EUROMONITOR INTERNATIONAL

Digital Disruptors

Leveraging Tech to Innovate

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Leveraging Tech to Innovate

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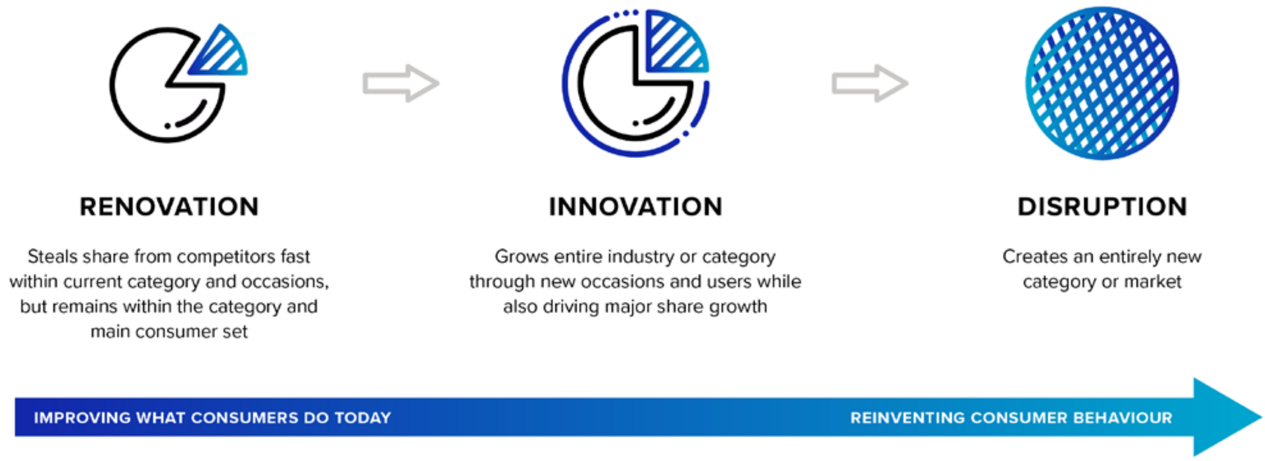
Introduction

One of the most consistent corporate themes is the failure of leading companies to stay atop their industry. It is not an easy task given the multitude of drivers from shifting consumers values to new technologies continuously reshaping consumer markets. Many one-time household brands have found themselves on the wrong side of these seismic shifts.

How do companies stay relevant? It is important to adopt a strategy that includes renovation, innovation as well as disruption tactics. While renovation focuses on re-establishing a brand within a category, innovation leads to the creation of new sub-categories. Disruption is even more profound as it creates an entirely new market or category. Euromonitor International's Renovation-Innovation-Disruption framework illustrates how businesses execute change, with varying impact on their markets.



One of the best-known disruptors is Netflix. Launched in 1997 as a monthly mail-order DVD subscription, Netflix's click-and-wait approach appealed to only a few customer groups, namely movie buffs who cared less about new releases. This market segment was underserved by movie rental store Blockbuster because it was not as profitable as the mass market. Eventually, new technologies opened the door to Netflix streaming video over the internet. Netflix disrupted the movie rental industry by offering consumers convenience and solving the issue of late fees. Along the way, it changed consumer behaviour by revolutionising how media is consumed — a key trait of disruptors.

Disruption is not a new phenomenon, though the plethora of new technologies available today is accelerating the rate of change and upturning industries in the process. This white paper focuses specifically on disruption as a result of the digital era. It is based on a series of reports exploring disruption across six areas of commerce, including:

- Digital streaming services
- Online foodservice delivery platforms
- Shared mobility platforms
- Digital wallets
- Goods delivery platforms
- Social media platforms

Within each area, our expert analysts provide SWOT analyses of companies pushing the boundaries of innovation.

Digital Streaming Services

Consumers are increasingly turning to devices to stream content. According to Euromonitor International's Lifestyles Survey, 72% of global respondents use a mobile phone to watch TV or video online weekly in 2019.

