

A large, stylized graphic element consisting of two overlapping chevrons pointing to the right. The top chevron is a vibrant green, and the bottom chevron is a bright cyan. They overlap in the center, creating a darker shade of green.

SOUTH AFRICA:
WINNING
WITH DIGITAL
PLATFORMS

**Gordon
Institute
of Business
Science**
University
of Pretoria

CONTENTS

Executive summary	3
Know your platform play	5
Getting platform ready	7
- Creating an enabling environment	7
- Growing critical mass	11
Creating the multiplier network effect	14
References	15

EXECUTIVE SUMMARY

Digital platforms are transforming economies. South African companies must prepare.

From Apple to Amazon to Alibaba, digital platforms are more pervasive and powerful than ever.

That's why South African companies must consider developing a platform strategy—whether they own a platform or not.

Even a cursory scan of the landscape confirms the power of today's platforms: Amazon affects millions of consumers, manufacturers, and—quite literally—the entire retail-distribution channel. MasterCard and Visa's payment platforms hold enormous sway over cardholders, retailers, and merchants alike. And Apple, the world's largest company, shapes much of our information and entertainment consumption through its iPhone, iTunes, App Store, and iOS operating system.

And that's just a glimpse. Look closer, and you will find a range of newer, increasingly powerful digital platforms, some of which have spawned entirely new markets, adding value to both sides of the equation. Take Uber, which increases the transportation options for travellers and the employment opportunities for drivers. Or Airbnb, which increases choices for travellers and revenue opportunities for homeowners.

The success of all these companies can be attributed to a simple yet successful strategy: carving out a role in a fragmented or saturated market by aggregating services into a single, convenient point of access. The results? The top 15 public platform companies already represent \$2.6 trillion in market capitalisation worldwide. Last year, five of the top 11 Forbes Global Top 100 Companies, with the largest market-cap increases were leading platform companies.

They include:

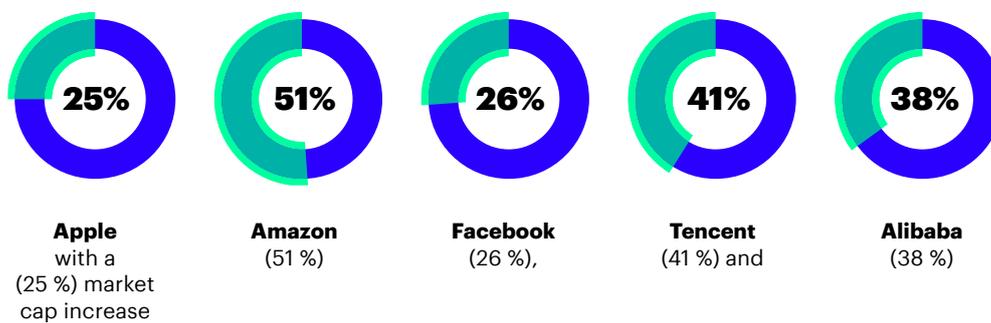


Figure 1: Five of the Forbes Global Top 100 Companies

While these platforms may drive growth and increase market share for the platform owner itself, their network effect creates massive value for all participants, which is transforming global economies.

Unfortunately, South Africa is far from platform ready—it ranks 14th out of 16 G20 countries on Accenture’s Platform Readiness Index¹. (See Figure 2)

In this paper, we look at the key challenges confronting the country and discuss two critical platform success factors: creating an enabling environment and building critical mass. We also identify the key elements that underpin each success factor.

KNOW YOUR PLAT- FORM PLAY

Globally, most executives know they need to capitalise on new relationships and develop a network of digital partners to position their businesses in emerging ecosystems. Over a quarter (27%) of the 3,000-plus executives that responded to a worldwide Accenture

survey² said that digital ecosystems are transforming the way their organisations deliver value. 81% said they expect platform-based business models to be core to their growth strategy in 2018.

