



Brands as Platforms
**Learn how to ride
the next wave of
digital disruption**



**THINKING
BEYOND
THE BOTTLE**



Digital disruption has influenced a shift in focus for consumer packaged goods (CPG) companies. Rather than just concentrating on goods, companies are placing greater emphasis on consumers—and platforms are the means to connect with consumers like never before.

THE PLATFORM IMPERATIVE

Platforms are reshaping business as we know it, and unearthing new sources of value. The most common disruptors that come to mind are Uber¹, a platform for doing more than getting people from Point A to Point B. Uber delivers packages, meals and vaccinations—so the participating “partners” (drivers, pharmacies, restaurants, etc.) create and share value together. Another well-known disruptor, AirBnB², doesn’t just provide a place for people to stay; it provides a community in which people can earn money by opening up their homes to others who want an experience that a traditional hotel cannot provide.

PLATFORM: Platform businesses bring together producers and users in efficient exchanges of value. Uber, for example, connects drivers and passengers just as YouTube connects videographers and viewers. And, platform businesses benefit from network effects—the more participants on the platform, the greater the value produced.

The consumer goods industry has directly been affected by today’s platform economy. Brands are dissolving and identities are becoming blurred. CPG companies must figure out how to build awareness and relevance at a time when the traditional push model has been disrupted. CPG companies now must find ways to pull in and connect directly with consumers to influence purchasing decisions. In essence, the brand must become a key participant in one or more platforms.

When brands operate as a platform, they enable platform participants to bundle offerings in a way that creates a comprehensive source of value for consumers—and also the participants in the platform. However, the majority of CPG brands is in the early stages of adopting interactive, digital services or connected products to promote existing brands. In sum, they hold a small stake in the platform world.

READY FOR THE PLATFORM PLUNGE?

Platforms allow collaboration, which has become essential for CPG companies that want to survive in the digital world. Even perennial archenemies can create shared value by joining forces to co-source, cross-pollinate and share consumer insights.

The power of platforms enables CPG companies to:

ENGAGE CONSUMERS. Consumers have taken control of the path to purchase—they research products online, they discuss them on social media, they share brand preferences with friends and they want to influence product design and co-innovate with brands. Operating as a platform enables CPG companies to capture attention and build strong connections with consumers.

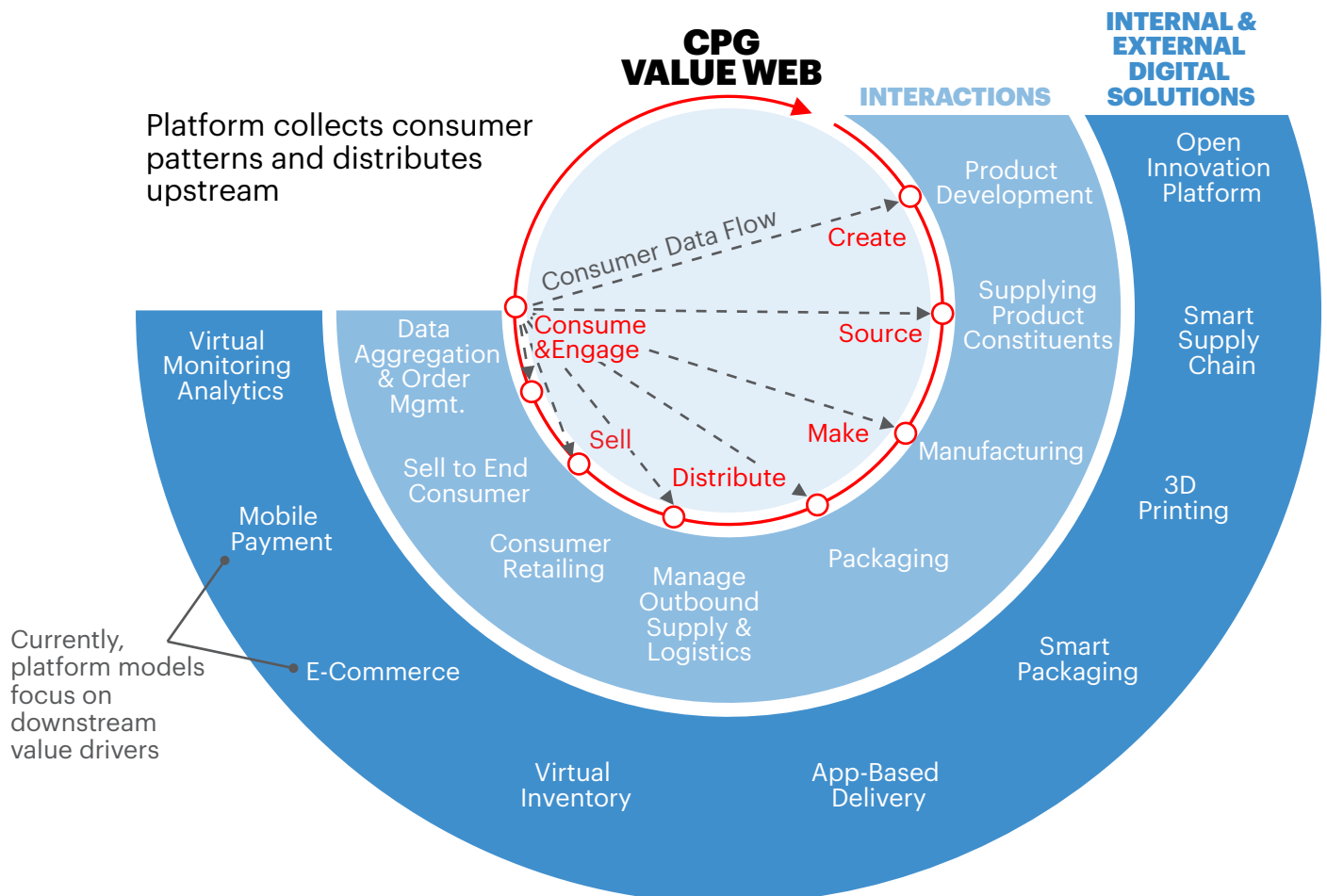
MEET HIGH EXPECTATIONS. Consumers today have “liquid expectations.” They have set a high bar for experiences that seep across industries. By connecting to the broader ecosystem, CPG companies can provide solutions that extend the brand beyond the product to a service and enhanced experience.

