

Platform strategies: How the rules of competitiveness have changed in the era of ecosystems

Peter Lacy, Moritz Hagenmueller, Jan Ising

A large, solid red chevron graphic pointing to the right, positioned behind the text.

High performance. Delivered.

Digital disruption is tearing down the walls of established industries, leading to platform-based ecosystems that are driven by customer demand. There is more change to come—and many businesses are not ready.

Accenture research reveals that 80 percent of chief strategy officers (CSOs) across slow- and high-growth industries agree that new technologies have rapidly changed their company's business over the past five years. And 93 percent believe new technologies will disrupt their industry in the next five years.¹ Yet, only 20 percent feel prepared for disruption.

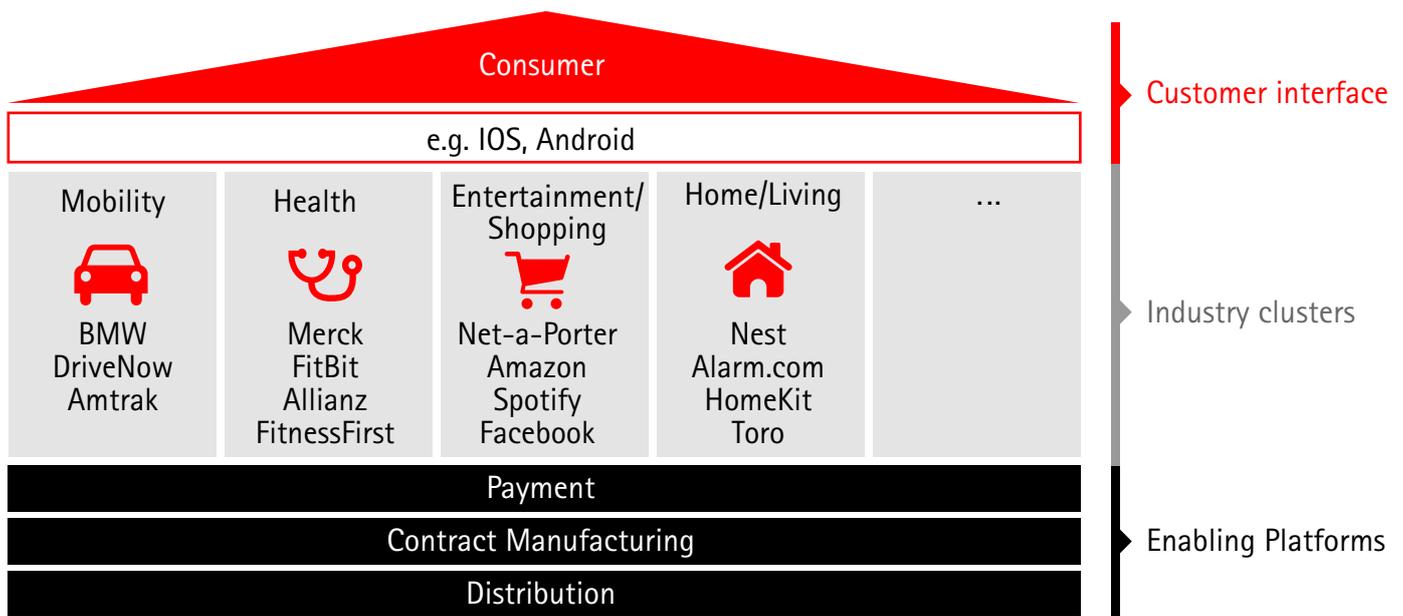
It's the platform, stupid

Platforms are reshaping industries into interconnected ecosystems that bend the traditional rules of competitiveness. Players across industry clusters are entering existing platforms as enablers or are collaborating to build new products, services and customer experiences (see Figure 1). Or businesses are expanding into other industries by using existing platforms—or creating their own. Platform companies successfully capitalize on the innovation of the entire ecosystem, versus only using the resources within a company.

On the verge of extinction

The average lifespan of an S&P 500 company dropped from 61 years in 1958 to 12 years in 2012. Play it forward and 75 percent of today's leading industry players will be gone in 25 years.

Figure 1. Platforms enable liquid industries to participate in new ecosystems.



