Shifting the Focus towards Disruptive Innovation: A Case of Two Innovative Industries

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Abstract

The current study has been endeavored to understand and compare distinct kinds of innovations acknowledged by highly reputed brands worldwide. The approach exercised for this study is primarily focused on studying the original business models of various reputed brands through a business model canvas. All the above breakthroughs were analyzed through comparative analysis of brands of similar nature. Exploratory research design has been acclimated to this study. The source of data for the study is secondary. The present study found the importance of business model canvas in context to various businesses and innovating by altering the business model. Further, it identified that disruptive innovation does not always require technological breakthroughs in the business models.

Keywords: *Disruptive Innovation; business model; business model canvas; Innovation; disruption*

INTRODUCTION

Innovation is a concept that promotes generational development, which focuses on implementing a new concept for development (Azar & Ciabuschi, 2017) p.326. Any organization needs to innovate to ensure survival and growth. For this reason, organizations have been innovating their products, services and work processes. There are many kinds of

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innovations. Our primary interest and concern were related to an innovation that has gained immense popularity, i.e., disruptive innovation. Disruptive innovation focuses on creating small, cheap and quality products and services for a specific segment of the market (Guttentag & Smith, 2017). The significant advantage of disruptive innovation is that it improves with time if worked upon properly. Learning and knowing about innovation is excellent but isn't it better if its results are formatted. It determines the activities of an organization making the study of business models an essential task (Drucker, 1955). It was given by (Osterwalder & Pigneur, 2010). It comprises of 9 essential activities of the business that are customer segments, value propositions, channels, customer relationships, key activities, key partners, essential resources, cost structure and revenue streams. This research is an excellent combination of the use of business model canvas and disruptive innovation. The industries considered for this study are OTT and online food delivery, which were studied separately yet with the combining effect of business model canvas and disruptive innovation. Brands considered for the industries were Netflix and Hot star. For online food delivery brands, Swiggy and Zomato were considered. The business model canvas was used to derive insight into the business operations of the brands considered for the study. It gave a deep insight into the unique attributes of the brands, which helped them stand apart from the competition. Similarly, the concept of disruptive innovation is used to compare the brands within the same industry. The purpose of using the concept of disruptive innovation was to determine whether the brands' products or services were as per the characteristics of disruptive innovation, i.e. catering to a specific market and cheap and high-quality product.

In simple terms, the objectives of the study include :

1. First, to compare various reputed brands through the business model canvas.
2. To determine if the services offered by brands are disruptive or not.

LITERATURE REVIEW

Table 1: Literature Review

Authors	Objectives	Methodology	Findings	Basis for Inclusion
(Karimi & Walter, 2016)	To find out whether corporate entrepreneurship has a relation with business model innovation. Also, to check whether disruptive innovations have any impact on business model performance or not.	Use of prior empirical research work and secondary sources to develop a theoretical framework.	Disruptive innovations, especially those directly related to business model innovation, directly impact business model performance.	The impact of disruptive innovation on the performance of the business model was studied.
(Nagy, Schuessler, & Dubinsky, 2016)	Objectives are: What exactly is disruptive innovation Can disruptive innovation be sustaining to some organizations and disruptive to others? Can disruptive innovations be identified even before it has occurred for any organization?	Available literature explains disruptive innovation's effects by proposing a model and highlighting how the model is extended.	It is difficult for an organization to implement disruptive innovation if it has already worked upon it on another product with similar characteristics.	As per the study, disruptive innovations are usually undertaken by new organizations or existing organizations for new products.
(Vecchiato, 2016)	To explore the reasons that why and how incumbent firms are not able to technologies.	Further study of disruption theory by developing a conceptual framework for the smartphone industry from prior literature.	Lack of focus on social and self-esteem needs proved to be the reason for the lack of disruptive innovation on incumbent firms.	Disruptive innovations require a high degree of focus and self-esteem for their proper implementation.