GENERATE LIFETIME VALUE. Higher engagement among consumers and higher usage of core assets associated with the brand will strengthen and lengthen consumer relationships. CPG companies also have greater opportunities to create value by harnessing and monetizing ecosystem interactions.

PARTNERS IN VALUE

“Brands as platforms” can decouple the traditional CPG value chain (Design-Make-Market-Distribute) and connect all stakeholders so that they can interact and share value throughout the existing value chain, and new value chains. Right now, the platform model for CPG focuses on downstream value drivers, such as in-store analytics, mobile payments, ecommerce and virtual inventory. In the evolving landscape, brand platforms will begin to collect consumer patterns and distribute them upstream via digital solutions (see Figure 1).

FIGURE 1. Brand as platform value distribution



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But to collect and share consumer insights, the platform needs participants. Two types of allies are well suited to join the ecosystem and help create exponential shared value:

- 1.** Partners that complement and enhance the use of the core brand product(s), but may not be directly bundled.
- 2.** Partners that may not reinforce the use of the core brand product, but may still be relevant to the customer.

In some cases, strategic partners may even provide core products or services, which can be bundled with the core brand product(s).

NIKE: After relying on traditional brand mechanisms and “closed” solutions for decades, Nike³ chose to open up the Nike+ platform to developers and hardware providers.

Nike launched a series of apps targeting distinct athletic communities. Operations and data are synchronized across the entire Nike+ community, and the brand is able to tap into the strengths of its many partners to create value.