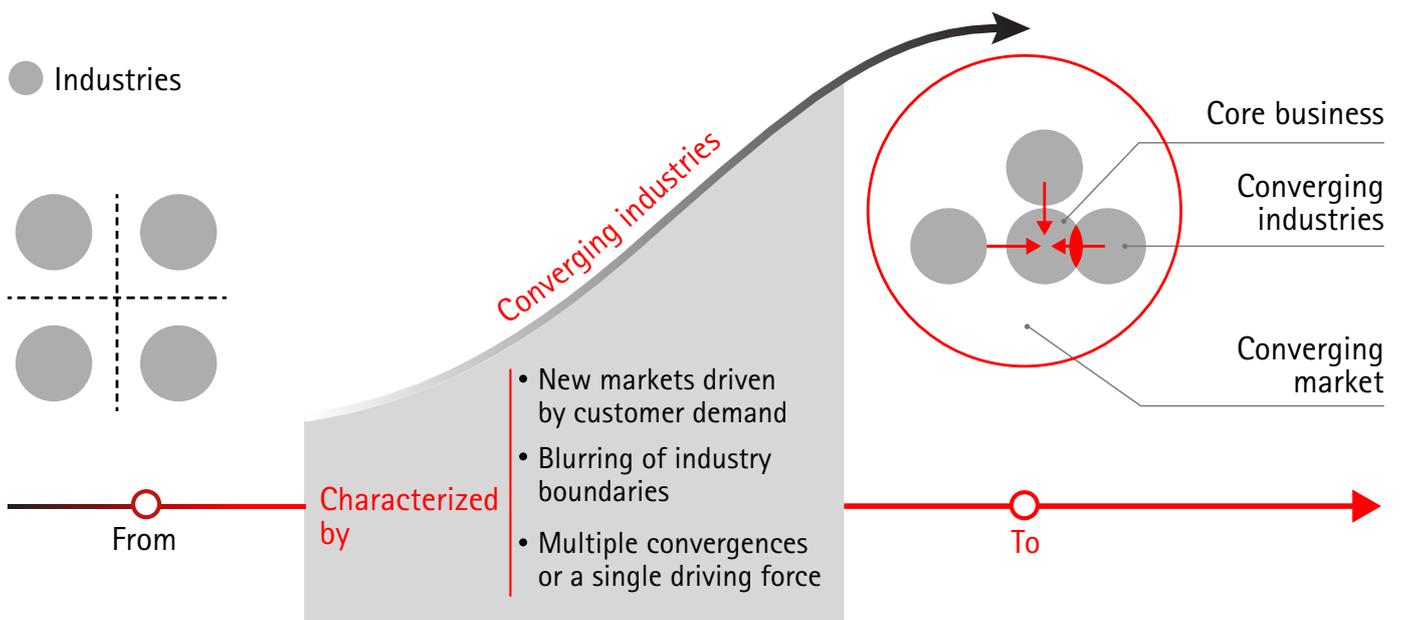
Source: Accenture Strategy

Successful collaborations are forming every day. The life sciences industry has united medical devices, health tracking, electronics and high tech to form a "health" market that can offer a variety of services for patients and physicians. For instance, Samsung has partnered with Independa, a care provider for the elderly, to develop a new communications and entertainment platform that allows elderly people to stay connected to caregivers and family.²

The retail industry has connected technology, mass media, financial services, transportation and manufacturing to form a new "entertainment and shopping" market that satisfies customer needs. Automotive has fused technology, transportation, car rental and public service segments to create a market for "mobility" that offers new found convenience and connectivity.

In today's ecosystems, formerly "independent" products and service suppliers are now part of one large competitive set. This leads to a new landscape—one where former competitors are now working closely together, and former collaborators become competitors. The frenemy-like constellation of vertical industry clusters competing with captive offerings of horizontal platforms (e.g. Spotify on iOS vs. iTunes, Netflix on Prime vs. Amazon) is a characteristic of the platform economy. And while this expanded competitive circle may seem a threat, it is also an opportunity because the addressable market is much bigger (see Figure 2).

Figure 2. Platforms widen the circle of competitiveness.



Source: Accenture Strategy

With this heightened level of industry convergence, companies must ask how they will reposition in the new space. Some may face an identity crisis because what they **were** is not what they **can be** in the new ecosystem. The business can be extended to other services in the ecosystem, or it may choose to focus on one part of the value chain that offers a cost or quality advantage. However, having a singular focus puts the business at risk for losing end customers who likely prefer integrated, seamless offerings.

