Magazine / November 2014

SMART always wins

Play the winning hand

67% EXPECT CHANGE

What do businesses in Belgium think about the future?

KPMG IN BELGIUM SURVEY RESULTS

Trendwatcher roundtable: an inside look at the future of consumer trends

Marion Debruyne: innovating for the customer of tomorrow

'Made in Belgium': small businesses disrupting the system

Pieter Timmermans: improved regulation as a goal

Herman Nijns: employees must adapt their business plan

Luc De Brabandere: creativity and innovation

KPMG


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Anticipating change
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Structure
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Editorial

To keep pace with the megatrends of today's business world, including globalization and technological change, almost every company is going through significant transformation processes. Client centricity is key in measuring how well a company's structures, business models, and product portfolios are doing. The boundaries between different sectors and markets are becoming blurred, activity areas are expanding and overlapping. Companies from various sectors that until now have existed in parallel to each other are suddenly in competition or are being forced to collaborate with each other in new ways.

This means that not only are companies forced to critically review their existing strategy and business models, but these fast changes ultimately affect all business processes.

At KPMG we strive to be at the forefront of these debates and to provide forward thinking insights. To this aim we partnered with TNS to survey 201 Belgian companies from 15 sectors and asked them how current changes affect them and what their vision for the future looks like. *How much will their business model change? Where do the biggest opportunities exist for their sector? Which are the most attractive sectors for expansion or collaboration?* These results are the focus of this magazine in which we map the most significant changes and pressures that companies are confronted with today and in the near future.

We also provide the view of top thought leaders in Belgium. Four of Belgium's most respected trend watchers share their vision on the consumer trends that lie ahead of us. With Vlerick Professor Marion De Bruyne we gain more insights on customer innovation. Professor at the Louvain School of Management Luc De Brabandere talks about creativity and innovation, Pieter Timmermans, CEO of the FEB, clarifies the impact of regulations and Herman Nijns, CEO of Randstad, speaks on the shortage of qualified staff; Herman Toch shows the way to Happy Profit and Belgian entrepreneurs Pierre De Nayer and David Vuylsteke reveal the ideas behind their disruptive businesses Raz*War and PiggyBee.

These varied and unique perspectives are food for thought for companies that are looking for future proof concepts. Not surprisingly they lie in the SMART approach.

We are happy to share these insights with you and we look forward to preparing for the future and exploring your development potential together!

PATRICK SIMONS
Senior Partner

A SMART company is a **"future proof"** organization.
It can take on any challenge in today's business world.

How? It focuses its efforts on 5 key drivers: **Structure, Mobility, Ability, Resources, Technology**

And you? How SMART is your company? And how can it improve?

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Trends

INTERVIEW

(Part 1)

When 4 trendwatchers put their heads together, then the future is now

Today's innovation is the key to tomorrow's success. But then a business needs to know which innovations can win over tomorrow's consumers. Four leading trendwatchers - Herman Konings, Tom Palmaerts, Steven Van Belleghem and Herman Toch - give their vision of trends, consumers, technology, education, government and companies. KPMG gathered them around one table and compiled their ideas into a series of articles. In Part 1, we look at the impact of megatrends on the consumer and the innovation curve of companies

What can we expect as consumers in the years ahead? Do you see major trends and what consequences will they have on us as consumers and as people?

Herman Konings: "When I was asked in the late '90s what trends we could expect for the 21st century, I saw 5 megatrends: globalization, environmental degradation, standardization, the ageing population and digitization. The prediction has come true, but for 4 out of these 5 trends, powerful counter-movements have come into being. Globalization has led to local opposition. Just look at Northern Europe: the world's most liberal countries, such as Scandinavia and the Netherlands are now protectionist, sometimes even anti-European and extreme right. In this way, they aim to separate themselves from the global market, and come to a 'glocal' approach. Then there is the ageing population: the population is ageing, but then again, there is 'de-ageing'. The new elderly behave like young people, and that is a global phenomenon that you even see in Japan. Digitization is experiencing a human backlash. We thought that everything would be taken over by robots - and it will be - but we also see a revival in a lot of traditional crafts and young people who are involved in handicrafts. On the one hand, the 3D-printer is making a big impression, but on the other hand, a lot of real ale is being brewed. Or take the example of Singer: they are selling three times as many sewing machines as they did 5 years ago - mainly to young people - and they are expensive, fully-featured machines. Fourthly: standardization has indeed continued apace. You can see that on the high street: in every village, you see a Hema or Kruidvat. But in recent times, in the big cities, you have been able to see shops where you can buy unique products, which are not standardized. You see that very explicitly in the hospitality sector: a hotel room can no longer look like one anywhere else in the world. That also applies to products in the supermarket: shortly after the millennium, 80% of the world's supermarkets sold 80% of the same products. That is a clear example of standardization. Now you can see that those same supermarkets are selling many more unique products which, in a manner of speaking, you only find in that specific supermarket - these are not line extensions of the large manufacturers - or fresh products that are sometimes prepared on the premises, such as the homemade sushis at Carrefour. And finally, there is environmental degradation. There has still not been a backlash - quite the contrary, it is increasingly stirring people's emotions."

As a company, what is the best way to deal with those trends and counter-movements?

Tom Palmaerts

Tom Palmaerts: "What fascinates me is the fact that businesses that are simulating the future always start out from the 'megatrends', and work from there. That's logical, but you have to dare to think differently. In fact, while you are exploring the megatrend in greater depth, you immediately have to carry out the exercise for the total opposite happening. That is very logical too, if you look at human nature: you can be sure that once everybody starts following a trend, a counter-movement will start. Take tablets, for example: even the elderly with woolly socks are using them all the time, so for a number of people it is not cool to join in with the masses. Consequently, it is useful for you as a company to just dare to think differently than the rest: at the moment when everyone is busy responding to a particular trend, there are a lot of opportunities available for those doing the opposite of that trend. And since there are relatively few of them, the products are seen as 'luxury goods'. That's attractive for businesses, because they can generate higher margins on them."

Herman Konings: "That element of scarcity is not just one of the basic laws of economics, but also a basic law of psychology and biology. What risks becoming scarce increases in value. If there are too many bits and bytes, then we look for the escape key, and then we create a counter-movement - in this case to an analogue environment where different values are worth more. On the other hand, you have to take account of the fact that very many consumers are not actively on the lookout for alternatives, but just go with the flow. For example, it astonishes me that so many people still watch the repeats of *FC De Kampioenen.* Or that so few young people attend those festivals with a strong emphasis on the environment: most still go to the festivals that cause most pollution."

So is it only the traditional innovators and early adopters who are the first to drop out, and search for a new trend?

Herman Konings

Steven Van Belleghem: "The traditional product life cycle curves by Rogers don't exist anymore: it all happens much faster than in the past. An example: when the mobile phone was introduced, 90% of people thought they would never need that kind of device. Ultimately, almost everyone has a mobile phone, but it took almost 20 years before that product had gone through the curve and reached maturity. Now it doesn't work like that anymore: the lead-times of innovations are becoming shorter and shorter. The introduction and lead-time of the Internet, for example, was already shorter, it went faster with Facebook and the iPad conquered the world in an even shorter time. For very many products and services, we have moved from 'adoption curve' to 'penetration market'. A product or service is either a success immediately, or it is not a success."

How do you explain the transition from PLC to adoption curve?

Steven Van Belleghem: "I carried out a study where I wanted to find out how well-informed the average consumer is about what is possible today. And I was struck by the fact that even the average consumer was pretty well informed about technological innovations. That is because technology news is now widely disseminated by the general media. You only have to look at what a mainstream newspaper is publishing about Airbnb and Uber, about drones, about Google contact lenses. You used to find information about this type of technological tour de force in techie magazines for nerds. Now everyone is well informed, and people are more open to technological innovation. In my research, 70% of people said that they want a smart fridge (Internet refrigerator). Great, isn't it? In the past, people would have said when that kind of product was launched that they want to decide for themselves what is on their shopping list ... Or a smart thermostat, which is another example of what everyone would like to have ... Apparently technology is not 'news' any more, but it has become an integral part of our society."

Does that also affect the marketing of new products and the approach to consumers?

Steven Van Belleghem: "Yes, we notice a different model for the launch of technological products and services: they are put on the market immediately. And there, the product is either an immediate success or a failure. That brings us to a situation of almost entirely penetration products, and we gradually have to say goodbye to Rogers' 'slow' curve, which is now increasingly being replaced by a shark-fin model. It may be - and this is interesting - that some products completely fail on their launch, but an improved version may suddenly be a success. That is possible because products now reach the whole population immediately. The e-reader is a fine example. Sony's first e-reader was a complete failure, proving a number of prophets of doom within the company right. But then Amazon launched the Kindle, and suddenly the e-reader was a success story. With new technologies, you more often have early warnings that fail immediately after launch. Just think of smart watches: a failure, but it is not hard to imagine that a variant will show up soon that is successful and brings about an immediate structural change in the marketplace. In my opinion, the iPhone is the device that brought a new momentum to the world - far more than a tablet. Almost none of all the recent innovations would have been possible if the iPhone had not been brought onto the market. I believe the launch of the iPhone was really a tipping point in history in terms of our relationship with technology."

Tom Palmaerts: "Adoption speed has increased enormously. But I continue to partly believe in the Rogers waves, because different people have different reactions to innovations. The curves in themselves become steeper, but we shouldn't lose sight of the fact that people cannot just be categorized in one segment. We used to assume that person X was an innovator, person Y was an early adopter, while person Z was a laggard. And with that basic classification, we went on to categorize that person 100% in one specific segment, and approached them accordingly. But by doing that, you are ignoring the fact that, as human beings, we have many facets. Because someone can be an extreme laggard in terms of technology, yet an innovator in terms of social media. That makes simple segmentation *de facto* impossible, because as a person, you are a jumble of various segments and positionings."

Herman Toch: "This fits nicely with an element that is at an even higher level than that of the trends. You notice all around you that people's world vision is changing. I think that people, consumers, and customers are changing their life vision fundamentally. People are going to think more and more about what makes them happy, in their private life and at work, about what their aim is in life. People realize too that everyone is a little bit interconnected - even with people on the other side of the world. Dutch professor Jan Jonker says that we are moving from a centralized top-down society to a decentralized bottom-up society, and I follow his reasoning. If 20% of society adopts that way of thinking, then we begin to infect each other so that a tipping point is reached. Jonker believes that the Netherlands are very close to that borderline. If you look at trends and counter-trends, which we were just talking about, then we come to the same point. The 'digital goes human' phenomenon has something to do with it, because it implies that we are more aware in our dealings with technology and human relations."

