



FUTURE PROOFING

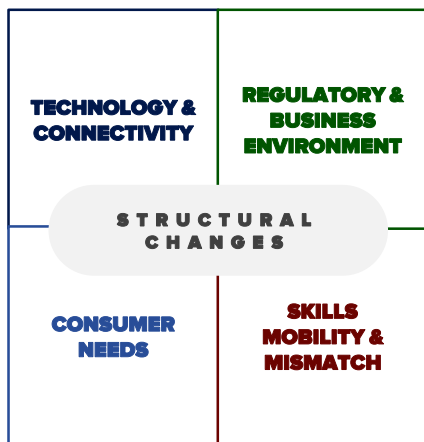
Understand the impact of structural change on your company's competitive advantage – and turn it into a value creation opportunity

Why Future Proof?

Times of great change shift the distribution of value

The World is Changing...

Our world is undergoing major structural changes that fundamentally affect the way we do business. For businesses to retain their competitive advantage and ability to win in their market, businesses need to future proof.



Technology and connectivity enable companies to reach scale faster than ever before. It took the telephone 75 years to reach 50 million users but only 19 days for Pokémon Go.

Businesses need to be able to cater for niche consumer needs. Millennials, notoriously fickle consumers, will account for ~30% of retail spend in 2020.

Attracting and retaining talent is becoming increasingly difficult. Fifty percent of the positions filled at the beginning of a given year in South Africa are vacant by the end of the year.

Businesses are more influenced by government than ever before. BMW was given just three months to restructure its supply chain in response to the US-China trade war.

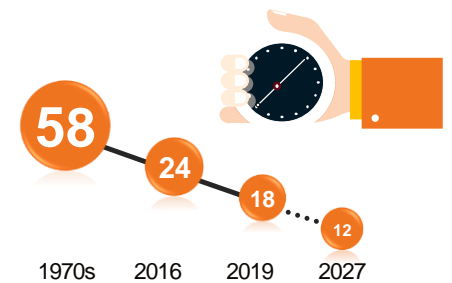
... Creating Times of Value...

Yet, in these times of great change, there is great value to be captured. Opportunity is continuously created by the aforementioned structural changes.

This value is captured faster than ever before. It took Starbucks 32 years to reach a \$10 billion valuation. Juul was able to replicate this feat in just seven months in 2018.

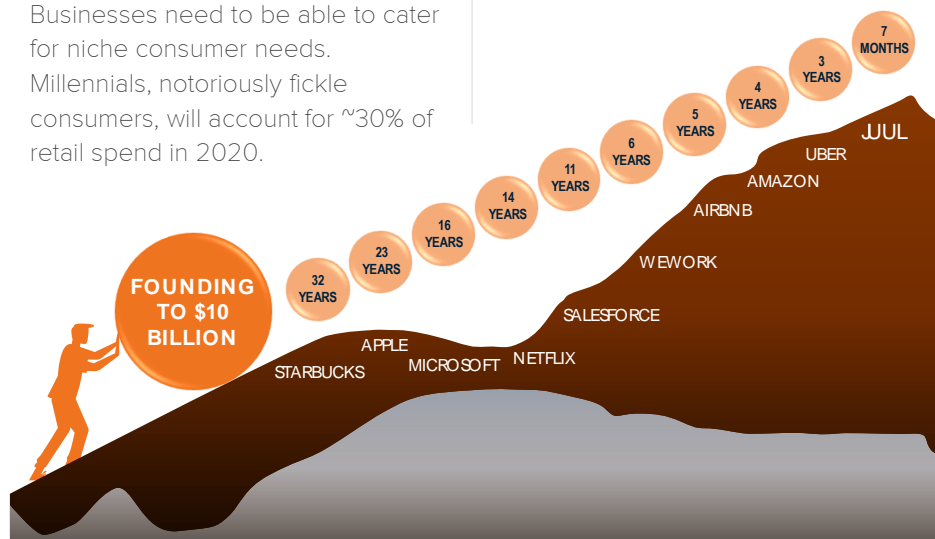
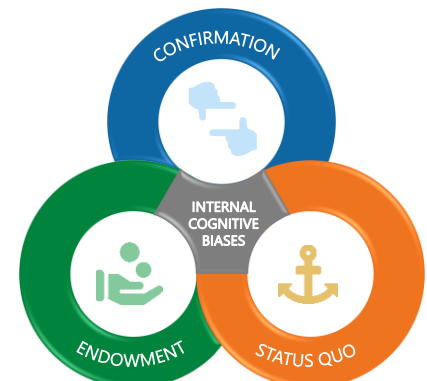
Not all business are equal. In fact, relatively speaking, bigger businesses are heading into challenging times.