All industries are exposed to disruption, and established companies are among the most vulnerable. Those businesses that are well prepared for disruption are building their growth strategy on platforms.

– Platform Strategies, Accenture³

Why? Digital startups have used platform models to reach \$1 billion valuations in just four years, a feat that Fortune 500 companies previously took 20 years to do. Credit the network effect—the more participants that join the platform, the greater the value for everyone involved. The other big reason? The platform revolution is disrupting industries and dramatically changing how business is done.

Linear, resource-heavy, producer-driven industrial business models are giving way to many-sided, demand-driven platform models. Companies can now create ecosystems with their businesses at the centre, changing the very way they compete and create new value.

Consider Pegasus, a mobile payments platform. In East Africa, mobile-network operators give citizens added purchasing power via mobile wallets, even though these payment types are not integrated with all businesses looking to accept mobile payments as an option. To bridge the gap, Pegasus integrates utilities and other service providers on its platform too. This gives customers the ability to pay their bills with their wallets from a range of mobile operators. The service now oversees 200,000 electricity payments per month, totalling \$10 million in pass-through value.⁴

In South Africa, not every company needs to be a platform provider. While some organisations may have this opportunity, most will find it cheaper and faster to leverage existing platforms to enter new ecosystems and become enablers or collaborators in building new products, services and customer experiences.

Well-established large enterprises can embrace platforms as well. Seeing that an effective platform can provide efficient demand-and-supply matchmaking to the stakeholders, the principles can be applied in many business areas; from logistics to HR and procurement to innovation.

The best platforms are however more than matchmakers. Platforms can be combined with other advanced technologies to reduce risks and guide the incumbents to find the best solutions. Such smart platforms increase the strategic adaptability of large enterprises by enhancing their resource elasticity, efficiency of liquid workforce practices and adaptability to the ever-changing environment.

Regardless of whether they are providers of platforms or participants in others' offerings, all companies will have to excel at leveraging the strength of platforms in their ecosystem to maximise their success.

That way, they will successfully capitalise on the innovation of the entire ecosystem instead of only the resources within a given company or even industry.



Platform owners and participants must constantly innovate to remain relevant—adding value to customers and to the platform ecosystem.



