Value unchained
Linking into the network
effect of digital platforms

by Miguel Custodio
Value unchained

Changing consumer behaviors, industry convergence and technology innovation are moving industries and businesses in new and exciting directions. Digital platforms are serving as a critical point of intersection, bringing products and services together into a richer, more personalized experience, while creating value for both consumers and businesses. These digital platforms are forging countless connections across the value chain among consumers, suppliers, retailers, manufacturers and product developers.

Eighty-one percent of executives responding to the 2015 Accenture Technology Vision survey believe that platforms will reshape industries into interconnected ecosystems. Executives in many industries from banking to communications to mining are re-thinking their business models to incorporate digital platforms. Executives have a choice: Either connect to an existing platform or create one of their own. For large, complex organizations, the correct approach may be both. But what steps are critical to success?
Digital platforms in action

Agriculture giant Monsanto extended its traditional seed and growing business through a new digital platform that creates a richer experience for its customers, network of suppliers and ecosystem partners. Monsanto acquired Climate Corp., which has a platform that uses precision agriculture sensors and systems to provide information about weather, soil, and crop conditions. Monsanto can now recommend to its customers the most profitable crops to plant, what types of seed to buy, when to plant, how to tend the crops, when to harvest, what yields to expect, and even what revenue farmers can forecast at the end of the growing season.

Farm equipment maker John Deere purchased a division of Climate Corp. from Monsanto so it can collect and deliver planting information to farmers in their field equipment. Farmers can transmit data about current conditions and receive advice on how far apart to sow seeds, how much pressure to use to achieve the ideal depth. There are additional opportunities to extend the platform to related industries—irrigation companies could offer customized systems that can be programmed according to forecasts, grocers could gain insight into upcoming supply to plan their merchandising and commodities traders could access the platform to help set futures prices.

Digital platforms have tremendous potential to bridge industries, meld ecosystems and empower businesses to better serve customers and achieve higher levels of performance.

Commonwealth Bank of Australia recently released a payments device called Albert to provide businesses with a standardized payments platform. Albert, along with the bank’s application development platform, Pi, can provide businesses with access to new applications and services that will help them grow and compete more effectively in their markets. Pi’s software development kit and standard APIs provide a functional yet flexible platform that businesses and developers can build upon.

Zenefits, a fast-growing HR benefits provider, has caught the attention of the investors and customers alike with its approach to providing business-to-business platform services. Zenefits provides free software-as-a-service for small and mid-sized businesses, which the businesses use to collect and store the HR data that typically requires stacks of paper forms. Zenefits makes money when its customers use its brokerage services to choose their benefits providers. As Zenefits CEO told Inc.com about its hub and spoke business model, “We can actually make enough money on all of these spokes that it makes sense to give the hub away for free.”

Defining the digital platform

A digital platform brings together process, people, technology and information into a value network that provides consumers and businesses access to an extensive selection of products and services within and across multiple markets. By enabling multiple parties to engage in networked commerce, digital platforms create a multiplier effect, quickly increasing demand for products and services and generating additional value for various users along with the platform’s owner.
Preparing for platform operations

There are clear signs that C-suite thinking is rapidly shifting toward businesses as platforms. Thirty-nine percent of executives Accenture surveyed are using industry platforms to collaborate and integrate data and applications with digital business partners. Another 35 percent are experimenting with industry platforms. Any exploration should start with an examination of some fundamental business imperatives:

Are my products and services increasingly becoming contestable or obsolete? Why?

Are my business and technology capabilities organized in a way that allows me to influence how value is shared and delivered among players in my industry?

How has my industry evolved over the years? How is revenue generated today?

What products and services can I offer through a platform that address the personalized needs of consumers?

How can I leverage and enrich my enterprise data for competitive advantage?

How do I transform my business to take advantage, or become the epicenter of revenue generation in my industry?
Many businesses are focused on establishing digital capabilities, drawing upon the disruptive nature of social media, mobile computing, data analytics, cloud and other technologies. But that is not enough. Executives must now think about evolving their operating models to create new eco-systems that can best deliver value to highly sophisticated, digitally savvy customers.

Reaping the full benefits of the digital ecosystem demands focused attention from all areas of the business.

Stakeholders from every key business unit should be involved in the discussions that establish the strategy, architecture and operating model for organizing processes, people and technology.

Strategy

Because of the transformative potential of digital platforms, an organization’s platform strategy will likely overlap with—if not drive—the overall business strategy. Either creating or joining a digital ecosystem opens up a world of possibilities for companies to expand or pivot their businesses. In utilities, for example, industry leaders are reacting to the erosion of traditional market dominance by changing their role in the ecosystem. Rather than generating, distributing and retailing energy to a largely captive market, some are looking at how to become energy brokers. Two key elements in an effective platform strategy are differentiation and agility. Organizations need to find that unique niche that will truly set them apart from competitors. In the digital ecosystem, fast followers are often left far behind. Agility is another essential aspect of strategy as regular adjustment and evolution are natural in the fast-paced digital world.

A new platform for high performance

In 2013, platform-oriented companies composed 14 of the top 30 global brands (by market capitalization). Realignment of the marketplace is happening quickly and decisively, as 52 percent of the companies listed in the Fortune 500 in 2000 have since gone bankrupt, been acquired, or otherwise ceased to exist."
Architecture

If the strategy is to create or become a platform, the reference architecture must bundle business process with people and technology into business platforms that provide data and services for users to consume, reuse and combine to conduct their own businesses – as Monsanto, CBA and Zenefits have done. An organization may have several business platforms – sourced internally or externally, as a service – to cover its business functions. As platforms need to be operated with utmost efficiency to achieve a sustainable cost to serve it is critical to enable secure data sharing (through a suite of integration technologies, including APIs), standardize business processes and simplify the technology landscape.

Operating model

Building a platform or utilizing existing digital industry platforms requires focused thinking on how the organization is managed and operated. Enterprises need to consider up front the roles and responsibility boundaries between business and IT and also inside and outside the company to best leverage the various platforms.

Similar to the issues of functional silos that often exist in traditional businesses, one of the risks of operating an interconnected digital platform is the tunnel vision that can occur as each business leader focuses only on their connection point. Establishing an enterprise-wide capability for integrating and coordinating services from various platforms is vital to synchronize value creation opportunities and prevent costly duplication. Many organizations are considering putting in place a C-level executive responsible for the integration of business services across the enterprise, while others are looking to the CIO to take on this responsibility. The organizations which are taking these actions recognize the importance of technology to the company’s future and are transforming IT from a “build and run” outfit to an “integrator and broker” of business and technology services.
Leveraging platforms to elevate performance

The days of a company exclusively delivering end-to-end products or services to consumers are coming to an end. Consumers are looking for bundled, or composite experiences, and are less inclined toward one-to-one relationships or transactions.

Platforms open up a new way of bringing any number of businesses together in a way that meets consumers' demands, in part through consumers' own customization. As all industries shift from one-to-one transactions to composite experiences, the companies best able to provide and participate will see a distinct business advantage.

At the same time, organizations do not need to pursue a single approach to platforms. Building a digital platform that combines hosting and participating offers agility, control and pacing—three hallmarks of a successful multispeed business.
References


ii Climate Corporation website: climate.com

iii Accenture Technology Vision 2015; Digital Business Era: Stretch Your Boundaries. techtrends.accenture.com


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