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Killer Apps

Introduction: A Road Map for corporate Innovation

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Spring 2015

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Conventional wisdom

- Small and agile (Startups) beats Big and slow (Big corporations).
- Big and agile beats anyone.
- Walmart and Amazon “showroom” example: Amazon ($900K USD x employee per year) and Walmart ($200K USD x employee per year).
- Failure rate of Startups as high as **95%** (Harvard Business Review Research).
- Reward of startups shifts to financiers instead of to entrepreneurs.
- **68%** of startups that get acquired or go public doesn’t result in meaningful wealth for entrepreneurs after an average of 4 years from conception (NBER researchers).

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Killer Apps

- Larry Downes introduced the idea of products so revolutionary that would cause massive creative destruction and huge shifts in revenue.
- Law of disruption: While people change incrementally, technology evolves exponentially. Therefore, an “earthquake” is needed to match them up.
- Companies need to cannibalize their market before somebody does.
- “Killer Apps obviously didn’t get everything right. Nobody could, given the chaos of the online environment…”
- Think big, start small → Wait to have real data to start any significant investment.
- Companies that learn fast take a scientific approach to innovation.
- Betting big leaves to “expertly implementing a failed strategy” (46% of 2,500 failures **never** had a chance to succeed).
- Crystal Pepsi example. 1993.

8 Rules to build from experience and creativity

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1. **Context is worth 80 IQ Points:** While thinking big, need to understand the information-technology.
2. **Embrace your doomsday scenario:** Investigate all possible threats.
3. Start with a clean sheet of paper: As goal, design a perfect form of your business.
4. **First, let's kill all the finance guys:** Don't settle on financial projections too soon.
5. **Get everyone on the same page:** Make sure everyone in the team is onboard before getting to work.
6. **Build a basket of killer options:** Invest small, test various options.
7. **A demo is worth a thousand pages of a business plan:** Stay longer than planned in testing and learning.
8. **Remember the Devil's advocate:** Build a process where the tough questions are keep getting asked.

Case Study: Google Cars.

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Google’s claims:

- 90% less accidents.
- 90% less time.
- 90% less cars.

Case Study: Google Cars.

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Context of car accidents in the US in 2009

- 5.5 million accidents.
- 33,808 deaths, 2.2 million injured and 240,00 hospitalized.
- The costs of accidents is $450 billion. Medical, loss of productivity, legal, travel delays, pain, loss of quality of life.

Impact of Google Car

- Save 30,000 lives a year.
- Prevent 2 million injuries.
- Reduce accident related expenses by $400 billion.

Case Study: Google Cars.

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On the other hand, this means changes in:

- Hospital revenue.
- Car repairs.
- Car dealers.
- Lawyers.
- Insurance (health and car).
- Government income form fines.

Also implies:

- Less officers.
- Changes in roads infrastructure (traffic lights, signals, etc.)
- Less need of parking spaces. More available real state. Changes in property value.

Case Study: Google Cars.

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The big picture of the automotive market:

Car accidents, car sales and insurance and others total $2 trillion USD.

Plus 4 billion hours lost in traffic commute.

Constrains of driverless cars:

- Technology is not the main constrain. Already exists and will become cheaper over time.
- Social issues, political and legal.

Conclusion

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- The driverless car is a “killer app” that will induce big changes in the automotive market
- $2 trillion USD will be in play
- Traditional companies must innovate and use their advantages to outpace the new startups.

Questions?