(Behara, 2015)	To study disruptions that are hindering the growth of undergraduate education in business management.	Use of the framework of Christensen's theory of disruptive innovation and following a pragmatic liberal approach to provide recommendations for undergraduate business education.	Under the pragmatic Liberal Approach, undergraduate research and service-learning prove notable factors that can be recommended for the progress of undergraduate business education.	Disruptive innovation explained the role of disruption in the case of undergraduate education
(Dedehayir, Nokelainen, & kinen, 2014)	To explore the phenomenon of Disruptive Innovation in the case of complex product systems.	Analysis of empirical work through case study methodology.	Disruptive innovations in the case of complex product systems have a high price as compared to the price of incumbent technology; it is not so popular in low-end niche markets	Disruptive Innovations proved to be more expensive than already available technology, which can change consumer decision making.
(Christensen, 1997) (Christensen & Bower, 1996)	To study how disruptive innovations can prove to be influential in determining consumer decisions.	Preference was given to secondary data available along with structured interviews.	Investment has been found as a significant criterion that can influence consumer decisions.	Disruptive Innovations are considered a substantial investment that can influence consumer decisions.

Source: Made by author.

RESEARCH METHODOLOGY

The primary focus of the current study was to assess the business models of the

respective industries enrolled for the study and find out whether products or services offered by them are disruptive or not. First, business models were studied through the concept of the business model canvas given by (Osterwalder & Pigneur, 2010). Two different industries, namely, online food service and delivery and the OTT industry, were considered for the study. OTT industry comprised Netflix and Hotstar, and the Online food service and delivery industry comprised Zomato and Swiggy. After the business model canvas analysis, the study used certain factors given by Christensen (1997) to check whether the brands studied were disruptive or not. An exploratory research design was used for this study. Data was collected from various research studies and reputed websites to maintain authenticity and accuracy in analysis.

1.0 Netflix vs Hotstar

Netflix (market share in India- 2.08%) has been an emerging force that is intensely and gradually penetrating the Indian market, while Hotstar (market share in India- 40.18) has already been the top player in OTT based media services in India (economictimes,2019). Since Netflix has a robust global presence and Hotstar has been a star in the Indian market, an eloquent comparison among these two giants is a must. Described below (Table 4) are the business models of both Netflix and Hotstar.

Table 2: Business model of Netflix vs Hotstar.

Key Focus Areas	Key Highlight of Their Practices (Netflix)	Key Highlight of Their Practices (Hotstar)
Customer Segments	Specific brands, Global movie lovers comprising of 190 countries	Tech professionals, designers, general consumers.
Value Propositions	Content variety, Stream online without ads, all of which can be binge-watched	Wide variety of content on a single platform categorized into different playlists
Channels	Through the Netflix app on any device	Through the Hotstar app on any device
Customer Relationships	Focuses on self-service	Focuses on self-service
Key Activities	Licensing, data analysis and production of content	Content availability, features and user experience.
Key Partners	Producers, broadcasters and consumer electronics	Producers, broadcasters and consumer electronics

Key Resources	Customer base, algorithms	Playlist segregation, content license, partnerships.
Cost Structure	R&D, Licensing, technology development, production.	Licensing, production, technology purchase, R&D.
Revenue Streams	Subscription	Charges for premium content, advertisements on free content

Source: Businessmodelsinc.com (Netflix)
Source: (Aadithyaa, 2019)

After a weighty comparison, an important question was needed to be answered, i.e. are these two platforms innovative? Are they Disruptive Innovation or not?