Steven Van Belleghem: "And that takes us back to the link to scarcity and the value of scarce goods. I spend a lot of time thinking about singularity: whether we want it not, everything is going to become digital or will have a digital com-

"When everybody is busy responding to a particular trend, there are a lot of opportunities for those doing the opposite of that trend."


Steven Van Belleghem

ponent. Just think of the Internet of things and artificial intelligence, it's all going to happen. But that singularity also means that human contact will probably become the scarcest and therefore the most valuable element. For many business sectors, this means that the probability of you seeing or hearing a consumer in the flesh will be reduced sharply. The most strategic question that many companies will already have to ask themselves is what they are going to do if that contact does actually happen occasionally. Every business is currently hard at work on digital transformation, but far too little on human transformation."


Herman Toch

Herman Konings: "That is exactly where the paradox lies: due to the technologization, you will have far more possibilities and time to have analogue contacts. If technology does what it should - in other words simplify life - then you will have the time and scope to do other things, to play with your children, or spend more time with your partner. In this way, digitalization promotes analogue contacts."

In the past, the answer to the question about future trends would probably have been clearer than it is now. Is it not thanks to technology that we now have a much better understanding of who our customers are, in all their facets? And doesn't technology enable us to respond better to that as a company?

Steven Van Belleghem: "Now it is time to say goodbye to the 'average consumer'. Marketeers have grown up with market research and are used to pigeonholing people in one category or another. But averages are the most ridiculous factor to base decisions on. Today, you have the option of dealing with the individual."

Herman Toch: "Segmentation is indeed an outdated way of thinking. Even if you segment contextually or motivationally, that is still too restrictive. Anyway, consumers are aware that people are always trying to put him in a segment, and sees through that little game. Nowadays, a segment consists of one consumer. That 'segment of one' is an enormous challenge for everyone."

Have consumers also become smarter than before?

Herman Konings: "I do not think people are stupid. But if you ask about people's vision of the future, you will not get an answer. Consumers do not know in advance what they will do next year. They think they know because they know themselves, yet you see strange things happening. That's because we live in a hugely complex environment. Only a few people are working on the future and innovation. People argue from their own reference and experience framework but that does not make them stupid. An example: when the mobile phone was launched many people thought it was a superfluous gimmick. But once everyone had one, and consumers noticed that it had practical benefits, then they changed their vision and behavior. The same is true of digital TV: 'Not something for me', many people said at the beginning, but now most households have it."

Steven Van Belleghem: "The world is spinning faster and faster and I think you should not underestimate consumers. They are much better informed than 15 years ago and are also much more open to new things and to trying new things. In that regard, there has been a change of mentality. Previously, people were more averse to innovations than they are now. Now they are far more prepared to adopt innovations. Just look how incredibly quickly Airbnb and Uber became successful. Such concepts would have been simply unthinkable in the past ... After just 7 years, Airbnb is bigger than Hilton, if you can imagine that."

INTERVIEW **Luc de Brabandere**

Creativity & Innovation

Luc de Brabandere plays a unique role in the business world. He spends much of his time advising companies around the world, teaching in universities and running his start-up company Cartoonbase. But his role goes beyond simple job titles. His real passion lies in using philosophy to provide companies and their people with a desire for clarity. Clarity he believes can be found through images: "The word imagination has 'images' right in it – that is not by chance".

Starting with the thinking of philosophers he challenges us to deconstruct how we think about things in order to push us all to take action to face the future. We spoke with him to discuss the role he sees for creativity and innovation in the current economic landscape in Belgium, and to get his take on how companies, big and small, can find their inner creative energy.

What is the biggest challenge for Belgium today?

I want to start this conversation in the 1960s. In Belgium, our success was visible at all levels. Our economy, our social fabric, employment rates. It couldn't get any better. I was born in this world. A world of the baby boom and incredible growth, Brussels at the center of it all, the host of the World Exhibition in 1958 with the Atomium and the beginning of Europe.
Why was Belgium so successful then? After the second world war, the leaders from all walks of life, politicians, union officials, everyone - they built a system. A new model for the world, based on a set of principles. And it was a successful system for a modern world; an incredible success.

The problem with success is it is only possible when ideas are frozen. For example, if you don't freeze your strategy it cannot bring any fruit because it needs time to be implemented, time to be played out. Unfortunately, reality changes. So there is a gap, an increasing gap, between the strategy and the world. And so eventually you need another strategy.

In Belgium, things have changed since the 1960s, the world has changed. Belgium has changed. Everything is completely different. But our system has not, it is 50 years old. How can we maintain success then in a world that has nothing to do with the world in which the system was adopted?

So what needs to happen?

We have to change the system, change the rules. But where have some of the biggest innovators in recent business history come from? In the USA, we have people like Bill Gates and Mark Zuckerburg. What did they do? They dropped out of university. But not as a result of one single person. They had the full support of their parents, their teachers and even the banks that funded their initiatives.

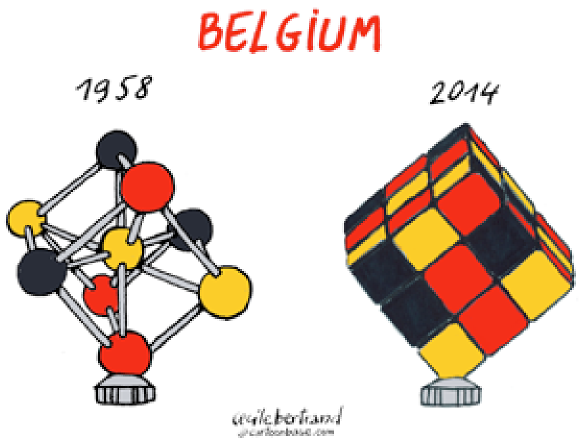
Our perception of risk is totally different in Europe. I don't know anybody in Europe who has ever told his or her son or daughter to leave university. Even less with the support of their teachers and community. That is definitely part of the problem. Of course, I am a teacher as well and if a student comes to me with that question, what am I supposed to tell them? It is not for everybody.

The bottom line is that you need both reinvention of the system and risk takers to break the mold. It is not easy of course but it is what will have to happen. Like the quote "Be the change you want to see in the world" from Mahatma Gandhi, it is up to all of us.

So we have to change. But how do you change?

There are two types of change. First a change of the reality, and second a change of the perception of the reality. And these two changes are independent. One can change without the other. A hot dog exists and what people think of the hot dog also exists.

For me, innovation is the capacity to change the reality, whereas creativity is the capacity to change perception. While they require different skills and different processes, they both rely on change. And changing can be difficult.



We see a good example of this in business. There are a lot of mergers, and they are not always successful. Why do they fail? Because they do not change twice. Change of the reality (innovation) is going from two buildings to one. But as long as mindsets ex-A or ex-B exist, the change of the perception (creativity) does not occur and there cannot be a C. To change is to change twice. My role is to help people to change on both levels.

Furthermore, for a company to be successful, I believe that innovation can happen without creativity. But creativity without innovation cannot. KODAK is a sad example of that. They were very creative, and their creativity is at the root of many big disruptive ideas, like Polaroids. This concept of instant photos is a beautiful example of creativity. Their problem was with innovation. Innovation is making money out of the creativity. But they were unable to leverage that.

It is hard to tune it but companies have to be able to manage it. Good companies are companies that are able to be successful twice.

So how does a company "become" creative and innovative?

The way it happens depends on the company. The rule is the same but every company needs to find their own recipe to ensure that the mindset is updated. The role of people like me is to make people hungry to find their own recipes. We don't bring answers we try to organize the thinking. We attempt to be rigorous even when no numbers are available.

In companies you have two different sides. On the one hand you have things like accounting processes, finance, IT, these depend on numbers. You can measure the success of a process through numbers. But there is another part of the company; things like team spirit, corporate image, creativity. This side is just as important but you have no numbers to assess the progress. The danger is without the ability to use numbers as a tool you are unable to be vigorous in your assessment. It is that much harder to accomplish rigor without numbers. So the answer lies with using criteria. Criteria is the philosopher's tool and with this he or she can implement rigor with a brainstorm and assess whether it is successful.

Is it more difficult for a large company?

For large corporations some disruptions are impossible, well not impossible in theory, but they just never happen.

For example, 25 years ago IBM missed the PC revolution. But the CEO was smart enough to realize his ideas were not enough to catch up. So he created a pseudo start-up. He removed 100 people from the hierarchy, put them in a smaller collaborative environment in Boca Raton, Florida and told them to forget IBM for 12 months. It was a success. And like a test tube it was transplanted back to IBM.

What does it take for this approach to work?

To ensure change is effective we need to see companies as more than just a structure. Companies are really projects. Of course the larger the company the more it is limited to a structure. But you have to be careful, because while, of course you need structure the risk is that then you lose the spirit of the project. If you do not make this change you cannot move forward.

Where does that leave Belgium?

Belgium has the potential to play an important role in the future of Europe. We can be a lab for the future. We speak three languages so we already have an interesting combination of qualities, people, cultures and initiatives. Our country is an image of the future.

That was the case at the start of the EU. Belgium and the Benelux were where the EU started. Sometimes I think we should build Europe 2.0. Push a new project. It's not adding countries that helps; we don't need a version 1.3.3.3. Without a project the only thing left is structure but growth for the sake of growth has no value. To acquire is not a goal in its self. Eventually you forget why you should acquire something. The answer to this question cannot be found in the structure only in the project.

How do you keep up with the changing world?

Bacon stated that "You have to obey the forces you want to command." The paradox with this statement is that obey and command are not antonyms. For companies, this means that they have to obey the forces. If they want to lead into the future they will have to surf the wave. You cannot change the wave.

My generation is incredibly privileged and we had incredible benefits. But my children live in a different reality. Unemployment rates are high and they have no way to build anything. I see it every day. But they live in the sharing economy and I am a firm believer that the best way to create jobs is to let entrepreneurs run their enterprises. I would like to see a Belgium where the ecosystem makes it more than possible and even fun and enjoyable to be an entrepreneur, at every level. But that requires change.

The bottom line is that creativity is not about thinking differently. We just need to think more…

SIMPLIFICATION – FROM THINKING TO ACTION

Categories are the result of human thinking and Aristotle is the reason behind this. Plato operated in the realm of ideas in a general way, but Aristotle said humans cannot act on that. We need categories to help us to simplify our thinking of the world.

We can see this in the business world. For example, a CEO thinks about clients in boxes. There is no way for them to think of every person individually, so they think in market segments. Sectors are another example of this categorization. We cannot understand the business world without the sector breakdown. We need them to help us classify and organize. Of course they can change, the sectors today are not the sectors of 50 years ago. The sectors today correspond to our time. But this categorization then allows us to take action.

Today, there is one additional twist to this concept. For the first time in history, machines also categorize. Google proposes categories. It organizes the thinking that comes to you based on millions of different categories. Google is capable of bringing you the unexpected. They organize this by country, person, interests, previous searches, etc. The result is that the categories are endless. This is a big change and we don't know yet what the impact of this will be on human thinking.