Digital streaming services are growing globally with the potential to disrupt traditional media producers and distributors in other regions. Typically, digital streaming services offer one or a combination of media types, most often music, movies, television and videos. Some streaming services, such as Spotify and Apple Music, work to licence content from studios and record labels. However, streaming services, such as Netflix and Icflix, depend on original or user-generated content.

US$108 bn
spent on digital streaming services in 2019

Large digital streaming companies are getting bigger, but small, niche players are also emerging. Over the last decade, the amount of content available on these online platforms has expanded significantly to serve an interested client base. Euromonitor International estimates that consumers globally will spend US$108 billion on digital streaming services in 2019, with North American consumers spending the most on a per capita basis.

QQ Music

QQ Music is the leading music streaming platform under Tencent Music Entertainment Group in China.

Key strengths
The key strength is Tencent Music Entertainment Group's massive scale and ability to licence content. The group has exclusive rights to some of the most popular Western music. Tencent Music also has exclusive cooperation with Universal, Sony and other major producers.

Key weaknesses
QQ Music's marketing is insufficient compared to other players. A competitor, NetEase Cloud Music, launched several marketing initiatives, such as displaying music reviews in metro stations and printing reviews on bottled water.

Growth opportunities

The biggest growth opportunity will be producing original content and moving away from the role of a pure streaming platform.

External threats

The National Copyright Administration introduced a 99% copyright sharing agreement for mainstream music platforms, which may weaken Tencent Music Entertainment Group's advantage regarding copyrights and licencing.

DAZN

DAZN launched a live and on-demand sports streaming platform in Austria, Germany and Switzerland in 2016. It has since expanded to other markets, including Canada, Italy, Japan, Spain, Brazil and the U.S..

Key strengths

DAZN provides more than 8,000 sporting events from major and minor leagues. For example, DAZN is the only streaming service for football's Serie A in Italy. DAZN makes watching sports easier and cheaper than TV.

Key weaknesses

Recurrent technical problems that limit the willingness of consumers to subscribe may slow growth. DAZN requires a very fast internet connection to reduce buffering.

Growth opportunities

DAZN plans to expand to 20 countries by 2020. As the brand strengthens, it is also possible that it will establish new partnerships for sports leagues.

External threats

DAZN currently provides a limited variety of sports, leading some consumers to choose paid TV, such as Sky, for more options.

Online Foodservice Delivery Platforms

The rise of online foodservice platforms is expanding the array of choices consumers have at their disposal. Delivery methods are becoming quicker and more sophisticated, improving the convenience of food delivery. The development of foodservice platforms is also expanding the restaurant base available online.

There are two main types of online foodservice delivery platforms: aggregators, such as Just Eat, Grubhub and Foodpanda, and delivery services, such as Uber Eats, Deliveroo and Ele.me. The key point of differentiation between these two stems from the ownership and control over the delivery experience. Delivery services control the process from order through delivery. Aggregators only direct orders to restaurants with individual restaurants providing delivery.

Due to the emergence of online foodservice delivery players around the world, the share of online orders in total foodservice sales increased globally, more than doubling from 2.6% in 2014 to 6.9% in 2019. Euromonitor International expects consumers globally will spend US$221 billion to order foodservice online in 2019, with Asia Pacific expected to account for half this spend.

Deliveroo

Deliveroo, which operates in a dozen countries, operates an online food ordering platform for consumers while offering a home delivery service for foodservice operators. Deliveroo has raised US$1.5 billion to date with Amazon leading its latest round of funding in June.

> **Key strengths**
>
> Brand recognition is key for online food ordering platforms. As an early mover, Deliveroo established this by partnering with a large network of restaurants and major chains, such as McDonald's and KFC.
>
> **Key weaknesses**
>
> Foodservice home delivery is a market with extremely low margins and high overheads for IT and marketing. In 2017, Deliveroo had a loss of GBP185 million on sales of GBP277 million. In August, it abruptly existed Germany amid competition.