The average lifespan of the companies on the S&P 500 has fallen from 58 years to just 18 in 2019. Incumbents are losing their share of the pie.



Lifespan of the average S&P 500 company

These incumbents have failed to adapt to major structural shifts because they let themselves be limited by cognitive biases. This creates reinforcement loops and reduces objectivity, making it incredibly difficult to revisit their choices in anticipation of the future.



What Works and What Doesn't?

Many businesses have tried to future proof, but few have succeeded.

Who has tried to future proof, and how?

Agis looked at over 50 incumbents who attempted to future proof their business.



We found three types of companies:

- Those that tried to do everything, and failed
- those that tried to only do one thing, but chose the wrong thing or executed poorly
- ... and those that chose to focus on the right thing, and did it right

Do everything!

Trying to do everything can lead to paralysis, a loss in momentum and a failure to execute effectively



TRY TO BE EVERYTHING TO EVERYONE

The Radio Corporation of America diversified so much that it earned the nickname "Rugs, Chickens and Automobiles".



FIX EVERYTHING... EXCEPT THE TOP LINE

In the wake of the disastrous buyout and fire sale by Bain Capital, EdCon focused on fixing everything, but ultimately forgot about the customer and the customer experience.



DO EVERYTHING TO AVOID DECISION-MAKING

Faced with obsolescence of its primary product, the company pursued three lines of new business, two of which ultimately failed before the business was acquired six years later.

Do the wrong thing

But being focused can be equally value destructive when the wrong things are prioritised



SWEETENING THE DEAL

McDonald's tried to increase milkshake sales by making them sweeter, which failed. It then hired an external team which increased sales 7x, by delivering against the correct occasion.



WAIT, WHERE ARE WE?

Kodak focused on selling analogue cameras and films and did not invest in marketing digital cameras, their own invention and ultimately the product that caused Kodak to fail.



REWARDS FOR BAD BEHAVIOUR

FannieMae, to hit ambitious targets, incentivised its internal audit team on earnings per share numbers, a huge conflict of interest that contributed to its collapse in 2008.

Do the right thing, right

Future proofing only works when businesses understand where to focus and how to execute well



GOING ALL IN ON DIGITAL

Domino's embraced digital and used it to transform customer engagement, leading to 70x share price growth in 10 years.



CREATE A NEW MARKET

Swatch turned watches into a fashion statement, and encouraged consumers to buy multiple watches to express their style.



COME PARTY WITH US

Faced with a ban on the advertising of its primary product, Lucky Strike created a unique brand reputation through immersive party experiences that side-stepped the need for traditional advertising.

