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YOUR ROLE IN THE ECOSYSTEM



PLATFORM OWNERSHIP IS NOT THE ONLY PATH TO **GROWTH AND PROFITABILITY**

Platforms, which provide the foundation for game-changing solutions, are driving the digital economy and accelerating the transformation of many companies. Understandably, companies in all industries—including communications, media and technology—want a piece of the platform revolution.

Some 300 platforms already exist, and the development of others is rapidly accelerating.¹ Accenture Strategy estimates that, unfortunately, only 10 percent are likely to succeed.² Companies that continue to invest solely in building platforms may find they are simply competing in a race to the bottom.

The good news is that platform ownership is not the only path to growth and profitability. In fact, Accenture Strategy believes the greatest value in the platform economy lies in how organizations leverage ecosystems to deliver outcomes and solutions through platforms. Some pioneering communications, media and technology companies are already evaluating how they can participate in existing ecosystems. A few are even pursuing more valuable ecosystem leadership roles. But most are still trying to figure out the role that is right for them. Those that wait too long face the risk of being marginalized; and for many, it may already be too late.



ECOSYSTEM BUSINESS MODELS COME OF AGE

The value communications, media and technology companies can deliver to others—and generate for themselves—within an ecosystem depends on the role they play.

Companies can either participate in an existing ecosystem, or they can establish their own. In all likelihood, they will participate in some and lead in others. While ecosystem leaders stand to gain more in the long run, both roles allow communications, media and high tech companies to build offensive positions by delivering differentiated experiences, as well as defensive positions by avoiding commoditization.

To understand a company's role, we must first understand the shift that is taking place from traditional business models to ecosystem business models (see Figure 1). It represents a shift from:

- Company- or product-based competition to an ecosystem-based competitive environment in which companies leverage cloud computing, API connectivity and data aggregation technologies to create scalable digital platforms that underpin end-to-end solutions and services.
- Command-and-control models of supplier management to collaborative models that manage innovation and offering development with a network of ecosystem partners.
- Capabilities that focus on transactional relationships with vendors to capabilities that enable ecosystem leaders and partners to co-evolve, share resources and create value as a unified team.



27 percent of executives acknowledge that digital ecosystems are transforming the way their organizations deliver value.³ That percentage will only rise.

The three elements of ecosystem business models:

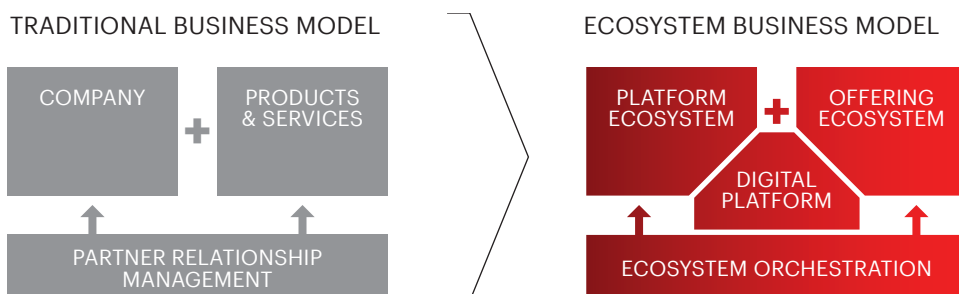
PLATFORM ECOSYSTEMS form around technical, functional, vertical or combinatorial capabilities. They are made up of a dominant platform owner and other partners that, together, enable solutions and services. In this regard, platform ecosystems provide the “supply side” of the ecosystem business model. Platform ecosystem partners may include infrastructure or IP providers, application developers, or technology component suppliers, for example.

OFFERING ECOSYSTEMS form around a robust digital platform to create innovative, complementary solutions and services that appeal to end consumers. These ecosystems generate demand within the ecosystem business model and are characterized by partnerships between a dominant platform owner and a variety of participants, including solution/service partners, information/content partners, delivery/sales partners, etc.

ECOSYSTEM SERVICES align multiple players to common objectives and enhance their interactions and capabilities to deliver outcomes, extended value propositions and superior customer experiences. Services can include strategy and planning, solution innovation, market and business development, conflict resolution, and sales and delivery support.

FIGURE 1

Companies are evolving traditional business models to ecosystem business models



WHERE YOU SIT DEPENDS ON **WHERE YOU STAND**

Given that ecosystem business models have the potential to generate and deliver much greater value, it's no longer a question of whether communications, media and technology companies will make the shift. The question now is about the role they will play.

PARTICIPANTS PARTICIPATE. Many communications, media and technology companies will opt to reap the benefits of existing platforms and offer their services and solutions as part of a larger team. They will focus on complementary offers.

Platform ecosystem participants deliver value by making platforms more resilient and robust. For example, companies like Level 3 and Cogent provide “middleman networks” known as “transits” to help Netflix extend its ecosystem by enabling the media giant to pipe video from its platform into new regions of the world from afar.⁴

Offering ecosystem partners assume a different role, developing and delivering solutions aligned to customer expectations. Apple has built an impressive offering ecosystem with the help of some 380,000 app developers. In 2016 this group earned more than \$20 billion from App Store downloads—up 40 percent from 2015.⁵ Apple’s revenue from App Store sales during the same period was \$8.8 billion—up 49 percent from the year prior.⁶ As Netflix and Apple illustrate, platform and offering ecosystem partners drive the value and innovation that sets winning ecosystem business models apart.