Growth opportunities

Foodservice home delivery is still an immature market. Deliveroo's growth opportunities lie in changing consumer habits from cooking to ordering food. Deliveroo is also renting kitchen space in containers to aspiring restaurateurs to operate so-called "dark kitchens".

External threats

Deliveroo received criticism for delivery riders pay and work conditions. Should legislation on "gig-economy" employees be tightened, this will significantly impact its already tight margins.

Zomato

Zomato is a popular food ordering, table reservation, corporate catering and third-party delivery platform operating in numerous regions.

Key strengths

Zomato is growing its restaurant base and offering a wider categorisation for cuisine and pricing options. Its acquisition of logistics tech start-up Sparse Labs in 2016 introduced delivery capabilities and a real-time order tracking service. Zomato has a strong subscription-based loyalty programme and an active investor base.

Key weaknesses

Zomato does not customise its offer to a target market. Service standards are not strict due to a mix of in-house delivery and third-party delivery services. Zomato also offers weak protection of consumer data.

Growth opportunities

Zomato will expand into new cities and markets, introducing and upgrading its subscription model. It is also entering B2B food tech through corporate catering.

External threats

Strong competition from global delivery platforms, such as Uber Eats and Deliveroo, and the emergence of regional players across geographies, like South Africa, UAE and India, could potentially impact market share in key markets.

Shared Mobility Platforms

Ride-sharing, or ride-hailing, services provide an inexpensive way to commute without the hassles of car ownership. About one-fifth of online respondents say they book a ride-sharing service on a weekly basis in 2019, according to Euromonitor International's Lifestyles Survey.

In the developed world, these services bridge the gap between public transportation and private taxis and offer cost-effective convenience, which led to their mainstream adoption and success. As these services moved to emerging economies, consumers were given an alternative to inefficient or overcrowded public transportation. Players in emerging countries adjusted their offers to meet consumers where they are today with many accepting cash payments. Others are trying to go down market to make mobility sharing more affordable.

Uber

Uber is a mobile ride-sharing platform based in the U.S., offering on-demand transportation. Uber is the global ride-sharing giant with operations in over 80 countries worldwide.

Key strengths

Uber Technologies Inc. is a marketplace, benefiting from low operational costs, which enabled rapid expansion across countries. Uber's diverse portfolio, ranging from electric bikes to dog transportation, solidifies its position as a leader in the mobility market.

Key weaknesses

Over the past few years, controversies surrounded company management, negatively impacting brand perception. Campaigns around the world, such as #deleteUber, took a toll on brand equity.

Growth opportunities

Uber continues to expand its portfolio, venturing into AV (autonomous vehicle) and electric VTOL (vertical take-off and landing) aircraft. Uber's foray outside of mobility came in 2014 when it launched Uber Eats, which started by delivering foodservice and is now tiptoeing into delivering convenience goods in some markets. Uber is also reportedly exploring a greater push into fintech. In late 2018, Uber launched Uber Cash, a closed-loop payment network that lets consumer add funds to its stored value account and pay for items in its ecosystem.

External threats

Local regulations across markets impacted the way Uber establishes work relationships with its drivers. Uber also experienced backlash from traditional taxi drivers who accused the company of unfair trade practices, since Uber drivers are not required to have special driving permits in all territories.

Grab

Grab is a technology company based in Singapore, offering a variety of mobility services, including ride hailing and sharing with taxis, shuttles and coach buses. It also offers other ancillary services like foodservice delivery, financial services and travel bookings, earning the super app title.

Key strengths

Grab's thorough local understanding yet scalable nature in Southeast Asia (SEA) is a key success factor. The company also offers a variety of different modes of mobility from bikes to cars to shuttles.