But I have two granddaughters, and they live in this world and seem to handle it well. They are the future, so I remain a tempered optimist.

INTERVIEW **Marion Debruyne**

“Focus on the user, and all else will follow.”

GOOGLE

What do Netflix, Airbnb and Uber all have in common? They ‘disrupt’ the traditional market and are a thorn in the side of many multinationals. But they have definitely listened properly to what the consumer wants, and have looked for solutions. Nowadays this tends to be called a disruptive model. People used to say the ‘customer is king’.

But what makes some businesses more successful than others, and why are some established values 'threatened' by new concepts? We asked Marion Debruyne, Professor and Partner at Vlerick Business School, Director of Recticel and Kinepolis, and above all the author of the book *'Customer Innovation – Waarom de klant centraal staat in bedrijfsinnovatie'.* ('Customer Innovation - Why the customer is key to business innovation')

"In my academic role, I have a lot of contacts with executive teams, and as a company director, I meet a lot of CEOs. In recent years, the focus has mainly been on costs. That was the focus of many businesses. Today I see that there is much more interest again in the top line and concepts like customer focus and innovation have re-emerged.

But at the same time, that is also the main contradiction or challenge that many CEOs and executive teams are having to face. Because basically, if you want to be successful, you have to try to reconcile these two concepts. This is not that easy. While it makes little sense to listen if you don't do anything about what you hear, few companies feel comfortable about involving their customers directly in their innovation process. It makes you think of what Henry Ford said: 'if I had asked people what they wanted, they would have said: faster horses.' And that was not the innovation that Ford had in mind. But in many cases, that idea doesn't really apply."

But you also see two other areas of tension?

"Indeed, in a business, at the end of the day it still comes down to 'financial performance', in other words, shareholder value and then customer focus can just seem like a thorn in your side. Because companies tend to think: 'If we listen to our customers too much, won't they always want more and better for less money?'

A last area of tension is between 'financial performance' and innovation. Innovation is good, but there has to be a payback. As a company, you would prefer to invest in innovation that has a genuine impact on the market and gives you guaranteed growth. But that's something you can't predict, and what is more, 'time-to-market' plays a very important role."

Innovation is a very hip concept right now. People talk about innovation all the time, and often they only talk about innovation if it can deliver 'the next big thing'.

"Yes. And in a sense, that's wrong. I am convinced that today, we need to move towards a different interpretation of the concept of innovation. It does not always have to be innovation with a capital I. 'Small' innovations are also a source of competitive advantage. In that case too, as a company, you are continuously changing and progressing. Often, people think that innovation must be technological. But that's not true. It's not just about product innovation or technological breakthroughs. It doesn't always have to be about drones delivering parcels. Innovation can also be a new process, combining things, introducing a different kind of leadership, etc.

People often see Google as a Valhalla of innovation. But don't forget, the 70/20/10 principle applies there too. 70% of their time and money is invested in their core business, 20% in projects related to their core business and only 10% in projects that have nothing to do with what they are doing today. The last 10% are actually a real gamble. They may pay off, but are just as likely to fail. Those 10% include projects like Google Glass or the car that drives itself. "

So how does a company cope with those tensions between customer focus, innovation and financial performance? How do you strike a balance?

"Well, actually you have to develop three important competencies:

CONNECT: it is important that you connect to your customers that you listen to them and are actually constantly connected to them. And perhaps even more important, that you let them participate.

CONVERT: you have to try to turn the input you get from your customers into new products and services. You will in fact be making sure that they can find their ideas in your offering.

COLLABORATE: as a company, you don't always have all the knowledge at your fingertips, so then you are obliged to look for that knowledge somewhere else, from partners or suppliers. You build a kind of ecosystem of know-how and competencies, which form a vital complement to your in-house R&D. And both small and large companies can benefit from that. Just look at Apple. They develop the iPhone, and then thousands of small firms and developers dream up the most innovative applications that ultimately find their way onto the iPhone and then to the millions of users."

Suppose your company has those three skills. Have you got it made for the future?

"Not entirely. First of all, you have to look at the world through 3 lenses. In the first instance, you have to focus very sharply on your customers. That is very concentrated, but most important. You need to understand them and listen to them. It is certainly no easy task.

"People often think that innovation must be technological. But that's not true."

Second, you have to broaden the horizon. Within that focus, you will no longer just look at the product or service, but at the whole customer experience. Take the example of Telefonica. When they used to listen to their customers, it was about improving the telephone. Today, they are trying to understand what communication represents in a person's life. Betafence, for example, has evolved from a fencing manufacturer to a provider of *'full security solutions'* complete with cameras and infrared sensors.

Finally, you zoom right out, and try to get a picture of everything that is going on around you. You have to ask yourself what non-customers think of you. Because no company has a 100% market share. Look at what the trends are on the market, what new technologies are coming in, who the new potential competitors are, etc. There may be a lot of threats around but a lot of opportunities too. It's a matter of being the first to pick up the signals."

Many of these insights appear self-evident. However, few companies seem to have mastered all of this or integrated it into their business processes.

"That's understandable. Many companies have been 'product-centric' for years and now need to change to a 'customer-centric' model, and from 'product push' to 'customer pull.'

That's not easy. You very soon come up against the limits of your knowledge and your competencies. First and foremost, you have to understand your value chain very well. That takes time. It sounds simple in theory, but there is a lot to take in. And it is very demanding on your employees. Because of course, you want this way of working to permeate your whole company."

Can you give us any other tips?

"Start at the beginning, and make sure all 'leadership' is behind it, and that means action. 'Lip service' is not enough. You need to convince everyone that this is the way to go. Bear in mind that you are not going to be able to change everything overnight. Sometimes you have to start small. Small ideas can also have major consequences."

CUSTOMER INNOVATION
Waarom de klant centraal staat in bedrijfsinnovatie',
Marion Debruyne, published by Lannoo Campus, 297 pp.

Structure

INTERVIEW **Herman Toch**

"Right now, every CEO or marketer should already be experimenting with new business models."

"The transforming world offers businesses huge opportunities", says Herman Toch, author of the books 'Transform or Die' and 'Happy Profit'. "Companies must regard the new challenges in this world as opportunities rather than threats. Only then will they be able to face the future with confidence. However, that requires firms to adopt fundamentally different ways of thinking, while daily business has to continue as usual." He outlines nine growth areas to not only make profit sustainable over time, but also to create a better world: the guide to 'Happy Profit'.

Herman Toch: "We are at a pivotal moment: it is not our own ego or our profit target that must be at the core of the business model, but rather the *relationship* with the customer, consumer or any other stakeholder. Any company will have to learn to start out from a clear and shared purpose. Although there is a lot of negativity about growth and profit, there is nothing bad or wrong about making a profit. We just have to find a different system that is sustainable for people, society and the environment. That is the aim of Happy Profit. Not profit maximisation regardless of the impact on people and the environment (that is 'Bad Profit') or profit maximisation with respect for people and the environment ('Good Profit'), but rather making profit where businesses create solutions for a better world. And this must derive from an authentic inner motivation. We have to switch our thinking from 'attracting people to your brand' to 'making your brand relevant for people'."

Why do we need to be looking at the world through different eyes right now?

"At a time when many crises are manifesting themselves simultaneously - just think of the financial crisis, the ecological crisis, the norms and values crisis, the ageing population, the mobility crisis, etc. - huge uncertainty prevails and there is a tremendous lack of confidence. On the other hand, new technological developments are making it possible, to a greater extent than ever before, for anyone to be creative and become an entrepreneur. Due to this bottom-up entrepreneurship, we can concentrate on our customers' requirements. This is crucial: as a business, we need to dare to ask ourselves exactly what we mean to people's lives and what people would lose if we no longer existed as a brand or company. To be able to survive, we have to become more human and work with a more intense customer focus. We must connect with people who are very self-confident and assured about life."

When you write that we have to look differently at relationships with our customers, you talk about five transforming paradigms. What exactly does that mean?

"Traditional top-down power relationships are disappearing rapidly and new conceptual models are being introduced. Companies need to prepare themselves, because the structure of our business world is changing fundamentally. That can appear threatening but the evolution of the five paradigms also offers businesses unprecedented opportunities. In essence, the 'shift' boils down to companies needing to think and act differently: they need to switch from short-term to long-term thinking (from transaction thinking to relationship thinking), from linear thinking to systems thinking (for example circular economy, usership rather than ownership), from centralized to decentralized (bottom-up, everyone is a maker and entrepreneur), mass to personal ('the segment of one') and from closed to open (open source, collaborative, consumer-to-business). Every business leader needs to see the consequences of these paradigm changes for the existing business, to assess the opportunities they offer, and then adapt the business accordingly."

"Profit is not a goal but a reward that is achieved together with stakeholders and which develops sustainable solutions for the world."

What is the vision of profit within 'Happy Profit'?

"We think very little about the why and wherefore of profit. Happy Profit wants to make profit sustainable: profit is not a goal but a reward that is achieved together with stakeholders and which develops sustainable solutions for the world. For example, the BMWi is not only an environmentally friendly vehicle, but there is a lasting solution to the mobility problem behind it. Happy Profit therefore creates not only tangible but also intangible value. That's important, because in the future, tangible value will become an easily replicable commodity while intangible value will drive the tangible value. This is not easy to incorporate into a strategic plan, because the creation of 'stakeholder value' is not only expressed in money terms. More specifically, the total value of a company in the future will be determined by the following factors: leadership capital, ESE capital (environmental, social and ethical values),

THE BRAND	PROOF OF PURPOSE	IMPACTFUL INNOVATIONS	CRAFTMANSHIP 3.0
OUR BRAND	360° COLLABORATION	LIKE-MINDED PEERS	PEER-TO-PEER PARTNERING
MY BRAND	PERSONAL RELATIONSHIPS	TRUSTED FRIEND	THE INNOVATORS' CHOICE

Source: Book 'Happy Profit' – Herman Toch

trust capital (reputation of and trust in the company), human capital and relationship capital (relationships with the world around the company). What it boils down to is that your company must aim to achieve sustainable added value for individuals or groups. This is done from a totally different position of power and no longer from top-down thinking. That way you can make your brand relevant to the world and to people. A strong brand is a growth platform: there is dialogue, exchange and co-creation - in other words, a relationship that goes beyond merely the transaction. In fine, the brand offers a new perspective to the individual, who can look at him or herself in a different way.

You refer to nine 'highways' or nine ways for a company to grow and build Happy Profit.

