PLATFORM COMPANIES: TREADING THE PATH FROM EARLY DISRUPTOR TO PLATFORM TITAN

PART 3: OVERCOMING THE OBSTACLES TO GROWTH
Overcoming the obstacles to growth

Social networks, search engines, cloud software providers and ride-sharing companies form an influential and fast-growing group of Platform companies that reap huge rewards by disrupting existing industries. Despite their varied offerings and widely differing sector focus these companies have much in common.

They need to grow fast or risk being left behind, and the pace of technological change offers little time for reflection, analysis and decision making. If they are to join the “Platform Titans” that currently dominate the sector, these companies will all face similar challenges as they scale and develop globally.

In this three-part series, we look at the hurdles Platform companies must overcome to expand and mature in a fast-moving and unforgiving environment. In our concluding installment, we define common challenges and seven key areas companies need to address to grow and expand successfully.

Common Challenges: Overcoming Key Obstacles to Growth

We learned in Part Two of this series how Platform companies share similar characteristics in terms of products, reach, user growth, pivotability, operations, resources and M&A strategies at different stages of evolution. While operating in diverse sectors, Platform companies also face similar obstacles along their path to maturity.

While most aspire to scale products and services globally, Platform businesses must ensure that growth costs do not increase at the same rate. The complexity associated with the exponential increase in users as products
For example, ATG Media hosts its marketing platforms for auctions on Amazon Web Services (AWS), enabling the company to broadcast sales around the world so users can bid and buy from anywhere.\(^1\) Another startup found that by moving to AWS it quadrupled the number of its mobile app users in four months and is now able to cope much more easily with peaks and troughs in demand while controlling costs.\(^2\)

### 2. Managing exponential growth in users, usage and support

If companies grow user numbers faster than can be supported, their business proposition will quickly lose value. In the early days of a startup one person typically handles everything. As a company grows it requires more people and new systems to manage the business and maintain quality operations. With limited resources during this phase, the company must prioritize areas that are absolutely mission-critical to growth. This often means outsourcing cumbersome non-core enterprise functions to third parties.

---

1. **Decoupling cost from business growth**

To remain profitable, Platform companies must reach new markets quickly and effectively without a comparable increase in costs. Therein is the key to successful scalability. Technology is the main driver of future value rather than simply another cost of doing business, and many emerging Platform companies rely on cloud technology to scale up business without heavy investment in their own infrastructure.
Ari Gesher, a former engineer at Palantir Technologies, describes the experience of “explosive” growth in Palantir’s formative years:

“There’s almost no graceful way to go through growth. It’s painful no matter what. We had a year where we doubled size from around 400 to 800, and so you end this year where half the company’s been there for less than a year. And all the old ways of doing things are busting at their seams.”
Wyatt Jenkins, former vice president of product at Shutterstock and currently SVP Product at Hired Inc., describes this change:

“There’s a certain point at which all the things you didn’t want to have to do when you started a company, you now not only have to do, but you have to do them well. You must really know how to run a meeting, to keep it efficient and keep people wanting to go and be productive. You must get good at onboarding practices and the things that when you started a company you thought, ‘I don’t want to do any of that, I just want to build stuff.’ But now suddenly all those soft skills become the key to your organization.”

3. Ramping up operational experience into adjacent markets

As companies flourish, their base market will inevitably become saturated and new customer acquisition alone will no longer drive the same level of growth. One strategy to increase users is to move into adjacent markets by applying core competencies in new ways.

The most direct route to adjacent markets is to offer new products and services to existing customers with whom the company has a trusted relationship.

For example, Netflix began by offering mail-order videos, but soon found its robust recommendation engine could serve as the foundation of a much stronger subscription streaming business. Successful global expansion then supported the investment to create original content and retool specific media for mobile providers.

In 2016 Uber launched UberEATS, using the same back-end technology behind the original Uber app and its existing network of drivers to enter the food delivery sector. The company later announced Uber Rush API to help merchants add the platform into delivery systems and has revealed plans to launch a line of self-driving cars.

While appearing simple, expanding into adjacent markets requires a thorough analysis to determine which potential markets are a strategic fit with the core business.

4. Building localized, yet scalable capabilities to support aggressive global expansion

Expansion into other countries is another route to growth for Platform companies, and although international reach is often a top business goal, doing so brings about new risks and challenges. Overcoming cultural, language and regulatory obstacles have posed serious difficulties for many businesses.

A scalable Platform business model cannot simply be transplanted into a fresh market to replicate success. Globalization requires new capabilities, and overlooking even small
differences can undermine customer experience. For an expanding video service, for example, will users accept dubbing and/or subtitles? Is there enough bandwidth to support the same digital offerings as in the home market? Are there nuances in product use or applicability in different countries?

Entering new geos requires a robust operational framework to manage multiple languages, tax and regulatory requirements, payments processing in various currencies, and content hosting. Marketing, sales and customer support require localization as well to provide a consumer experience that is consistent with the global brand.

International expansion is therefore a significant mountain to climb, and many fast-growing companies find they simply lack the resources and time to properly develop the framework to make it happen.

