For hybrid players – conventional companies where there is increasingly an e-commerce/digital element – there is often an instinct to do as little as possible until a digital threat is truly evident. They worry primarily about the fact that moving online might involve the reduction of their more conventional/traditional activities. All too seldom do hybrids consider digital to be a big opportunity which could open up access to new sources of growth.

A pure play executive pointed to the lack of realism sometimes demonstrated by some retailers when he observed that hybrids are often thoughtful about digital but fail to get people who understand how it will affect their business world. Indeed, he felt that many retailers look at digital as an arena where common sense and logic do not apply.

This is a very parochial perspective in terms of competition, and one that has been proven time and time again to lead to competitive disaster. For instance, it has often been demonstrated that cannibalization is best done to yourself. However painful it is, it will be a lot less painful than someone else doing it to you. “In the digital world, traditional businesses are threatened by the fact that barriers to entry drop. Nevertheless content, brand, customer relationships, etc., continue to have significant value. Hybrids have historically underestimated these assets and therefore suffer...
from a lack of courage in cannibalizing their own revenues and building for the future,” said Derk Haank, CEO of the scientific publisher Springer.

But cannibalization remains very tough because one tends to be asking experienced (but possibly poorly informed about the digital world) senior executives to consider committing the commercial equivalent of Harakiri. Seldom do they think that the digital world creates exciting business models which will generate equally exciting opportunities for growth, and profit! Sir Martin Sorrell, CEO of global media company WPP, understands the need to cannibalize and develop in line with the market. “In the digital age, we all have to cannibalize ourselves in a sensible but timely way. WPP can pride itself on the fact that much of its current revenue did not exist a few years ago – to that extent we operate as a strategic venture capitalist, constantly reinventing ourselves.”

“Doing nothing,” however, is life-threatening!

As Jerry Buhlmann, CEO of media-buying giant Dentsu Aegis Network, observed: “The biggest risk in traditional business models is not grasping the digital opportunity.”

As hybrids, with a seemingly bewildering kaleidoscope of technologies to choose from, and equally constant changes in consumer behavior to adapt to, they need to take on the digital opportunity in a logical but open-minded (and open-eyed) way. Jeff Holzschuh, vice-chairman of Morgan Stanley, was sure that this is right – “Conviction is critical – the digital revolution is here, we just have to make it part of our evolutionary imperatives.”

There are, however, some logical questions which hybrids should be asking about consumers, markets, and competitors and their economics. In fact we think there are two vital questions:

- What is happening in the increasingly digital marketplace?
- What should we be doing about it?

In the first half of this chapter we will address both of these questions in a relatively clinical fashion.