

# 02

## THE PLATFORM ECONOMY, THE STRATEGIST'S NEW OPPORTUNITY

Strategy, sovereign prerogative: in many minds, it's still the preserve of this dominant discipline and its historical heritage. The management team, perceived as game leader, inspiring and manipulating ideas, builds its strategy, contrary to its competitors considered as necessarily antinomic and adverse. The ultimate objective is victory to create shareholder value, without taking into account external factors or stakeholders, by promoting an offer intended for customer-objects and not subjects. This attitude can not only lead to a '*strategic vacuum*'<sup>2</sup> but also restrict the field of view, with the risk of myopia in space, incompatible with the qualities of resilience that have become essential to the survival of businesses and organisations.

**Correcting the myopia therefore requires the strategy to extend beyond its historical boundaries and to master the art of managing assets that you don't own. Thus the exercise can go as far as assuming sectoral, regional or industry leadership...** attracting resources and uniting energy around a view of the world and a common asset and playing an ambitious role as pivot-firm of one or more ecosystems<sup>3</sup>, capable of anticipating and forming with opposing forces. Pushed still further, this strategic exercise can lead to co-constructing its promise with those who are its recipients and producers, with symmetrical attention between all these players.

**Having considered this objective, the think tank identifies three areas for action:**

<sup>2</sup>'The strategic vacuum', Philippe Baumard, CNRS Editions, 2015

<sup>3</sup>The Kindled Company: cf. La Revue published by Kea & Partners, number 18

## 1/ Identify and listen to your ecosystems

An economic ecosystem means a geographical or non-geographical concentration of businesses linked together, specialised suppliers, service providers and multiple institutions – universities, standardisation agencies, professional organisations, etc. – that oppose each other and cooperate.

Each business can belong to several different ecosystems. We have listed six types of ecosystems:

FUNCTIONAL	SECTORAL	INNOVATION
<ul style="list-style-type: none"> <li>&gt; Consortium of professionals linked by the same functional challenges</li> <li>&gt; Objective of business excellence and development <i>e.g. CSP, Association of Purchasing Directors, etc.</i></li> </ul>	<ul style="list-style-type: none"> <li>&gt; Horizontal group (competitors) and vertical groups of companies in the same sector</li> <li>&gt; Objective of excellence (product, labour qualification, cost competitiveness), development and influence on standards <i>e.g. competitive cluster, Chinese Mega-Clusters, professional association</i></li> </ul>	<ul style="list-style-type: none"> <li>&gt; Innovative businesses grouped around universities and research organisations</li> <li>&gt; Objective of developing, industrialising and marketing innovations <i>e.g. Saclay, Boston Biotech</i></li> </ul>
<ul style="list-style-type: none"> <li>&gt; Consortium of players contributing to a shared general interest objective</li> <li>&gt; Objective of efficiency and sharing resources to achieve this objective <i>e.g. recycling sector (Eco-Emballages, Eco-Systèmes), horse racing sector (PMU)</i></li> </ul>	<ul style="list-style-type: none"> <li>&gt; Strong association between businesses and their region</li> <li>&gt; Objective of promoting historical expertise and differentiation across the region <i>e.g. food-processing activities associated with an 'appellation', Armor Lux, L'Occitane</i></li> </ul>	<ul style="list-style-type: none"> <li>&gt; Comprising a sector (subcontractor suppliers, service companies, etc.) associated with a principal business</li> <li>&gt; Objective of commercial development <i>e.g. Sachaux with PSA, Toulouse with Airbus</i></li> </ul>
GENERAL INTEREST	EXPERTISE & REGION	PRINCIPAL BUSINESS

Ecosystems are naturally living wholes that change over time; you have to be able to listen to weak signals by cultivating an ability to adapt and take the initiative. Conversely, noises from the market, the weight of history and the omnipresence of certain players can bias perception and hinder judgement:

- > Overvaluing certain voices of the ecosystem ('big mouths') or media (e.g. social networks), likely to hide silent communities
- > Lack of consideration for players without apparent link with the company and restriction of the competitive field

Defining the scope and modelling an ecosystem demands mapping the distinctive strengths of the entities considered and assessing how, using transactions and exchanges, their sources of differentiation reinforce each other. **This means identifying the business's intangible assets and players in its environment, then analysing how their respective asset systems resonate with each other**, i.e. feed of each other.

McDonald's, with its Parliament of franchisees, and Danone, with its 'social innovation fund', have thus been able to create a listening (and arguing) space with their ecosystem: franchised restaurants for McDonald's, customers and employees for Danone.