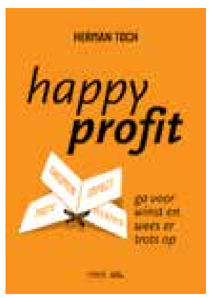
"These nine highways help you discover new opportunities and create intangible value, which in turn leads to more tangible value. The nine highways are grouped at three levels: at the level of 'the brand', 'our brand' and 'my brand'. Completion of that matrix leads to business models that are attuned to the new needs of the world around us. Of course, companies cannot jettison their existing models and structures from one day to the next. That's why an existing company has to create a 'safe' innovation space to seek, to experiment, to try out and even to make mistakes. It's 'fixing the plane while flying': starting up new activities and initiatives start to secure the future while not losing sight of or compromising the current business activities. In order to secure the future of his or her company, any CEO or marketer in fact should already be experimenting right now with new business models."

Can you be more specific about that?

"I am thinking of business models that are applied within the sphere of circular economy, peer-to-peer economy, sharing economy, personalised economy and the makers economy. For example, we see closed loop and performance based business models, transparent and short supply chains, reuse of products and materials, access to products rather than ownership of products, peer-to-peer sharing platforms and marketplaces, extreme personalisation, trust business models crowdfunding, CO-OP, marketplaces for makers, social enterprises ... Possibilities and opportunities abound for businesses."

What is the end result of that change?

"Ultimately, you have to become a *transformational brand:* all at the same time, the brand must be authentic, relevant to people and connected with them. This is the only way to have an attractive brand that has impact on modern people. This long-term relationship between the company and stakeholders leads to a successful future for all. I call it my 'happy wheel of fortune'."



HAPPY PROFIT
'Ga voor winst en wees er trots op',
Herman Toch,
published by
Lannoo Campus,
270 pp.

Structure

INTERVIEW **Pieter Timmermans**

Better regulation as a goal

A recent study by KPMG in Belgium shows that companies regard the complex legislation and the rapid succession of changes to the law as the biggest problems in doing business in our country. Pieter Timmermans, CEO of the FEB (Federation of Enterprises in Belgium), gives his view of this issue.

Do FEB members share that opinion?

In June, we ran an online survey of CEOs of our member companies, and I noted that they were indeed struggling with a number of factors related to the legislative framework in Belgium. To start with, our companies find it particularly difficult to cope with the fact that some changes to laws are made retroactively: that is just not done. Additionally, the authorities change the regulations several times in rapid succession: sometimes it happens several times in the same year. An eloquent example occurred in 2012, when the tax law on company cars was amended four times in the course of the same year. Finally, when laws are framed, inadequate account is taken of the reality on the ground, which leads to resentment and dissatisfaction.

Are we worse off in Belgium than in neighbouring countries?

We know that our colleagues abroad also have to contend with this problem. It is understandable, because we are living in a complex, ever more globalized society, and that implies that the legislation also gets more and more complicated. But besides the fact that we live in a complex society, there is also the way that businesses are treated. And on that point, we rate badly. Not only are there the multiple, rapid and successive changes. Entrepreneurship is in fact structurally discouraged because of the complex regulations. Start-ups, in a manner of speaking, have to devote the first two months of their business existence to getting all the authorisations and other administrative obligations sorted out. So it is hardly surprising for start-ups to get discouraged.

Are the authorities doing enough to achieve administrative simplification?

The authorities are taking initiatives and the intentions are good, but the actual ability to deliver is lacking. If government makes a regulation on company cars and then changes it four times within the same year, without taking into account constructive solutions put forward by the sector itself, that is very frustrating for businesses. It has an impact on our business climate. For example, the OECD states in a study of the main obstacles to setting up a business: administrative paperwork and the complexity of the regulations top the list. This not only takes a lot of time, but often you have to hire a lot of specialists, lawyers, etc. If government receives these signals and does not respond decisively to them, then you can't expect to do well.

What can government do in practice to improve this situation?

Firstly, governments in this country should mention in their coalition statement that laws and decrees must be enacted before the start of the year to which they relate. Secondly, governments must ensure that they deal sensibly with the data provided by businesses, according to the 'only once principle.' Once a company has submitted its data to the authorities, that data should be available for all other departments. The various administrative departments should avoid making businesses submit the same data over and over again for different purposes. A concrete example: a large proportion of the data that has to appear on social balance sheets could easily be retrieved from government databases. So why are companies asked to supply the data yet again? Thirdly, the governments need to improve the quality of the legislation, by taking the recommendations of the Supreme Administrative Court and others seriously. That should lead to 'better regulation' - which is a point that is on the European agenda. In France, there is a regulatory impact analysis, in the Netherlands they have one too, and in Germany, they have been working with a better regulation programme for 20 years.

How can government achieve better regulation?

The legislation must be unambiguous, transparent and universally applicable. And you must be able to build a legislative framework on it. Moreover, then you have to consider codification of the law. In Belgium, in an manner of speaking, we tend to build a house, and afterwards think about adding a veranda and all sorts of other extensions. In the long term, you end up with legislation that is no longer coherent. The best example is the jobs programmes: we have dozens of them, and sometimes they are mutually contradictory. The legislator must start out from the principle that legislation is, by definition, universal and applies to everyone in the same way. Then you can try to achieve coherence. But these days, a lot of legislation is framed on a case by case basis. The consequence is that we are lumbered with laws that are full of exceptions, which is not optimal legislative practice.

Is the law sufficiently close to the reality of running a business?

Some say that the law should follow reality, while others say that the reality should follow the law. It depends on your starting point. But in any case, we all need legislation that is connected with the grass roots level, because that ensures that there is wider acceptance of that legislation. Then you will experience much less resistance to legislation. For example, why did business react so strongly to that episode of the 309% fine on special expenditure rejected for tax deduction? Because business people had the feeling that it was a bridge too far. Government should first think very hard and consult people in the field, so as to come up with good regulations.

How should the legislator deal with new and even disruptive forms of business and business models? What about examples like Airbnb or Uber? How can legislation reconcile creating sufficient opportunities with a sufficiently strict framework?

You can't and shouldn't inhibit creativity, especially because creativity provides growth, prosperity and innovation. When it comes to business models, you have to be open to creativity too. On the other hand, creativity has to fit in with a number of essential rules. Creativity is not an alibi for anything goes, there have to be some limits. Social dumping and unfair competition, for example, can never be acceptable in our traditional business model. That principle applies equally to disruptive business models. Legislation cannot inhibit progress, but cannot allow a number of societal values to be undermined either. On the other hand, you can't mire everything in an endless stream of rules and procedures: in certain cases, it would be better to allow out-of-court settlements or arbitration.

Resources

INTERVIEW **Herman Nijns**

Employees also have to adapt their business plan

Studies and surveys invariably conclude that companies in Belgium are having to contend with a shortage of qualified staff. Herman Nijns – CEO of Randstad Group - gives some nuance to this subject. First of all, he stresses that in the future we will increasingly have to adapt to changing market conditions. "Nothing is more permanent than change," he says. "So both companies and employees continuously have to adapt their business plan in response to those market changes."

Is there really a shortage of qualified staff in Belgium?

"I would take that statement with a pinch of salt: I have been in the temporary employment sector for more than a quarter of a century, and I have never heard people saying anything other than there is a shortage of skilled labor. I don't think that the skills shortage on the labor market now is any bigger or smaller than before. But it is true that the shortage on the labor market may last longer, due to cyclical data and the overall economic situation."

But on the one hand, there is a very large group of unemployed people, and on the other hand, a long list of vacancies that cannot be filled. Doesn't that point to a lack of qualifications?

"Indeed it is true that our labor market is shifting to the higher segment, due to de-industrialization: machines are taking over the simplest tasks, and a lot of manufacturing has been outsourced in recent years to low-wage economies. That has made the task of the production worker more complex. But labor market shortages in themselves have nothing to do with high or low skill levels: the false picture is created that we often have a shortage of certain technical profiles. But we notice that there is also a shortage of people who are willing to do shift work. That has nothing to do with qualifications, but rather with personal preference. So we need to work to get people engaged, by raising their awareness of the needs and expectations of the labor market."

So is there a lack of motivation?

"The Top 5 of labor motivators actually has remained unchanged over the years. It hardly changes in response to curves in economic activity or through the generations. It's a myth that the young generations attach more importance to work/life balance than before. Job content and job security remain the most important factors. That immediately explains why we don't always find enough people for low-skilled jobs such as cleaning, fruit-picking or waste processing: the attractiveness of the job and the sector always matters. For that type of job, you have just as much of a labor shortage as for engineers with a very specific specialization. So it boils down to preparing people well and coaching them in their choice, so that they can move into fields with a lot of potential. And during their career, we also have to prepare them for internal mobility on the labor market. People have to accumulate sufficient 'baggage' to do that."

Doesn't that bring us back to 'skills'?

"I don't entirely agree with the concept of 'skills shortage'. We talk too much about education and training, but that is just one aspect that largely concerns the population that is in or has just left the education system. I notice that education is putting a lot of effort into responding to the requirements and needs of the labor market. Government is doing it too. But it could be even better if the link between education and businesses was made more concrete. We try to promote that by, for example, finding a part-time job for students on economics courses that corresponds to what they are studying. So while they are studying, they can get a feeling for what businesses expect of them. Let me tell you what I think is just as important as 'qualifications': do people themselves have the insight and the drive to develop themselves, so that they can keep pace with an ever-changing market environment? Are we, as individuals or as a company, creative and flexible enough to learn to cope with the changes and seek solutions for it? Through market developments or a specific market demand, there may be a shortage of people with a particular skill. If lengthy training is required for such profiles, then the problem can't be solved in the short term, and it can be useful to look out for people who come from other countries. We have seen that in the health care sector: there was a shortage of nursing staff that can't be reduced from one day to the next. So retirement homes and hospitals looked for personnel abroad in the short term, but at the same time, they reformed the way their work was organized, in order to cope with the

> *"Both companies and employees continuously have to adapt their business plan in response to market changes."*

"I think it is very beneficial for a business to replace instrumental talent management with 'inspirational talent management'."

shortage of nursing staff. Tasks that don't require high or medical qualifications are passed on to people without medical training. That means that nursing staff can devote far more energy to their core task; the shortage of medically trained staff has been reduced, cutting overall costs at the same time. Meanwhile, efforts can be put into training programs - including for people already on the labor market - to increase the number of medical staff in the longer term. It seems simple, but businesses need to be helped to cope with that flexibility, with the diversity on our own market, and with access to the world market and all the possibilities that go with it. Sometimes, we need to look for solutions closer to home. Think of someone over fifty who meets almost all the requirements for a job vacancy: wouldn't it be better to put him into a training program for that job rather than pass over him and look abroad for someone who is a slightly better fit for the profile, but who will need to learn to adapt to our language and culture?"

So that means that businesses and employees will have to develop a new mindset?