Table 3: Disruptive or not ?: Netflix vs Hotstar

Evaluation Criteria	Result (Netflix)	Result (Hotstar)
Non-consumers or overserved consumers	Attracts consumers explicitly looking for nostalgic-escapism (expresswriters.com, 2017)	No, it does not cater to a specific target audience (superheuristics.com,2018)
Simple, Convenient and Affordable	Yes, they are simple, convenient and affordable (technobezz.com,2019)	Yes, they are simple, convenient and affordable (indianexpress.com,2016)
Technology Enabler	Netflix launched an app called Cinewatch to give personalized recommendations (engadget.com,2018)	No, earns through digital advertising (tech.economictimes.indiatimes.com,2018)
Sustainable Innovations per business model	Yes, increasing ARPU (average revenue per user) through the selling of digital assets. (techgenyz.com,2018)	Yes, robust subscription model, although not primarily focusing on original content. (businesstoday.in,2018)
Not a good offering based on historical measures of performance	Yes, initial setbacks in technology and budget. (aib.edu.au,2017)	No, it has been an excellent offering since the beginning (androidcentral.com,2018)

Source: Christenseninstitute.org

2.0 Zomato vs Swiggy

Two types of business models that have emerged in the online food industry are

"Aggregators and New Delivery Players" (M" kinsey,2016). Although no. of Aggregators are more popular than New Delivery Players, New Delivery Players have the advantage of being more cost-efficient (Mckinsey, 2016).

In 2018, Zomato had the highest market share with a monthly order run rate of 21 million (tech.economictimes.indiatimes.com, 2018). Swiggy also had a daily order rate of around six lakh users (financialexpress.com, 2018). Since these two brands are fierce competitors in this booming industry, it would be pretty interesting to learn more about their functioning through their business models evaluated below in a format given by (Osterwalder & Pigneur, 2010).

Table 4: Business model of Zomato and Swiggy.

Key Focus Areas	Key Highlight of Their Practices (Zomato)	Key Highlight of Their Practices (Swiggy)
Customer Segments	Customers prefer home delivery, Market research companies, customers preferring local restaurants of various cuisines.	People prefer to go out, deliver to other vendors such as groceries, pharmacies and electronics.
Value Propositions	The rating-based pricing model for home delivery bridges the gap between restaurants and consumers, a one-stop-shop for diners.	No restriction order policy, no minimum order amount, eight different payment modes.
Channels	App, Internet	App, Digital Marketing and websites
Customer Relationships	Online service which has compulsory rating mechanism	24/7 customer support, customer support chat, rating, review and feedback system.
Key Activities	Provide local hotel and restaurant search services, collect data about food menus and provide the data to ultimate consumers	Building partnerships with retail shops and restaurants to acquire customers and manage their orders, building IT infrastructure.
Key Partners	Paytm	MedPlus, Myra, BestBasket.
Key Resources	Presence across various countries has an extensive database of restaurants.	Local restaurants, delivery providers.

Cost Structure	Mass marketing costs, captive delivery fleet (organized delivery workforce).	Customer acquisition cost.
Revenue Streams	Advertising, consulting, ticket sales	Delivery charges, Swiggy Super, Swiggy access, Advertising.

Source: futureworktechnologies.com (Zomato)
Bstrategyhub.com.com (Swiggy)

After the above evaluation, some similarity was found in the comparison and something unique that sets them apart. However, can we consider them a disruptive innovation?

Table 5: Disruptive or not ?: Zomato vs Swiggy

Evaluation Criteria	**Result (Zomato)**	**Result (Swiggy)**
Non-consumers or overserved consumers	customers preferred local restaurants of various cuisines. (tech.economictimes.indiatimes.com,2018)	People prefer to go out, deliver to other vendors such as groceries, pharmacies, electronics and many more. (be disrupted. Business world.in,2017)
Simple, Convenient and Affordable	Yes, they are simple, convenient and affordable (economictimes.indiatimes.com,2018)	Yes, they are simple, convenient and affordable. (bwdisrupt.businessworld.in,2017)
Technology Enabler	Yes, the introduction of Zomato cloud kitchen (vccircle.com,2016)	Yes, the introduction of the concept of the kitchen in the cloud(brandequity.economictimes.indiatimes.com,2018)
Sustainable Innovations per business model	Yes, it is sustainable as it acquired Runnr to improve its delivery fleet, which is one of the primary operations of Zomato. (inc42.com,2018)	Yes, the introduction of Swiggy Assured (qz.com,2017)
Not a good offering based on historical measures of performance	Yes, as it suffered considerable losses in terms of revenue (inc42.com,2018)	Yes, its concept was not well accepted earlier and was a flop in its initial years. (livemint.com,2018)

