Customer demand will continue to lead the way towards disruption.



# 77%

of U.S. adults used dietary supplements in 2019.  
*2019 CRN Consumer Survey on Dietary Supplements*

\*May 2019 Grand View Research Dietary Supplements Market Size & Share, Industry Report, 2019-2025

*"Unique ingredients like ours offer finished product brands a leg up by possessing a unique story, ease of education, opportunity for clean labels, separation through substantial marketing claims and the proof of efficacy and claims through tons of published research right out of the box."*

- Micah Osborne, President of Stratum Nutrition



### Omega Game Changer

## Vegan Omega Super Plant

The omega market has been dominated by fish oils since the beginning of supplement history. With the recent rise of vegans and vegetarians demanding a plant-based alternative, their options had been scarce until Ahiflower entered into the industry. It is THE unique, plant-based omega-3, 6, 9 with the science, story and marketability to back it up. If you're wanting to be a bit disruptive within the Omega category, Ahiflower might just be the right ingredient to formulate into your next product.

### Joint Health Revitalized 3X the Support. One Unique & Powerful Ingredient

There are ingredients that offer joint pain relief, others that help with inflammation, some that focus on protection - and then there is NEM®, which offers ALL three in one small dose. It is a unique ingredient with a sustainability story, eco-friendly personality and great science with amazing new marketable claims based on a recent study. If you need to revitalize an existing joint health product or just want to cause a little disruption within the category, why not try and formulate with NEM®?





# Disruption is the new norm and it is inevitable for any industry.

Maintaining growth no longer happens by doing business the same way it's always been done. It takes consistent focus and effort to keep up with the fast-evolving market. The ultimate goal to stay on top when consumers' needs evolve is to disrupt your brand from within.

## Be Brave.

Watch trends.

Take calculated risks.

Commit to your customers.

# Go Get *Buck Wild!*



Cause a lil' disruption with products so wild they're unreal.

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