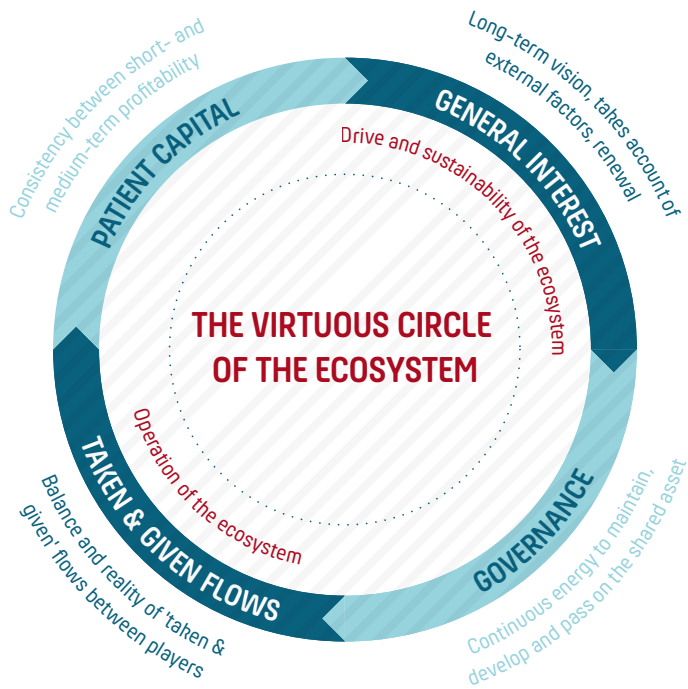
## 2/ Define an action strategy

Work with ecosystems is not limited to listening to weak signals. It is important to find a strategic alignment with a section of the players in the ecosystem. Given the fact that certain players can have diverging interests, the question is often knowing how to interact with them. Several parameters must be considered to develop this strategy. What role can the business hope to play in the ecosystem, in the short or medium term: leader, follower, observer? What are the elements of content on which to capitalise to bring the players together?

**There are three possible action strategies:**

- *Reactive*: observe and pick up the weak signals
- *Proactive*: set up a dialogue and cooperative actions with certain players
- *Leader*: bring all the players in the ecosystem together

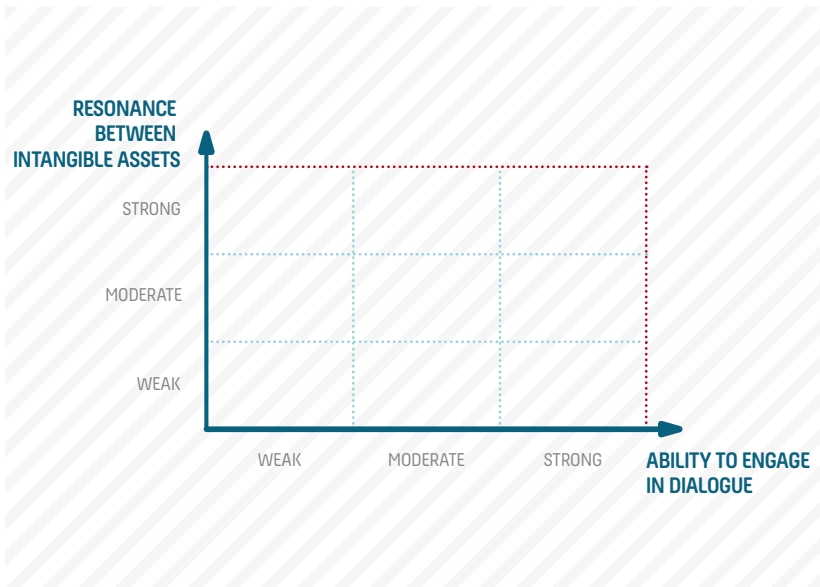
We have identified four key success factors for an economic ecosystem, which make up a virtuous circle:



#### THE 4 CONDITIONS FOR SUCCESS OF AN ECOSYSTEM

For example, forestry in Canada is a virtuous case of action strategy within an ecosystem or a sector: merciless confrontation between ecological activists and forestry companies has been succeeded by cooperation beneficial to everyone (customers, operators and NGOs). The discussion spaces created have highlighted resonance between the demands of NGOs and consumers, encouraging greater ecological consideration. In this way, three timber producers agreed to join this dialogue and change their production methods, by defining production areas and respecting certain constraints to have their timber accredited, so preserving their ROI (higher prices) and satisfying customers and activists in this approach.