South Africa ranks

14th

out of 16 G20 countries
on Accenture's Platform
Readiness Index

GETTING PLATFORM READY

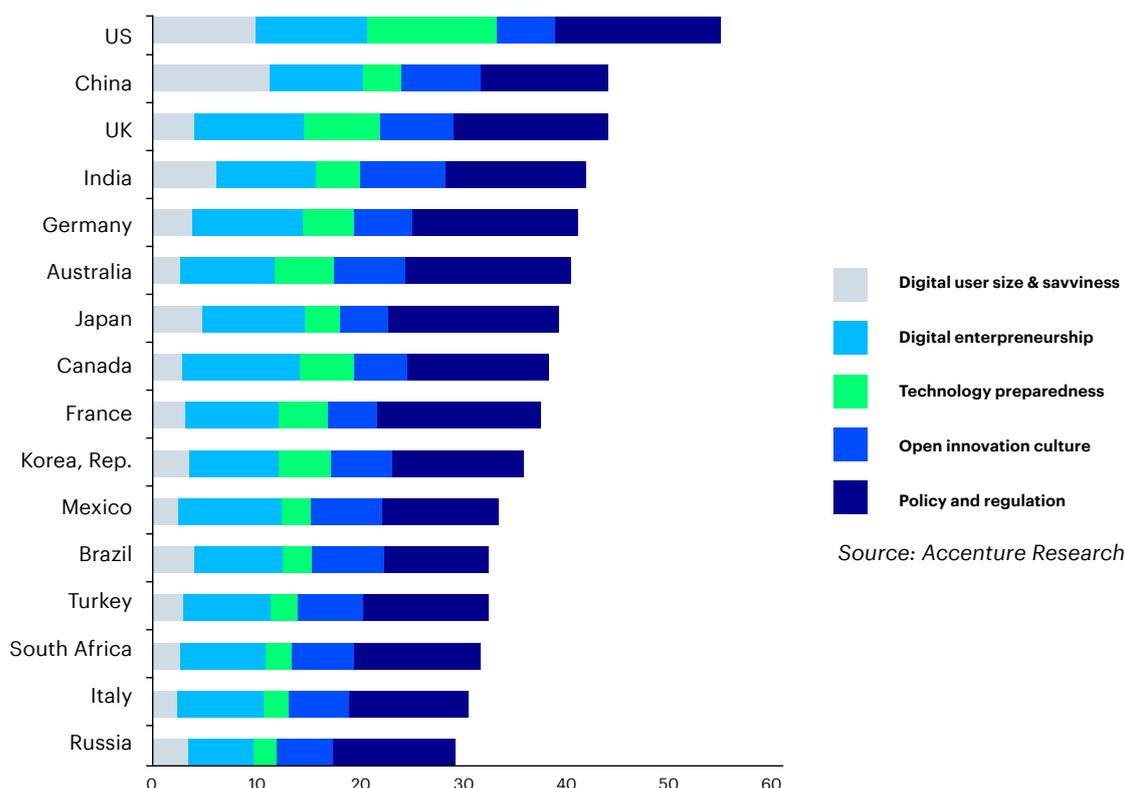
1

CREATING AN ENABLING ENVIRONMENT

South Africa is a country struggling with high unemployment and anaemic growth– its economy is expected to expand by just 1.5% in 2018, one of the lowest rates in sub-Saharan Africa according to the World Bank. A platform economy would provide a much-needed salve. The problem is the country is simply not platform ready, despite being home to the highest number of digital platforms in sub-Saharan Africa.

Figure 2: Platform Readiness Index Rankings

South Africa ranks 14th out of 16 G20 countries on the Platform Readiness Index and is expected to remain in this position by 2020.



Source: Accenture Research

Accenture's Platform Readiness Index benchmarked G20 countries on factors that create an enabling environment for digital-platform adoption. The index measured the maturity of the digital population and market based on its size, savviness, culture and spirit of collaborative innovation. It also looked at the quality of each country's technology infrastructure and assessed market regulation.

South Africa ranked near the bottom. Why? A poor enabling environment. For a country to be platform ready, our research shows that five common factors are key enablers for platforms to develop and scale successfully:

- 1. Digital user size and savviness:** The scale of the market matters. Countries with a large digital user base and uniform culture, language, and regulations have a competitive edge. South Africa has a relatively small digital customer base, and South African consumers make limited use of internet channels to transact, which indicates low digital savviness.

To remedy this issue, governments must incentivise the development of digital uptake or adoption. Businesses operating in smaller markets, like South Africa, should adopt market expansion strategies into adjacent geographies or markets.

- 2. Open innovation culture:** Innovation relies increasingly on collaboration. South Africa's just over \$2 billion spending on research and development is modest, indicating a lack of innovation. Large companies need to design new open organisation structures, processes and governance to manage platforms' open ecosystems, while embedding a collaboration culture. Governments need to foster innovation hubs, bringing together universities, laboratories, start-ups and large businesses.

- 3. Technology readiness:** The status of technology and digital assets, including levels of connectivity and investment in next-generation technologies—such as the industrial internet and artificial intelligence—will influence platform generation, growth and scale. In South Africa, information and communications technology assets only make up 8% of the total assets, compared with an average of 15% in G20 countries. South Africa has the lowest level of technology preparedness of all its G20 counterparts.

- 4. Digital talent and entrepreneurship:** Science, technology, engineering and mathematics (STEM), entrepreneurial and creative skills are fundamental in enabling digital innovation. South Africa has few STEM graduates.