Key weaknesses

Grab aspires to become the super app of Southeast Asia by providing a plethora of everyday services for consumers, but it will face intense competition in markets like Indonesia where rival super app Gojek dominates.

Growth opportunities

The shift toward becoming a super app presents a great opportunity for Grab to diversify and add everyday services, such as on-demand grocery delivery, a payments system and travel bookings.

External threats

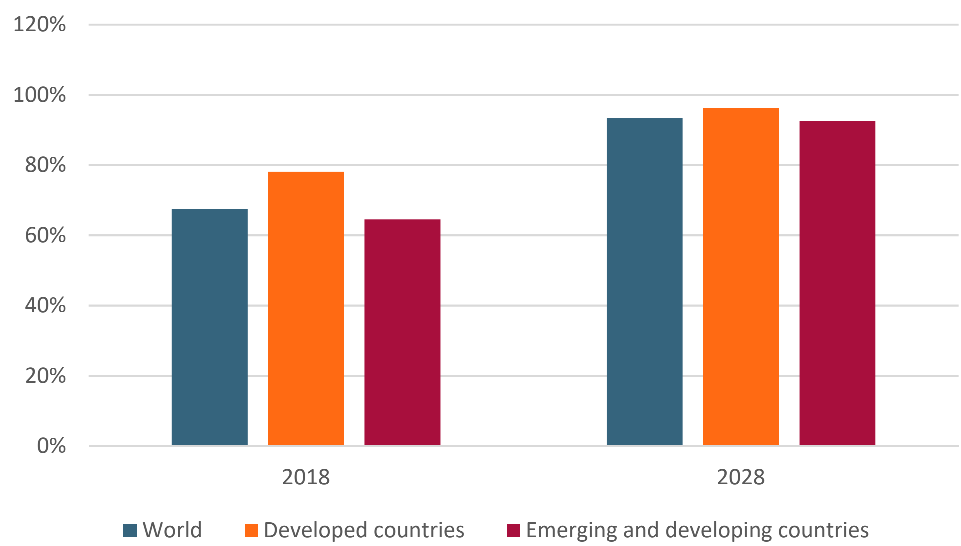
The anticipation of Indonesian super app rival Gojek in some of Grab's markets poses a threat, not only in ride hailing, but also in its other lines of business.

Digital Wallets

Smartphone possession is a major factor in digital wallet adoption. In 2018, 78% and 65% of households in developed and emerging markets, respectively, possessed a smartphone. Those rates are both expected to exceed 90% by 2028.

In developed countries, the smartphone provides consumers with a fast and convenient payment method. For emerging markets, however, it brings the benefits of financial services to those who currently lack access, empowering them to take steps towards more efficient financial lives.

Posessions of Smartphones as a % of Households in 2018 and 2028



Source: Euromonitor International

Chinese consumers were the first to embrace the multi-functionality of mobile phones, using these devices to interact with peers as well as brands. In 2015, China was the first market to spend more on mobile than any other device. In 2018, 77% of digital purchases in China were mobile based.

PayPal

PayPal provides digital and mobile payment services to facilitate transactions for consumers and merchants in over 200 markets.

Key strengths

PayPal has a long history in digital payments and an active user base, including over 18 million merchant accounts, conducting transactions in over 100 different currencies.

Key weaknesses

Expanding partnerships with payment card networks may result in users funding a larger share of payments through cards, resulting in higher fees and potentially lower revenues. Government and financial regulations limit accessibility; PayPal allows users to send payments in over 200 markets, but only allows users to receive payments in about 100 markets.

Growth opportunities

The partnership with American Express and Walmart offers strong opportunity to create a more affordable and convenient way for unbanked customers to manage their money more efficiently while also offering a new consumer base for PayPal.

External threats

Efforts from traditional payment companies as well as other emerging tech companies all present competition in the digital payments market.

WeChat Pay

WeChat Pay is the payment function imbedded in the WeChat messaging app used to execute mobile payment.

