



**How precarious  
is my  
business  
model?**

Consider these competitors:

Toyota vs. Ford

Target vs. Sears

Apple vs. Sony

Coach vs. LVMH

Tsutaya vs. Blockbuster

Samsung vs. Motorola

In each case, the first company has achieved standout returns and higher growth with lower risk than its major rival. It's possible to achieve stunning business success while *reducing* the level of risk you assume.

***The Upside***, the new book by **Adrian Slywotzky**, shows you how to do this. It brings strategy from 50,000 feet down to the trenches, moving from broad, eye-opening ideas about risk to specifics about how to win in your industry by employing the full repertoire of countermeasures for managing strategic risk and transforming it into opportunity.

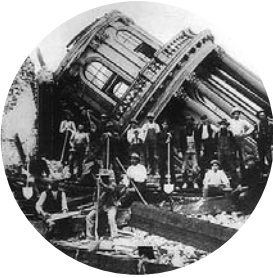


## **What are the greatest threats to your business?**

**T**his new thinking about risk is based on our analysis of successful and failed transitions in 30 different industries; review of hundreds of cases of value collapse in the Fortune 1000 companies over the past decade; primary research on the advanced risk-management practices now being pioneered by companies in many industries; and over a quarter-century of experience working with executives on issues of risk and growth.

Traditional risk management focuses on hazard risks (fire, flood), financial risks (bad loans, interest rate swings), and operating risks (the computer system goes down, an employee steals). While these kinds of risk are important, strategic risks can be even more dangerous and pervasive.

We've identified seven categories of strategic risk you need to anticipate:



### **Project risk**

The very common risk that a costly investment in a new product, an acquisition, or a systems overhaul will fail

### **Customer risk**

Your customer base is decimated by shifts in needs and priorities that make your product or service offerings less appealing or irrelevant

### **Brand risk**

The value of your brand collapses suddenly, or gradually shrinks in the wake of competitive assaults, economic changes, disastrous publicity, or long-term failure to invest

### **Industry risk**

Your market gets so saturated and competitive that the entire industry becomes a no-profit zone

### **Transition risk**

Your company gets overwhelmed by an unforeseen change in technology or business model



### **Unique competitor risk**

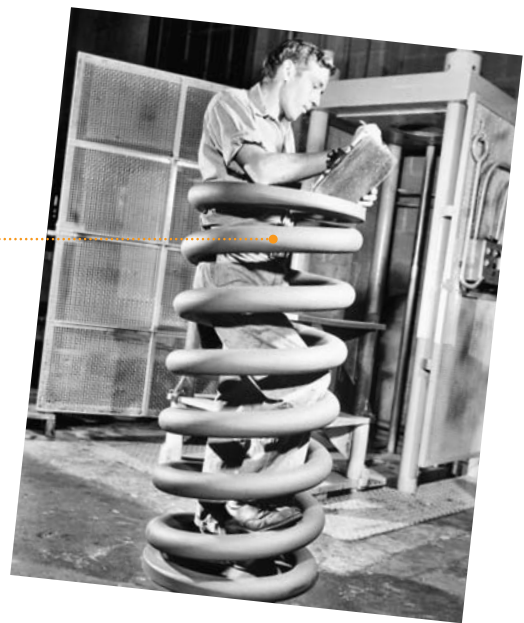
The sudden emergence of an especially powerful rival decimates your business

### **Stagnation risk**

Your business achieves a level of maturity that makes further sales and profit growth very difficult

## Countermeasures for every risk

There's no way to eliminate strategic risk altogether. But understanding it, mastering it, and implementing specific countermeasures allow your company to dramatically reduce the threats it faces. There are specific tools with which to build a **shock-resistant business model**.





For example, to deal with **transition risk**, a highly effective countermeasure is **double betting**, whereby a company invests simultaneously in two or more technologies so as to outlast any shift in consumer preferences. (Chapter 3 shows how Microsoft has done it and how Blockbuster could have done it.)

Companies can beat **stagnation risk** with **demand innovation**, a technique for expanding the array of goods and services a company can sell to its customers. (Chapter 7 shows Continental AG, Procter & Gamble, and other firms are pioneering this strategy—and lists twelve specific demand-innovation moves your company can use to beat stagnation.)

To counter **industry risk**, we show how smart companies are changing the **compete/collaborate ratio** in their industry, joining forces with their rivals (it's legal) to carry out largely undifferentiated functions or processes. (Chapter 6 shows how companies can avoid redundant expenditures and capitalize on economies of scale and shared expertise.)



## Turn to **THE UPSIDE**

**M**ost important, smart strategic risk management can transform potentially fatal threats into powerful **growth opportunities**.

Consider the challenge of project risk. At most companies, even well-managed ones, the percentage of new product ideas that fail runs anywhere from 70% to 95%...

**“Risk is just a very expensive substitute for information.”**



...But **Toyota** managed to stack the odds of the product-development game in its favor, as we illustrate by the story of its hybrid-engine car, the Prius. Moves such as creating excess options and the stepping-stone technique left the hybrid competition five to seven years behind.

In consumer electronics, **Apple** made a different series of moves in order to raise the odds of project success in launching the iPod.

Addressing customer risk, fashion retailer **Coach** has been using proprietary information about customer habits to transform its product line and stores.

**The expanding hybrid universe**



**The expanding iPod universe**



**Coach stores old and new**



# Where are the **hidden upsides** along the fault lines of my business?

Today's smartest risk managers are transforming the threats on which other companies founder into opportunities to create and capture new markets and vast new sources of profitability.

	Downside	Upside
<b>Prius</b>	\$1 billion	\$20 billion
<b>iPod</b>	\$0.1 billion	\$20 billion
<b>Coach</b>	\$0.5 billion	\$10 billion
<b>Target</b>	\$5 billion	\$40 billion
<b>Samsung</b>	\$5 billion	\$40 billion

Such opportunities abound in every business arena. In ***The Upside***, we show how to identify and exploit them. Find out for yourself.

For more information, please contact

George Faigen  
 1.212.345.8296  
 george.faigen@oliverwyman.com

[www.oliverwyman.com](http://www.oliverwyman.com)