"We are no longer living in a world where things go five years without changing. We have to get used to that, even if it is not always easy. Our willingness to change will determine whether we can be successful. That applies to companies, but applies just as well to individuals. We cannot cling on to models that used to be successful a few years ago. Just think of the disruptive technologies and models that we are always hearing about. The context is changing all the time. The ways of doing things, the environment and the requirements of businesses are also changing continuously. Technology will bring many more changes and shifts in the future. You can be afraid of it, but the big question is how you cope with it as a business or an individual. However, it is true that every change brings new opportunities. Being able to adapt and reinvent yourself is a requirement to survive in a competitive, global environment. As a company, you now have the possibility to do things, which were out of the question in a previous context. That is also true of the individual, who has to think in terms of business model and has to adapt to changing market conditions. What does that mean in practice? You have to make sure that your competencies are relevant and adapted to market demand, if you want to get a job."

How can the business models of companies and individuals merge into one another?

"Companies have to offer all their employees - from top to bottom - a correct outlook that takes account of the dynamic within the organization and market conditions. In other words, you can't draw up a rigid career plan in advance that you may not be able to maintain. However, you can offer a context in which your people can thrive within their own competences and aspirations. That is a context of trust, where performance is seen and rewarded - and that means not just financially but also can involve appreciation or visibility in the organization. I think it is very beneficial for a business to replace instrumental talent management with 'inspirational talent management'. In that model, as an individual, you have a responsibility to shape your own career, and the company offers you a context to do that. It helps both parties progress, and if the situation for one of them is no longer in balance, then they are both ready for the prospect of internal mobility on the labor market. This completes the circle."

KPMG in Belgium survey – PART 1

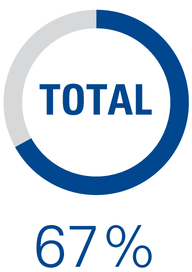
Over two thirds of Belgian companies expect a reasonable or total change of their business model by 2020

That companies need to change is a truism, but this overall message does not leave us much the wiser. So it is important to be able to understand what exactly 'change' means in these days of globalization/digitization/interconnectivity, who it applies to and which factors are driving change. And how companies think that they can survive this (r)evolution. In this first part we share the results of KPMG in Belgium's most recent market survey. And in addition we refer to an international survey of USA multinationals.

"12% of the 201 companies surveyed expect a total change, 55% expect a reasonable change by 2020."

There are still quite a lot of challenges lying in wait for companies. Industry 4.0, robotics, big data, e-health, outernet, connected homes and cars are just a few examples. Existing business models are being fundamentally challenged at an unprecedented speed by digitization and interconnectivity. In a recent KPMG study of 400 CEOs of USA multinationals, it appears that 76% of the companies surveyed are in some phase of a transformation model. We also find a similar evolution in Europe.
In addition, companies are facing new competitors from around the world due to the increasing blurring of borderlines between sectors. This means that companies not only have to fundamentally reconsider their strategy and business model (and the related accounting, tax and legal issues), but also their market positioning, target audiences and critical success.

67% EXPECT A CHANGE OF BUSINESS MODEL



KPMG in Belgium wanted to know how Belgian companies assess this change and asked them to what extent their company's business model will change by 2020 (for more information about the methodology: see text box). The results leave nothing to the imagination: 67% of companies surveyed expect a reasonable or total change in their business model by 2020. That is in just ... 5 years!

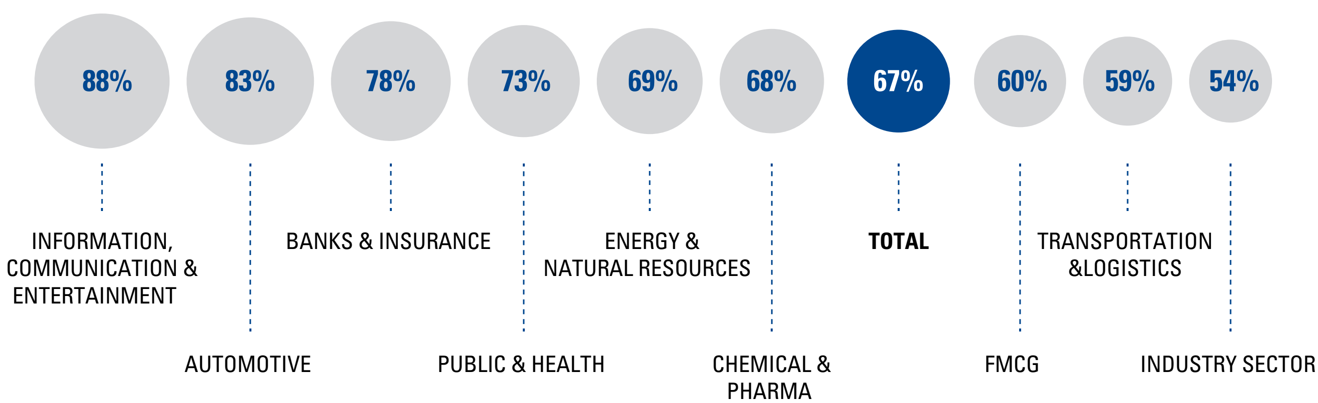
DIFFERENCE BETWEEN REGIONS AND SECTORS

12% of the 201 companies surveyed expect a *total* change, 55% expect a *reasonable* change. We note a number of nuances here: in Flanders, the concept of change is less imminent than in the French-speaking part of the country. We also see a clear difference between sectors. The top 3 sectors that expect the greatest change (sum of 'total' + 'reasonable' change) include ICE (Information, Communication and Entertainment) (88%), Automotive (83%) and Banks and Insurance (78%), followed by Public & Health (73%). The sectors industry (54%), transportation and logistics (59%) and FMCG (60%) forecast the least change.

If we only look at the score for 'total change", then the rankings are virtually identical. But Energy and Natural Resources pushes Banks and Insurance out of third place, and we find Chemical and Pharma right at the bottom of the list.

THE MARKET SURVEY

KPMG in Belgium teamed up with market research firm TNS and (CATI) from 13 to 26 June 2014 surveyed a total of 201 companies established in Belgium (55% in Flanders, 28% in Brussels and 17% in Wallonia). 57% of the responding companies have a turnover of between 80 and 500 million euro, 22% of more than 500 million. 45% have a workforce between 101 and 500 employees, 32% employ more than 501 people. Two-thirds of respondents were the CEO or owner, the remaining third were managers. More than one in four companies surveyed (26%) is family owned - for the industrial sector that rises to 37%. Participating companies generate the bulk of their revenue in Belgium (51%). This is followed by Europe (35%), Benelux (5%) and countries outside the continent (US: 3%, BRIC: 2%, Asia: 2%, Africa: 2%).



THE DRIVERS OF ‘CHANGE’

Apart from the assessment in relation to change, KPMG also asked about the reasons why companies expect that they will have to change in the next few years. Central to this development is the ability to maintain offering to clients the type of products that they desire, in a context of continuous and rapidly changing technology. The respondents of the study cited the following three main reasons:

1. ever-increasing pressure on costs and innovation;
2. the growing overlap between sectors;
3. new expansion opportunities.

We look at these three factors in more detail below but would also like to link to a recent survey conducted by KPMG of 400 CEOs of US multinationals. That survey showed that 72% of them expressed strong concern about how they can continue to put relevant products and services in the market in the coming three years. Additionally, 90% claimed to be worried about aggressive competition that can put further pressure on them in the buyer’s market.

INCREASING PRESSURE ON BOTH COSTS AND INNOVATION

Over 80% of Belgian companies expect the pressure on both costs and innovation to increase. It is striking that there is little difference between the cost factor (80.6%) and the innovation factor (83.6%). This applies equally to family businesses: they are under just as much pressure as the others. In the KPMG CEO study of US multinationals this also clearly stated. The majority of companies that are transforming, focus on developing sustainable growth, strengthening the brand and improving the range of products.

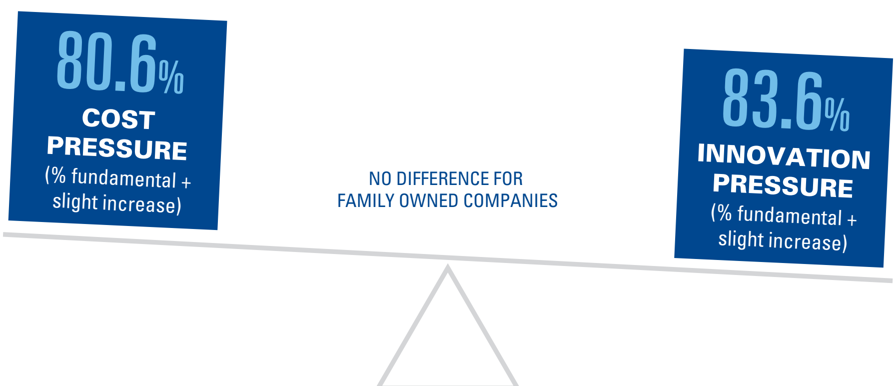
When we look in detail at the results within the different sectors, we find that all sectors expect a high cost pressure level. For the pressure in terms of innovation, the results across sectors are further apart.

