

The Platform Ecosystem Business Model



Executive summary

In Part 1 of this series, we discussed the structure of the novel and revelatory business model of the platform ecosystem. In part 2, we will further discuss the implications and concrete implementation strategies of platform ecosystems for the enterprise.

For readers seeking to first understand some of the most salient concepts of part 1 that will be further developed in part 2, we have included a brief recap of part 1 below.

In this part, will further explain the benefits of platform ecosystems for the enterprise, a pathway to implementing the strategy within an enterprise, common challenges faced, ecosystem trends currently prevalent within industry, and our overall point of view.

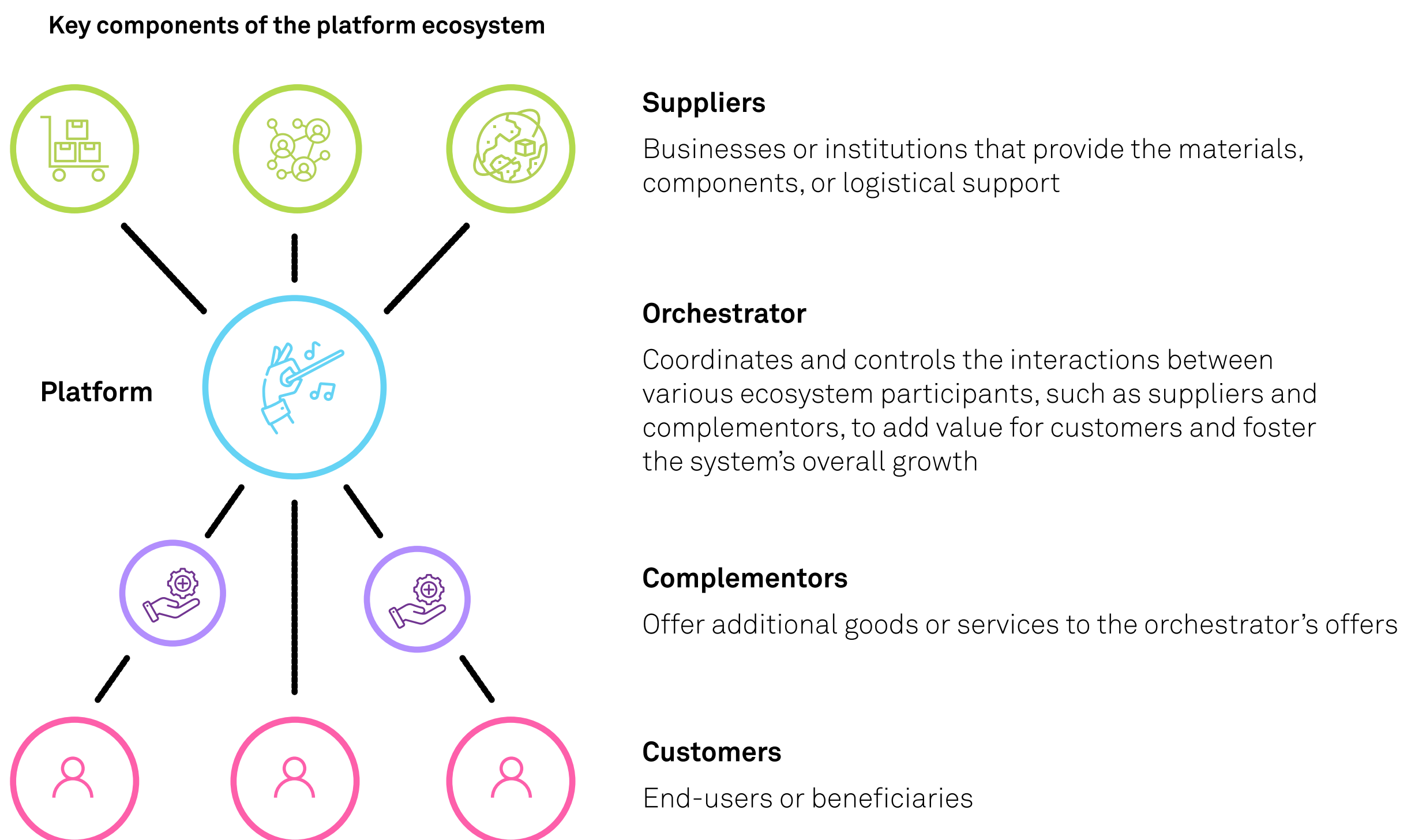
In the appendix, we provide a case study of Amazon Web Services' implementation of the platform ecosystem model and the utilization of the ecosystem by one of its suppliers, the enterprise Splunk.

Part 1 Recap

Let's first provide some important terminology from part 1 to catch any new reader up to speed:

“Platform ecosystems are defined as open or closed networks where an orchestrator mediates relationships between a diverse set of complementary stakeholders. Orchestrators receive benefit from both accrued value in the platform ecosystem and in barriers to entry that ecosystems create for potential competitors. Platform ecosystems are also defined by a collaborative strategy that aims to create value for all stakeholders, including customers, partners, suppliers, and competitors.”

Platform ecosystem models (we will use the shorthand “ecosystem models” in this paper), are structured thus:



More can be found in part 1, which may be read [here](#).

