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Level up:

Elevate your business with a platform strategy

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Using a platform strategy to boost business performance isn't a new concept. Amazon, LinkedIn, Salesforce and hundreds of other platform companies have anchored their success on the value that comes from connecting customers, suppliers or peers. What is new is the recognition that non-digitally native companies can also benefit from platform business models that deliver new and hard-to-replicate services or experiences.

Our recent analysis of 375 of the world's largest 2,000 companies from 12 industries found that 152 are what we call "platform adopters."[1] Unlike the 39 companies we identified as full platform companies—whose entire business model is based on a platform strategy—the adopters pursue platform strategies for specific purposes: namely, to launch new business opportunities or provide completely new customer experiences.

> **"Platform businesses" combine business and technological capabilities to reimagine customer, supplier and industry peer experiences and pursue new growth opportunities at speed.**

Is this approach changing their game? The 152 platform adopters in our analysis generated, on average, 2.1 percentage points higher margins in the 2019 to 2022 period, compared with non-platform companies. However, this higher profitability is just the tip of the iceberg.

▶ To read more about our research see page 20.

Platforms deliver holistic value

If non-platform companies operated at the same margins as platform adopters from 2019 to 2022, they would have generated $231 billion more EBITDA. Further, they would have achieved higher valuations. As measured by enterprise value to invested capital multiple, platform adopters saw an average of 2.4x in market premium, well above the 1.5x premium of non-platform companies.[2]

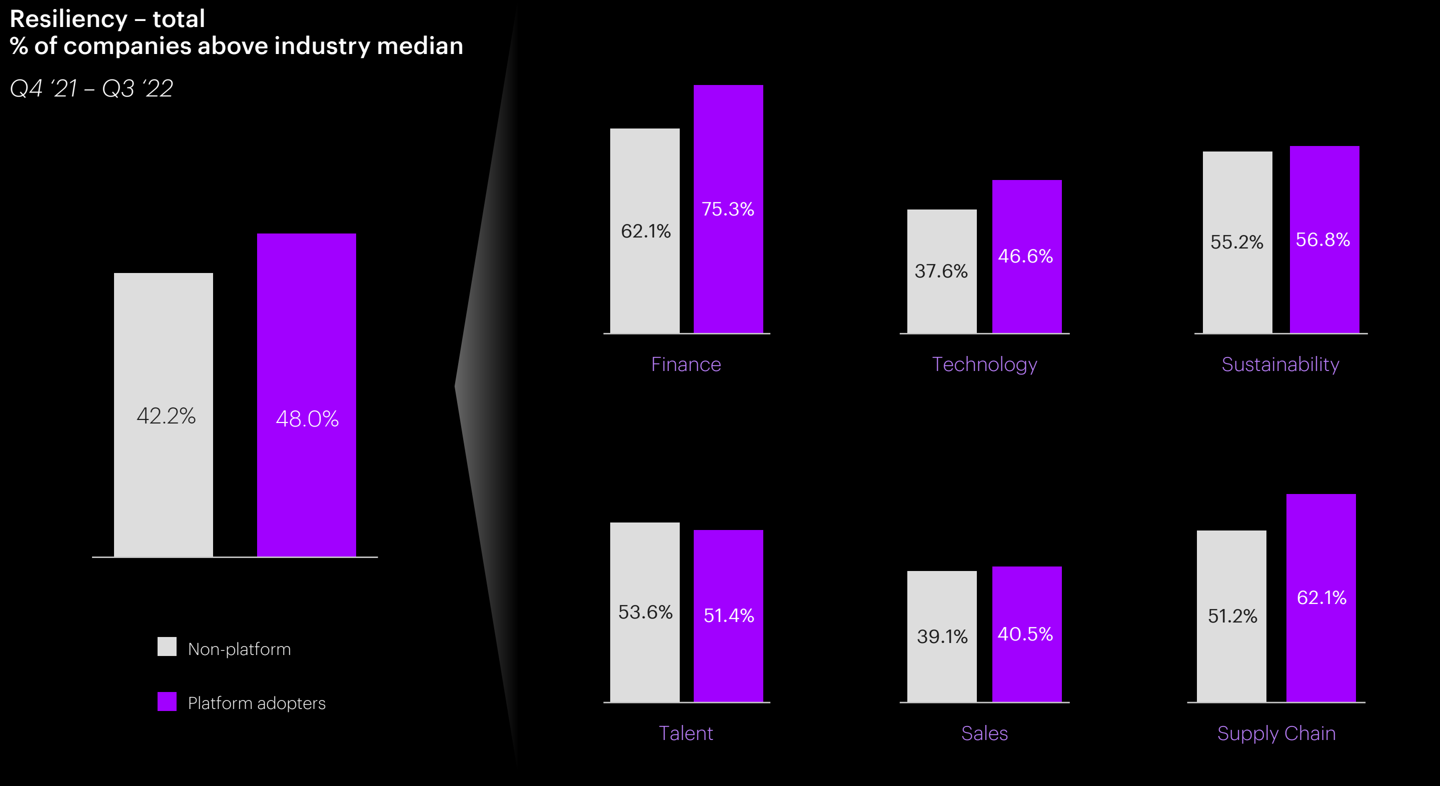
One platform adopter experiencing a boost in performance is Nike. The US-based footwear and apparel leader is using a platform strategy to aggregate customer offerings and provide a hub for athletes via its Training Club and Run Club applications. This unique community gives Nike customers a much more sophisticated experience. The platform strategy also goes the extra mile for Nike, allowing the company to capture valuable data insights, offer more personalized products and services, and even decompose existing capabilities and offer them to business partners as individual services such as inventory visibility. Since adopting its platform strategy, Nike has seen the share of overall brand revenue attributed to its digital business climb from 10% to 24%.[3]