Key strengths

WeChat Pay's most significant strength is the gigantic user base, with over 900 million monthly active users, thanks to WeChat, the number one adopted social messaging app. The social aspect increases user stickiness due to consumers using the messaging platform with high frequency.

Key weaknesses

Compared to Alipay, WeChat Pay's main weakness is limited online acceptance, due to China's largest e-commerce platform Taobao not allowing WeChat Pay. Another weakness is the absence of its own credit payment.

Growth opportunities

WeChat Pay may find opportunities by expanding to places like Southeast Asia and South America, rife with unbanked population, that it might be able to convert from cash to digital payments.

External threats

UnionPay emerged as a competitive force in the offline payments market by promoting NFC (Near Field Communications) with massive discounts and cashback rewards. The rising popularity of NFC represents a threat to the QR code-based platform from WeChat Pay.

Goods Delivery Platforms

Consumer expectations for rapid delivery of online purchases continues to increase. While the top reasons consumers shop online is to either save time or money, both the ease and availability of delivery and free shipping rank in the top five, according to Euromonitor International's 2019 Lifestyles Survey.

Two business models emerged to address this demand: hyperlocal, last-mile delivery services and online goods delivery platforms. Last-mile delivery services, such as Shipt and RedMart, fulfil orders for their retail partners. Online goods delivery platforms, such as Instacart and Go Send, allow consumers to place orders from retailers, which are then fulfilled and delivered by employees of the platform.

Today, retailers are searching for ways to offer rapid delivery options. Some acquired outright or made stakes in last-mile delivery services and online goods delivery platforms. Others built their own solutions for rapid delivery.

Walmart, for example, tried having store associates deliver orders on their way home, a programme that did not make it out of the pilot phase. Walmart also explored partnerships with Lyft and Uber to deliver packages, a service that was also discontinued.

Many retailers do not have the resources to build their own rapid delivery services, thus partnering with online goods delivery platforms, such as Instacart or InstaShop, to provide this service and fuel growth.

Rappi

Rappi is a marketplace and delivery service with the goal of being the "everything store of Latin America."

> **Key strengths**
>
> Rappi provides more services and greater geographic reach than any other goods delivery platforms in Latin America, and its merchant partnerships are exceptionally robust.

Key weaknesses

Internet retailing in Latin America is strongest in categories like electronics and apparel, while Rappi is focused on fast-moving consumer goods. It will take time before a wide range of Latin Americans buy more groceries and household goods online.

Growth opportunities

Rappi is expanding geographically, both to new cities and countries, while also growing the types of retailers on the platform. In the early days, the company prioritised grocery retailers; now, a range of retailers, including office supply, pet stores and pharmacies, are on the platform.

External threats

Cornershop, a Chilean grocery delivery marketplace which Uber announced in October its intent to acquire, might be the biggest competitor for Rappi. The rumoured expansion of Uber Eats into grocery delivery is also a potential threat. Uber has been conducting pilots in markets like Australia and Japan.

Instacart

Instacart is a U.S.-based online grocery delivery company. Founded in 2012, the company is valued at nearly US$8 billion.

Key strengths

Unlike single-store delivery services, Instacart allows shoppers to choose from over 100 local and nationwide grocery retailers. Additionally, shoppers use the app to communicate with customers about product availability and quality to ensure their satisfaction.

Key weaknesses

Many of the retailers available through Instacart offer their own delivery service. Brands, such as Safeway, layer grocery delivery on top of established consumer trust that Instacart has yet to solidify.

Growth opportunities

With its recent round of funding, Instacart stands to grow in several directions. With U.S. city coverage reaching saturation, Instacart will look to expand in Canada and possibly other international markets. Instacart will also partner with more local retailers in existing markets.