The same product or service also can be applied in different platforms or ecosystems, each time addressing a different market customer need. For example, cars in mobility or movies/music in the entertainment ecosystem with various customer interface platforms.

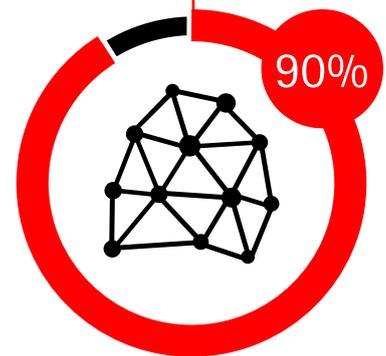
Answer the wake-up call

Behavioral changes among consumers are driving the demand for ecosystems and "X-as-a-service." Consumers today expect more than better, faster, cheaper. No longer do they simply want a car—they want mobility. People want more than just a hotel room—they want a tailored travel experience. People don't want food, they want a curated cuisine.

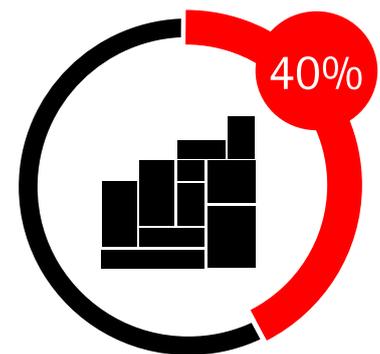
Companies most prepared to meet intensifying consumer demands are pursuing partnerships and collaboration. In fact, 88 percent of CSOs prepared for disruption have both significantly invested and will significantly invest in platforms that make such collaboration easier. They continually question traditional norms and use digital to meet customer needs in new, better ways.

Accenture Institute for High Performance research shows that those who are well prepared for industry disruption are far more likely than peers to:

- Grow and maintain ecosystem partnerships
- Develop cross-industry platforms
- Build and sustain collaborative operating models



More than 90 percent of companies who report to be prepared for disruption are relying their growth strategy on collaborative ecosystems.³



Platform power

Forty percent of executives believe adopting a platform-based business model and engaging in ecosystems of digital partners are very critical to their business success.⁴

Rethink your definition of platforms and ecosystems

While executives may acknowledge the need for ecosystems to sustain competitiveness, there's a fundamental misconception of what working together in an ecosystem means: it's all about competing as a cluster, not a company. In an ecosystem, companies can work together as a group to contribute to each other's success—as long as they continuously invest and drive the customer experience in the ecosystem.

Successful ecosystems create shared value for partners. Accenture Institute for High Performance research reveals that 57 percent of CSOs who have already strongly invested in platforms report that platforms have enabled their business to offer more value to customers.

Figure 3. Companies see value in platforms.

What impact(s) has the use of these platforms had on your business?



Source: Accenture Institute for High Performance Survey 2016

General Motors (GM) invested \$500 million in Lyft to offer customers the convenience of mobility, without the hassle of car ownership. By offering a fleet of self-driving Chevrolet Bolt electric taxis to serve Lyft customers, GM is breaking out of the low-margin manufacturing end of the value chain, and Lyft taps into the scale of its massive partner.⁵

New origins of value are emerging in the digital era. No longer are companies positioning themselves in a discrete segment of the value chain. As industry lines blur, companies are partnering to share risk and share resources to create joint mutual value.

Blurred industry lines also can turn collaborative situations competitive. Amazon was depending heavily on logistics partners, such as DHL, to get products to customers. This led to the idea of Amazon creating its own logistics network. Now, the company is building out its infrastructure, registering as a freight forwarder and forming a fleet of delivery vans,⁶ but also significantly investing in innovative solutions such as drones or autonomous delivery systems. In instances like this when major market share is at risk, one-time partners may push harder to be more agile and competitive.

Learn from the platform leader playbook

Every industry will be touched by rapid, disruptive change. Those who are prepared are on a faster track to competitiveness. Those who are not ready should learn from the leaders. Here's how:



1. Re-assess your customer needs

What do your customers need in the age of digital disruption—and how can you adapt to deliver it? Some businesses should look at customer needs through a different lens. Identify customers' known and unknown needs, and address them in the most productive way possible.