Platform adopters are more profitable—and more resilient—than their peers.

Power up your resilience

Beyond margin improvements, platform strategies can help companies compress transformation and achieve resilience. According to Accenture's Pulse of Change: 2024 Index, business leaders have faced an all-time high rate of change in 2023, and 88% of C-suite leaders anticipate an even faster rate of change in 2024.[4] In this environment, resilience has never been more important. Nor more challenging. That's why only 15% of companies achieve it. Our analysis has found that platform adopters exhibit higher levels of resilience in nearly every measure of Accenture's research on resilience, including financial discipline, technology, sustainability, sales, and supply chain and operations. This translates into sustainable improvements in everything from operating efficiencies and speed to market to customer loyalty.[5]

Platform adopters are more resilient than non-platform companies



Data source: Accenture Research, Resiliency Index

Strategy development is no longer something that takes place on an annual basis; now, leaders need to continually adjust their strategies in real-time. Delivering strategy at the pace of technology is only possible when strategy development and decisions are both informed by and delivered through technology.[6]

This is where platform strategies—which link business strategies to real-time insights—shine. They enable business leaders to be bolder in their strategic thinking and faster in their decision-making.

Platforms create ecosystem value

Crucially, the value of a platform strategy extends beyond the enterprise to an ecosystem of stakeholders that can include customers, suppliers and industry peers. It allows participating companies to share costs and risks in major capital projects. They can also gain insights for improving their offerings, expanding their market reach and hitting non-financial goals, in areas such as sustainability.

For example Shell, American Express Global Business Travel and Accenture have launched one of the world's first blockchain-powered digital sustainable aviation fuel (SAF) "book-and-claim" platform solutions for business travel. The platform strategy enables an ecosystem of airlines and business customers to reduce their emissions by allowing the secure and transparent allocation of SAF's environmental attributes after the fuel has been delivered into the fuel network. It is a win-win-win proposition that benefits the aviation industry, society, and the environment.[7]

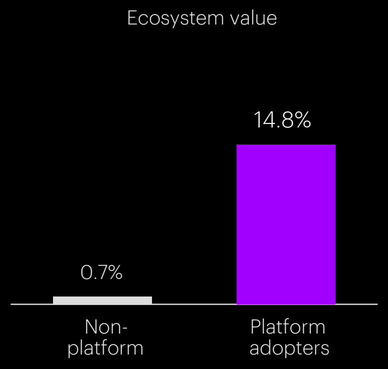
As our research illustrates, platform adopters recognize that a lot of their enterprise value comes from the value they create for others. They make a point of speaking about collective value. They are more likely to form new partnerships every year. And they see the value in extending their ecosystems beyond their industries.