In part 2 of this series, we will further explain the benefits of platform ecosystems for the enterprise, a pathway to implementing the strategy within an enterprise, common challenges faced, ecosystem trends currently prevalent within industry, and our overall point of view. In the appendix, we provide a case study of Amazon Web Services' implementation of the platform ecosystem model and the utilization of the ecosystem by one of its suppliers, the enterprise Splunk.

Happy reading.

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How Are Ecosystem Business Models Helping Enterprises?

Ecosystem business models offer diverse benefits, as described in part one. A brief summary can be found below:

Agility and Adaptability

Ecosystems can adapt swiftly to shifting market circumstances due to effective collaboration across a broad set of partners.

Access to Innovation and Technology

Diverse set of collaborators enables access to new ideas, technology, and innovation.

Improved Customer Experience

Seamless integration of services and goods provides ease in creating value and results in better customer experience and satisfaction.

Cost Reduction and Operational Efficiency

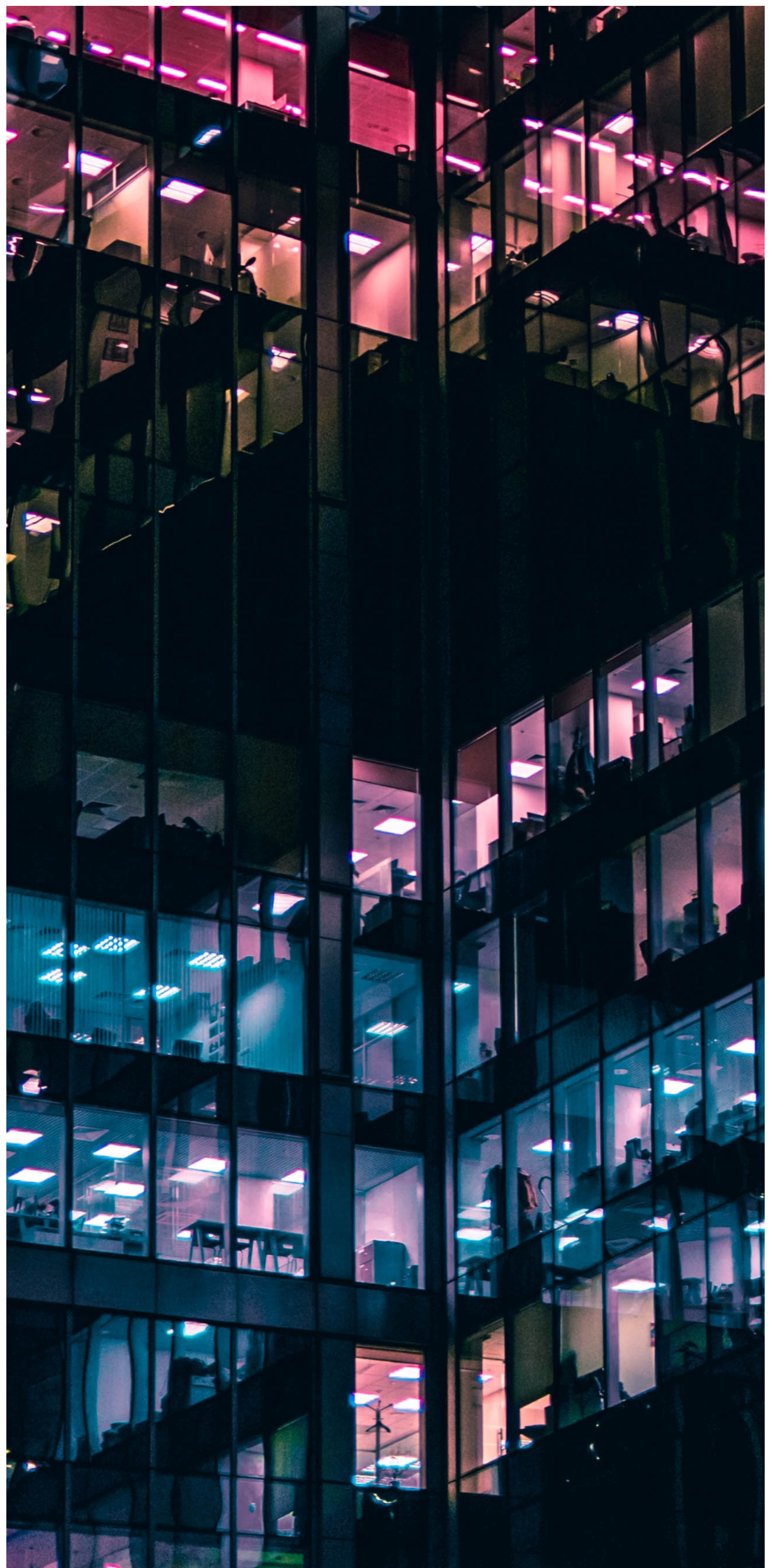
Shared resources, distribution networks, and economies of scale reduce redundancies, create cost savings and optimize operations.

Market Expansion

Leveraging the reach of a given ecosystem, business can increase their total market reach and gain access to new clients.

Additional Income Streams

Ecosystems offer the potential for additional income streams through cross-selling and value-added services.



How Do Enterprises Mastering Ecosystems Drive Transformational Growth?