2. Make yourself indispensable

Become a critical part of the integrated solutions that customers demand, and shape it productively. Determine where you will position yourself in the value chain: as the inventor, the designer, the producer or assembler? What will be your sustainable, competitive position in the digital ecosystem? Is it a vertical or horizontal offering, customer-facing or enabling?

The platform plays on

The music industry represents the evolution to a successful ecosystem. In the beginning, we had albums, then CDs, then digital CDs. Then iTunes emerged and disrupted that model, making it easy to buy individual songs or entire albums on demand. Now, a new platform—streaming music—is making it easier than ever to access music.

The ecosystem has expanded to include device manufacturers who are the means to get music to people, whether in their car, home or at the gym. New artists can enter the industry more easily by creating their own label and selling their own music. The platform for joining the ecosystem is there. It's just a matter of who wants to take part in it.



3. Question your value proposition

Moving from observing to acting needs to be a key priority for industry leaders because if you don't offer it, your competitors will. Decide where you are going to be a platform; a platform across platforms; or a developer of apps and services on other people's platforms.



4. Prepare for the new normal

Now is the time to examine whether you have the capabilities you need to fulfill your value proposition successfully. High performers connect to a wider ecosystem by channeling their capabilities in broader "market activities." Even as industries and technologies change, these activities are likely to remain relevant.



5. Make your ecosystem successful

Think about how you can deliver ongoing value for your value proposition within your ecosystem, versus just relying on it as a transaction-based partnership. Consider yourself as a key driver of your ecosystem development, independent of which role you are playing. Encourage existing and new ecosystem partners to participate.

Thriving on disruption

All industries are exposed to disruption, and established companies are among the most vulnerable. Those businesses that are well prepared for disruption are building their growth strategy on platforms. Whether together or alone, companies are making industries more successful, which drives their own success.

Join the conversation



@AccentureStrat
@AccentureINST



Follow us
on LinkedIn

Contact the Authors

Peter Lacy

London, United Kingdom
peter.lacy@accenture.com

Moritz Hagenmueller

Hamburg, Germany
moritz.hagenmueller@accenture.com

Jan Ising

Duesseldorf, Germany
jan.ising@accenture.com

Additional Contributors

Joshua Bellin

Boston, USA
joshua.b.bellin@accenture.com

Michael Heinke

Berlin, Germany
michael.heinke@accenture.com

Martin Hodosi

Zurich, Switzerland
martin.hodosi@accenture.com

Paul Nunes

Boston, USA
paul.f.nunes@accenture.com

Notes

- ¹ Accenture Institute for High Performance: Thriving on disruption, 2016
- ² Versel, N, "Independa Widens LG Partnership, Puts Angela on Samsung Galaxy Tabs," Mobi Health News; January 14, 2013
- ³ Accenture Institute for High Performance: Thriving on disruption, 2016
- ⁴ Accenture Technology Vision 2016
- ⁵ The Wall Street Journal, "GM, Lyft to Test Self-Driving Electric Taxis;" May 6, 2016
- ⁶ Economy, "Amazon Takes Customers From DHL in Germany," March 21, 2016

About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world's largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With more than 375,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

About Accenture Strategy

Accenture Strategy operates at the intersection of business and technology. We bring together our capabilities in business, technology, operations and function strategy to help our clients envision and execute industry-specific strategies that support enterprise wide transformation. Our focus on issues related to digital disruption, competitiveness, global operating models, talent and leadership help drive both efficiencies and growth. For more information, follow @AccentureStrat or visit www.accenture.com/strategy.

About Accenture Institute for High Performance

The Accenture Institute for High Performance develops and communicates breakthrough ideas and practical insights on management issues, economic trends and the impact of new and improving technologies. Its worldwide team of researchers collaborates with Accenture's strategy, digital, technology and operations leadership to demonstrate, through original, rigorous research and analysis, how organizations become and remain high performers. For more information, follow @AccentureINST or visit www.accenture.com/Institute.

Copyright © 2016 Accenture All rights reserved. Accenture, its logo, and High Performance Delivered are trademarks of Accenture.

This document makes descriptive reference to trademarks that may be owned by others.

The use of such trademarks herein is not an assertion of ownership of such trademarks by Accenture and is not intended to represent or imply the existence of an association between Accenture and the lawful owners of such trademarks.