External threats

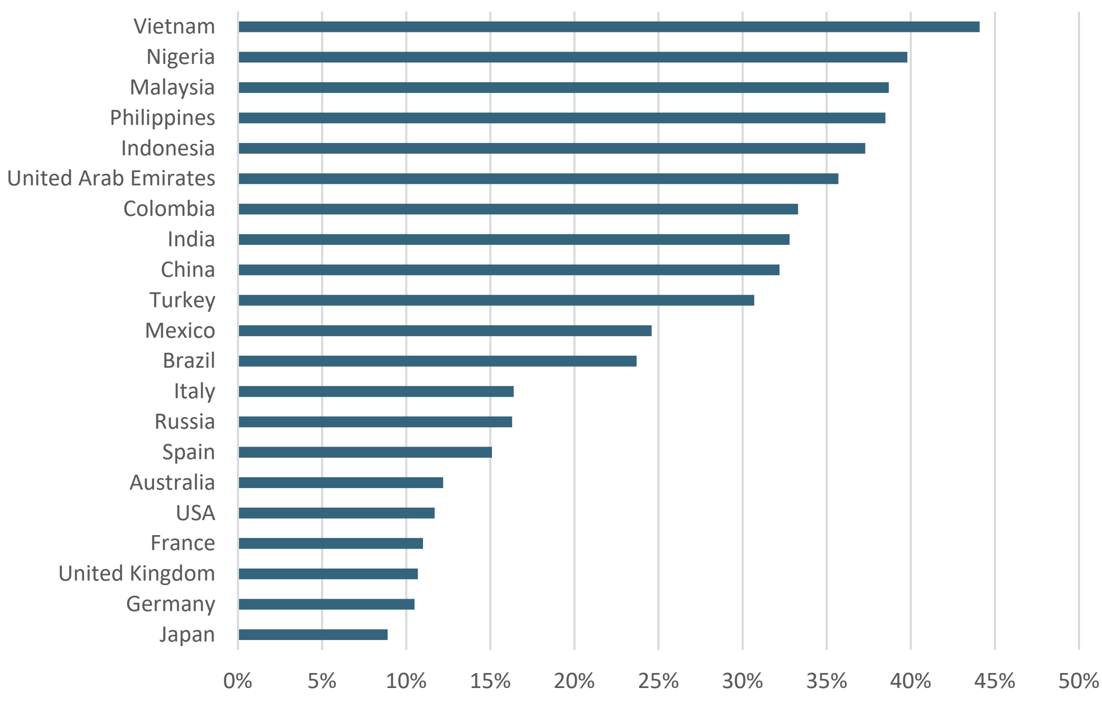
With the acquisition of Whole Foods, Amazon emerged as the largest competitor. Instacart faces competition from direct retailer delivery options, such as Walmart Grocery, as well as app-based delivery providers, such as Postmates and FreshDirect.

Social Media Platforms

Social media gives people the opportunity to stay connected with friends and family and interact with people who share similar interests. It also gives companies a platform to engage directly with their customers, which in turn might lead to consumers leveraging the platform to execute purchases.

Only 24% of global respondents reported purchasing something online via a social media platform in the last six months, according to Euromonitor International's 2019 Lifestyles Survey. When it comes to social commerce, or s-commerce, there is a disparity across markets. Emerging market consumers and those in younger cohorts tend to embrace s-commerce more than their counterparts.

Social Media Activities: Buy Something Online Via a Social Media Platform, in the Last Six Months



Source: Euromonitor International's 2019 Lifestyles Survey

Social media is at a crossroads as heightened privacy concerns lead some consumers to re-evaluate their digital relationships. For example, social media giant Facebook has taken an active role in helping users maintain their digital balance, introducing features to track their usage on its flagship platform and other ones like Instagram. Instagram says it is prioritising its users' wellbeing. In 2019, it began trialling a new feature that removes all likes from posts in response to criticism that such counts hurt mental health.

Facebook

Facebook is a pioneering social media platform with a major global presence, however it faces stronger competition in East Asia.

