

# Why all companies should **ENGAGE** in the **PLATFORM** **ECONOMY** and HOW THEY CAN START DOING SO

Platform companies are taking over the economy and are rapidly transforming the world we're doing business in. While everybody is familiar with the big five technology giants and well-known disruptive companies like Airbnb and Uber, the underlying mechanisms that have been the breeding ground for these businesses is not yet common knowledge. Yet the trend is irreversible and **game-changing platforms are expected to emerge across the entire spectrum of the economy** at a fast pace. This will impact all businesses, even seemingly unaffected B2B companies such as construction firms, producers of capital goods, and B2B service providers in areas such as logistics, IT and finance.

In this paper, we advocate that all companies should engage in the platform economy, even traditional B2B businesses that may so far haven't thought of developing plans in this direction. The reason is that global megatrends are fueling the platform economy. They are transforming the traditional sales-and-purchase interaction into a more collaborative scheme. The key word here is the ecosystem, a complex cluster of businesses, organizations, authorities and individuals that serve each other's needs. Of course, it is essential for any business to select the ecosystems it will want to be part of. But more importantly, businesses should continuously evaluate and redefine the role

they want to play in these ecosystems. Our message here is: **try to become a key driver in your ecosystem(s)**, interconnecting the different stakeholders based on your own strengths. Or to make it more concrete: build powerful platforms around your key capabilities and competences.

But how can you do this? In the second part of this paper, we outline ways to **identify your platform opportunities** using tools such as the Platform Innovation Kit. We will touch on a few real-world examples to fuel your inspiration. We also discuss the next steps, which not only involve developing the platform's software backbone (that's the easy part), but also to **validate the solution from a legal and an economic point of view**. A crucial aspect is to build a comprehensive strategy and plan to **bring the platform's value to the market**. This includes aspects such as defining the value proposition, developing the right messaging framework and setting up the most appropriate communication tools.

# PART 1

## About PLATFORMS and ECOSYSTEMS

### PLATFORM COMPANIES ARE TAKING THE LEAD

The past ten years or so have shown a fundamental shift in the global economy. This becomes evident if you take a look at the top 10 of companies by market capitalization in 2010 versus 2020 (second quarter)<sup>1</sup>.

RANK	2010	2020
1	ExxonMobil	Apple
2	PetroChina	Microsoft
3	Apple	Amazon
4	ICBC	Alphabet
5	Microsoft	Facebook
6	China Mobile	Tencent
7	Berkshire Hathaway	Alibaba Group
8	China Construction Bank	Berkshire Hathaway
9	Walmart	Visa
10	Procter & Gamble	Johnson & Johnson

The table clearly shows that the big five technological companies have taken over the lead from traditional industries and financial corporations. Particularly noteworthy is the striking rise of digital titans like Amazon, Google (Alphabet), Facebook, Alibaba, and Tencent, who in various ways have changed the game of doing business. The same goes for other well-known platform organizations such as Airbnb and Uber. All of them not only have taken over significant shares of existing markets but even managed to simultaneously create additional demand

and supply in one go. The common denominator is that all of these businesses are **making money out of connecting producers and consumers**, which is the essence of a platform organization. What's more, platform organizations don't even need to own assets, as Uber (no cars), Airbnb (no hotel rooms or apartments) and Deliveroo (no restaurants, no bicycles) clearly demonstrate.

PLATFORM ORGANIZATIONS  
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CONSUMERS



### AN IRREVERSIBLE TREND

It is important to understand that the platform revolution is not limited to the abovementioned B2C and technological giants. The business model is rapidly pervading the entire economy, including traditional B2B areas such as the construction and manufacturing industries. What's more, the **platform business model is expected to pop up in various shapes and sizes as the global economy evolves** over the next years and decades. That's because the platform economy is driven by a number of forces and megatrends in the global economy.