STEM skills must become an educational priority for governments, and must be nurtured by businesses to grow the talent pool

- 5. Adaptive policy and regulation:** Policymaking requires collaboration, especially in complex areas such as data privacy, blockchain and cybersecurity. Cybersecurity regulation in South Africa is not as advanced as in other countries. There is little supporting digital legislation, and few frameworks to guide or incentivise digital adoption or growth.

To encourage platform development, governments and policy makers must:

- *Prioritise data protection standards and rules.* Drive the harmonisation of data privacy and data security legislation.
- *Design regulations with digital platforms in mind.* Be strategic about future regulation to encourage experimentation with new technologies and business models, while helping to reduce investment risk.
- *Actively encourage cross-border electronic trade.* E-commerce is a game changer but requires greater harmonisation of taxes and standards, consumer protection, contract laws and the development of an internet and logistics infrastructure.
- *Invest in digital infrastructure.* African countries differ in the prevalence of reliable, low-cost, high-speed broadband and the level of consumer trust in transacting online. Focused government programmes can accelerate internet penetration and adoption.
- *Think small, act big.* Governments should educate users to enable platform adoption and growth. Initiatives on consumer protection and redress can improve consumer confidence in digital transactions.

SHIFTING MINDSETS IN SOUTH AFRICA

In discussing these challenges during a recent discussion held at the University of Pretoria's GIBS Business School, South African industry leaders underscored the country's poor physical infrastructure, skills shortages, and lack of a stable government—which, taken all together, are getting in the way of the country's platform readiness. The attendees' overall conclusion on the issue?

Mindsets need to change. Traditional linear business models and political and economic uncertainty in the country have engendered a scarcity mindset, where victory means success at the expense of someone else. This needs to shift to an abundance mindset, where success brings mutually beneficial results to all involved.

To succeed in a platform economy, South African companies will need to address not only these technology and societal issues but also their own business value and competitiveness. The good news is, according to Accenture's Tech Vision survey in South Africa, almost two thirds of local executives are already taking steps to participate in digital ecosystems, albeit at a slow and moderate pace due to uncertainty regarding future markets and cybersecurity issues.

**To embrace digital platforms, South African businesses need an 'abundance' mindset.
- GIBS Business School Discussion, February 2018**

BOX 1: **REPOSITIONING FOR PLATFORM ECONOMY SUCCESS**

Can companies fast track their success in a platform economy? The opportunities are immense but for many South African organisations, the platform journey has only just begun.

- **Re-assess customers' needs.** What do your customers need in the age of digital disruption—and how can you adapt to deliver it?
- **Make yourself indispensable.** Become a critical part of the integrated solutions that customers demand—determine where you will position yourself in the value chain and what your sustainable, competitive position in the digital ecosystem will be.
- **Question your value proposition.** Moving from observing to acting needs to be a key priority for industry leaders because if you don't offer it, your competitors will. Decide whether you are going to be a platform; a platform across platforms; or a developer of apps and services on other people's platforms.
- **Prepare for the new normal.** Now is the time to examine whether you have the capabilities you need to fulfil your value proposition successfully and to transform your operating model and culture accordingly.
- **Make your ecosystem successful.** Think about how you can deliver ongoing value for your value proposition within your ecosystem, versus just relying on it as a transaction-based partnership. Consider yourself as a key driver of your ecosystem development, independent of which role you are playing. Encourage existing and new ecosystem partners to participate.