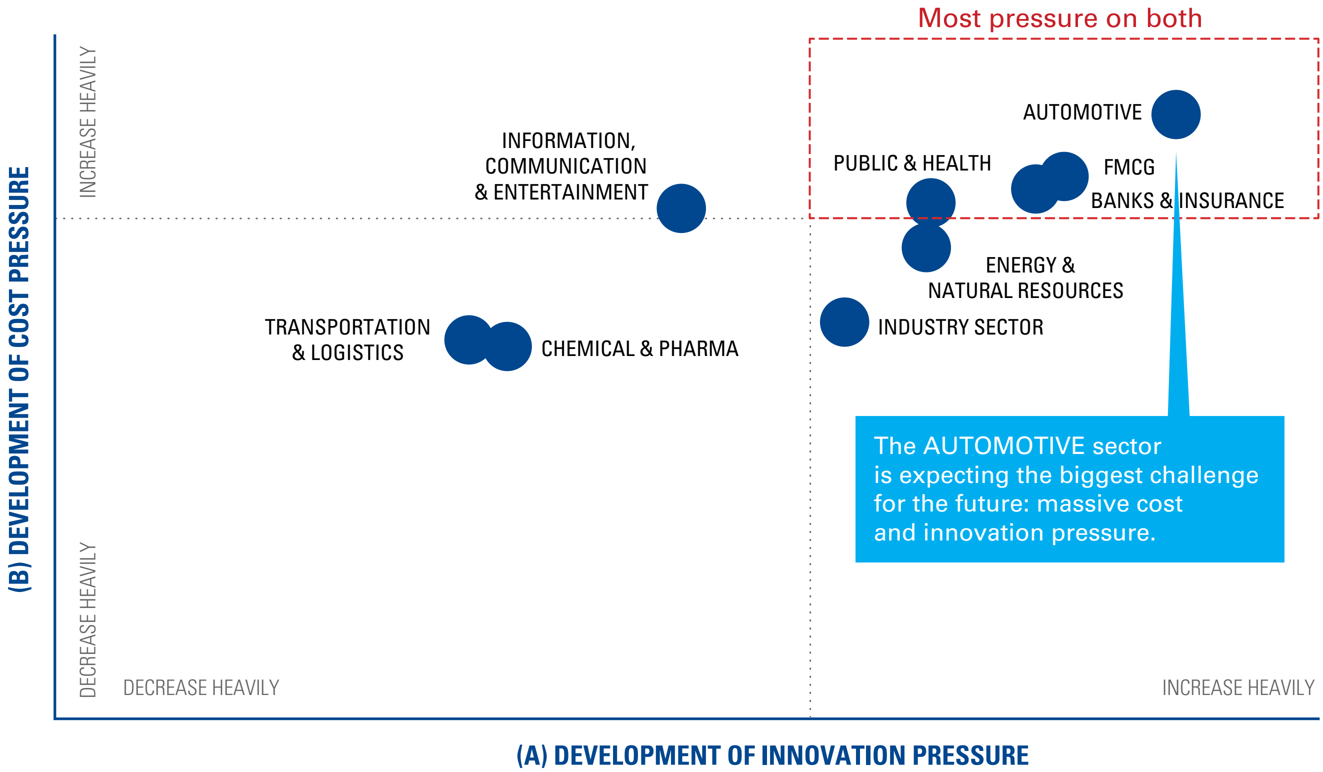
“Over 80% of Belgian companies expect the pressure on both costs and innovation to increase.”

The Automotive Industry forecasts a huge increase in the pressure on both costs and innovation. When we focus on the costs, the Automotive Industry expects a huge increase in pressure (94%). FMCG follows with a cost score of 90%, followed in turn by Banks and Insurance as well as Public and Health. The Chemical Industry and Transportation/Logistics indicate that – of all respondents - they least expect an increase in cost pressures.

The Automotive industry also forecasts by far the greatest innovation pressure and scores a lot higher in this area than FMCG, Public & Health and Banks and Insurance. Transportation and Logistics and the Chemical industry expect the least increase in innovation pressure; is it a coincidence that they’re also the ones who expect the least cost pressure?

In the next article, which you will find in this same magazine on page 29, we take a closer look at the blurring of the boundaries between sectors and the risks and opportunities attached to this development.





EXECUTIVE SUMMARY

Two out of three companies expect a reasonable or total change by 2020 – this is within 5 years! The expected change is the highest within the following sectors: Information, Communication and Entertainment, Automotive, Banking and Insurance and Public and Health.

That change is expected because, on the one hand companies believe they will have to deal with a lot of cost and innovation pressure. On the other hand, companies fear they will get a lot of competition because of blurring boundaries between the different sectors.

The biggest challenges our respondents have revealed, will be access to talent and skilled labor, flexible personnel management and intelligent use to data. Companies hope Companies hope on a macro-economic level for support to create more qualified people.

The sectors that are the most subject to change are: Information, Communication and Entertainment, Automotive, Bank and Insurance, Public and Health and Energy and Natural Resources. The sector with both the most challenges and the opportunities that probably has to re-invent itself is Information, Communication and Entertainment.

Quite a number of companies still have to fine-tune their entrepreneurial mindset in to meet the business challenges of a globalized world.

KPMG in Belgium survey – PART 2

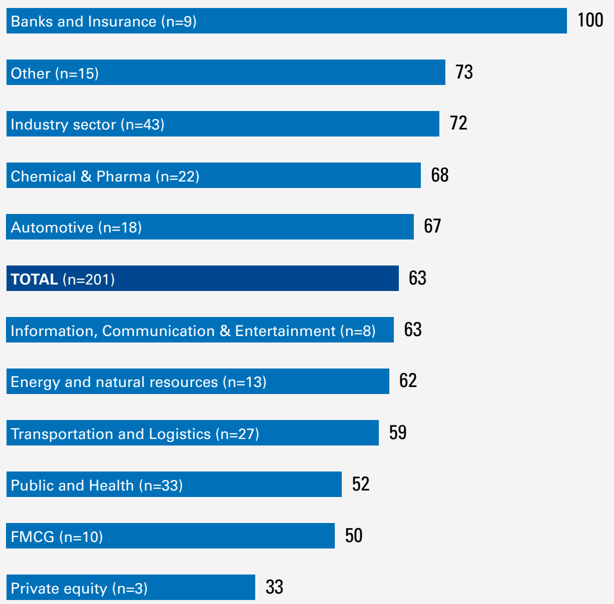
Risks and opportunities of cross-sector competition

In the second article about KPMG in Belgium's newest market survey, we take a closer look at the blurring of the boundaries between sectors and the risks and opportunities that go with it. In the digital and networked world we live in, new fusions of products and services are coming about. This creates an increasing overlap between what were previously separate sectors. New, integrated solutions that better respond to the customers' needs are emerging and old value chains are being broken. This increases the competitive pressure, but at the same time the overlap between sectors is opening up new prospects for growth.

"The sector with both the most challenges and the opportunities, that probably has to re-invent itself is Information, Communication and Entertainment."

Belgian companies in our study confirm the trend of the blurring of the boundaries between sectors. When we ask whether they are at risk due to the market entry of new competitors from other sectors, then 6 out of 10- or 63% to be exact - say yes. The absolute leaders here are banks and insurance companies, with 100% of them considering that they are going to face competitors from other sectors. The Industrial (72%) and Chemical sectors (68%) round out the top 3, ahead of Automotive (67%) and ICE (63%). At the bottom of the list, far behind the top 5, we find Public and Health (52%), FMCG (50%) and Private Equity (33%). The answers from the family-owned firms are completely in line with the other companies.

Who expects competition from other sectors?



WHO FEARS COMPETITION AND FROM WHICH SECTOR?

KPMG in Belgium asked in the survey which sectors companies expected to provide the most competition. Each sector may give different answers, and based on this data a 'fear of competition' index can be drawn up for the various sectors. Banks and Insurance see most competition coming at them from various directions, followed by ICE and the energy and natural resources sector. The lowest score comes from FMCG with an index that is 3 times lower than the one of Banks & Insurance.

Let us take a closer look at the concrete example of Banks and Insurance: 100% think there will be cross-sector competition for their services. 67% of all respondents estimated that competition will come from the sector of Information - Communication - Entertainment (ICE). That indeed reflects recent changes or upcoming initiatives such as the Facebook payment platform, PayPal, Google Bank, peer-to-peer insurance and so on. The Banking and Insurance industry also fears interference from Private Equity (44%), FMCG and even the Public Sector (both 33%). It is clear that banks and insurance companies feel a bit vulnerable in the new world but later in this article, we will see later whether other sectors really do have an interest in banking and insurance activities.

The ICE sector mainly sees competition coming from FMCG and Private Equity (both 38%), and to a lesser extent from the Public Sector, Industry and Transport and Logistics (all three: 25%). But ICE fears competition from literally every other sector mentioned in the survey. They are indeed very attractive in this digitalized world in which data, communication and customer experience are key.

The energy and natural resources sector is mainly anticipating competition from the chemical sector, followed by FMCG, automotive and industry. Industry mainly sees the energy and natural resources sector as the competition.

The position of FMCG is striking: they are rated highly by a number of other sectors as a potential competitor. However, they themselves see barely any threat from other sectors: with the exception of industry and transportation/logistics, and even then only to a limited extent. The same remark can be made about Public and Health, which has as little fear of competition as the FMCG sector. Yet we see a lot of movement in this sector and in the light of future cutbacks, as well as efforts to reduce government spending, it seems evident that a lot of opportunities will be up for grabs here.

GROWING ACROSS SECTOR BOUNDARIES

We just saw that 63% of companies fear competition from other sectors. In the study, we also asked companies whether they see growth opportunities in other sectors. That is definitely the case: the number of companies that see opportunities in other sectors is even greater than the number of companies that fear competition from other sectors: no fewer than 72% think that there are opportunities to be seized in other sectors. The hungriest firms are in ICE where 100% of the respondents answered positively. The chemicals sector scores highly too (91%). Rather lower in the ranking come industry (77%) and transportation and logistics (74%). The lowest appetite for operating outside their own sector can be seen in Public and Health (61%), Energy (54%) and FMCG (50%).

THE MOST ATTRACTIVE SECTORS FOR EXPANSION

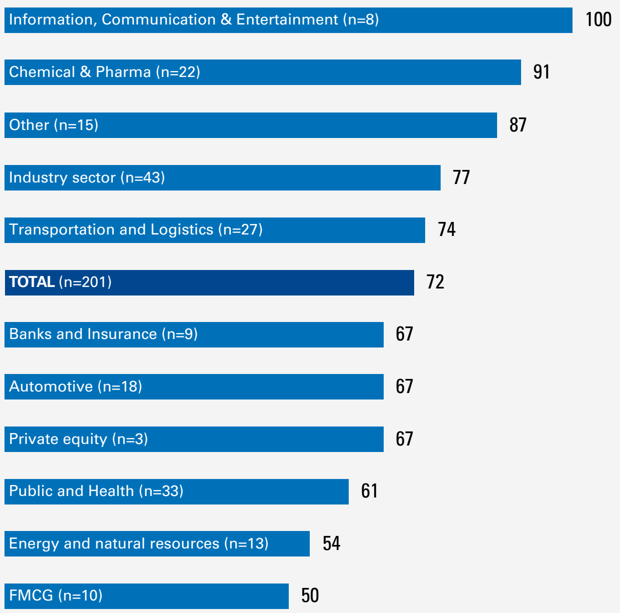
Wanting to expand outside your own sector is one thing; having to contend with new competitors from outside your own sector is another. To prepare optimally for the future, this is an equally important factor and a realistic assessment of potential rivals in the field is a necessity. This exercise shows that not all companies and industries have a clear picture of the attractiveness of their sector. So we just saw that Public and Health sees itself as a relatively unattractive sector and therefore fears little competition from outside the sector. The other sectors clearly have different ideas about that, because they see them - as well as Transport and Logistics - as offering the most interesting opportunities for expansion (both get a score of 31%). Quite a bit lower in the ranking we find Industry, FMCG and Chemicals. The fact that Private Equity has a low score here (8%) was only to be expected. But Banks and Insurance are also down the list (with barely 11%) while 100% of this sector is expecting threats from outside.

EXPANSION INDEX: WHO IS GOING HUNTING AND WHERE?