Let's have a closer look at these trends, as they were listed by the Copenhagen Institute for Future Studies<sup>2</sup>:

- **Individualization is on the rise.** This leads to consumers increasingly expecting products to be tailored to their needs. In a B2B context, customers increasingly expect that products and services can be customized at no or very limited additional cost or delay. Customers also expect to be addressed through the channel of their preference, meaning that omnichannel communication is an absolute must.
- **Technological innovations** such as Artificial Intelligence, the Internet of Things, Industry 4.0 and Additive Manufacturing provide new opportunities for businesses to fulfill consumer and customer needs.
- **Further globalization** requires companies to be more agile in serving existing and emerging markets. In this context, it is essential for businesses that they can scale up at a fast pace. The Covid-19 pandemic further confirms this need.
- The global evolution towards **sustainable development** requires businesses to develop carbon neutral practices and service-oriented or circular business models.
- We are in the process of transforming into a **knowledge society**. Data is the new gold. Today's holy grail is the ability to transform data into useful insights.
- Organizations, people and societies are increasingly being influenced by a **multitude of different networks**. Some of them are created by big companies, others emerge on the Internet from the bottom up.

The platform business model provides excellent opportunities to surf on the waves of these megatrends. Even in the event that major disruptions such as climate change or a pandemic would severely damage the existing economy, most of these megatrends will continue to fuel the platform business model. This is not to say that traditional businesses are becoming irrelevant, but the **economy of the future** will be more and more about **facilitating the means of connection** rather than



controlling the means of production.

Let this be clear: the platform business model is here to stay and will further gain ground in all sectors of the economy. Platforms are hot and that's exactly why every company should engage in the platform economy.

### **IT'S THE ECOSYSTEM, DUH!**

Platforms are hot, but it is important to note that they are not the essence of the story. A platform is just a tool that helps businesses, organizations, people and authorities connect with each other in a meaningful way so that all of them benefit from it. The essence of the story is the aggregate of businesses, organizations, people and authorities who are acting according to

their fundamental beliefs and pursuing their fundamental needs and ambitions. Platforms can help this aggregate to **develop into a real ecosystem**, which is defined by McKinsey as an ‘interconnected set of services through which users fulfill a variety of cross-sectoral needs in one integrated experience.’<sup>3</sup> According to McKinsey and others, being successful as a business in the future will require companies and organizations to embrace ecosystem thinking<sup>4</sup>.

To clarify this, let’s zoom in on two aspects of McKinsey’s definition and of ecosystem thinking in general:

**A variety of cross-sectoral needs**—An ecosystem is a complex cluster of users and producers of various types and sizes. All users have a wide range of needs, which evolve over time as the context changes. Historically, needs have been categorized in terms of economic sectors (“I need a house, therefore I need a construction firm”). However, this mindset dramatically limits the scope and possibilities of fulfilling the underlying needs (“I need a safe place I can call my home the next 10 years, with easy access to services like education, transportation, work, healthcare and entertainment”). In the ecosystem era, producers of goods and services need to tap into the real needs of users (from individuals to large organizations), which are incredibly diverse and cross-sectoral.

**PRODUCERS OF GOODS AND SERVICES  
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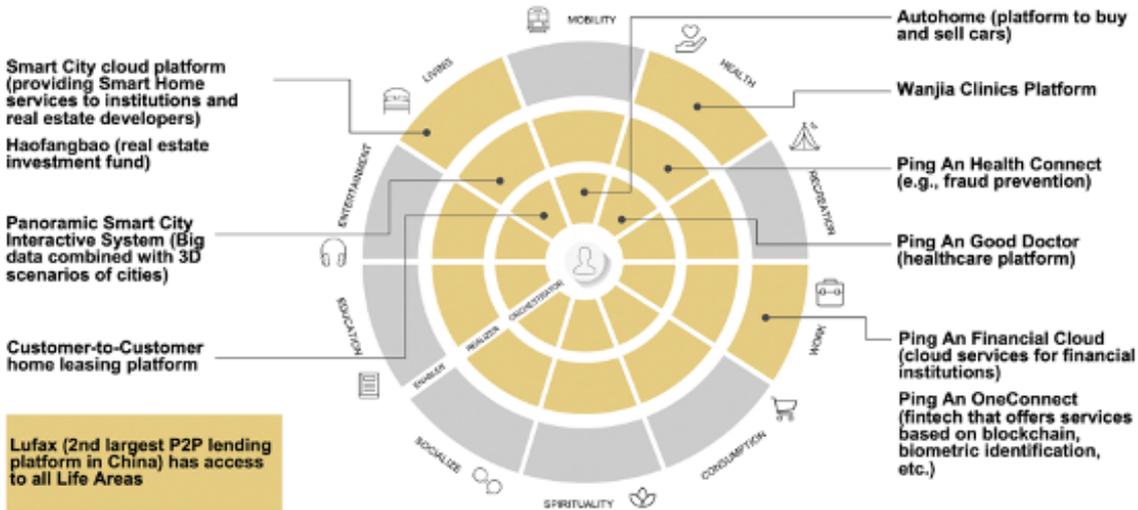
**An interconnected set of services**—Historically, we used to think that needs are fulfilled in a transaction process between a producer/provider and a consumer/buyer (“My accountant does my bookkeeping”). But reality is much more complex. Needs are fulfilled through a smooth interplay of services provided by different producers and providers (“My accountant is my single point of contact for all legal and financial issues of my small business”). In the ecosystem era, businesses need to carefully tune their products and services so that they successfully contribute to the smooth interplay that users expect. They should also tune their related market strategy, making sure that the products and services successfully reach the intended audience.