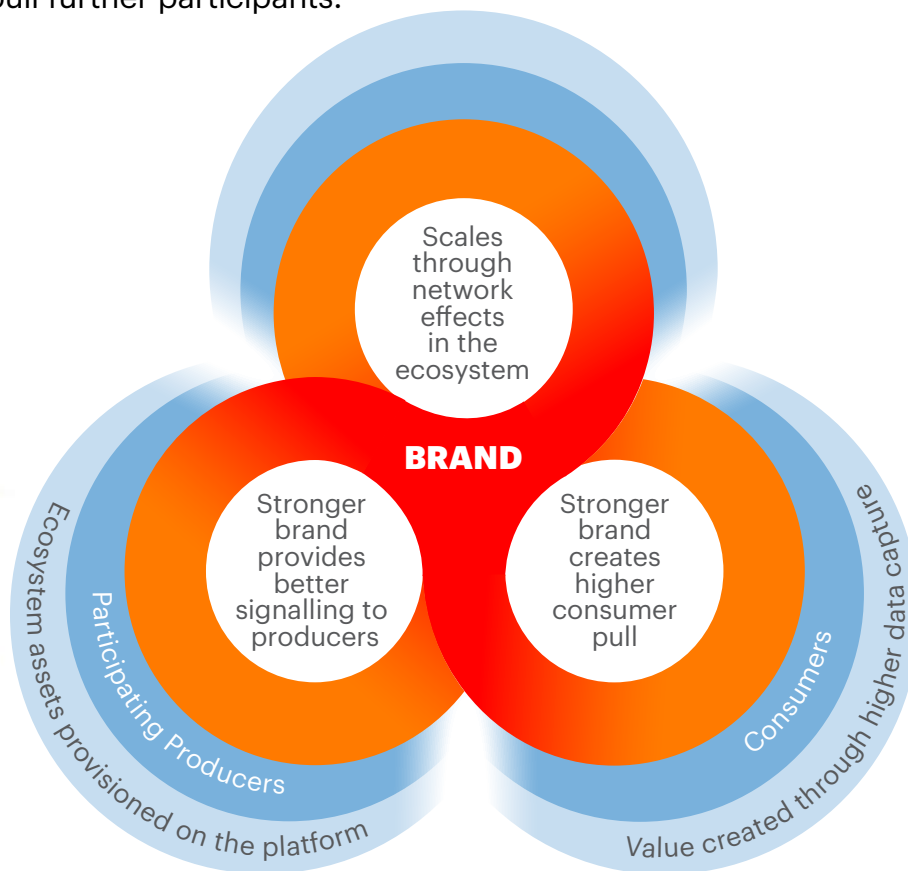


NETWORK EFFECTS YIELD ONGOING VALUE

Platforms lead to the creation of network effects: platforms become more valuable as more users use them. Network effects exist when two user groups (typically, producer and consumer) generate network value for each other, resulting in mutual benefits that drive demand-side economies of scale. The network effects of platforms, with more connected users and transactions, drive value creation and scale (see Figure 2).

FIGURE 2. Brand as a platform value distribution

Every platform requires a source of pull. A Brand is the magnet which draws initial participants to the platform, resulting in network effects that create a self-reinforcing engine of value to pull further participants.



Brand as a platform creates new sources of value through data capture, personalization, and network effects

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These “network effects” include:

Creating smarter products that absorb data and influence behavior based on data.

Platforms enable every connected product to learn from the behavior of every other connected product. This absorption can add more value for an explicitly connected suite of products.

For instance, home automation product suite Nest⁴ has an explicitly connected set of products. When you add more Nest products (e.g. Nest Thermostat, Nest Protect, Nest Cam) to your home, they automatically work together and make each other better.

MCCORMICK: Large product assortment, product innovation and acquisitions have been traditional sources of growth at McCormick⁵. The company decided to expand its marketing model by launching an interactive service called “FlavorPrint.” FlavorPrint analyzes consumer tastes and recommends recipes to increase sales of core products. As the algorithm collects more consumer data around recipes, there are greater opportunities for personalization.

Positive network effects were realized as the user community could contribute recipes and recommendations to one another. By connecting people in the ecosystem, McCormick is shifting from a utility brand to a place at the forefront of recipes and destination eating.



Building communities of consumers who benefit from direct exchange.

Consumers may benefit from the usage of the platform by other consumers—even without having to exchange value with those consumers.

For example, Amazon⁶ uses automated collaborative filtering to curate a “neighborhood” of related items based on what a user has searched or previously purchased, reviewed, rated or liked. Consumers can make more informed purchase decisions based on the collective input of the community.

Engaging users and personalizing the usage experience.

Platforms enable greater interactivity among services, and this leads to greater benefits for users when they use multiple services. Using services may—or may not—impact usage of the core products associated with the brand. In any case, platforms will, through the open exchange of consumer information, allow for a higher degree of personalization than a traditional brand by itself could realize.

For instance, Gillette offers personalized grooming advice for young men.⁷ Through an interactive service, men can take a picture and try different looks; they can even connect with grooming experts and third party non-competitive producers of grooming products. Men benefit from the personalized experience, and platform participants benefit by interacting with a potential pool of buyers.

Forming an ecosystem of partner brands and service providers to unleash value.

Every partner brand may benefit from the data captured through the consumer interactions of other partners, so more partners can equate to more value for users. Having more partners interested in targeting end consumers who are engaged with the brand also creates more collective pull for participating partners.