Ecosystem business models allow enterprises to coordinate and specialize. Participants can afford to hyper-focus on one component of an ecosystem, because they know that other members of the given ecosystem will compensate in other areas.

This results in improved innovation and efficiency, ecosystem-wide.

For enterprises seeking to adopt an ecosystem model, these are the key factors of success:

01

Value Proposition

The primary benefit that an ecosystem provides to its stakeholders. A customer-centric approach is necessary to create value for end-users and ensure sustained demand for the ecosystem's offerings. A culture of innovation is necessary for new ideas and continuing to create value.

02

Effective Governance

Developing governance structures and procedures that facilitate efficient decision-making, conflict resolution, and coordination among ecosystem members. Stakeholders' roles and responsibilities should also be well-defined for effective collaboration and value generation.

03

Infrastructure and Technology

Creating infrastructure and technology that facilitates ecosystem objectives and activities. Advanced technologies such as AI, IoT, and blockchain can help streamline operations and enhance performance.

04

Performance Measurements and Incentives

Metrics should be created to align the interests of ecosystem players, promote cooperation, and foster value generation.



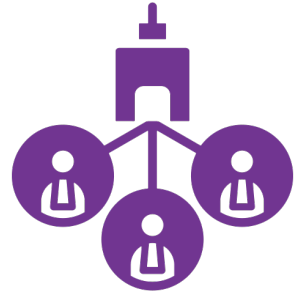
Enterprises embracing the success factors can create a thriving ecosystem that offers unique value proposition(s) and drive sustainable growth

Key Components of Ecosystem Business Model Framework



Value Proposition

The primary benefit that an ecosystem provides to its stakeholders.



Effective Governance

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Infrastructure and Technology

Creating infrastructure and technology that facilitates ecosystem objectives and activities.



Performance Measurements and Incentives

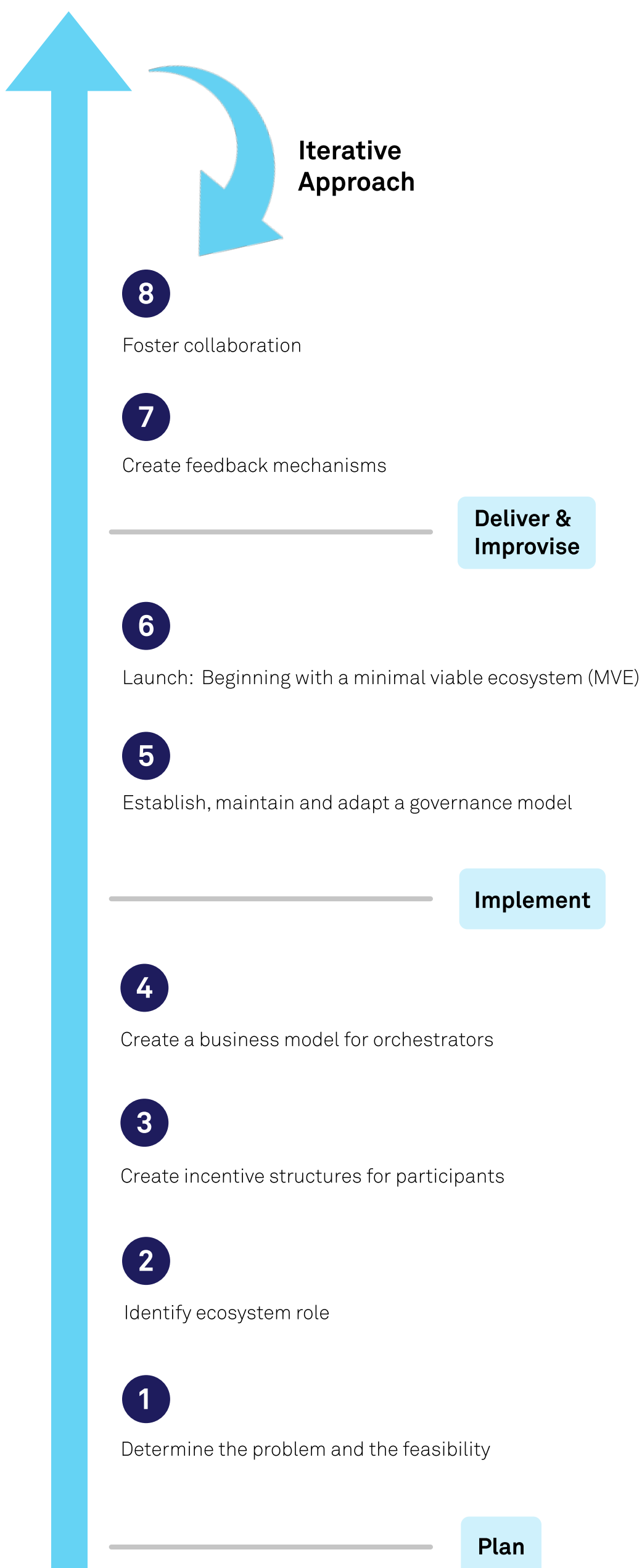
Creating infrastructure and technology that facilitates ecosystem objectives and activities.