## LESSONS FROM PING AN

Systematic ecosystem thinking allows businesses to achieve new levels of interaction with a growing base of consumers, users, partners, companies and other stakeholders. Ecosystem thinking allows them to identify opportunities for platforms that tap into real user needs and provide new and more effective sets of services for them. The recent spectacular rise of Ping An, a Chinese insurance company founded in 1988, is a singular case in point.

Over the past six or seven years, Ping An has developed a strategy of providing various easily accessible platform services related to their insurance portfolio. For example, in healthcare, they have set up platforms that facilitate online consultations, hospital referrals and appointments, health management, and wellness interaction. In the mobility area, they launched services to facilitate car sales and purchase transactions, including financial and other related services. In education, they launched online tutorial services. And so on. In general, the platforms bring together buyers and sellers of goods and services, both individuals and companies.

# PING AN



## ECOSYSTEMIZER

The network of service providers that are drawn to the platform even include many smaller companies that might historically have been seen as (potential) competitors of Ping An. But as these services tapped into previously unspoken and unserved needs of users, they became an immense success and have given Ping An's insurance business a tremendous boost<sup>5</sup>.

**BY TAPPING INTO PREVIOUSLY UNSERVED NEEDS OF USERS, PING AN MANAGED TO GIVE ITS INSURANCE BUSINESS A TREMENDOUS BOOST.**



### IT'S HAPPENING IN YOUR SECTOR TOO

Does this still feel far away from you? Then it is closer than you think. This evolution is happening in your sector and in your country too. Consider for example the

following items picked from the Belgian news in recent years and months:

- KBC is building an ecosystem of partners within its KBC Touch app, combining football broadcasting with health and mobility solutions.
- Proximus and BESIX develop ecosystem of partners around smart buildings
- NXTPort connects partners in the logistics chain to share information
- Power and gas distributor Fluvius is tapping into water
- Baloise Insurance is investing half a million in ImmoPass

Companies of all sizes and sectors are investigating various ways of immersing themselves in cross-sector initiatives that are expected to be vital for at least part of their customer base. So, let us reconfirm our statement: every company should engage in the platform economy, **at least as a participant but better still as an active driver.**

# How to **ENGAGE** in the **PLATFORM ECONOMY**

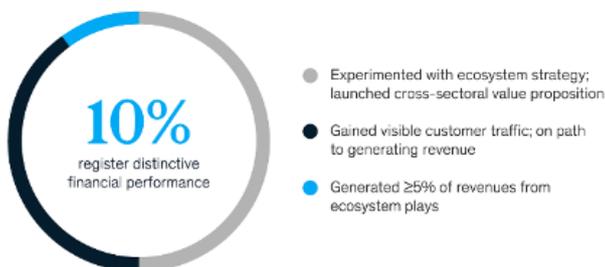
## BE PREPARED FOR A VERY DIFFERENT GAME

Not every company is going to be an Alibaba or a Ping An, there's no point in putting down companies with more modest ambitions. After all, the idea of engaging in the platform economy is as much about securing your company's future as it is about growing and exploring new territories. Traditional companies will want to give priority to exploring platform opportunities around their current range of activities and key competences. This means you're going to build on ground you're familiar with.

