

# Disrupt your model fast before somebody else does it for you

## Matthew Key Viewpoint



**T**he digital revolution has already fundamentally rewritten the rules of many industries. This process of change is accelerating and will disrupt and transform society and almost every business.

My job is to help Telefónica — a company that you may still think of as a former fixed incumbent telco from Spain, but is actually a global communications company with annual revenue of €60 billion (£49 billion) that is in the process of transforming its business model — to

embrace the digital revolution. Digital technology does not recognise physical boundaries or respect companies that have been successful in the past. The low barriers to entry, the minimal cost of innovation and the speed with which customers adopt new products and abandon products they have grown up with, have given the digital revolution an unstoppable momentum.

Society and business will change whether you like it or not. Companies and countries that embrace the change can prosper. It's those who stand still who will be the losers.

The innovation cycle has changed for ever. Yes, the digital giants of the West Coast of the US will continue to innovate — although, interestingly, many of their recent innovations have come via acquisitions — but groundbreaking ideas are just as likely to come from São Paulo, Tel Aviv or

Bogotá. The challenge will be identifying the ideas and industrialising the solutions.

This is why we launched Wayra, a technology accelerator programme incubating 170 start-ups across 11 countries. We get access to a wider pool of ideas, and the start-up companies we are supporting have the opportunity to take their innovations to our 300 million customers. So a

company's in-house R&D facility remains important, but you also need to identify disruptive innovation from outside your company and outside your industry.

The most exciting aspect of the digital revolution is the role that technology can play in changing society positively. Combine social needs with a new business model and you have a recipe for success that will create new opportunities. Healthcare is one such area. About 5 per cent of

NHS patients — people with chronic conditions such as heart or respiratory problems — account for 50 per cent of the NHS's annual budget. We are already trialling services in several countries to enable people to monitor these conditions in their own homes and share the results in real time with their doctors, improving the quality and cost of healthcare.

More efficient business models will also emerge from the digital revolution. Take car insurance as an example. By installing a SIM card in a car we can help an insurer to see when, where and how somebody drives. Insurance policies can then be tailored to individual needs and behaviours.

We have all looked at industries such as music, travel, and publishing and thought: why they did not embrace the digital change? But anybody who has run a company knows how difficult it is to change the

fundamentals. Every business has inherent inertia as the company and, more significantly, the people within it are successful because of the past model, not a future one. One thing you can be sure of is that if you do not disrupt your business model somebody else will do it for you.

The good news is that London has what it takes to become one of the world's foremost digital capital cities. A centre of excellence in software engineering, a world-leading creative industry, English as the international business language, and an established financing community.

So this period of change may feel uncomfortable, but my message is: move fast, embrace the opportunities, create new ecosystems and build stronger businesses and a better

society.

● Matthew Key is CEO and chairman of Telefónica Digital