Source: Christenseninstitute.org

CONCLUSION

The present study has explored and amplified the functioning of some top organizations in the OTT and Food industry. In this paper, business models through business model canvas were compared. After comparison of business models through the business model canvas of OTT and online food delivery industries, it was interesting to find out whether products or services of the organizations mentioned above were disruptive or not by the application of factors given by Dr. Clayton Christensen (CHRISTENSEN, 1997)

Netflix and Hotstar have noteworthy business models (see table 4), primarily focusing on cost structures and revenue streams. Despite having almost similar revenue streams and cost structures, the aspects which play a significant difference in their business models are vital resources and value propositions. While Netflix focuses on binge-watching, Hotstar keeps it in the form of playlists. Hence if original content is a priority, then Netflix has the upper hand, but if priority is given to movies and daily soaps, then Hotstar is a bang for the bucks here (Indiatimes,2017). As far as disruptive innovation goes, talking about the OTT industry, Hotstar and Netflix, which provide streaming services, were evaluated (see table 5). The findings unmistakably observed that Netflix emerged as a disruptive innovation with a sustainable business model; it is a technology enabler and catered to a specific set of audiences. On the other hand, Hotstar did not emerge as a disruptive innovation as it did not get any specific audience; it was a good offering since its beginning and was not a technology enabler but had a sustainable business model

Talking about another industry considered for the study, i.e. online foodservice industry, saw a prominent rise in India with a quarterly growth rate of 15% (Business standard, 2018). Zomato and Swiggy were compared (see table 8) as these two have been the most prominent online foodservice industry players. As far as the comparison for their business model goes, it was observed that both the organizations had some similarities in channels, cost structure and customer relationships. The differences present in the business models were based on critical resources and key partners. While Zomato has a more global presence and an extensive centralized database, Swiggy has vital networking with local restaurants in India. In addition, Zomato has more focus on increasing members through its membership program called “Zomato Gold while Swiggy solely focuses on increasing the footfall of customers through programs such as “Swiggy Pop and Super” (economictimes,2019). Regarding disruptive innovation, talking about the online food service industry, both Zomato and Swiggy were considered for evaluation (see table 9). After the evaluation, the result concluded that both Zomato and Swiggy were disruptive innovations and have worked

impressively upon targeting a unique set of consumers, on being significant technology enablers and building a sustainable business model.

DISCUSSION AND MANAGERIAL IMPLICATIONS

Our multiple case study research work attempts to study the comparative analysis of the various top brands in specific domains like online food delivery and the OTT industry. Findings from our study draw varied managerial implications. Firstly, the managers from various organizations should be aware that disruptive innovation does not merely arise from technological breakthroughs but can often stem from changes in market conditions, existing ways of production and product designs. Another essential aspect that was unmistakably identified was that disruptive innovation has specific characteristics that give any business a particular advantage. For example, these kinds of Innovations have low costs, have a significant focus on quality and are sustainable innovations.

LIMITATIONS

The present study has some considerable limitations. Firstly, the paper has only considered disruptive innovation; other kinds of innovation such as frugal, sustaining and others has not been studied. Secondly, the paper is exploratory, and no use of causal research and statistical analysis has been made. Future researchers are suggested to use different and advanced statistical analyses to have more accurate findings and results. Finally, no. of industries and their products and services considered for this study are two in number. Future studies are encouraged to study in detail about more industries and the kind of products and services they offer.

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