Yet whatever your ambition, you must be aware that launching platform or ecosystem strategies is an entirely different game than what you are used to. The abovementioned McKinsey report states that many established companies have experimented with ecosystem strategies, but few have created significant value so far.

**Many have experimented with an ecosystem strategy, but few have succeeded in creating significant value.**

Share of companies by extent of ecosystem play,<sup>1</sup>%



<sup>1</sup>Sample comprises established companies (often market leaders) in a particular industry that have moved to noncore activities; excludes Alibaba, Alphabet, Amazon, Baidu, Google, Netflix, and Tencent.

McKinsey  
& Company

Some of the pitfalls for traditional companies entering the platform economy include:

- **Thinking too small.** Traditional companies tend to think entirely in terms of their existing business and fail to mobilize participants outside their existing network. You need to thoroughly reflect on your customer's needs and the interactions they (want to) have with businesses, organizations, people and authorities. This reflection must go much deeper than it has been so far.
- **Making just small, intuitive improvements.** Launching a platform idea is much more than adding some functionality to your website. A few design improvements and advertisements will not draw large amounts of new prospects and customers. You need to devise tools that will make your customer's day by facilitating their interactions with you as well as with other stakeholders within the larger ecosystem.
- **Failing to build a shared vision with partners.** Enthusiasm to pursue new markets for your company is good, but you need to develop a clear vision on which partners you will be working with and what each partner's role will be. All partners should obtain a substantial benefit from the effort, otherwise the platform will never get off the ground. You need to understand and appreciate the strengths of your partners, even if they are a competitor in some areas. It's crucial to build a shared long-term vision.
- **Failing to align the entire organization.** Launching a platform or ecosystem strategy may cause some of your

business units or functions to resist to change, especially if your organization is heavily siloed. People in your organization may also find it difficult to see the potential value of the platform, while they quickly see the risks it brings. You need to firmly align all units of your organization before putting your platform into practice.

So, although you are going to explore platform opportunities based on your own strengths, you need to be prepared for a game you haven't played before. That's why we recommend adopting a systematic approach that has proven its value with other companies. In the next paragraphs, we will outline the principles of the **Platform Innovation Kit**, an approach developed in collaboration with HTW Berlin<sup>6</sup>.

### IDEATION: IDENTIFYING YOUR PLATFORM OPPORTUNITIES

The first step in developing a platform is the ideation phase. This phase typically takes two or three weeks to complete and involves a number of workshops in which the following scans of the ecosystem around your business are made:

- **Environment scan**—Identifying the key trends, industry forces, market forces and macroeconomic forces that are at play around your current business. What goes on in society as a whole? Are there any regulatory changes in the pipeline? Which upcoming technologies are relevant to the world around your business? Are there any new players in the market? Which products and services (of your own and of others within your ecosystem) are at risk of being substituted? How are the needs of all stakeholders in the ecosystem changing? Do stakeholders perceive any new needs, for example due to changing expectations of their own customer base? How does all of this relate to your company's core

competences and strategy?

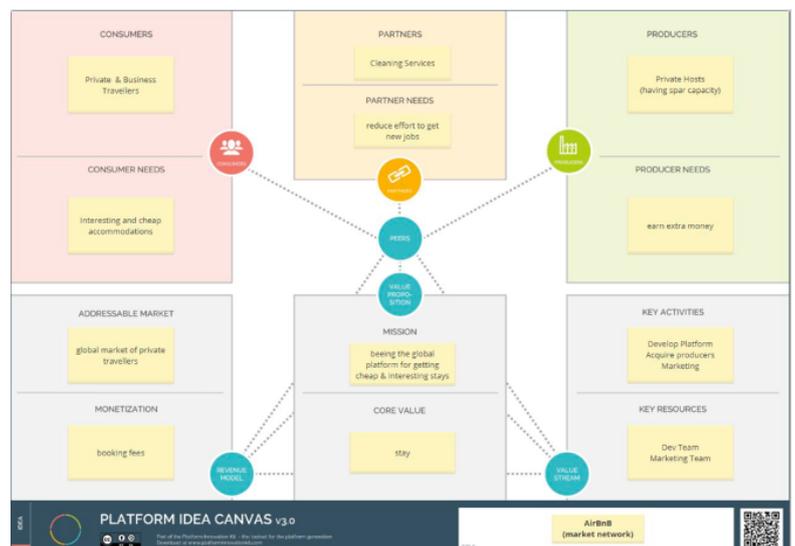
- **Stakeholder persona**—Identifying all stakeholders of the ecosystem, including customers (individuals and companies), producers of goods and services, and partners. For each stakeholder and each job to be done, the gains and pains are identified, along with possible gain creators (create or raise gains) and pain relievers (reduce or eliminate pains). This exercise is also extremely important as a preparation to bringing the solution to the market (more on this below).