For platform adopters, enterprise value ultimately comes from the value they create for the ecosystem.

Platform companies have a more visible approach to collective value

% of companies mentioned keywords related to "ecosystem value",

2017 – 2022

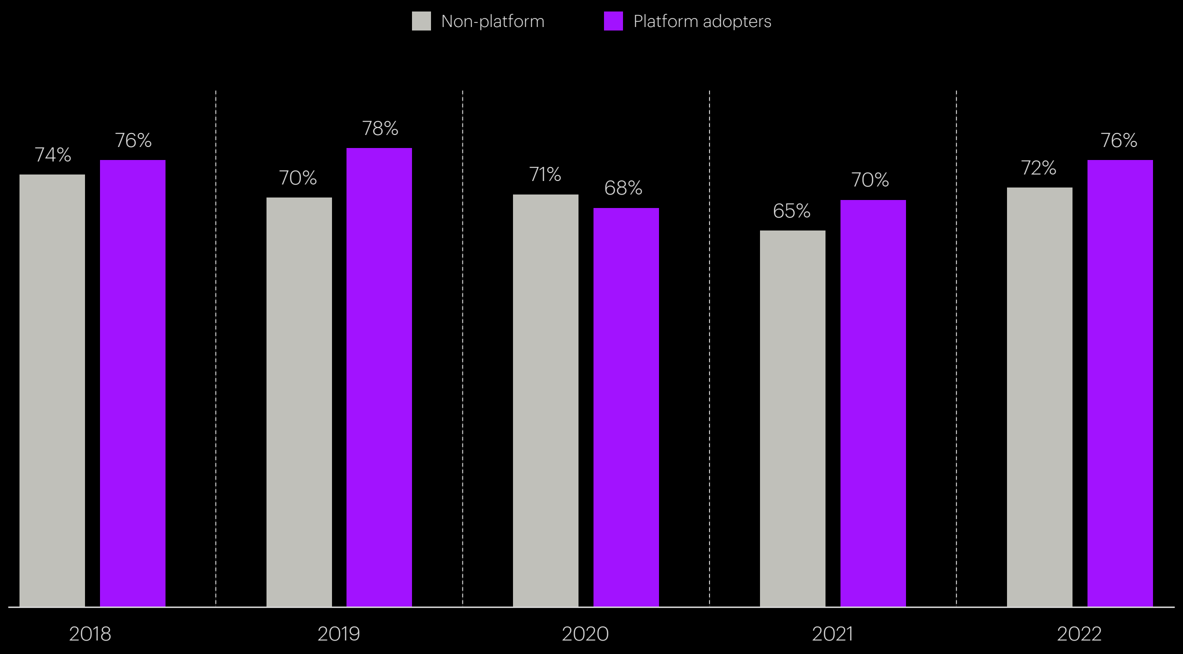


Data source: Accenture analysis based on G2K earning calls

More platform adopters form new partnerships

% of companies forming new partnerships each year

2018-2022



Data source: Accenture analysis of FactSet partnerships dataset. Partnerships could be with customers, suppliers, competitors or strategic partners.

Is a platform strategy right for you?

Despite the potential value of platform strategies, not every company can or should strive to become a platform business. When evaluating the feasibility of moving to a platform model, companies should consider the following factors.

- **Industry and market dynamics:** Some industries are more conducive to platform businesses than others due to the presence of multiple user groups and the potential for network effects.
- **Control points:** Ideally, a company considering a platform strategy should own key resources or capabilities that cannot be easily replicated and which others in the ecosystem are dependent upon.
- **Technology capabilities:** A platform model is business-led but enabled by a robust technology infrastructure. Building or acquiring the necessary tech capabilities is a critical consideration.
- **An appetite for ecosystem-building:** Transitioning to a platform business involves more than just changing a business model; it's about building and nurturing a vibrant ecosystem of users and partners.
- **Competitive landscape:** In some instances, competitors are already operating as platform businesses. Entering a mature market with established platform players requires a unique value proposition.
- **Risk tolerance:** Moving to a platform model comes with inherent risks. Organizations need a healthy risk tolerance and the willingness to invest in the transition.
- **A culture of openness:** Platform adoption will require people to share their knowledge in an open, networked environment. Leaders need to make sure the workforce is willing to give up their knowledge ownership for the greater good.

