



Digital's Ultimatum: Disrupt or Be Disrupted

At Forrester Research's Consumer Forum 2011 in Chicago this past October, one presentation was so powerful that it dominated conversations and blog posts for weeks.

The topic? Digital disruption. The takeaway? It's faster-moving and more powerful than you could even imagine.

CDS Global attended the annual forum, which kicked off with an opening keynote from Forrester Vice President and Principal Analyst James McQuivey that left so powerful an impact on attendees, it eclipsed the forum's official "touchpoints" theme. As McQuivey noted in his opening speech, "Digital disruption is about to tear down and rebuild every product in every industry." But digital disruption is as elusive as it is ubiquitous. In the words of Forrester Senior Vice President Josh Bernoff, "You can count on technology-fueled, customer-led disruption arriving unexpectedly on your doorstep."

Disruption, in and of itself, is nothing new. Traditional markets have been falling victim to precipitous usurpation by "disruptive technologies" ever since the innovation boom of the late 18th and early 19th centuries. Inventions such as the Model T Ford and telephone were considered esoteric, relatively novel developments at the time of their launch, but swiftly gained widespread popularity. So swiftly, in fact, that leaders in the horse-drawn carriage, railway and telegraph sectors were left – without warning – outdated, and in some cases, in serious financial jeopardy. This phenomenon is so powerful and invasive that Harvard Business School professor Clayton Christensen examined the process in his 1995 article, *Disruptive Technologies: Catching the Wave*. The term "disruptive technologies," which Christensen coined, describes the manner by which novel, impractical technologies existing in virtually unheard-of markets evolve into something completely new and useful to the mainstream consumer, thereby hijacking (often unintentionally) established markets with such rapidity and force that long-time industry leaders fail to see it coming.

Enter the onslaught of digital. So profoundly has digitization altered our way of life that it alone defines the 21st century better than any other single concept to date. This is clear in a [recent article on disruptive technology](#) by Brian Solis, a renowned digital thought leader and principal analyst at Altimeter Group, a research firm that specializes in disruptive technologies. He wrote, "We indeed face an era of digital Darwinism, a phenomenon where technology and society evolve faster than our ability to adapt."

But if the evolution of technology is indeed outpacing the ability of some to adapt, then a fast-growing number of consumers are lining up to welcome the challenge. Mainstream purchasing, with its near-ravenous appetite, is playing a significant part in driving the explosive evolution of devices, apps and software-as-a-service (SaaS) products. In 2011, Forrester indicated that 62 percent of U.S. adults owned three or more Internet-connected devices. The numbers are due to increase exponentially, with analysts expecting to see 82 million tablet consumers and 77 million new smartphone users by 2015. Digital, as it turns out, is a distinctively self-reinforcing disruption. The same disruption that created high demand for these devices is also creating yet more opportunities for disruptors to proliferate, all the while persistently seizing markets in every traditional space imaginable.

Perhaps no industry has been so utterly disrupted as print media. In a [recent interview](#) for the International Journalists' Network, Ken Auletta, veteran journalist at *The New Yorker*, reinforced this point. Auletta remarked, "The digital revolution is almost as disruptive to the traditional media business as electricity was to the candle business." In 2008, media declared the sky was falling: print would soon be dead. The world watched on in bewilderment as the publishing industry turned completely upside down – a trend that is luckily

tapering as the media industry adjusts to generating digital revenue with a whole new take on pricing and distribution.

In a recent conversation with Altimeter Group, analyst Jeremiah Owyang stressed the importance of identifying root causes of print's disruption. "Publishing has been disrupted by digital in three major ways: 1) Now, *anyone* can publish using easy-to-use social media tools; 2) *anyone* can provide editorial copy and collect and share information; and finally, 3) *anyone* can consume –sans subscriptions – as information spreads far and wide," said Owyang. "Publishers must adopt these digital business models to benefit from distribution and to keep from being locked up behind print subscriptions. Welcome to the new world of media!"

With digitization, the amount of free content has skyrocketed, but *how* it's being shared and by *whom*, as Owyang notes, have been equally crucial pain points. In talking to Altimeter Group's Rebecca Lieb, an analyst specializing in media and publishing, Lieb remarked, "Increasingly sophisticated – but correspondingly cheaper and easier to use – technology has disrupted the media equation completely and more than inverted content ratios. Now, consumers create 70 to 80 percent of all content in digital channels." As Lieb suggests, content is indeed increasing as industry publishers decrease, but what further complicates the situation is that publishers must now compete with their own consumers. Lieb continued, adding advertisers, the financial backbone of the print industry, to the list of new and unexpected competition. "Brands are as much publishers as are 'real' publishers. This creates a tremendous opportunity: brands can 'roll their own' media, rather than buy it to contextualize their advertising. And what of 'real' media companies in this new ecosystem? They're facing a new type of advertiser: one who's now also a competitor in the publishing arena."

Most experts agree that print will remain, but with sharp declines in traditional advertising dollars, the industry's long-time cash cow. Publishers are being forced into what Forrester Senior Analyst Peter Sheldon considers the mainstay of the digital disruption business model: subscription-based digital content. In [Elastic Path's November 2011 webinar](#), *Digital Disruption Is Happening: Content & Online Service Providers Must Be Ready to Adapt*, Sheldon explained how the subscription business model has been one of the strongest driving forces in digital disruption. Although Sheldon notes that the subscription model is being applied to a variety of verticals, he states that the publishing industry is supporting customers' desire for digital subscriptions. This is evident as we see more and more print magazines and newspapers successfully producing online subscriptions, complete with mobile apps. Publishers are responding to the demand for seamless experiences that allow consumers to access the same content across multiple devices and touchpoints. But Sheldon strongly advises content providers to take their subscription model a step forward by departing from the per-unit model in favor of time-based and metered usage models, observing that consumers are opting for renting content within shorter time frames. Says Sheldon, "Those firms who fail to adapt and fail to embrace new online business models really do face huge disruption and potentially face extinction."

CDS Global is leading the charge by helping our media clients maximize and monetize the digital revolution. "There is a heightened need to expeditiously find a new path as communication channels continue to evolve and expand," said Malcolm Netburn, CDS Global's chairman and CEO. "And where our partnership with you comes into play is bringing order to disruption."