**THE STAKEHOLDER PERSONA EXERCISE IS ALSO EXTREMELY IMPORTANT AS A PREPARATION TO BRING THE SOLUTION TO THE MARKET**

- **Value chain scan**—Understanding the role of the different actors in the value chain, along with the related money flows, and identifying the inefficiencies and frictions that exist. Insight into inefficiencies is a great source of inspiration for developing platforms.

Based on these scans, opportunities for platforms are discussed during creative brainstorming workshops. Each idea is outlined on an **idea canvas sheet** showing the customers, partners and producers, each with their needs as well as the way they are expected to use the platform and benefit from it. In addition, the canvas shows the key activities provided by the platform, the resources needed, its mission and core value, and the revenue model.

To illustrate the method, we show you how this idea canvas looks like for Airbnb.



## VALIDATING YOUR IDEA AND MAKING IT WORK

Once you've identified your platform opportunities it is crucial to rapidly validate the ideas and possibly build a prototype with real IT tools and real data, involving real stakeholders.

### IS IT VIABLE?

Is your platform idea viable? What are the legal constraints and barriers? Does it need a special IT infrastructure? Are the assumptions with regard to monetization realistic? Will we be able to reach the intended network of customers, partners and (co)producers at a reasonable cost? These are the type of questions that need to be answered as quickly as possible and certainly before making substantial investments in IT and staffing.

The time needed for the validation process depends on the assumptions that need to be validated. In most cases, the process should not take more than two or three weeks. It involves evaluating elements like:

- **The platform value framework**—What are the value propositions and transactions brought to and received from the platform by consumers, producers and partners as well as involved owners of capital goods?
- **The monetization model**—Making a clear account of the costs related to operating the platform, acquiring the different stakeholders and producing the required services. Setting these figures off against the expected revenues for customers, producers and partners.
- **IT infrastructure**—What kind of IT infrastructure is needed? Does this represent a barrier for potential competitors or copycats?

Discard any idea that doesn't stand each of the validation tests above. If an idea is going to fail, make sure it's going to fail fast so that you don't lose time and money on it.

At best, the outcome will be a few ideas that are viable. Then you'll have to prioritize, pick the one idea that looks most promising

to you. Reflect about the potential, but also about the risks and uncertainties.

### FINETUNING AND PROTOTYPING

Once you've made your choice, you can go on elaborating and finetuning the business model and building a prototype. This phase typically takes two to five months, depending on the complexity. Along the way, you should continue to validate the project, because new insights emerging from further analysis may give rise to additional barriers or opportunities.

While it involves some high-tech struggles with IT and data, the prototyping effort is hardly the most challenging part. Take your time to get the business model right, that's where the benefits come from. Who are your key suppliers, investors, enablers and supporters? What type of people and skills do you need? What are the data flows involved and how will you control them? And on the other side of the spectrum, how will you stimulate network effects among customers, producers and partners? How will you successfully reach and connect all stakeholders? This analysis will allow you to define your general value proposition ("What value do we bring to the ecosystem?") as well as the specific value propositions for each stakeholder ("What value do we bring for customer x, producer y or partner z?").

