The Magnificent Seven versus the Insurance Industry
Google, Facebook, Amazon, Microsoft, Baidu, Alibaba and Tencent

Darrell Mann
Some of our clients from the last 20 yrs:
How was the meal?

Fine thanks.

The lamb tasted like boot-leather.
Never Make Predictions…

“The geeks will inherit the Earth…”

“…they are the least qualified people for the job”
NASDAC:
AI: The Ultimate Winner-Takes-All Cycle

The Virtuous Cycle of Data

Better data

Faster, more focused, product innovation

Better products

Better customer engagement

More willingness to share data

Learning Algorithm beats ‘domain expert’ after 100K training cases… radiologist to loss-adjuster
Never Make Predictions…

“The Chinese and Silicon Valley geeks will inherit the Earth…”

“…they are still the least qualified people for the job”
A New World Order

“mass entrepreneurship and mass innovation”
2014
There are 14 unicorns worth a combined $40.5 billion.*

* This is based on disclosed and estimated valuations.
China’s Sputnik Moment

May 25 2017
China’s Big Advantage:

DATA

100Ms of O2O transactions daily

Say-Do Gap gone

O2O - Online To Offline

Q. What is O2O?
Simply put, O2O or online-to-offline is the link between 'online discovery' and actual commerce in the physical world.

CONSUMER GOES ONLINE
The online component helps consumers discover a product and pay for it...

...after which they are directed to the offline world...

...where they do the actual purchase

BRICK & MORTAR
Fire Your Banker

Unsecured loans of up to £30,000
App assesses a person’s trustworthiness and likelihood of paying based on thousands of automatically gathered criteria:
- remaining battery-life
- how quickly you typed your date-of-birth
Trust? – Social Credit System
Innovation Performance

Indexed R&D/Sales Ratio

Topline Growth %

Apple

Xerox

Y = 0.0112x + 0.0852  R = 0.0073
Innovation:
successful step change
(nothing to do with ‘optimization’)
Innovation?

US Patent 3,216,423

98% of attempted ‘innovations’ fail

©2019 DLMann, all rights reserved
How frequently are step-changes happening?
- Consumer electronics – 6-8months
- AI/Digital – 6 months
- Fintech (west) – 2-3 years
- China (digital) – 2-3 months
Veracity: Three Strategies

1) Masses of O2O data
2) Read ‘Between The Lines’
3) First Principles

How was the meal?

Fine thanks.

The lamb tasted like boot-leather.
For every complex problem there is an answer that is clear, simple, and wrong.

H. L. Mencken
CAUSE and EFFECT relationships are often highly tenuous...
...which means you can’t ‘exclude the trivial’ because it could turn out to be the thing that triggers a non-linear shift.
For every complex problem there are thousands of clear, simple, wrong answers.

For every complex problem there is a clear, simple, right one. If we understand and affect the first principles.
“fly as close to your neighbours as possible”
* Ideality is the over-riding driver for system evolution

* Ideality is about increasing the good, decreasing the bad

* Ideality = ‘Value’ = \( \frac{(\text{Perceived})\text{Benefits}}{\text{(Cost + Harm)}} \)

* IDEAL FINAL RESULT – all the benefits, none of the cost or harm

* ‘free, perfect & now’

* ‘SELF’
The Perfect Insurance?
Innovation Strategy
Lawnmowers – The Bigger Picture

Today

Garden tools

Lawnmower

Grass-seed

‘Something’ (additive?) stops grass from growing

‘grass cuts itself’ (or ‘stops growing’)

IFR

Achieve the FUNCTION with zero cost or harm

(Perceived)Benefits

(Cost + Harm)
Insurance – The Bigger Picture

Today

Brokers

Insurers

AI Apps

‘insurance organises itself, in the moment’

IFR

Achieve the FUNCTION with zero cost or harm

©2019 DLMann, all rights reserved
<table>
<thead>
<tr>
<th>Feature</th>
<th>Design</th>
<th>Production</th>
<th>Supply</th>
<th>Support</th>
<th>Customer</th>
<th>Systems</th>
<th>Intangibles</th>
<th>Measure</th>
<th>Harm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Contradiction-Solving Process**

*IDEALLY*

**we need to innovate**

*But*

lack of trust from customers

solutions already found by others
Contradiction Is The Father Of Innovation
AI Contradiction Finder
CUSTOMER EXPECTATION

Customer expectations increase with time
If you stand still, you are actually going backwards.
In order to remain competitive, you should be looking to the right along the trend

**Key jump motivations:**
Service-experience = intangibles
Experience-transformation = responsibility

Commodity | Product | Service | Experience | Transformation
* FUNCTION = ‘JOB’ = ‘OUTCOME’

* ‘Solutions Change; Functions stay the Same’
  (we will all continue to want to achieve the function ‘communication’ but we will not necessarily want a mobile phone to achieve it)

* TANGIBLE & INTANGIBLE
Customers Buy ‘Outcomes’

Tangibility Focus

- Me
- We

Tangible
Intangible

©2019 DLMann, all rights reserved
“A man makes a decision for two reasons – the good reason and the real reason.”

J.P. Morgan
Universal Intangibles:

Universal Intangibles:

- Meaning
- Competence
- Autonomy
- Belonging
ABC-M Landscape – Takeaway Food
UK Insurers

Most people overestimate what they can do in one year and underestimate what they can do in ten years.

— Bill Gates —

1) First Principles
2) Innovate (Much) Faster
3) Sell The Experience
Innovation Capability Maturity Model: An Introduction

Darrell Mann

Understanding Populations Better Than They Understand Themselves

Yekta Özözer
trenDNA

The Science Of Step Change

Edward Matchett

www.systematic-innovation.com
darrell.mann@systematic-innovation.com