Learn from the best: what platform adopters get right

Companies looking to pursue a platform strategy can learn from today's platform adopters. Our research confirmed that successful platform businesses focus on three things.

The first is the creation of completely **new customer experiences**. Johnson Controls has adopted a platform strategy to offer new services to customers in various industries. Its OpenBlue Platform enables customers access to better understand their energy usage, security breaches, equipment performance and space utilization.[8]

> **Platforms push traditional companies into new performance frontiers that are characterized by hard-to-replicate capabilities and customer experiences.**

The second thing platform adopters focus on is the development of **new business models**. Malaysian energy group Petronas offers a prime example. It developed a digital logistics platform that optimized its operational costs and reduced its carbon emissions by 15% across its fleet of vessels.[9] In collaboration with Accenture and Amazon Web Services (AWS), the company is now rolling out this innovative platform under the name STEAR to other industry players, improving their efficiency and sustainability through lower fuel consumption and intelligent routing and scheduling.

The third thing successful platform adopters do is focus on **combining their business and technology capabilities in unique ways** to not only make it easy for all platform partners to participate, but also deliver optimal value for all. Their platform strategies are business-led and tech-enabled. And they are executed in a methodical way, often in collaboration with their ecosystem partners, to ensure usability and deliver immediate results that are amplified over time—without draining resources from other transformation programs.

> “With a platform strategy, you can have a major impact on your company’s agility, time-to-market, efficiency and innovation with a very light lift, and you can start to see immediate benefits. Over time, the strategy generates even greater dividends.”
>
> *Chris Kasten*, senior vice president, Common Platforms at PayPal

Telecommunications and media conglomerate Comcast took such an approach when it partnered with Chinese manufacturer Hisense and Walmart to develop and distribute easy-to-use smart TV models. More recently, it has created a platform that helps its smart TV viewers navigate their streaming apps, just as it has long done for cable TV consumers.[10]

Three steps to make the jump to a platform business

Companies looking to adopt a platform strategy must first determine whether such a strategy makes sense for them (see page 10, "Is a platform strategy right for you?"). They may be excited about the opportunities, but they also need to be realistic about their own operational or structural readiness for the move. They need to carefully assess their industry's receptiveness to such a strategy, as well as their own capabilities and willingness to embrace the change that a platform strategy requires.

For companies ready to make the move, these steps can help them maximize their platform potential.

1. Identify the value
2. Determine what sets you apart from the competition
3. Reimagine your business and technology capabilities

1 Identify the value

Platform business models don't generate value in a vacuum. By their nature, they act to connect and unify different areas of a company, as well as the company with its stakeholders. This means there are value opportunities across the organization and ecosystem. As a first step to launching a platform strategy, leaders need to identify the value potential with a particular focus on disintermediation. What steps can they remove in the supply chain to get them closer to their customers, and become more direct-to-consumer in their operations?

Chris Kasten provides an example in the product/retail space, where a company wants to improve agility in its global inventory management as part of its overall market strategy. In this instance, a company would typically define platforms based on the cohesive capabilities in its manufacturing, operations, logistics, and retail domains. With these platform building blocks in place, the company can then create complex business flows, such as end-to-end inventory, in a simple and easily understandable manner, based on platforms and capabilities for optimization. Additionally, assigning ownership and accountability for each of these platforms drives strategic thinking across a platform's capabilities.