How To Build An Ecosystem Business Model

To harness the value of a platform ecosystem, a basic governance model must first be built, along with implementation strategies and tactics. Designing stakeholder incentive systems is also essential— particularly for early adopters.

The ecosystem would ideally be developed with continuous feedback mechanisms, and collaboration in mind to ensure its long-term adaptability and viability.

8 Steps to develop an ecosystem business model



01

Determine the Problem & Feasibility

Ecosystem creators must define the problem they intend to solve, invest appropriately, and persuade partners to participate. They must also decide whether it's desirable to build an original ecosystem or collaborate with an existing ecosystem. Analyzing an organization's strengths and weaknesses is critical in deciding whether to collaborate or build internally.

Ecosystems can create value through addressing customer needs and/or removing friction from established processes. It's important to understand that different business environments require different ecosystem approaches. An ecosystem may exist to support transactions or product solutions, for example. Identifying the right ecosystem approach for a given market is critical since each approach may have different purposes, success criteria, value-generation processes, and structural characteristics.

02

Identify Ecosystem Role

Businesses must identify the best role(s) suited for them in an ecosystem. Not all enterprises will seek to be orchestrators when building an ecosystem— some may be more suited to a complementor role. Highly capital-intensive enterprises may be more likely to adopt a complementor role within an existing ecosystem.

For example, automotive industry manufacturers might choose to complement an existing ecosystem of suppliers, sellers, factories, and others, while technology enterprises may decide to act as orchestrators of a digitally connected ecosystem. In platform ecosystems, the owner of a central platform that connects producers and their suppliers with customers plays a de facto orchestrator role.

03

Creative Incentive Structures for Participants

It's essential to determine incentive structures for ecosystem participants. Partners are more likely to be motivated if ecosystems can make the following factors possible:

1. High relative profit growth
2. High risk of not participating
3. Only small investments are necessary to participate
4. Existing capabilities can be leveraged

04

Create a Business Model for Orchestrators

Creating a system that turns ecosystem consumer benefits into value for orchestrators is essential to an ecosystem's growth and adaptability. The biggest challenge for the orchestrator is creating a monetization model. This requires simultaneously satisfying three sometimes-divergent goals: increasing overall ecosystem value creation, ensuring continued value creation and capture for all participants, and capturing a fair share of the overall value for themselves.

To satisfy all three goals, the orchestrator must determine the value proposition for each group of stakeholders and design a value-sharing mechanism that benefits consumers. Whom to charge is another critical consideration in value capture. The orchestrator has several options, including subsidizing one side of the market while charging another side, charging both sides equally, or charging most users a full price and subsidizing a select group of marquee consumers or users who are especially price sensitive.

An example of a market segment that is subsidized would be free users of Meta's social media platforms— they are subsidized while advertisers pay fees.

An ecosystem business model strategy leverages shared resources and network effects to create interdependent relationships between complementary products and services to build and capture entirely unique value propositions.

05

Establish, Maintain, and Adapt a Governance Model

Ecosystem governance is critical for success. They stabilize value creation, partnership, and collaboration. Too much openness can create problems, so one useful strategy can be establishing and regulating bottlenecks. Successful ecosystem orchestrators may even maintain or seize key control points to create additional value. Examples include smart thermostat company Nest expanding into home alarm systems, Apple replacing Google Maps with Apple Maps, and Google keeping control of the Android ecosystem through the Google Play store.

06

Launch: Beginning with a Minimal Viable Ecosystem (MVE)

For a successful launch, beginning with a minimal viable ecosystem (MVE) is essential. This approach prioritizes a core value proposition and quickly establishes a network of partners and clients to prove its market potential. As the MVE grows, its value can be enhanced incrementally. Yet, attracting partners to a new business idea can be challenging.

To facilitate partner onboarding, orchestrators can offer incentives like free or discounted tools and services, securing commitments through conditional contracts. Many business ecosystems benefit from demand-driven growth and self-reinforcing cycles, often leading to dominant market positions. However, addressing scalability is vital, as many ecosystems fail due to expansion challenges.