### THE STAKEHOLDER PERSONA EXERCISE IS ALSO EXTREMELY IMPORTANT AS A PREPARATION TO BRING THE SOLUTION TO THE MARKET



### BRINGING YOUR PLATFORM TO THE MARKET

The finetuning exercise is also a major step towards bringing your platform to the market, which is a crucial but unfortunately often neglected part of the whole endeavor. How is the world out there going to know what your platform is all about, for whom it is useful, and what benefits it can bring?

We're 2021, be sure that an old-fashioned advertising campaign will not do the trick. You're going to need **a comprehensive B2B digital marketing strategy** to make it work<sup>7</sup>. Experience shows that this is still unfamiliar terrain for many B2B companies. While it's not rocket science, there are a few principles and best practices to keep in mind. The essentials of it are briefly outlined in the paragraphs below.

### WHAT MAKES THE PLATFORM UNIQUE FOR YOUR STAKEHOLDERS?

In the business model, you already outlined the benefits for each of your target stakeholders and defined your general value proposition. But that's just the beginning. You will have to **translate your value proposition into a language that the concerned people really understand** and that connects with their minds and hearts.



For this, you're going to build further on the stakeholder persona scan you performed during the ideation phase. But you need to clearly highlight the value for each stakeholder in their own terms. So, picture your target audience and ask yourself the following questions with respect to your platform:

- Does your platform offer them a personal or a professional benefit?
- Does it take away any burdens or barriers?
- Does it save money in one way or another?
- Does it make people enjoy their work more and be more productive?
- Does it offer them career or other opportunities? What are they and why?
- Are there any real or perceived risks involved? Why is that so?

This exercise is extremely useful for the subsequent messaging.

### BUILD A POWERFUL MESSAGING FRAMEWORK

Based on the stakeholder persona exercise you can decide what messages you want to convey to your different audiences and how you will want to shape them. Consider integrating the following types of content:

- Customer testimonials
- Business stories
- Personal stories
- Whitepapers
- Blog posts
- Videos
- Podcasts
- E-books
- Webinars
- Direct mail

You will probably want to set up a content factory to **generate relevant content at a good pace**. Remember that 21st century people expect to be addressed through the channels of their preference. Therefore, make sure to have a large and credible presence on a wide range of online channels. There's not only your website but also social media like LinkedIn, Facebook, Twitter, Instagram and others. Don't forget Youtube or other video channels. This presence will allow you to disseminate your messages in various forms, attracting the people you want to reach with exactly the messages that are most appropriate for them.



Also note that attracting an audience to an online platform and converting them to be active users is **quite a different game than closing a typical B2B deal**. A successful platform attracts participants by the hundreds per day, week or month, depending on the scope. So, avoid setting any entry barrier. People should be able to join your platform at no cost and immediately feel at least part of the benefits.

# CONCLUSION

Platforms are rapidly transforming the world we're doing business in. The trend is irreversible and **game-changing platforms are expected to emerge across the entire spectrum of the economy** at a fast pace. This will impact all businesses, even seemingly unaffected B2B companies. We firmly believe that all companies should engage in the platform economy, even traditional B2B businesses. Because in the 21st century, business is increasingly being done within ecosystems or complex clusters of organizations, authorities and individuals that serve each other's needs. It is essential for any business to select the ecosystems it will want to be part of, and to continuously evaluate and redefine the role they want to play in these ecosystems.

You can use a structured approach in three steps to make this happen for your company or organization:

- **Identify your platform opportunities** using tools such as the Platform Innovation Kit.
- **Validate the solution** from a legal and an economic point of view.
- **Build a marketing strategy and plan** to bring the platform's value to the market.

This approach allows you to devise ways to successfully interconnect the different stakeholders in your ecosystem(s), based on your own strengths. And to deliver value to all of them.

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- [5] A more detailed account of Ping An's ecosystem journey is given by Chief Innovation Officer Jonathan Larsson here: <https://youtu.be/lGcMen4qD-M>.
- [6] <https://platforminnovationkit.com/>
- [7] An excellent overview of techniques used in B2B digital marketing can be found in Gunther Walravens, Digitale marketing in B2B: hoe maak je er een succes van? <https://beyondmarketing.be/whitepaper-succesvolle-digitale-marketing-in-b2b/>

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