Kasten led a transformation at Nike, where the company transformed its entire technology organization, which has more than 6,000 people, to a new platform model that created a single, transparent catalog of platforms with ownership and accountability. Kasten recently led a transformation at PayPal, involving PayPal's Common Platforms organization of more than 2,300 people and its operating model. This has resulted in a vibrant ecosystem of composable platforms with capabilities as platform services. This approach is now providing PayPal with increased agility, and reducing its time to market while driving efficiencies and innovation.[11]

Leaders should also identify the value potential for their ecosystem stakeholders. Creating better experiences for customers, suppliers and business partners is a proven way to drive not just enterprise value, but industry value and transformation. Consider what Walmart has achieved. The retailer has used its world-class supply chain management capability to create Walmart Fulfillment Services (WFS). Through this platform business, the company offers end-to-end services for Walmart Marketplace sellers. Sellers ship their inventory to a WFS facility, where WFS workers store, pick, pack and ship the orders. Access to real-time data allows sellers to manage their inventory, shipment and order tracking.[12] As it expands its platform, Walmart expects WFS to be able to provide next- or two-day shipping to 95% of the US population.[13] Walmart is clearly benefiting from this new revenue stream. But its network sales partners are arguably benefiting as much, if not more.

Questions to ask:

1. What are the greatest challenges we face that a platform might alleviate?
2. What capabilities could we decompose and reinvent in a platform environment?
3. Ideally, what would we want our platform strategy to accomplish—for the enterprise and for our ecosystem stakeholders?

2 Determine what sets you apart from the competition

Successful platform adopters use their platform strategies to develop new and hard-to-replicate customer experiences and business models. Building unique capabilities—or control points—in these areas starts with leaders decomposing their capabilities and technology infrastructure to determine which component combinations might offer something new in terms of services, products or experiences.

According to Chris Kasten, senior vice president, Common Platforms at PayPal: "Many companies don't know what they have. They may know what technology they have, but they can't express the business capabilities they have and how those relate to the business. Mapping and decomposing what's available is, therefore, a critical step in executing a platform strategy."

In addition to determining their unique strengths that platforms may enhance and expand, companies need to figure out how they want platforms to help them create value—and then adapt their capabilities and ecosystems accordingly. The Danish toymaker the LEGO Group launched the LEGO Ideas platform as a new way to interact with its customers and build customer loyalty. Fifteen years later, fans are still using the platform to submit design concepts for new LEGO sets. The result? A boost in brand loyalty and customer engagement, a dynamic mechanism to tap the creativity of the LEGO community, and new sales of fan-inspired sets.[14]

Companies tend to use platforms in four ways to develop their control points and generate value. These business models, first put forward by Sangeet Paul Choudary, include: aggregators of services; integrators of data, resources and insights; "as-a-service" infrastructure players; or capability providers. Our research identified some common characteristics for each (see chart below).

Platform business model and their common characteristics

Aggregators	Integrators	Infrastructure	Capabilities
• Customer facing business model • Aggregate consumer demand • Personalizes experience using data • Provides consumer facing services	• Mostly manages B2B exosystem interaction • Acts as switchboard • Extensive integration exosystem • Consumer facing distribution environment	• Provides critical infrastructure • Standards to enable, coordinate and organize production • Provide knowledge services to the ecosystem	• Focus on the performance of specific functions • Compete through specialization • Ease of use is critical for adoption

Questions to ask:

1. What are we particularly good at or known for?
2. Can we optimize (and monetize) this capability with a platform strategy?
3. Would our ecosystem partners find this capability useful and relevant to their needs?
4. Would the capability be hard for our platform ecosystem partners to replicate?

3 Reimagine your business and technology capabilities

When it comes to platform strategies, the partnership between business and technology is critical. A strong digital core is more than just the technology backbone of the organization, it's the accelerator—the thing that puts technology to work for the enterprise. It's how the world's leading organizations will build, apply, and integrate their technology estate to position themselves for success in the coming years. Technology teams must help shape the vision and ensure a strong digital core is in place to drive the technical implementation. But they can't be the sole owners of the platform strategy. Business leaders need to work with their tech counterparts to ensure that platforms are strategically aligned and supporting every aspect of its activities, from driving revenue to operations and how the company engages with customers and ecosystems. Together, they need to carefully manage expectations, prepare their organization for the operational changes ahead, and commit to a longer-term, focused execution.