2

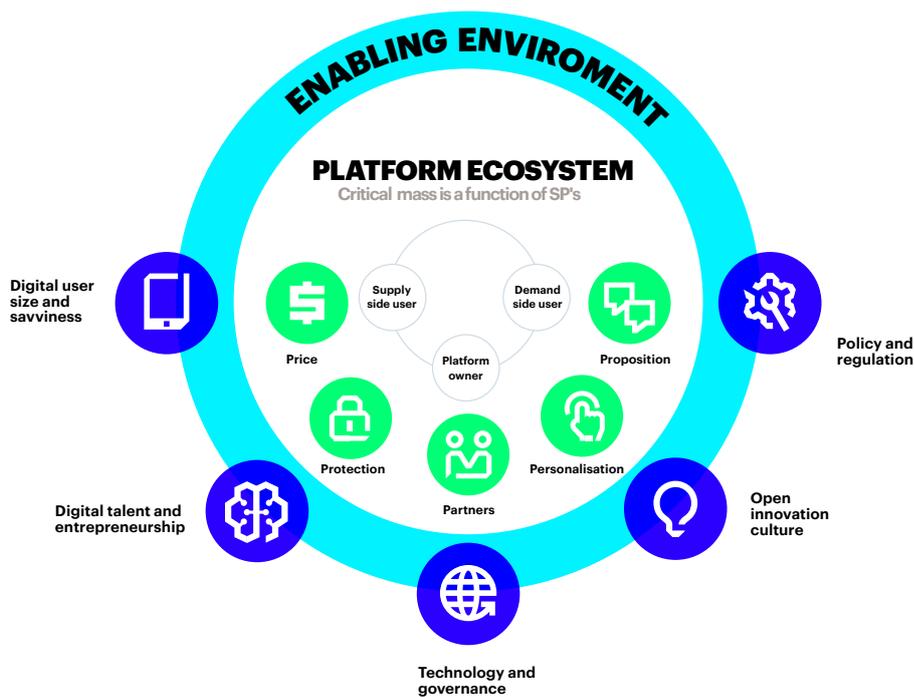
GROWING CRITICAL MASS

Companies in South Africa must do more than create an enabling environment; they also must create a critical mass.

In the initial stages of platform development, platform owners often emphasise critical mass over profit generation while maintaining a focus on value creation. For example, Alibaba’s Taobao platform initially used free listings to gain user momentum. In the process, they personalised the user experience, introduced a wide range of horizontal services, and protected customers by addressing security and counterfeit issues.

The argument for any small sized country, like South Africa, is that the company must consider a wider reach in the design stage itself, i.e. the digital platform strategy of a South African company must eventually target to bring other African markets into its fold after launch and stabilisation in the home market – only then can the scale benefits or network effects be realised. Even Alibaba, despite its access to a huge domestic market, has not limited its footprint to China but expanded to other countries.

Figure 3: Accenture Platform Economics Model



Source: Accenture Research: Platform Economics Framework (inner circle of the model) adapted from Pipelines, Platforms and the New Rules of Strategy.

As Figure 3 shows, critical mass is a function of proposition, personalisation, price and protection, orchestrated by the owner in collaboration with an ecosystem of partners. Each of these five Ps takes on new meaning as companies move from traditional “pipeline” businesses which succeed by enhancing the activities in their value chains, (most of which they owned or controlled) to platform businesses (which bring together consumers and producers).

To grow critical mass and generate the network effects crucial to the success of platforms, platform owners need to focus on the five P’s.



- 1. Proposition.** Continuously innovating the platform value proposition and business model will create value for all ecosystem participants.

For example, RecoMed assists patients to find and make appointments with quality healthcare providers 24 hours a day, seven days week without any phone calls or paperwork. The company has become South Africa's largest and fastest growing online healthcare booking platform with over 100,000 patients and 1,500 providers connecting with each other every month.⁵



- 2. Personalisation.** Targeting individuals and organisations across all channels at scale relies on mass personalisation. The aim is to understand customer intent, then target them through tailored experiences across all channels, using customer data to anticipate needs and offer bespoke experiences.

Takealot.com, a South African online retailer, has partnered with predictive-customer analytics platform provider Zodiac to bring its powerful, forward-looking insights to its marketing efforts.

Takealot.com uses Zodiac's predictive metrics to gain insights into high-churn-risk customers and to improve its customer acquisition and retention strategies.⁶



Paying attention to the five Ps—proposition, personalisation, price, protection and partners—will help platform owners drive critical mass.