5. Navigating an increasingly complex network of suppliers and partners

Ecosystem partnerships are core to a successful Platform business. But growth requires alignment with or acquisition of other tech companies, particularly other Platform companies, to reach the next level of pivotability and operational capability.

Early-stage Platform companies often acknowledge the importance of managing partner relationships when filing for an IPO. Managing multiple relationships can itself become a constraint on growth as the number of external partners pushes the limits of internal systems and processes.

Most social media platforms rely on a vast network of partners including content providers, media companies, developers, advertisers and other social platforms. These relationships enhance each company’s value, but providing the right level of partner management can take up significant internal resources.

For example, one of the world’s largest messaging apps makes a quarter of its revenue from the sale of digital stickers created by third parties. With more than 300,000 sticker sets for sale through an artist marketplace, additional systems and staff are required just to manage the significant community of external providers.5

At some point along the path of expansion, Platform companies will encounter governments, regulators and law enforcement agencies that place further demands on data management and sharing. Accenture estimates that just four of the largest Platform companies received 338,600 law enforcement requests between them in 2016.6 Another example is the requirement for search engines to comply with the “right to be forgotten” as codified in a May 2014 ruling by the European Court of Justice: one company received 300,000 requests to remove links to online information in the first year after the ruling.
An early example is the use of content moderation which increasingly relies on AI to screen violence, pornography, hate speech and other inappropriate content. It is estimated that more than 150,000 people are employed worldwide to manually moderate content.7

The use of AI is gaining similar momentum in customer support. Accenture’s Digital Consumer survey discovered that more than 60 percent of consumers actually prefer a computer-based response to queries: “digital assistants” are always available, less biased and provide faster engagement (68 percent faster) than human agents. (See Figure 1)

6. Overcoming labor-intensive processes to deliver new digital experiences

The creation of new customer-driven digital experiences demands highly personalized, efficient, and connected approaches across marketing, sales and IT. Artificial intelligence will play a more prominent role in the continuous assimilation of information about customer needs to drive real-time changes, develop new products and services, and deliver engaging experiences.

FIGURE 1.

MOST CONSUMERS SEE VALUE IN INTERACTING WITH AI-BASED SUPPORT APPS

Interactions with computer based applications through online channels compared to human advisors when searching for information, shopping or requesting help online.

% respondents selecting “Completely Agree” AND “Agree”

- They are available anytime of day/night: 82%
- They are less biased: 68%
- They are faster to engage with: 68%
- They are faster to provide advice: 65%
- They communicate more politely: 64%
- They give more informed advice because they can draw on more information: 58%
- They are less likely to make a mistake: 56%
- They communicate more clearly: 56%

Source: 2017 Accenture Digital Consumer Survey
Sample: all respondents (25,996)
Scaling Quickly and Profitably

All growing companies face challenges and Platform companies are no different. But the complex nature and speed of change creates challenges and solutions unique to this rapidly expanding sector. For every Platform Titan, there are hundreds, if not thousands, of other digital-nascent companies that fail to achieve global success.

Moving beyond initial Hypergrowth to achieve Global Expansion and finally Service Sophistication requires a deep understanding of the obstacles within each stage of evolution and confidence to deploy the right solutions at the right time to minimize risk.

7. Boosting the productivity and impact of scarce tech talent

Talent is a key resourcing issue for Platform companies who compete with each other and the broader tech sector for the same limited pool of skilled people. Aggressive and innovative recruitment strategies are essential for attracting and retaining staff in addition to making that scarce talent as productive as possible. Today staff productivity sometimes involves asking employees to turn their skills inward and develop technology solutions to improve workforce efficiency or completely automate manual tasks.

One example of inward-facing productivity is the use of machine-learning algorithms to reimagine key business processes. Machine-reengineering uses experience and exposure to data to continually identify and implement process changes. Employees are freed up to manage the underlying calculations and data models and help identify additional enterprise cost savings. The practice pays off. Accenture research found that almost half of early adopters of machine-reengineering experienced top-line performance improvement with cost reductions in some processes of up to 70 percent.⁸
DAUNTING AS THE PATH TO MATURITY MAY SEEM, PLATFORM COMPANIES WHO ARE WILLING TO FULLY EMBRACE THE CHALLENGE WITH REVOLUTIONARY AND DISRUPTIVE OFFERINGS WILL REAP THE REWARDS OF LONG TERM SUCCESS.
ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world’s largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With more than 411,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at www.accenture.com.

SOURCES

6 “Here’s how often Apple, Google, and others handed over data when the US government asked for it,” Joon Ian Wong, Quartz, February 19, 2016, https://qz.com/620423/heres-how-often-apple-google-and-others-handed-over-data-when-the-us-government-asked-for-it

This document makes descriptive reference to trademarks that may be owned by others.

The use of such trademarks herein is not an assertion of ownership of such trademarks by Accenture and is not intended to represent or imply the existence of an association between Accenture and the lawful owners of such trademarks.

Copyright © 2017 Accenture
All rights reserved.
Accenture, its logo, and
High Performance Delivered
are trademarks of Accenture.