



# The future of innovation: A vision of revolutions to come



## Renowned innovator and disruptor Will Whitehorn explains why having a view of the past can offer you a clear vision of future opportunities.

Will Whitehorn wears many hats, including founding shareholder of Purplebricks.com and Non-Executive Director of Stagecoach Group. The common theme is that the former President of Virgin Galactic has been responsible for some ground-breaking and disruptive businesses across a series of sectors, from real estate to various forms of transport.

Innovation and disruption, he says, are nothing new. In fact, both of these business concepts have existed since the origins of capitalism, he points out.

There is, he explains, a key distinction between the terms. While incrementality is at the heart of innovation, disruption is about rapidly implemented change.

And it is essential that businesses understand the difference, he says, because having the right business plan in place – one which accounts for the change to scale and pace that results from disruption – can mean the difference between success and failure.

### **Innovation need not be brand new**

This transformation can revolve around technology, but it is often about taking existing technologies and using them in new and interesting ways, Whitehorn notes.

“Capitalism and the industrial revolution were all about rapidity of change. Today, disruptive businesses continue to use innovations to radically alter markets, changing the way that people go about doing their

business and capturing rapid growth in market share as a result,” he says.

Whitehorn cites one of his own ventures, Purplebricks.com, as an example of a business which has disrupted an entire sector by challenging the status quo. “It did this by taking an existing model – the online estate agency – and focusing on providing customers with a better service, at a lower price,” he adds.

### **Learning from important moments in history**

Key phases of innovation often get labelled as the ‘next’ industrial revolution, but Whitehorn doesn’t agree with the importance lent to some – think ‘digital revolution’. Instead, he points to examples such as the deregulation of the global airline industry in the 1980s.

This uprooted the established, monopolistic carriers – British Airways, Air France and Pan Am – and triggered the rise of new technologies in airline travel, like more energy efficient aircraft, thanks to innovations such as lighter carbon seats. That, in turn, led to a rapid increase in passenger numbers – a new market with a much larger customer base.

“Think back to 1939, when the first trans-Atlantic, non-stop flights from Southampton to New York began,” he muses. “In today’s money, a seat cost about £100,000. But incremental change saw the arrival of the jet engine and pioneers of entrepreneurialism in aviation, and so the emergence of brands such as easyJet and Ryanair.”

## The final innovation frontier

Looking to the future, the next important revolution is going to take place in space. “There has been a digital revolution in terms of data transmission,” Whitehorn explains. “The more data we use, the dirtier electronics get and server farms have now, as a result, overtaken ground and air transportation as a source of CO2 in the atmosphere.

“So, packaging these technologies and getting them up into space cheaply will be the next revolution over the next 15 years. It will be where we do the difficult and dirty things that we currently do on our planet.”

Finally, Whitehorn points to artificial intelligence as the technology that will allow us to continue functioning as a society in future.

As we become wealthier and live longer, our population will increase, he says. And it is going to become more difficult to find people willing to do more menial jobs, such as being carers or bus drivers. So, we’re going to need AI to help us look after our ageing population.

## Innovation isn’t just about digital

There is no doubt that innovation sits at the heart of business, and KPMG research has shown that 77% of CEOs prioritise this as part of their planning. But, for Whitehorn, the astonishing fact that this is not closer to 100%. “I cannot think of a business today that is going to survive if it doesn’t innovate. Because if you do not do it, someone else will,” he says.

Referring back to the estate agent industry as a case in point, Whitehorn highlights how important it is to understand the phenomenon. The arrival of broadband in 2002, he says, may have brought with it an explosion of online estate agents, but customers simply were not ready for the innovation.

This is because selling a home is a big transaction – perhaps one they will do only once a decade – so they will not be comfortable doing it through an online platform, he explains. “People simply did not want to sell their home that way,” he says. “As a result, traditional agents retained a 95% market share.”

## Opportunity sits in the middle

While large organisations can lack flexibility, and find it harder to innovate, mid-sized companies can – and must – become disruptors, before someone else does. They are more vulnerable, but with that vulnerability comes greater opportunity.

And this is achieved by building a culture of innovation in your business, he believes. “You need a culture where you put your people first, so they can think about and help their customers. Everyone benefits.”

Yet, it is not simply about listening to what the customer says they want, but the need that is driving that demand. “The Henry Ford truism – that if he had asked customers what they wanted, they would have asked for a faster horse – is right,” he explains.

“Ford realised that his customers wanted to move around more cheaply and efficiently. He saw that the opportunity was to mechanise the horse and make it faster and more reliable – that is what the Ford Model T was.”

## Space on a budget

And Whitehorn knows about rising to the challenge of spotting opportunities that have not yet occurred to the customer.

He was asked to build the world’s first commercial spaceship as head of Virgin Galactic – and for a fraction of the usual cost. “We had a budget of half a billion instead of half a trillion dollars,” he says. “So, I applied one of my standard strategies – look to the past.”

This included studying how innovative new materials were developed by NASA, Whitehorn says. “I have noticed that this capacity to do true, in-depth research and data analysis is missing for many companies, but I see it as being the life blood in this digital space age we’re in. If you do not have the ability to interpret your data properly, you are not going to be an efficient innovator and disruptor.”

### Key takeaways

- While incrementality is at the heart of innovation, disruption is about rapidly implemented change.
- If the customer is not ready for an innovation, it will not transform the marketplace.
- Moving ‘difficult and dirty’ activities, such as data transmission through server farms, into space will be the next big disruption revolution.

## Join the conversation:

[www.kpmg.com/uk/boardroombites](http://www.kpmg.com/uk/boardroombites)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.