- 3. Price.** Pricing strategy differentiates platforms from traditional businesses and presents a dynamic opportunity for greater flexibility and reward. Apply new pricing models such as pay-as-you-go "freemiums," reward programmes, and surge pricing to respond to peak demand.

Industry players like banking leader FNB⁷ and health insurer Discovery⁸ have partnered with Takealot.com, offering customers the option to pay for their Takealot.com orders using eBucks and Discovery Miles. Takealot.com offers over six million products, giving FNB and Discovery customers a rich selection of goods to purchase with their rewards currencies.



- 4. Protection.** According to Accenture's Technology Vision research, over a quarter of South African executives' rank cybersecurity as the top concern for participating in digital ecosystems. Customers need to be sure the right safeguards are in place. An effective platform strategy must also establish the appropriate governance framework and clearly articulate the policies to all stakeholders. These good practices prevent unnecessary complications and clarifies the rules of engagement. It is important to embed trust at the heart of the platform, using both prevention and compensation techniques to attract customers and differentiate the platform.

E-commerce payment-services provider PayGate (acquired by DPO Group⁹ in 2016) partnered with global fraud-prevention company ReD¹⁰ to provide added protection for South African online merchants. As e-commerce in the country increases, more local merchants will do business outside the country's borders, increasing demand for expanded protection for merchants.



Partners. Digital partners improve the potential for platforms to scale rapidly and robustly. Identify digital partners, such as application developers and payment service providers who can enrich the platform experience and fulfil customer needs.

A platform with a carefully crafted a multi-sided value-proposition will be well-received. An effective platform embraces its customers as partners. Continually educating and engaging the partners will be crucial to the overall success. Implementing creative ways that permit the users to help you to help them will also increase the impact of a platform. Cultivating servanthood leadership, cultural intelligence and mechanisms to embrace diversity will be helpful for platforms that intend to compete both locally and globally.

Payment services provider PayGate launched PayPartner¹¹, a support and rewards programme for the community of web developers using its services. Companies turn to developers for advice on how to implement e-commerce and what payment services provider to choose. Approved developers receive rewards for referrals as well as free shopping cart plugins. In addition, developers get their own back office area where they can track the performance of each client and get all the information they need to manage them effectively.

In another example, e-commerce payment provider DPO PayGate has opened its application programming interfaces (APIs)¹² to developers as the company strives to expand the use of its payment gateway technology. The API will allow developers to implement e-commerce payment facilities on websites and increase security for online transactions.



CREATING THE MULTIPLIER NETWORK EFFECT

How African companies and governments react to the change brought about by the platform economy will define their prospects going forward.

Entrepreneurs, large incumbents, and policymakers all have a role to play in establishing a vibrant platform economy. However, the task ahead is not just reimagining new business models and markets; digital platforms will play a significant role in driving growth and jobs across the continent and transforming economies—the network effect is the bigger prize we must aim for.



WHAT'S THE ATTRACTION OF DIGITAL PLATFORMS?

The 'network effect'—the growth in value for all with every platform participant that joins.