Successful Future Proofing

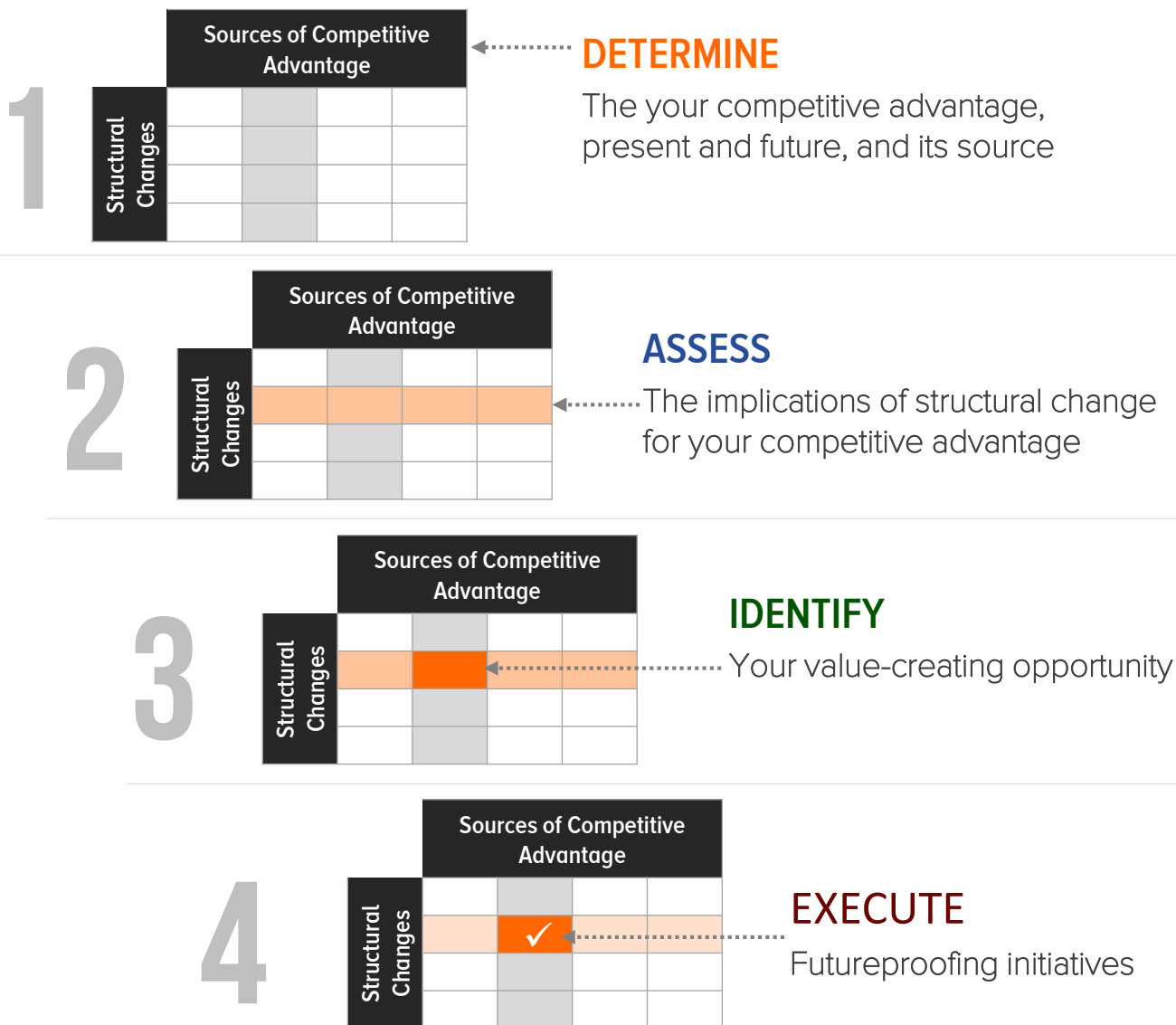
Companies that successfully future proofed all followed a similar approach

What can you learn from companies that successfully future proof?

None of the companies that successfully future proofed their businesses and implemented change strategies did the exact same thing, or focused on the exact same business function.

Future proofing for each company is, and must be, tailor-made.

Companies that successfully future proofed their businesses identified their true source of competitive advantage and differentiated capabilities. They then considered the impact of structural changes on their businesses. Finally, they honed in on a single opportunity to retain (or strengthen) their competitive advantage, and executed suitable initiatives against that opportunity.



*Agis helps clients develop and execute long term strategies for growth.
We combine clients' distinctive know-how with our wide-ranging strategy experience.*
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