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JOURNAL REPORTS: LEADERSHIP

Taxis. Hotels. What Industry Is Next to Be Disrupted by the New Economy?

Arun Sundararajan says a host of businesses will be disrupted by the likes of Uber and Airbnb



ARUN SUNDARARAJAN | 'Down the road, the brand that's going to matter is the brand of the interface.' PHOTO: PAUL MORSE/DOW JONES

June 18, 2017 10:04 p.m. ET

Which industries will be the next ones to be disrupted by the likes of Uber and Airbnb, with platforms that act as intermediaries between customers and the services they want?

Arun Sundararajan, a professor at New York University's Stern School of Business, offered his outlook in a conversation with The Wall Street Journal's Jacob Schlesinger. Edited excerpts follow.

Health care and energy

MR. SCHLESINGER: *How is health care going to be Uberized?*

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MR. SUNDARARAJAN: A whole host of noncritical services—not things like open heart surgery but things like I cut my finger cooking and I need someone to stitch it up for me—can be platform-mediated. You find a registered nurse in your neighborhood. You don't actually go to an emergency room for a noncritical thing. You instead find a platform-mediated solution.

Part of what's holding us back at this point is that we haven't built up

sufficient trust through platforms for things that are as high-stakes as health care.

MR. SCHLESINGER: *Elder care is another thing I think you've talked about. How does that change in this environment?*

MR. SUNDARARAJAN: The care industry is going to be a tremendous growth industry. And a lot of the growth is going to come through platform-mediated solutions, where

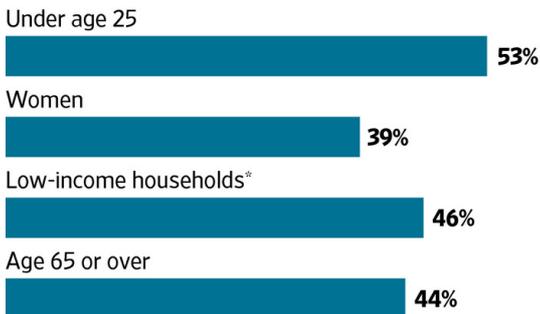
you connect using the reputation that someone has built through a little platform with the kind of child care, the kind of home care, the kind of elder care that you need.

MR. SCHLESINGER: *How is energy going to be involved in this new world?*

MR. SUNDARARAJAN: This is not in the immediate future, but in the next five to 10 years: We're not yet at the point where battery technology is reliable enough to store the solar power that someone generates off their roof, but we will reach that point fairly soon. Once we reach that point, I envisage platforms that make millions of people energy producers—they use some of the power that they produce, and they redistribute it locally. And the local redistribution is key. You're not just feeding it back into the grid. You are avoiding the inefficiencies associated with long-distance transmission and distribution. And you're avoiding the inefficiencies associated with centralized power production.

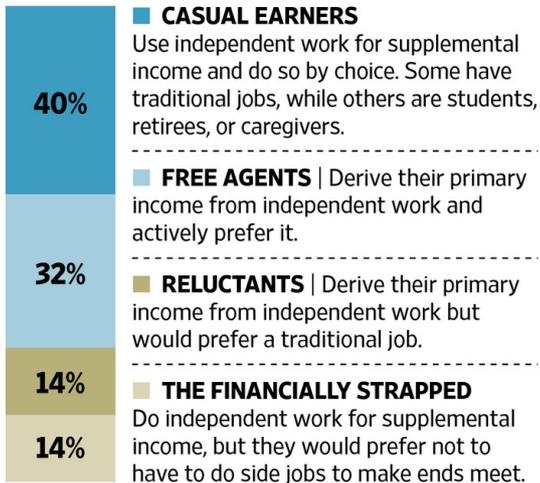
Going It Alone

Percentage of earners in each category who participate in independent work in the U.S.



*Below \$25,000

Status of independent workers in the U.S.



Source: McKinsey Global Institute survey of 1,804 workers in the U.S., including 487 independent workers, conducted online in June and July 2016

THE WALL STREET JOURNAL.

MR. SCHLESINGER: *And you mentioned professional services. Explain how that changes in this world.*

MR. SUNDARARAJAN: I've seen platforms, like Catalant for management consultants, UpCounsel for legal services, Gigster for high-end machine-learning programming. There are platforms for accounting, for sales—where rather than going to a large branded service provider for certain things, you go to a platform instead.

Like, if you struck out on your own as a lawyer now you'd be precluded from a lot of large corporate work because they go to the big firms. What these platforms are doing is trying to strike that middle ground where the individual is running their own tiny business through the platform, but the platform is aggregating demand, giving them scale, giving them a little bit of brand.

Signs of vulnerability

MR. SCHLESINGER: *Beyond specific sectors, what are general traits of industries that you think are ripe for this kind of disruption and industries*

that are safe from this kind of disruption?

MR. SUNDARARAJAN: The simple characteristic is that if there's an intermediary that is sort of taking a significant fraction of the value that the individual producer is creating, that's certainly one characteristic. A second characteristic and the one that I'm following more closely is, is there a fundamental sort of inherent economic advantage to a decentralized production model?

So, are you tapping into capital that is otherwise being underutilized? Can the person who is producing also use what they're producing in part and benefit from the fact that they are now the producer? That's the case with energy.

Also the extent to which going to a branded corporate solution is really important as part of the value proposition of the service. For a service where a big part of what you're buying is the brand associated with the provider—those are less vulnerable to disruption. But on the other hand, if the brand has just been sort of layered on top, and what people really care about is the product or service that's being delivered, the vulnerability is greater.

That's an interesting thing to think about in the context of the auto industry. A lot of people's identity used to be tied up in, "This is the car I drive. This is who I am." All of you have probably taken an Uber. None of you have probably sent your Uber away because the car was the wrong brand. And this speaks to the disconnect between what you're ordering and the brand of the machine that actually comes to deliver it.

I think down the road, the brand that's going to matter is the brand of the interface. And the brand interface that is going to win is the one that establishes to you that, "You can trust my digital stripes. You can trust the brain of the car that I send you because I'm good at software."

Corporate changes

MR. SCHLESINGER: *How does the structure of a Fortune 500 company change?*

MR. SUNDARARAJAN: The organization in some sense becomes a lot leaner, but the scope of resources that it's drawing from expands dramatically. And so I expect smaller corporations in terms of head count internally but much larger corporations in terms of the scope of their economic activity.

MR. SCHLESINGER: *Will companies still need chief financial officers?*

MR. SUNDARARAJAN: Oh, absolutely. Top management is going to become more important than ever, actually, because of the complexity of the mesh of resources that you're going to have to manage and the pace at which business is changing.

An openness to thinking about "How will the way I make money be different 10 years from now?"—whatever industry you're in, that's a capability that is certainly going to have to be acquired by any top executive.

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