References

1. The Platform Readiness Index is a proprietary model developed by Accenture covering 16 G20 countries and takes into account 30 quantitative indicators.
G20 YEA paper, "5 ways to win with digital platforms" - https://www.accenture.com/us-en/_acnmedia/PDF-29/Accenture-Five-Ways-To-Win-With-Digital-Platforms-Full-Report.pdf
2. [Accenture Technology Vision 2017](#)
3. [Platform Strategies: How the rules of competitiveness have changed in the era of ecosystems](#), Accenture, 2016
4. "The Business of Aggregators: A Changing Market," CGAP, February 10, 2016.
<http://www.cgap.org/blog/business-aggregators-changing-market>
5. "RecoMed – Supplier Profile," Terri Chowles, March 1, 2018.
<http://ehealthnews.co.za/recomed/>
6. "Takealot.com Partners with Zodiac to Get Predictive Customer Insights," Carrie Brunner, December 14, 2017. <http://nbherard.com/scitech/takealot-com-partners-with-zodiac-to-get-predictive-customer-insights/37563>
7. "eBucks partners with online retailer," Gareth Vorster, June 12, 2012.
<https://businesstech.co.za/news/internet/15162/ebucks-partners-with-online-retailer/>
8. "Use Discovery Miles on TAKEALOT.com," IT-Online, February 14, 2013.
<https://it-online.co.za/2013/02/14/use-discovery-miles-on-takealot-com/>
9. "PayGate Re-brands, Extends Reach Into Africa," PayGate, April 11, 2018.
<https://www.paygate.co.za/paygate-re-brands-extends-reach-africa/>
10. "PayGate bolsters security with ReD," PayGate, January 30, 2015.
<https://www.paygate.co.za/paygate-bolsters-security-with-red/>
11. "PayGate launches PayPartner programme," PayGate, August 4, 2015.
<https://www.paygate.co.za/paygate-launches-paypartner-programme/>
12. "SA e-commerce gets API boost," PayGate, June 9, 2014.
<https://www.paygate.co.za/sa-e-commerce-gets-api-boost/>

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 specialised 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 401,000 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.

About Accenture Research

Accenture Research shapes trends and creates data-driven insights about the most pressing issues global organisations face. Combining the power of innovative research techniques with a deep understanding of our clients’ industries, our team of 250 researchers and analysts spans 23 countries and publishes hundreds of reports, articles and points of view every year. Our thought-provoking research—supported by proprietary data and partnerships with leading organisations such as MIT and Singularity—guides our innovations and allows us to transform theories and fresh ideas into real-world solutions for our clients.

Visit us at www.accenture.com/research

About GIBS:

Founded in 2000, the University of Pretoria’s Gordon Institute of Business Science (GIBS) is an internationally accredited business school, based in Johannesburg, South Africa’s economic hub. As the business school for business, we focus on general management in dynamic markets to significantly improve responsible individual and organisational performance, primarily in the South African environment and increasingly in our broader African environment, through the provision of high quality business and management education.

In May 2017, the annual UK Financial Times Executive Education rankings, a global benchmark for providers of executive education, once again ranked GIBS as the top South African and African business school. This is the 14th year running that GIBS has been ranked among the top business schools worldwide. In October 2016 the GIBS MBA was ranked among the top 100 business schools globally in the prestigious Financial Times Executive MBA Rankings. GIBS is the only business school in Africa to appear in this ranking. GIBS is accredited by the Association of MBAs (AMBA), the Association to Advance Collegiate Schools of Business (AACSB), the Council on Higher Education (CHE) and is a member of the South African Business Schools Association (SABSA), and the Association of African Business Schools (AABS).

For more information, visit www.gibs.co.za

Authors

RORY MOORE

Innovation Lead
Accenture South Africa
rory.moore@accenture.com

YUSOF SEEDAT

Research Director,
Accenture Research,
yusof.seedat@accenture.com

DR. JEFF YU-JEN CHEN

Faculty
Gordon Institute of Business Science,
University of Pretoria
chenj@gibs.co.za

Special acknowledgement to:

MADHU VAZIRANI – Principal Director,
Accenture Research

PAUL BARBAGALLO – Senior Development Editor,
Accenture Research

ARLENE LEHMAN – Analyst, Accenture Africa

GEOFFREY NOLTING – Economic Modelling
Specialist, Accenture Research

ABDULLAH VERACHIA – Faculty, Gordon Institute
of Business Science

NTOMBI MHANGWANI – Africa Director,
Integrated Marketing & Communications, Accenture

DEVASHNI MURUGAN – Innovation Marketing
Manager, Accenture Africa

JEFFREY YATES – Visual Design Analyst,
Creative Services, Accenture Africa