07

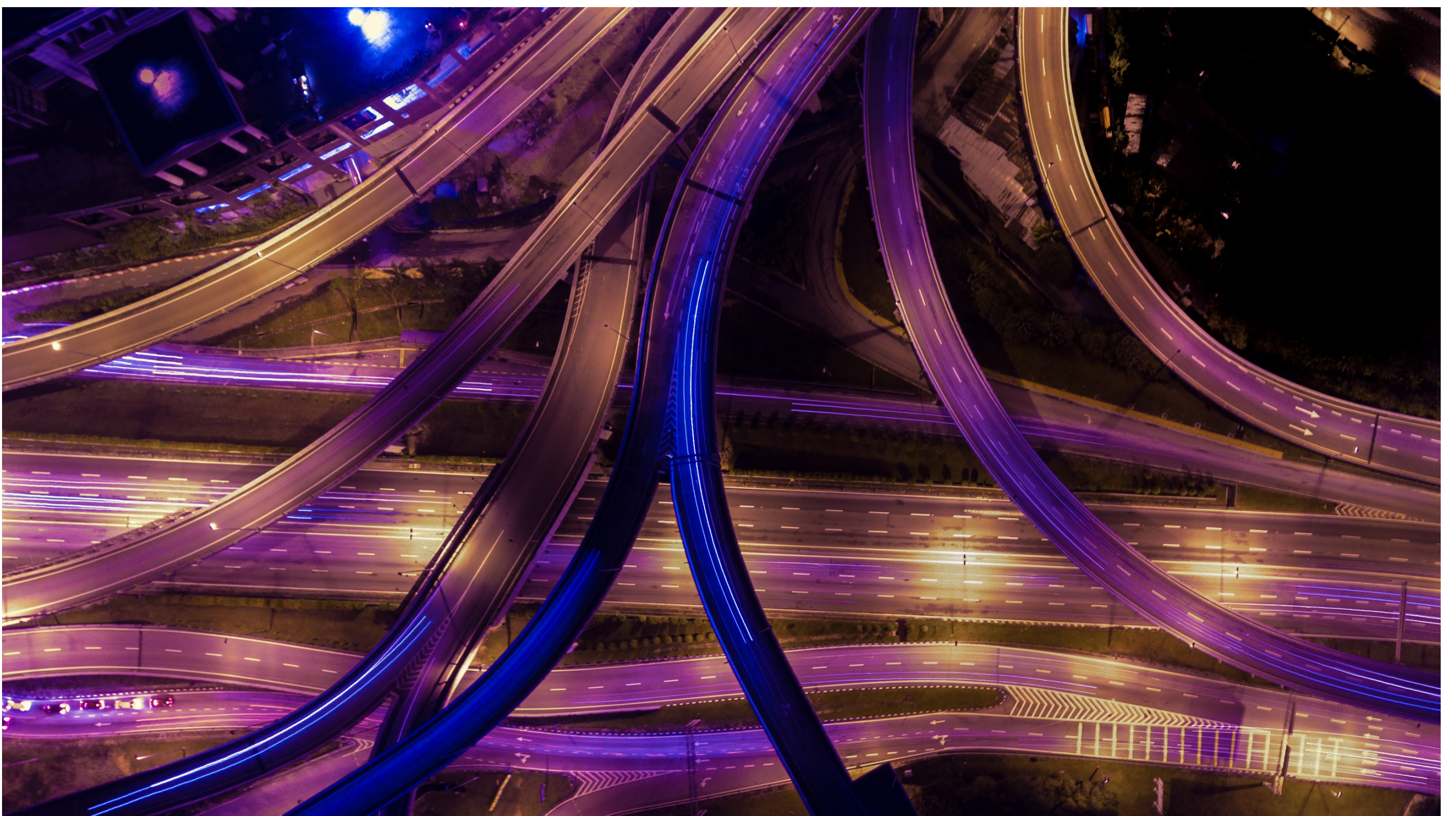
Create Feedback Mechanisms

Feedback mechanisms that guarantee the ecosystem business model's ongoing adaptation are crucial. Orchestrators can offer surveys, user reviews, and customer service channels to provide this— or, use alternative data through monitoring activity and usage reports. Through these mechanisms, stakeholders can offer comments, recommendations, and evaluations, providing insightful data for the ecosystem orchestrator or helpful counterparties. Adapting to feedback, ecosystems can run more efficiently, overcome obstacles, and improve user experience.

