



THE DIGITAL DISRUPTORS

Innovate or fade away – that’s the grim lesson of recent history as many top businesses born of clever ideas fail to keep up with new trends and pay a heavy price, while the rebels move in and change the game

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JACINDA TUTTY



Mike Abbott (top) of Uber; and (above from left) Kevin Gosschalk of FunCapcha; River City Labs founder Steve Baxter; Sara Watling of Little Tokyo Two.

Pictures: Anthony Weate

FEATURE **QBM**

The Courier Mail

Tucked behind a computer screen at a Milton office, 26-year-old Kevin Gosschalk is bouncing images around a screen to get past spam protection security. The co-founder of the Brisbane company FunCapcha has created a simple game that replaces the standard spam filter. Instead of being asked to decipher swirly text to prove they are a real person, users play a mini-game rotating a bunny around until it's the right way up. It might seem like a simple idea but it's already disrupting multi-million dollar businesses around the globe.

Across town, in Fortitude Valley, the team at Uber are seeing increasing numbers of passengers ditch taxis to use their ride-sharing app. In the city, students at the Queensland University of Technology are putting newly built Baxter the robot through its paces, watching its metal robotic arms swing around as it drives a car and picks out vegies using visual recognition technology.

Students in a nearby lab work on ways to use 3D printers to build human body parts, giving people on transplant waiting lists the gift of life with a click of a button.

Even vaccines are getting a shake-up. Right now University of Queensland professor Mark Kendall is in the animal testing phase for a revolutionary nanopatch technology, delivering vaccines without the use of syringes. It's already caught the interest of medical companies around the world, attracting one of the largest investments in a start-up biotechnology company Australia has ever seen.

These ideas are no longer sci-fi pipedreams, they're digital disruptions and they're already happening in start-up labs, in big businesses and universities in Queensland.

While companies and government scramble to find ways to prepare for the onslaught of change, there's no telling what the next big digital disruption will look like. Disruptive technology offers either the opportunity of a lifetime, or spells doom for the future of traditional industries.

But as some businesses resist change, Queensland University of Technology researcher Jan Decker insists the biggest risk of digital disruption is doing nothing at all.

"Ignoring waves of digital innovation has already led to the extinction of many traditional branches of retail," the digital disruptions expert says.

"Businesses need only look at the likes of record stores. Before Napster you had to go in to a store and buy an album at a price the record company dictated. But Napster came along and suddenly you could get any song you wanted for free.

"It came out, it was illegal, but it totally disrupted the market and nothing has been the same since."

The hotel industry also underwent incredible change when Queensland's Wotif.com launched in 2001, giving travellers the ability to compare prices and make bookings from the comfort of their own home. But Wotif.com is now under threat from new disruption Airbnb which allows people to share and rent out their own rooms, often at a significantly reduced rate.

"The danger with Wotif.com was that they stopped innovating, allowing new digital disruptions to enter the market and force change again," Decker says.

He says it's not enough to simply disrupt a market. Businesses constantly need to be developing the next disruption or risk being disrupted themselves.

"Once that happens companies really only have three options, fight, flight or join forces. Businesses can use the considerable assets and influence they have to try and force the disruption out, which is what you see happening with the taxi industry in Queensland with Uber."

The controversial ride-sharing app has made great strides in the Queensland market, which general manager Mike Abbott says has been one of the fastest growing in South-East Asia.

"Multiple tens of thousands of people are using Uber Brisbane very week," Abbott says. "We are experiencing incredible growth, people in Brisbane and the Gold Coast have really taken to the service."

The taxi industry has responded with an aggressive advertising campaign to put pressure on the State Government to shut down Uber's growing business.

Decker says despite grey areas in legislation, Uber has proven technology doesn't always have to be legal in order to be disruptive.

"Legislation will always be a burden to innovation, because innovation is always different and something new



There is so much capability here in Brisbane to provide ideas that can become the game-changing innovations for the future



A meeting of minds at Brisbane innovation lab Little Tokyo Two (top and above); and Uber general manager Mike Abbott (below) says Brisbane and the Gold Coast have taken to the controversial ride-sharing app.



won't fit into traditional ways of doing things," he says. Decker says governments will always lag behind as digital disruption is "impossible to anticipate".

The productivity commission has recognised the challenges and recently launched an investigation into the effects of digital disruption in order to prepare and improve legislation to allow for greater innovation. And as more innovation labs pop up around the city, Decker says it has never been a better time to be a start-up in the Sunshine State.

"If you have a great start-up idea, it's relatively easy compared to a few years ago to get some funding," he says.

"I think over time we will see Queensland really take off. The mining boom is winding down, agriculture is under threat and the Government will be looking to try to build new pillars."

Domino's Pizza has already achieved phenomenal success with its online ordering and "pizza moguls" innovation. The pizza maker now employs more than 56,000 "moguls" who design their own pizzas and sell them to their friends by sharing the recipe on social media, giving them a slice of the profits.

Order growth was up 22 per cent in the first half of this year, with the company insisting some of their biggest digital ideas are ready to come.

"Technology, our store image and innovative products continue to make sure Domino's is relevant for our consumers," CEO Don Meij says.

Local start-up FunCapcha is seeing rapid success replacing the traditional spambot protector "CAPTCHA" with its distorted image of text with a fun mini-game. Brisbane boys Kevin Gosschalk and Matthew Ford raised half a million dollars from angel investors in Brisbane and Sydney to get their idea off the ground, turning their program into a multi-million dollar global business in two years.

"There's 300 million CAPTCHA on the web every day and on average one in four users fail each time they see them," Gosschalk says.

"We simply thought we could do better. We decided to gamify the experience and replaced the final stage with an ad allowing publishers to use the valuable space to create revenue."

The pair were given support from innovation centre River City Labs whose mentoring has helped numerous start-ups branch into new ventures.

With recent StartupAUS data showing Australia spends a \$1 per capita in start-up angel investment compared to \$64 in the US, Little Tokyo Two innovation lab manager Sara Watling says supporting new ideas is more important than ever.

"There is so much capability here in Brisbane to provide ideas that can become the game-changing innovations for the future," Watling says. "We're a city with a lot of potential, it's just a matter of providing resources, mentoring and support to get them off the ground."

River City Labs founder and start-up guru Steve Baxter says Queensland has the goods to compete on the world stage, but proper funding and support is necessary.

"If Queensland doesn't support our start-up talent, they'll go elsewhere, and we'll lose out on vital new jobs, wealth and economic growth," TV's *Shark Tank* judge says.

"We're at a time when a great start-up can go global in a matter of months and Brisbane has already seen some great businesses do this."

In the past three years, River City Labs has seen more than 200 tech start-ups pass through their doors.

Deloitte analyst Frank Farrall says young Queenslanders will be an integral part of the workforce in the future.

"We're starting to see a lot of big companies sending staff off to creative spaces to keep an eye out for the next big thing," Farrall says.

"The 19-year-old university student in their dorm room is going to be relentless, they have access to inexpensive technology and know how to use it, the smart companies will realise the potential and be open to digital improvements. Those that fail will be the ones that didn't act."

QBM VIDEO Explained: The Internet of Things

Imagine a world where your house knows more about what you want than you do. It's called The Internet of Things, and it's going to change the way you live.

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