Besides the ‘fear of competition’ index, this study also comes up with an ‘expansion’ index: this outlines the expansion opportunities that the various sectors see in the other sectors. The results show that there are hardly any limits and that no sector is immune to the expansionism of other sectors. Companies have to reckon with new competitors and discern many cross-border opportunities, often with unexpected combinations as a result. It is clear that in the coming years new competitive models, but also new alliances and partnerships will grow - often under pressure from globalization (economies of scale will play an important role in coping with global competition) or from the capital markets (particularly through acquisitions of smaller or under-capitalized companies). Today, two-thirds of business owners use organic expansion as the basis of their planned growth. A third said that future growth will be a combination of organic and inorganic expansion. Over a period of three years, we see that more and more business people expect a combination of organic and inorganic growth.

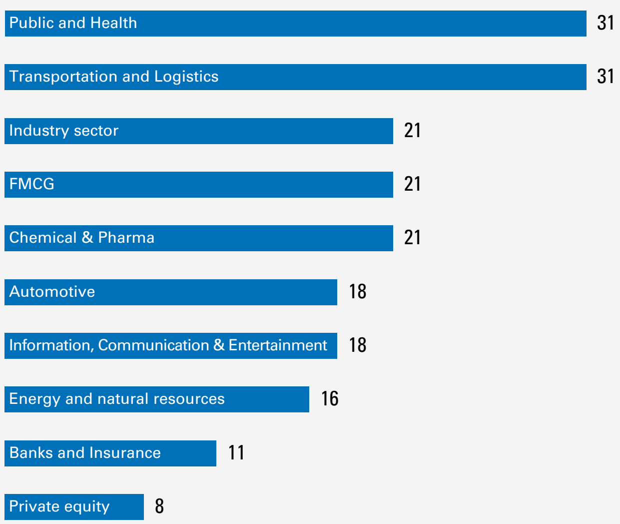
To our question about which are the other sectors where the participating companies see effective revenue potential, then we see a monster score from ICE: they see

Who expects to expand (less) to other sectors?



% ON BASE: ALL
No difference for family owned companies

Most attractive sectors for expansion



% ON BASE: ALL

opportunities in just about every other sector, with Industry topping their list (63%). Also high on their wish-list are the Public and Health sector, Automotive, FMCG, Chemicals and Private Equity. The banks and insurance companies - who are very apprehensive about competition from outside - themselves see a lot of opportunities. They are eyeing-up FMCG, ICE, Private Equity and Transport and Logistics. However, the latter do not intend to be left behind, and are especially keen on FMCG and ICE. Chemical-Pharma also scores high and looks mainly to expand in the industrial and automotive sectors. Right at the bottom of the ranking we find FMCG, which hardly sees any opportunities: they only see the health sector as a potential growth area.

FEAR VERSUS ATTRACTIVENESS AND RISK VERSUS EXPANSIONISM

Based on the answers that have been discussed in the previous sections, we can identify whether the sectors that have the greatest fear of cross-sector competition are as attractive as they think. And it allows us to look at sectors that suspect that they run the risk of being taken over, and whether they themselves aim to invest in other sectors.

Regarding the first aspect, we find sectors which under- or overestimate their attractiveness. Banks and Insurance companies think they are attractive to other sectors, but this study shows that the sectors surveyed see little potential there. In other words, Banks and Insurance companies overestimate their attractiveness. That applies to a lesser extent to the energy sector too. At the other end of the spectrum we notice an extreme underestimation of the public and health sector. Their assessment is that they are not attractive, but in fact they are being regarded with hungry eyes by others. FMCG does not see itself at all as potential prey but is regarded by others as a sector with a large revenue potential.

In a second exercise, we examine the correlation between the fear of competition in a particular sector and the expansion efforts of the same sector. Information - Communication - Entertainment (ICE) sees a lot of opportunities outside the confines of its own sector and is thus particularly feared by the other sectors. At the same time, ICE expects a lot of competition from outside. We find the opposite story in FMCG: they have limited ambitions in other areas, but the competition expect that they will make a big impression in the sectors where they do encroach.

The third and last article about KPMG in Belgium's survey is dedicated to critical success factors and macroeconomic initiatives. To learn more, turn to page 33.

"In a digital and networked world, there is often an overlap of previously separate sectors: products and services come together, integrated solutions are in demand, old value chains are broken."

KPMG in Belgium survey – PART 3

The recipe for survival competition

With the challenges mentioned in the first two articles about the KPMG in Belgium survey, we wanted to know what the companies surveyed regard as their critical success factors and what macroeconomic initiatives they anticipate.

The survey looked at the brand positioning, employees, customers, investment, technology, alliances, energy, environment, mobility and finance. Talent/skilled labor topped the list. We also see the personnel issue in third place, but specifically in relation to flexible personnel management, and in sixth place, with reference to the technological competence of staff. Customer loyalty ranked second. These 'soft' domains are followed by investment management and development of new technologies. The factors cited are in fact nothing more than the traditional enablers. If we are interested in more disruptive ideas, then we have to look much lower in the rankings: co-creation and new ways to finance the business are at the bottom.

That is why it is useful to look at the success factors for those sectors most under 'change pressure'. There too - and we are specifically referring to ICE, automotive, banks and insurance, public and health and energy - we see personnel issues (including technological skills and flexible personnel management) featuring prominently in the top five. Intelligent use of data and development of new technologies also score high. In automotive, banks and insurance as well as public health, "customer loyalty" is above-average in the list of priorities while only in the energy sector does commitment to the environment and society feature high on the agenda.

"The greatest need for action will be in terms of access to talent and skilled labor, flexible personnel management and the intelligent use of data."

ARE COMPANIES SETTING THE RIGHT PRIORITIES?

KPMG asked the companies how they are performing in relation to the success factors that they have set as priorities. This allows us to look at the extent to which companies feel they are setting the right priorities. To do this, we compare the ranking of the success factors with those of the internal strengths.

A major discrepancy is the access to talent and skilled labor. According to the survey, that is the most important success factor and should therefore logically be the greatest strength - or at least a major concern - with a view to facing the future. But the companies only rate this factor in seventh place on the list of their strengths. This also applies to flexible personnel management: this element is third in importance but only comes 10th on the list of strengths. This indicates that firms - in all sectors - still need to invest heavily in the soft factors they will need for the future. Furthermore, we find that investment management ought to score a lot better (4th vs. 8th place) and the intelligent use of data is not yet up to scratch (7th vs. 12th place). On the other hand, the ranking also indicates areas in which companies score better than they themselves deem necessary: brand strength (11th vs. 2nd place), strategic cooperation (8th vs. 4th place) and commitment to the environment and society (10th vs. 3rd place).

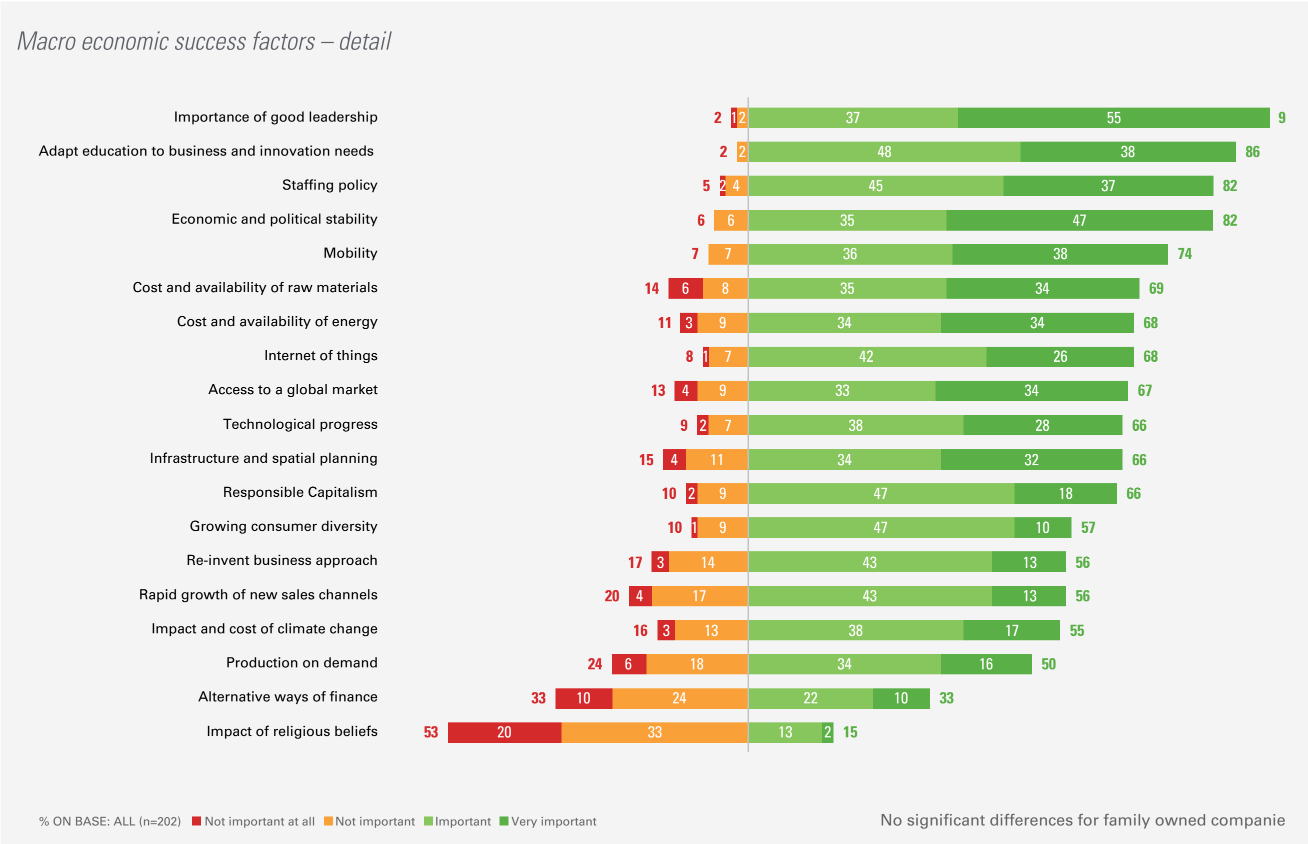
From this comparison we can conclude that the greatest need for action will be in terms of access to talent and skilled labor, flexible personnel management and the intelligent use of data.

What are the success factors for the future, and how is our business performing on these success factors?

	RANKING IMPORTANCE	RANKING STRENGHT
Access to talent/skilled labour	**1**	7
Customer Loyalty	**2**	**1**
Flexible personnel management	**3**	10
Investment Management	**4**	8
Development of new technologies	**5**	**5**
Technological competence of staff	6	6
Intelligent use of data	7	12
Strategic cooperation	8	**4**
Infrastructure investments and management	9	9
Commitment to the environment and society	10	**3**
Brand strength	11	**2**
Co-creation & Client-centricity	12	11
Mobility: transportation of goods	13	13
Energy prices	14	16
Mobility: commuting	15	14
New ways to finance the business	16	15

WHICH MACROECONOMIC INITIATIVES DO BUSINESSES ANTICIPATE?