The Kraft iFood app learns consumer preferences over time, and connects users to local grocery stores to buy ingredients and even cooking classes to enhance the consumer’s experience with the food.⁸

CREATING THE PLATFORM

Platforms sound like a must for survival, but they may not be the answer for every CPG company. Businesses need the right structure and strategy to enter the platform world.

There are two prerequisites to beginning creation of a platform: data acquisition (and intelligence) and engagement. Without data, ecosystem orchestration and matchmaking are not scalable. Without engagement, network effects cited above are weak.

The pathway for a CPG company to adopt a platform business model uses different elements of configuration (see Figure 3). However, the organization must be a data-porous company with a single view of the customer to even consider beginning the journey.

FIGURE 3. Platform business model journey

| | Data collection | Stand-alone value | Connected suite value | Implicit network effects | Explicit network effects | Creation of an ecosystem |
|------------------------|---|--|--|--|---|---|
| KEY GOAL | Collect critical usage data as a starting point | Create enhanced value through captured data & leverage higher value to capture more data | Ensure higher value in usage of multiple products & services all connected to the same platform | Create higher value for every user leveraging data captured from interactions of other users | Enable explicit exchange of value between platform users | Attract third party partners onto the platform |
| SUCCESS FACTORS | Ability to create user engagement (for experience brands) | Ability to personalize & increase value, leading to even higher engagement | Ability to create a suite of connected products & services that ensure one view of the user across all interactions and create higher value & engagement | Ability to mine user interaction data & create higher value for users | Ability to enable peer exchange, Governance & moderation of peer interactions | Ability to attract, incentivize & engage third party partners to participate on the platform, Governance of third party participation |

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UNDERSTANDING WHERE YOU FIT IN THE PLATFORM WORLD

To understand where they fit in the big picture, organizations must determine whether they have a utility or an experience brand. In other words, does the brand offer consumers an experience, and can it engage consumers directly in an ecosystem of activity and connections? Or, does the brand offer utility—such as the laundry detergent needed to wash clothes? The utility brand can use inconspicuous connections to stay relevant and build loyalty.

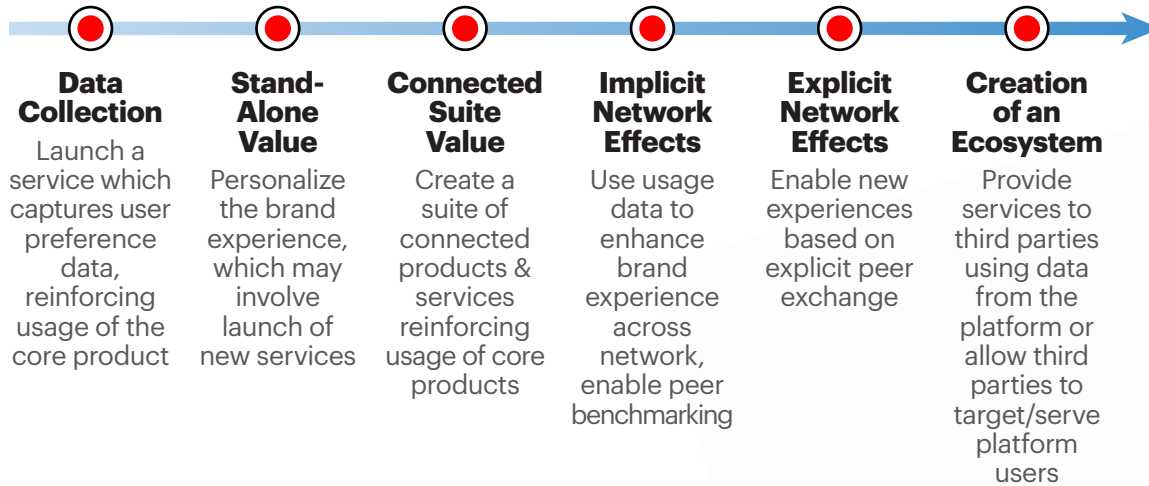
The platform implications vary for each type of brand. For experience brands, the platform enhances a consumer's experience with the core product or service. An experience-led brand with a deep level of consumer engagement could be a platform through which an ecosystem of partners creates value. For utility brands, the platform enhances the efficiency and convenience of core products or services.

For experience brands, the pathway to become a platform business model is to understand the complete ecosystem of activities and touch points that shape the overall experience for a consumer. In this ecosystem, the ability to dynamically understand who the consumer is, what she/he wants and to provide services that exceed the consumer's expectations requires CPG brands to play the role of "platform orchestrator" (see Figure 4).