08

Foster Collaboration

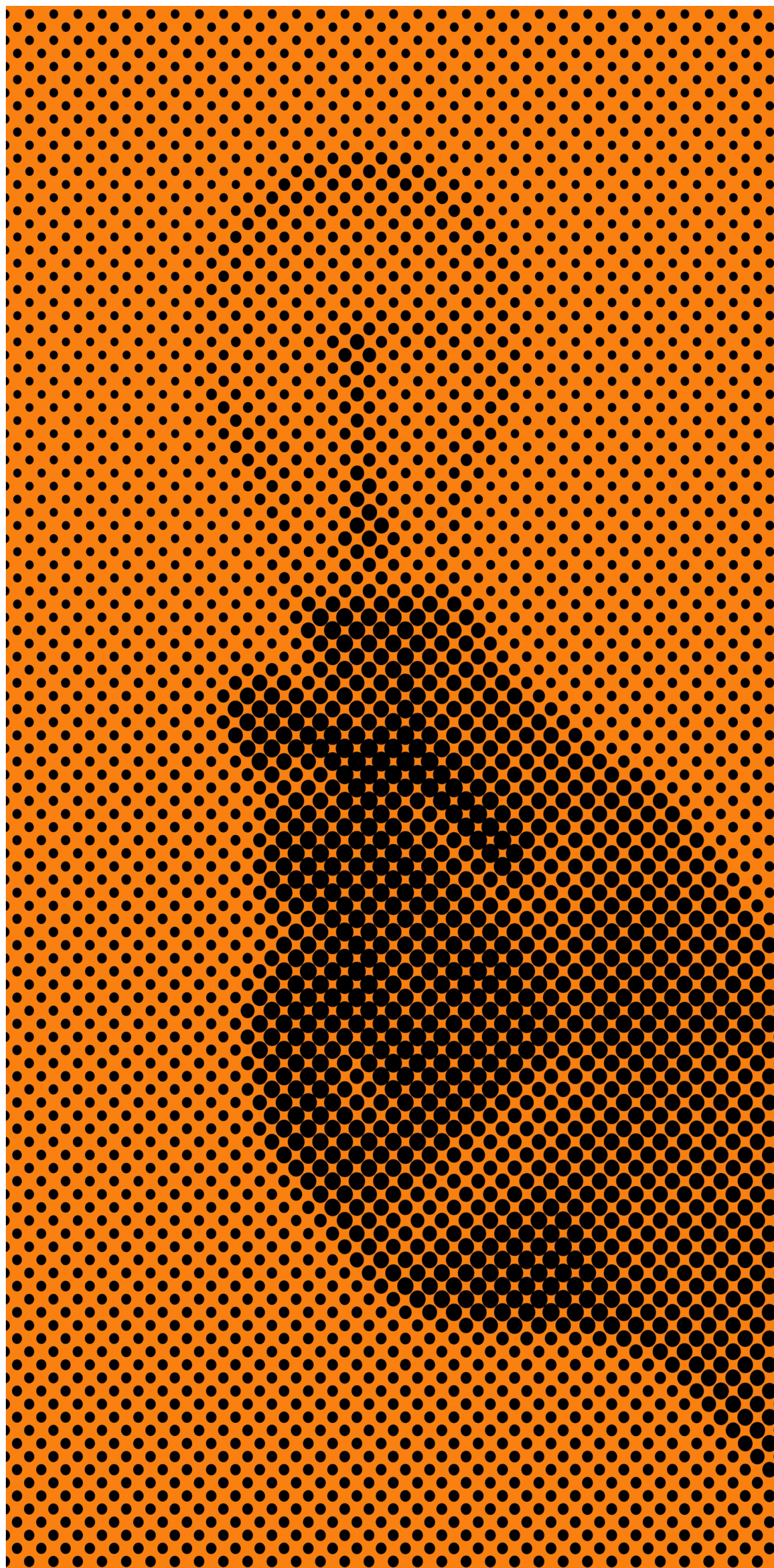
In ecosystem business models, collaboration is essential. Collaboration motivates participants to cooperate, share resources, and develop synergies. Owners or orchestrators of ecosystems may seek to boost collaboration to encourage partnerships, joint ventures, and co-creation projects. Next-level collaborative ecosystems may entail planning gatherings, workshops, and other networking activities.



Overcoming Challenges: Empowering Solutions for Ecosystem Success

Ecosystem business models present unique challenges that can hinder their success. Challenges include establishing governance models, capturing value, solving launch problems, and ensuring long-term viability and adaptability.

Orchestrators must continuously address ecosystem challenges, implement solutions, and adapt their ecosystem to changing market conditions to ensure long-term viability and relevance.



Examples of common challenges and solutions are listed below:

Limited Control and Complexity in Managing Multiple Partners and Relationships

- Establish clear guidelines and expectations for partners and performance
- Develop strong relationships and communication channels with partners
- Monitor partners' performance and intervene when necessary

Difficulty in Aligning Incentives Among Ecosystem Partners

- Develop a shared vision and goals for the ecosystem
- Establish mutually beneficial incentives and revenue-sharing models
- Foster a culture of trust and collaboration among partners

Difficulty in Capturing and Measuring Ecosystem Value

- Develop clear metrics and frameworks for measuring ecosystem value
- Encourage partners to share data and insights to inform value measurement
- Use a combination of quantitative and qualitative analysis to evaluate ecosystem performance

Difficulty in Scaling and Expanding the Ecosystem

- Invest in infrastructure and technology to support ecosystem growth
- Seek out new partners and opportunities for expansion
- Develop a flexible and adaptable ecosystem model

Difficulty in Maintaining Ecosystem Balance and Stability

- Identify potential areas of conflict and address them proactively
- Develop clear rules and protocols for partner competition and cooperation
- Facilitate open communication and collaboration among partners

Transformative Trends Redefined: Shaping the Future

The key trends in ecosystems business models being adopted by enterprises at present are as follows:

01

Collaboration Among Competitors

More businesses are collaborating with their rivals to expand their ecosystems.

Example: Apple and IBM collaborate to create business apps, and General Motors and Lyft collaborate to create autonomous ride-sharing services.

02

The Emergence of Consortium-Based Platform-Based Ecosystems

Many firms are shifting towards platform-based ecosystems to interact and collaborate with their partners and clients.

Example: AWS offers a platform for enterprises to host their apps and data.

03

Increased Focus on Customer Experience

A smooth, intuitive, and appealing customer experience across all touchpoints is a growing area of enterprise focus.

Example: Apple has created an ecosystem that integrates its devices, software, and services seamlessly.

04

Adoption of AI and Autonomous Systems

Automation and AI are used more frequently in business ecosystems to boost efficiency and streamline procedures.

Example: Siemens leverages AI to instantly improve the operation of its gas turbines within its broader ecosystem.

05

Rise of Open Innovation

More enterprises are embracing open innovation to collaborate with external customers, suppliers, and startups.

Example: GE's Ecomagination program, which collaborates with entrepreneurs to hasten clean energy technology development.

06

Emphasis on Sustainability and Social Impact

Businesses are incorporating sustainability and social impact into their ecosystem strategy as ESG becomes more prevalent across enterprises.