Platform strategies are not technology strategies. Yet, a critical component of reimagined business and technical capabilities involves understanding the key components of an organization's digital core that can support and enable a successful platform strategy. Cloud, data management tools and AI technologies are increasingly critical elements of a digital core. With the digital core identified and strengthened, leaders need to select the right technologies to enable business agility while also serving the broader ecosystem. They also need to evaluate their platform options and determine if they are going to build, buy or participate – recognizing that one of the most significant costs comes from developing the platform itself.

Three options for platform operationalization

Most complete/ expensive ⟷ Least complete/ expensive

Build: Build their own platform from scratch	**Buy:** Buy an existing platform solution and customize it to their need and use cases	**Participate:** Join an existing platform ecosystem as a participant

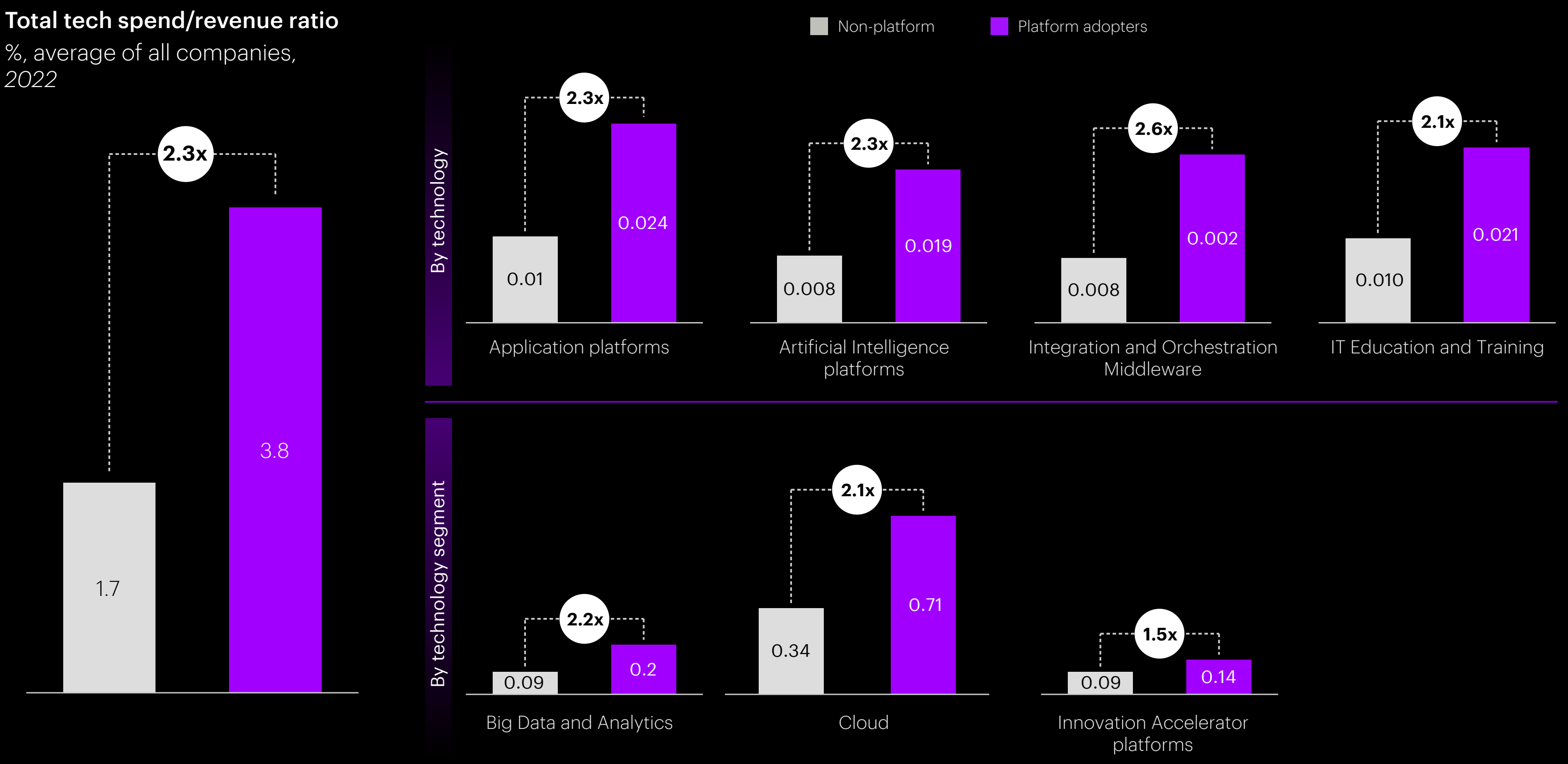
Questions to ask:

1. Who from the business and technology domains should lead the platform strategy?
2. How can we simultaneously build (and integrate) our business and technology capabilities to deliver value across our enterprise and ecosystem?
3. What transition-management capabilities do we need to strengthen?

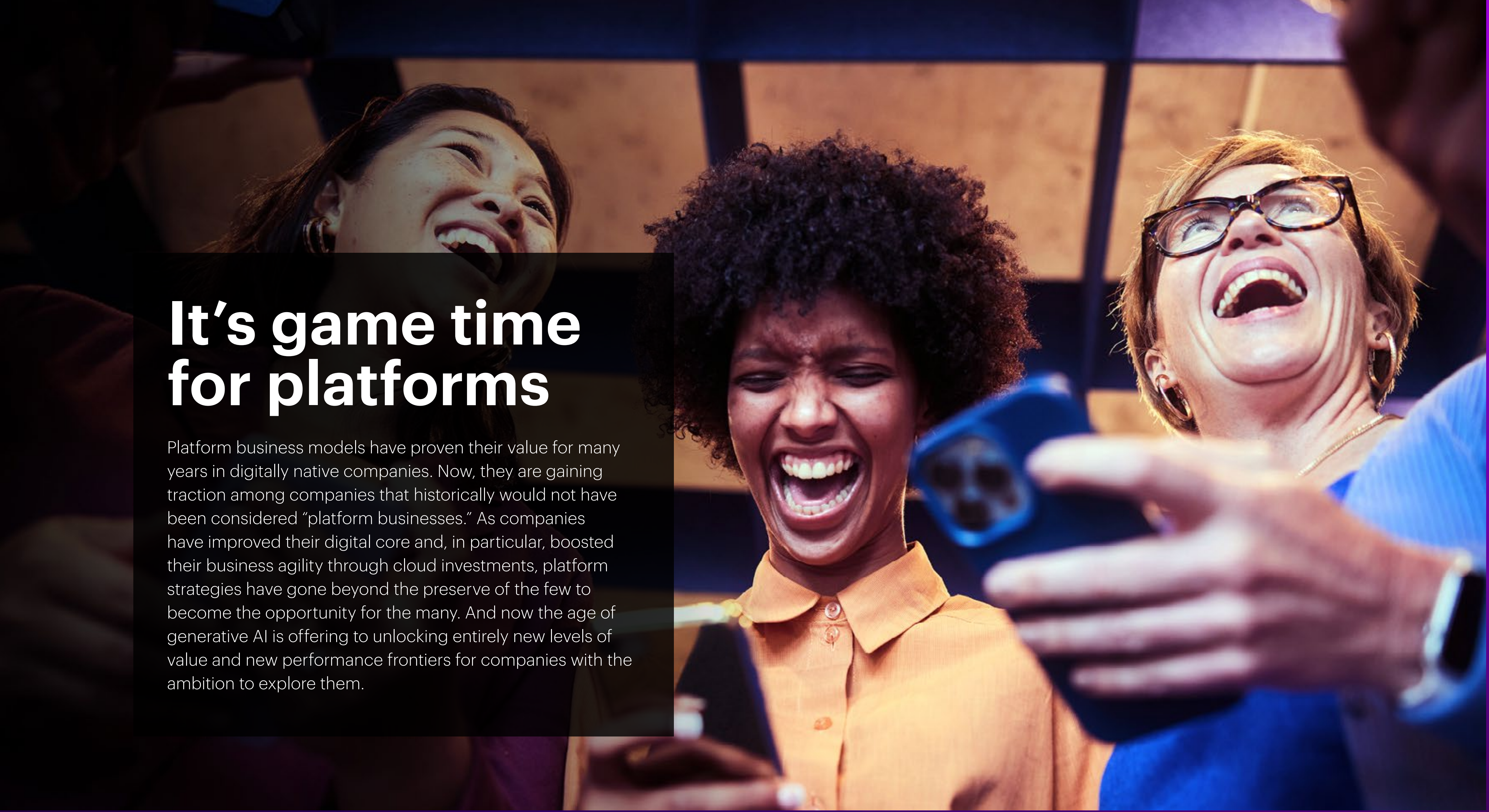
Importantly, once companies commit to a platform strategy, their leaders may want to focus on the individual short-term gains. They need to resist this temptation. A focus on long-term value needs to lie at the heart of these transformations.