At the macroeconomic level, the respondents anticipate initiatives mainly in the areas of leadership, training, human resources, political-economic stability and mobility. The aspirations are very similar across sectors, except for mobility, where the transportation/logistics sector obviously gets a maximum score and the chemical industry, as well as ICE and banks and insurance come noticeably lower.



For an export-oriented country like Belgium, the score for access to the global market is low: only the automotive and chemical sectors are apparently keen. Still lower in the ranking we find elements that underlie the fact that our business environment is changing at lightning pace. This environment provides intense competition from around the world: Internet of things (it gets a maximum score from banks and insurance), consumer diversity, new sales channels (exceptions: banks and insurance, as well as FMCG) and production on demand. A low score despite the fact that these are new global business drivers... Production on demand is in third from last place and is only followed by alternative sources of finance - this is no doubt due to the size of the companies surveyed; for industry and energy this question is even almost zero - and the impact of religion and culture. It seems that quite a lot of companies still have to fine-tune their entrepreneurial mindset in a globalized world. The results are not significantly different for family-owned businesses.

INTERVIEW **Pierre Denayer**

Raz*War: Belgian 'Shaving as a service'.

Who would ever have thought that the recently-founded shaving brand 'Raz*War' would be treading on the toes of the Gillette-Wilkinson duopoly? Not really in terms of turnover, but definitely in how they approach the market. Pierre De Nayer, founder of Raz*War, seized the opportunity to launch a shaving brand that didn't aim to jump on the bandwagon of rapid advances in technological trends in the sector, but instead aimed to generate value from subscription packages for shaving equipment. This Belgian approach brought about a fundamental repositioning in the global market.

Pierre De Nayer is a real entrepreneur. In 1991, he started work in the biotech industry, then moved to P&G, worked for a while at McKinsey and has founded several companies, including Citobi. He is still one of the three managing partners of Citobi, a company that specializes in CRM, is now focusing on growth in France and is also paying special attention to MediQuality, a subsidiary of Citobi.

Raz*War resembles the story of David against Goliath…

I had been toying for a while with the idea of starting up a business that basically does the same as the online lens shops: you sell products online and send them by post, which makes the products more accessible and affordable for the customer. The system also offers the tremendous advantage that you can achieve customer loyalty by offering subscription packages. One day I wanted to buy razor blades, but I had – literally – no access to them, as they are protected against shoplifting. So, I had to call the cashier in order to get my blades. Suddenly I had an idea for a totally new concept... In 2009, I launched the Raz*War brand, to be perfectly honest, at the time I had no idea what my idea would bring about, and what impact it would have on the two big global players. I deliberately distanced myself from the technological bidding war between Gillette and Wilkinson and launched a value brand in what, at first sight, is a saturated market. The slogan 'Shave differently. We say no to the BigRazCo, join the revolution' leaves nothing to the imagination. Raz*War has a modern 'tone of voice' in a rather stuffy market segment, and that enabled me to set myself apart. My aim was to make money from a system of online subscription sales - that fits into the idea of the subscription economy - and an advanced CRM approach. The idea of shaving as a 'service', which is a reference to 'software as a service', was very disruptive at the time in that market segment, but I did not understand just how disruptive. In fact, it is bloggers who drew that to my attention, and it was later picked up by organizations including the Board of Innovation.

Have you now grown to be a global player?

My concept is the first to threaten the great Gillette-Wilkinson duopoly, and I think that Raz*War has the potential to be a global brand. But I went a bridge too far with the foundation of Raz*War: when my Operations Manager left, I had to run the business myself, and that couldn't be combined with the rest of things I had to do. And I didn't have a lot of money to throw at it. That is a lesson that I have learned: as the founder, you have to stay fairly close to the company you have started, but if you can't invest enough time in it, make sure you have enough capital to attract good operational people. That being said: we have developed internationally, and are selling as an online player in 45 countries, from Australia to Argentina and from Russia to the United States. In some countries, we have a local partner, as we do in Estonia, where business is booming. Our sales are rising and we are "profitable". Now we have set up a different structure, which means that we can potentially invest and grow more. We want to expand into a global brand with analogue sales as well as digital: in the Netherlands, for example, we are having quite a lot of success with really specialized shaving shops. Raz*War has so far remained a small brand, but in the meantime, competitors with more cash have taken up my idea and are generating enormous ideas.

You were the first with that new idea: how did the competition overtake you?

It took a while before I realized the real value of my new market approach. So we didn't put enough into it, either in manpower or capital. And then there is the Belgian context, which didn't do us any favors: our country is not really favorable to entrepreneurship, and investors are not sufficiently mature. Investors need a new mindset and education. Just imagine: we were the first to come up with the idea of 'shaving as a service', but meanwhile, 200 other firms have jumped on the bandwagon. Our idea could potentially have disrupted the whole market, but we had to contend with American start-ups like Dollar Shave Club, King of Shaves, Big Moustache or Harry's Razors who raised between 20 and 125 million dollars initial capital on the market, and who have expanded tremendously. And now, even the big market players like Gillette and Amazon are adopting my formula. And a player like Harry's Razors has even become so big that it has taken over a razor blade manufacturer. That's the way it is, but I am certain that if we had started with a mature capital market like the United States, we would have been able to achieve greater impact.

What are you going to do next?

When I started the project, I went a bridge too far, and allowed opportunities to slip through my fingers. So I have set up a new structure, which means we can grow again. And since I am a CRM man at heart, I am going to develop a customer-centric model so I can set myself apart from the big brands, and achieve high retention. Moreover, this business is an interesting case for parent company Citobi, because we can use it to demonstrate the importance of CRM and e-CRM. And will you be emphasizing the Belgian roots of your product?
To start with, that's what we did. At the time, it was written on the packaging that the product was assembled in Belgium. That was good for the Belgian market, but once we went international, that statement wasn't useful any more. We know that our users think that Raz*War products come from their country, which is a good thing for us, because it reinforces our global potential even more. I would like to add in conclusion that our products are of top quality: in 2013, as 'little Belgians', we were voted the best shaving brand by a well-known shaving guru.

Share your trunk

David Vuylsteke is the brain behind PiggyBee, an online platform that matches supply and demand for the transport of parcels. "The idea behind my concept fits perfectly into the sharing economy", says David. "In fact, we make sure that trips that are going to happen anyway have a little extra meaning."

David Vuylsteke is an entrepreneur in heart and soul. He started by renting out sound & light equipment, and in that capacity, he often travelled with music bands. In 2001, he started an online business for the sale of that kind of equipment: in those days, that was already pretty disruptive. In 2010, an event triggered the creation of his online PiggyBee platform: he needed a product from South Africa but couldn't immediately find anyone nearby who could bring it to Belgium. "Then I realized that we needed a system to make use of trips that are already planned. Because if I could ask all travellers between South Africa and Belgium if they would bring that package, then I would definitely find a solution."

When did you launch the system?

In April 2012 the first version went online. I chose the name PiggyBee because it refers to piggyback. The system is very simple and accessible. Through the website piggybee.com you can ask for something to be transported, or indicate that you want to take something with you. It fits perfectly into the idea of the sharing economy: call it crowdshipping or peer to peer shipping. For me, the essence is: 'share your trunk'. We want to ensure that people can send a parcel or have it carried by others who would have travelled that distance anyway. In the beginning, I focused on international journeys, but the system works locally too. The potential is enormous: just think how many people make a long trip for their work or for private reasons, and how many people commute to work daily. They could also carry an extra parcel for somebody else. Now we have around 2,500 users.

Do you have many competitors? And are you looking to expand abroad?

I was one of the first to start up this kind of platform. Now there are about 5 'serious' competitors using the same idea. I don't consider this concept as competition for the traditional parcels services. We want to deliver parcels between individuals, for whom delivery is not necessarily urgent, and who want to be assisted in a cheap and simple way. It is a different target group and a different approach from the DHLs and FedExs of this world. Perhaps we could dream up some complementary form of collaboration between us. In any case: DHL is already testing a system of 'crowdsourced delivery'. And of course, I consider B2B logistics as a potential next step for PiggyBee.

Wasn't it difficult to set up this kind of new business in Belgium?

No, actually. I started out from the ideal: 'let's launch and then see what will happen'. I didn't come up against insurmountable technical or legal problems. But there are a few things I should mention. It's no problem to transport things within the Schengen area, but outside, it is quite a lot more difficult. And in Belgium, we still don't have a legal framework for paying the 'man in the street' for the services that he provides. The authorities will have to develop a system where any citizen can be paid as a freelancer. That does exist in the USA, and it is said that 40% of the population actually uses it. A phenomenon that you have to contend with here in Belgium is the strongly negative reactions to anything new. For example, look at all the flak Uber has been taking in Brussels. It seems like we do not have the right mindset here for new market developments.

Is not it understandable that people are suspicious? Maybe you are pinching people's jobs. And can you be sure that the system isn't being used by crooks?

You can never guarantee zero risk. But we monitor every individual transaction and screen everyone who joins the system. Furthermore, we are currently setting up a rating system where providers can build up a rating, which gives reassurance to users, and the providers can trade on the status they have built up. Anyway, the sharing economy is not a substitute but a complement to the current systems. Our target group is different from those who use traditional parcels services. On the other hand, I can see opportunities for collaborating with more traditional channels and generating extra business. We still need to find a practical solution for the 'last mile'. For example, someone who has brought something from New York, and lands in Zaventem, but is not going to the end-user; then that person would have to deposit the package there (or somewhere else) or be passed on to the next link in the chain. That might mean Uber, or people who are travelling via carpooling. But if we think about it some more, the train companies and airlines should be able to respond to this type of transport by helping to promote the system. It isn't competition for them: they already have the passengers and the packages would never be transported via the cargo system. So there are plenty of opportunities... as long as people and businesses are open to them and understand the huge benefits they could make out of the sharing economy.

What are the other essential success factors in this form of sharing economy?

To start with, there must be trust in this form of business. It is still new, and so people are still very critical about it. That is normal. Once people's mentality changes, this way of doing business will be very successful, since not only are you expanding the target group enormously, but you can also work on recurrent business. And you can achieve the critical mass more quickly, to recoup the investment faster and make the system grow. Next, you can create a clear legal framework, in which everyone can operate. And then the more rational benefits of the sharing economy can gradually start to permeate: good, reliable service for a low price, which also has a positive impact on the environment since we - in the case of PiggyBee - make extra use of existing trips for transporting parcels. We all have room in our suitcase, so 'share your trunk'.