Example: Unilever has a Sustainable Living Plan that aims to improve stakeholder health and well-being and minimize the company's carbon footprint.



Platform ecosystems are expanding globally, adopting coopetition, promoting sustainability and social impact, integrating vertically, prioritizing customer centricity, overcoming regulatory difficulties, and diversifying their revenue streams.

Our Point of View

SECTION 06

Ecosystem business models enhance value creation, accelerate innovation, and drive transformational growth for enterprises.

Conclusion

The platform ecosystem presents itself as a network of collaboration and innovation. They are reshaping industries, and redefining business dynamics. These ecosystems, guided by orchestrators, facilitate seamless interactions between stakeholders, allowing them to jointly create, share, and access value in unprecedented ways.

As these ecosystems continue to evolve, they have the potential to revolutionize industries, drive economic growth, and pave the way for a future where connectivity and innovation thrive.

Platform ecosystems leverage collaboration and network effects to enable enterprise growth and value creation at a scale that is otherwise not possible for individual enterprises.

The model has enabled innovation and customer growth at great speed. Many of the largest-capitalized enterprises today are ecosystem companies.

We believe that certain features and strategies of ecosystem orchestrators are more likely to guarantee long-term success and viability of ecosystems than others.

We hope that in this paper, we have helped identify both the most common challenges and the clearest pathways to success— for both ecosystem builders and participants.

Best of luck!

01

Promotes New Economic Models Leveraging Cutting Edge Technology

Platform ecosystems provide the opportunity for enterprises to adopt and use new emerging technologies and associated business models, such as the API economy, data economy, and machine economy.

02

Unique Digital Experience and Value Creation

Ecosystems can leverage data and analytics to deliver personalized and holistic customer experiences. Ecosystem players can leverage ecosystem data and analysis to better understand customer needs, preferences, and pain points, allowing for tailored, customizable solutions and services across multiple touch points, thereby improving customer convenience.

03

Collaboration is Creating the Future

With technology development rapidly accelerating, business model innovation is keeping pace. Existing enterprises are being disrupted faster than anticipated. Building ecosystems or joining existing ones is necessary for enterprises to be able to access large markets at speed. Ecosystems enable enterprises to leverage existing technical expertise and users without spending years manually building them.

04

Ecosystems Create Additional Revenue Channels

Ecosystem business models hold no inventory, in comparison with traditional value chain models. They derive value from seamless value delivery and network effect-magnified customer acquisition. Many of the largest enterprises in the world, such as Google, Apple, and Amazon, have accelerated their growth through ecosystem models. Though platform business models will continue to grow in the future, enterprises are more likely to adopt a mix of platform ecosystems and traditional value chain business models.

05

Platform Ecosystems Create Network Effects and Simplify Procurement

A platform ecosystem can leverage the reach of its many partners to attract many users, resulting in network effects and improving the platform's value. Network effects enable enterprises to reach a larger audience and improve customer acquisition. They enable the collaboration and integration of several products and services, providing users with simplified procurement and a comprehensive and seamless experience. As demand continues to grow, network effects help enable improved efficiency, security, and user experience at a rate that an individual enterprise would find almost impossible to independently deliver. Ecosystem business models enable growth and product improvement rates that are not otherwise possible.

06

Platform Ecosystem Challenges Such As Governance, Alignment of Vision, and Incentives Can Be Addressed In Long-term Strategy

Coordinating multiple parties with various and divergent goals, interests, and capacities are necessary for platform ecosystems to work. Strong governance, unambiguous guidelines, and dispute-resolution procedures are needed to manage this complex coordination task. Trust and safety protocols must also be established by ecosystems to safeguard the security, privacy, and data of their users. They must develop strong value identification, measurement, verification, and fraud detection procedures to protect the ecosystem's integrity and continued value creation.

Appendix

Case Study: Amazon Web Services (AWS) Marketplace Ecosystem

Provides flexibility, customer base, and shared resources to partners and stakeholders - AWS' marketplace ecosystem is comprised of buyers, sellers, technology infrastructure providers, startups, and consulting partners. The ecosystem is hosted on AWS IT infrastructure and provides an even broader range of services and software to support its various stakeholders and partners. Further, it simplifies the procurement and deployment of various software for customers.

Ecosystems are dominant. Many enterprises generate value from ecosystem business models.

The AWS marketplace ecosystem, with reference to a Data Analysis software firm:

Suppliers

Data Analysis software firm, Third-party app developers

Orchestrator

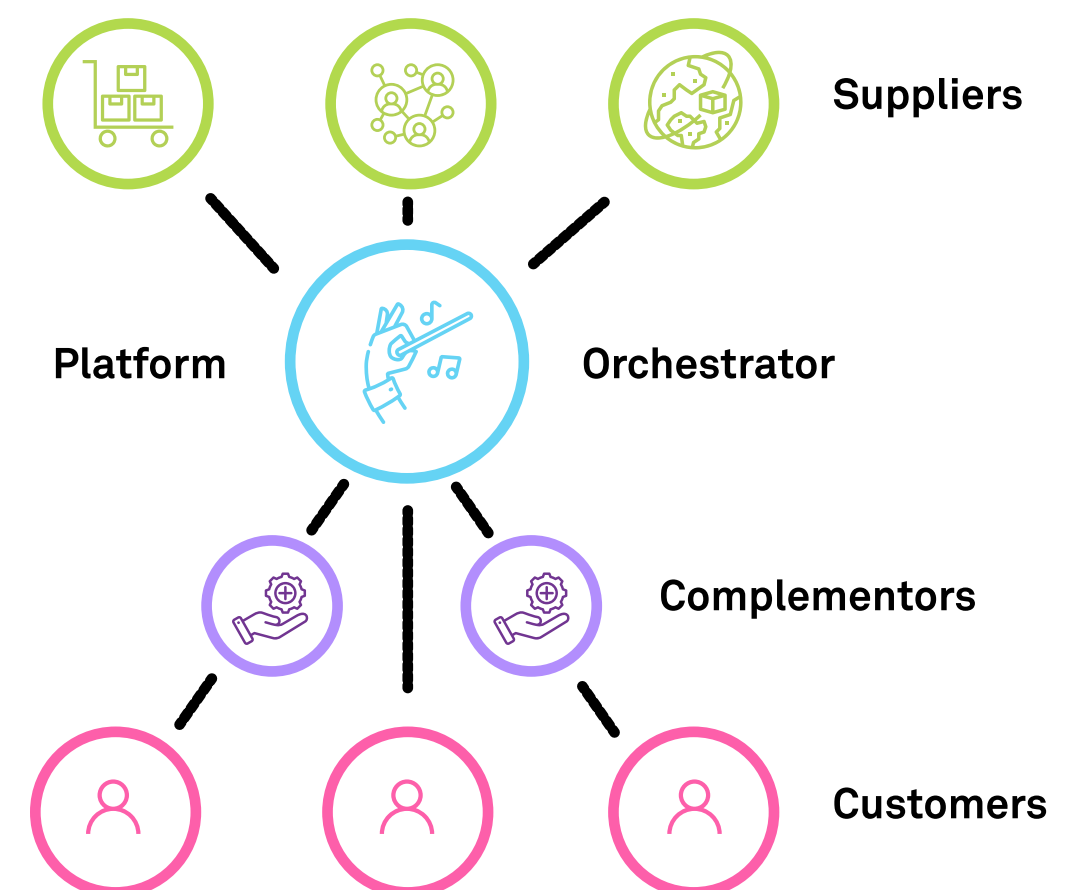
AWS marketplace where Data Analysis software firm and other solutions are offered to customers. They can be deployed directly within the AWS IT infrastructure.

Complementors

Other services by AWS, such as S3 for storage and EC2 for computing. Third-party applications for security, visualization tools, and service management platforms.

Customers

Enterprises that require a data analytics platform for their enterprise data.



Leveraging the AWS Ecosystem Advantage: The Data Analysis Software Firm Example

Overview: The Data Analysis software firm is a major supplier of security and data analytics tools. The business leverages the AWS Marketplace ecosystem to deliver its software products to customers. Within the platform ecosystem model, they occupy a “supplier” role.

Challenges: Reaching and onboarding AWS Marketplace customers seeking reliable data analytics and security solutions was time- and labor-intensive. The Data Analysis software firm required an efficient method of reaching AWS customers while streamlining deployment procedures.

Solution: After choosing to participate in the AWS Marketplace ecosystem, the Data Analysis software firm gained access to a large customer base and streamlined their customer acquisition process. AWS Marketplace simplified the Data Analysis software firm's customer and prospective-customer search, purchase, and product deployment.

Value Creation: The Data Analysis software firm was able to provide solutions for real-time monitoring and analysis of enterprise data, protected by robust security structures. The software was also able to integrate with other services and without additional infrastructure requirements.

Governance: AWS Marketplace creates guidelines to ensure the quality of products offered on its platform. The Data Analysis software firm manages its product lifecycle and its compatibility with AWS guidelines and infrastructure.

How the AWS Marketplace Ecosystem Helped the Data Analysis Software Firm Succeed:

- 1. Enhanced Discoverability:** Increased visibility among AWS customers actively looking for data analytics and security solutions.
- 2. Streamlined Deployment:** Deployment process is easier for customers due to pre-configured templates and alternatives released through the AWS Marketplace. Customers can install the Data Analysis software firm's solutions within their AWS systems quickly and easily.
- 3. Flexible Pricing Models:** The Data Analysis software firm provided flexible pricing models through AWS Marketplace, including pay-as-you-go and annual subscription choices. Customers were able to select the price strategy that most closely matched their demands.
- 4. Trusted Platform:** AWS Marketplace offered clients a reliable environment to find and buy software goods— improving the Data Analysis software firm's trustworthiness for customers.

The Data Analysis Software Firm's Results

- 1. The Data Analysis Software Firm's Customer Adoption** increased significantly because of the AWS Marketplace, making it simple for users to identify and deploy their solutions. As a result, both the client base and market share grew.
- 2. Simplified Onboarding:** The deployment process was made more efficient by reducing the complexity and time spent on client onboarding. This led to a quicker time to value and higher customer satisfaction.
- 3. Revenue Growth:** AWS ecosystem participation significantly increased revenue and business thanks to availability on the AWS Marketplace, as the Data Analysis software firm could access the vast and varied client base of AWS.

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