LEADERS LEAD. Some communications, media and technology companies want to implement and manage an ecosystem of their own. They, too, must decide where to place their competitive bets. It comes down to determining the type of leader they want to be (see Figure 2). There are three primary leadership opportunities, differing in their purpose, complexity and the potential value they can generate.⁷

FIGURE 2
Three types of ecosystem leadership:

The Aggregator

Aggregators create transactional marketplaces that connect supply and demand.

Their platforms offer frictionless exchange of value between customers and suppliers.

Suppliers pay for the opportunity to access the single marketplace.

Success is dictated by the volume of buyers and sellers, as well as the ease with which transactions can be carried out.

EXAMPLE: **EBAY**

The Innovator

Innovators create platform environments that enable the development of new solutions.

Innovators enable and encourage third-party developers to create the services and solutions customers want or need.

They establish and enforce governance models.

They continually update the platform architecture to make app development easy and cost effective.

EXAMPLE: **APPLE**

The Orchestrator

Orchestrators create platforms that drive exceptional customer experiences.

Orchestrators define the reference architecture, creating the “true north” for ecosystem participants.

They collaborate with their partners to co-create and integrate a set of services that address business issues and deliver valuable outcomes.

They ensure they are delivering differentiated customer experiences.

They define the reference architecture.

EXAMPLE: **PHILIPS HEALTHCARE**

Complexity and market differentiation 

Communications, media and technology companies are not confined to one role or one ecosystem business model. They can assume different roles across multiple platforms. Google, for example, is an orchestrator of the Android mobile ecosystem and also a platform ecosystem participant for other players that use Google’s Cloud Bigtable database service to scale their platforms up or down, as needed.

READY. SET. **CAPTURE VALUE!**

To seize the emerging business model opportunities, companies need to think differently about value creation, customer experiences and even industry boundaries. We recommend they do three things:

DEFINE THEIR ROLE. All players need to first determine whether they will lead or participate in each ecosystem opportunity they are considering. They may, for example, opt to participate in a connected healthcare ecosystem as a component supplier, but serve as an innovator in a connected home ecosystem. Such decisions require an assessment of the value they can bring to the targeted ecosystems.

Communications, media and technology companies that have forged strong relationships and customer trust and also built their reputations on delivering outcomes are well positioned to orchestrate. Those whose value lies predominantly in their products may benefit most by serving as ecosystem participants. Whether a company “owns” a platform ecosystem or is plugging into someone else’s, what matters is having an ecosystem strategy and the operating model and technical capabilities to exploit it.

KEEP THEIR EYES ON THE PRIZE. While opportunities abound for ecosystem participants and leaders, those opportunities are not equally valuable. It may be relatively easy to become an ecosystem solution participant, and it will generate rewards through the network effect of the platform. However, greater value potential exists for leaders. That is as it should be, since they have the most invested, and the most responsibility to shape and orchestrate value from their ecosystem partners. But even among leaders, there are value differences. Aggregators of transactional marketplaces are less likely to be differentiated market players than innovators. Innovation platform owners, in turn, have fewer opportunities to achieve market differentiation than orchestrators of integrated, outcomes-focused ecosystems.

FIGURE 3

Two prerequisites for success: Transitioning from participant to leader, or from one leadership role to another, requires two things:



A clear understanding of which business areas are prime for ecosystem-based business models, as well as those that are most vulnerable to attack from others.



A commitment to improving organizational agility. Companies must develop an operating model and culture that enables them to nimbly test, react to, learn from, and potentially explore other ecosystem opportunities.

Communications, media and technology companies should try to move up the ecosystem continuum as far and as quickly as they are able. By doing so, they can differentiate their brands and even help determine the direction in which the market goes. Some pioneering companies have already started the sprint by staking their claims in higher-value ecosystems.⁹

GO VERTICAL OR GO HOME. Platforms do more than enable business partners to work together in new ways. They enable the creation of extended innovation networks that are geared to delivering relevant and valuable customer experiences. The next wave of value creation and differentiation lies in the delivery of targeted and integrated vertical solutions. To seize them, communications, media and technology companies must expand their perception of value and identify industry-specific opportunities and use cases. Most importantly, they need to place the right ecosystem bets. That means carefully evaluating their opportunities and teaming with the right industry partners in an ecosystem that is scalable, adaptive, innovative, highly collaborative and expertly orchestrated.

BE **UNBEATABLE**

In the digital world, winners and losers are made every day. We're seeing that now in the area of ecosystems. Communications, media and technology companies that have pivoted their focus from platforms to ecosystems—and defined the ecosystem role they will play—are standing apart. They are the ones that are accelerating their innovation, expanding their reach, and offering unique and targeted solutions that customers want. Conversely, companies that fail to recognize the power of ecosystem business models are setting themselves up for marginalization. For many of them, it will quickly become too late for them to seize the opportunity.

There's not a moment to waste.

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