Ongoing technology investments must be part of the long-term plan. Our research found that successful platform adopters invest 2.3x more in tech than non-platform companies, with cloud investments making up a huge part of this spending. While it may cost more initially, a platform strategy will deliver more value, while allowing companies to control costs in areas such as technical debt and reinvent their workflows in every aspect of their business. Once the business has improved its operations, it is ideally placed to drive value for its industry ecosystem partners.

Platform adopters invest more in technologies than non-platform companies



Data source: IDC. Note: Selected relevant technology, results must not be aggregated to get a total. Innovation Accelerator Platforms refers to 3D printing, AR/VR, Blockchain, etc.



It’s game time for platforms

Platform business models have proven their value for many years in digitally native companies. Now, they are gaining traction among companies that historically would not have been considered “platform businesses.” As companies have improved their digital core and, in particular, boosted their business agility through cloud investments, platform strategies have gone beyond the preserve of the few to become the opportunity for the many. And now the age of generative AI is offering to unlocking entirely new levels of value and new performance frontiers for companies with the ambition to explore them.

About the research

In this study, Accenture Research focused on assessing the value of platform business models and better understanding the characteristics of platform adopters. To conduct the analysis, we used a combination of generative AI and publicly available information to compile a list of companies that are adopting platform business models.

We started with the list of Global 2000 (G2K) companies and selected the top 30 companies by revenue for each of 12 major industries. We used ChatGPT to categorize companies into non-platform, platform-adopter and platform companies. We then manually validated the ChatGPT results using company-level research and sought input from industry researchers to further validate our classification. Following these steps, we categorized 375 companies into 184 non-platform companies, 152 platform adopters and 39 platform companies. Based on this list, we compared the characteristics and performance of non-platform companies and platform adopters.

Value of platforms

We compared the financial and non-financial performance of non-platform companies and platform adopters.

Financial performance. Starting with the list of 375 companies, we selected only non-Financial Services public companies where there were at least 10 companies in each platform category. Thus, the financial performance was compared based on 54 non-platform companies and 59 platform adopters across four industries – Retail, Chemical, Industrial, and Consumer Goods & Services. We compared their EBITDA margins (historically between 2019-2022 and forecasted for 2023-2024 based on analyst reports) and Enterprise Value/ Invested Capital multiple (for the 2019-2022 time period). The data source was S&P Capital IQ.

Non-financial performance. We followed Accenture's Resilience Index framework to evaluate performance across a company's functional value chain. Data sources included Arabesque, Factiva, FactSet, IDC, Oxford Economics and S&P Capital IQ in the period of Q4 2021- Q3 2022.

Platform adopter characteristics

We tested whether platform adopters are more likely to act for collective value through two dimensions: ecosystem value mentions and partnerships formed.

Ecosystem value. We examined the mentions of collective value by using natural language processing (NLP) analysis to G2K companies' earning calls in the period of 2017 to 2022.

Partnerships. We calculated the percentage of companies forming new partnerships based on FactSet dataset in the period of 2018 to 2022. We also looked at the average number of new partnerships formed outside their own industry for our sample companies.

We tested whether platform adopters spend more on technologies in comparison to non-platforms, by calculating the technology spending to revenue ratio based on IDC data in 2022.

References

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