For utility brands, the pathway to become a platform business model builds upon elements such as connected products (see Figure 5).

FIGURE 4. Experience brands platform journey

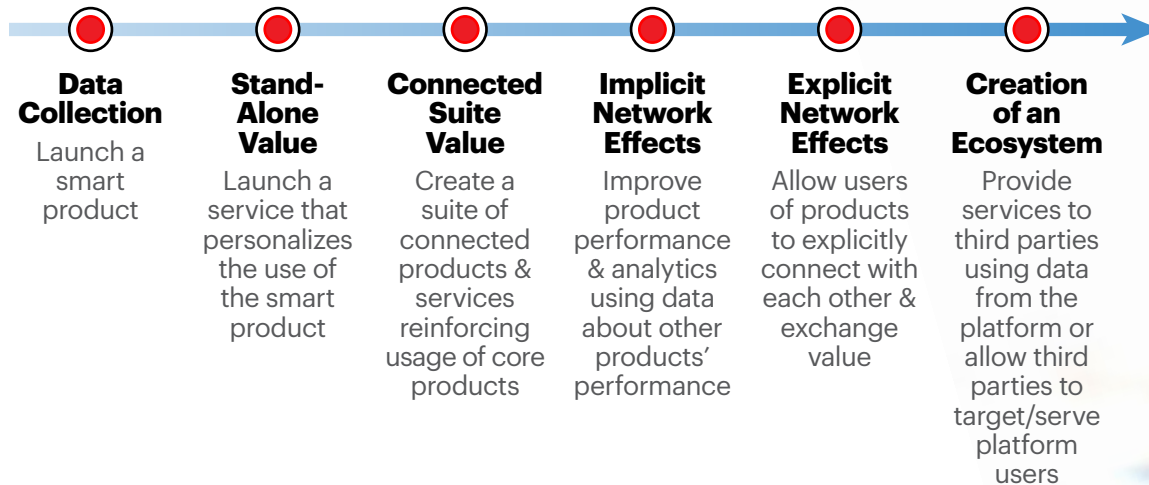
POTENTIAL PATHWAY OF PLATFORM EVOLUTION



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FIGURE 5. Utility brands platform journey

POTENTIAL PATHWAY OF PLATFORM EVOLUTION



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MOVING FROM INTERACTIVE SERVICE/ CONNECTED PRODUCT TO A PLATFORM

Regardless of what type of brand you are—utility or experience—there are six key factors to get right:

1. UNIFIED VIEW. Create a unified view of the user across all channels and touch points. If you currently manage the interactive brand as service as a siloed experiment in your organization, invest in integrating across the organization at the data layer to benefit from a unified view of the user.

2. BEHAVIOR DESIGN AND PERSONALIZATION. Acquire data that enables high interactivity and personalization among your services, creating stickier and engaged behavior.

3. ECOSYSTEM STRATEGY. Strategically acquire user/usage data that other ecosystem players find valuable.

4. PARTNER STRATEGY. Determine which providers of complementary goods or services are needed on the platform to provide wider choice and an end-to-end solution for the consumer.

5. PARTNER INCENTIVES. Ensure that participation on your platform provides partners a unique advantage when compared to participation on other existing channels.

6. CONTROL. Determine key infrastructure and data assets that you need to own to exercise control over the ecosystem.

DAIMLER: Through a series of acquisitions, Daimler⁹ founded Moovel to reinvent the concept of urban mobility. Moovel works with transit agencies, transportation technology companies and consumers to build products that simplify transportation in cities. The shared goal is to simplify how consumers interact with the urban mobility ecosystem, including public transit and other services like bikeshare, rideshare and carshare.

FINDING VALUE IN DISRUPTION

Brands as platforms are disrupting CPG roles. The digital era marks the end of the road for traditional brands, but it also means the beginning of new opportunities for connecting directly with consumers to offer not just products, but services and experiences that can take brands to new heights.





SOURCES

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² www.airbnb.com

³ www.nike.com

⁴ <https://nest.com>

⁵ <http://www.mccormick.com/flavorprint>

⁶ www.amazon.com

⁷ <http://gillette.com/en-us/shaving-tips>

⁸ <http://www.kraftrecipes.com/media/ifood.aspx>

⁹ <https://www.daimler.com/products/services/mobility-services/moovel/>

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