Key strengths

Facebook has become an integral part of life for internet users and is the leading social media brand in most of the world`s markets. It also benefits from high levels of functionality and user friendliness.

Key weaknesses

The company is highly exposed to any downturn in advertising, which accounts for 98% of revenues in 2017. It needs to reduce this share, which has been increasing three years in a row. This contrasts with just 17% for China's WeChat.

Growth opportunities

Facebook understands it needs to innovate to remain competitive; the company invested USD7.8 billion in 2017 on research and development, approximately 19% of revenues. It could target new segments such as business and institution, making the company less reliant on advertising.

External threats

In the past year, the Facebook brand has been tainted following revelations of practices regarding personal data usage. This may lead to more regulation, which may inhibit Facebooks ability to grow its advertising revenues.

Sina Weibo

Weibo is a China-based microblogging platform, where users can share messages through the website and app.

Key strengths

Weibo is the most popular social media platform as a pioneer and first to market in this industry. It is more timely than news platforms and more influential than other social media platforms in China.

Key weaknesses

Original content from the masses is disappearing along with timely valuable information. Revenues from digital advertising, especially those generated by third parties, is slowing too.

Growth opportunities

Producing original and quality content will be an opportunity for Weibo to gain share back in the interest-based social network market. Extending content formats and adding depth to video documentary, science articles and business analysis may attract more users and raise its reputation.

External threats

The booming short-video industry, especially in a market like China, may become a threat to Weibo's traditional business. Short video app Douyin, with powerful editing capabilities, went viral in 2018. The content is rich and interesting and attracts users to spend more time on short-video media apps.

Conclusion

This white paper highlighted disruptors across six different consumer-facing environments. However, being categorised as a disruptor doesn't guarantee long-term success. Maintaining growth requires consistent focus and effort. That's because markets are fast-evolving, accelerated by new technologies. Innovation itself is also a process, not a one-off event. Disrupting oneself is the ultimate goal. All companies should strive to reinvent, as they evolve with consumers and the world.

The corporate history of Netflix illustrates this point. Netflix evolved from mail-order DVDs to streaming content to producing original content. It continues to challenge the bounds of consumer entertainment while at the same time facing competition from an increasingly fragmented market with players like NBCUniversal, WarnerMedia and Disney all launching new streaming services. The emergence of these new players led to Netflix losing the rights to popular TV shows, such as "Friends" and "The Office", putting greater pressure on its original content to not only attract, but also retain its consumer base. While Netflix traditionally used original content to bring in new users, users in markets like the U.S. traditionally spend the most time watching re-runs of popular shows. The playbook Netflix used to gain its dominant position over the last decade is now out of date, which will require Netflix to disrupt itself if it wishes to stay atop.

Netflix demonstrates why companies must continue to strive to reinvent. Even those deemed as the leader in a new market or category must continue to work to maintain relevant and find new areas of growth. The first-mover's advantage doesn't guarantee long-term success.

Acknowledgments

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As Senior Head of Digital Consumer at Euromonitor International, Michelle Evans oversees the firm's research on the digital consumer, providing actionable insights and in-depth analyses into how technology is reshaping commerce globally. She regularly distills the topic's complexity and strategizes about its future in a clear and engaging manner whether in a client conversation, a presentation to thousands or an industry-shaping report. Recognized as a thought leader in digital commerce, she was named a Power Woman in Fintech by conference organizer Innotribe in 2015, a Woman on Top in Tech by business magazine Asian Entrepreneur in 2016, a Top 200 Fintech Influencer in Asia by fintech publications Fintech Asia and Lattice80 in 2018 and a Woman to Watch by social think tank Remodista in 2018 and 2019. She has shared her expertise across industry events, including Money20/20, Finovate, Trustech, Forum E-Commerce Brasil and Seamless in the capacity as a speaker, chairperson or juror. Leveraging her master's degree in journalism from Northwestern University, she has a recurring column in Forbes and is regularly quoted in publications globally.

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