One category of players requires a special strategy: '**pirates**', i.e. emerging players that launch 'disruptive' products and services with the sole aim of breaking down the business model of established companies. The trend is less to reinforce barriers to entry, or to seek to destroy these 'barbarians', but rather to accept them at the negotiating table, include them in partners' circles and finally to 'privateer' them. This is the dilemma currently experienced by PMU in the betting sector on eSport. To analyse the ecosystem and choose external players to be involved in its strategic consideration, the company has to consider two dimensions: the ability of the players to engage in dialogue and the resonance between their intangible assets.



### Discussion grid

WHICH EXTERNAL PLAYERS DO WE INVOLVE IN OUR STRATEGIC CONSIDERATIONS?



### 3/ Become a platform business

A platform business is a business that, beyond its own production and sales activity, occupies a role as intermediary in the access to information, goods or services, produced and supplied by third parties. Such a business organises and structures an ecosystem by relying on three strengths: operation of **multiple network effects**, which make the platform attractive to members of the ecosystem, a **technological strategy**, which makes it possible to build collaborations and add new partners *en masse* at global scale, and **customers 100% players** in value creation: generation of data on the platform, co-design, crowd-sourcing, co-branding, viral marketing, open innovation, etc.

**All business are empowered to become platform businesses.** Whether it is to market high quality leisure activities (Compagnie des Alpes) or shared betting and team game experiences (PMU), businesses must optimise interactions with suppliers, customers, employees and other stakeholders, by automating them to improve productivity and service quality: "Not [being stakeholder of a platform] will amount to running the risk of becoming the subcontractor of a company that will be been able to develop its own" (Gilles Babinet).

**Thus, the role of strategy today should include the new skills and practices of the platform business.**

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## COMPAGNIE DES ALPES: TAKE THE ROLE OF PIVOT FIRM WITHIN REGIONAL ECOSYSTEMS

In its strategic plan (2013), Compagnie des Alpes (CDA) asserts its ambition: to strengthen its position as world leader in operating ski slopes, maintaining international scope, playing a role as pivot firm in regional ecosystems and striving for high customer satisfaction.

Ski-lift passes represent only 17% of expenditure for a staff in the mountains and CDA remains highly dependent on its ecosystem. While the quality of the ski slopes remains the primary criterion for choosing a resort, the price, atmosphere, quality of accommodation and ease of access are determining factors.

The dispersal of players on skiing holidays, the lack of natural alignment vector, the unwritten rule wanting local players to preserve a large part of the value, the weight of the national and local policy and true competition between resorts make it complex implement this strategy, which also has to include new *game changers* such as AirBnB or Booking.

### THREE DRIVERS MAKE ALL OF A COMPLEX PARTICIPATE IN CDA's STRATEGY

First of all future-looking, through experts and the academic world. This makes it possible to capture market trends and the movements of single-site companies more agile at controlling the value chain and customer experience, as well as to construct 'black scenarios' (global warming, reduced regional attractiveness, game changer that seizes customers and the margin) to push players into reacting.

Next, partners and experiments centred on the customer are the opportunity to test enhancement of the customer experience (making ski slopes more fun, *après-ski* activities, etc.), digital payment systems, dematerialisation, creating new services (online tour operator, caretaking, etc.) and especially to capture customer data to analyse it and use it to develop the business.

Finally, the increased skills of teams and stakeholders are the third driver: awareness of digital technology, new uses and behaviours and new entrants; study trips with competitors; international missions; company university, etc.

#### **CERTAIN EMERGING INITIATIVES PUSH CDA's INCLUSIVE LOGIC TO THE LIMIT**

- > A strengthened dialogue and legitimacy among local elected representatives
- > Implementing CRM tools (Customer Relationship Management) shared between players at the same resort, to capture customer data (evaluation of the quality of services) and to operate jointly
- > Global work on renewing the customer base in the face of its structural ageing (average age of skiers is 45 and this average is tending to increase year on year), as well on the CDA promise
- > Sharing with stakeholders based on black or dystopic scenarios (such as new entrants that challenged the rules) or pink or utopic scenarios (the ideal resort)
- > Clarification of the positioning of resorts and offers (very good skier, family, party)



## PMU: MATURE ECOSYSTEMS / EMERGING ECOSYSTEMS, TWO DIALOGUE STRATEGIES

For a business developing strong relationships with multiple stakeholders, and subject to the arrival of new competitors at the same time, dialogue with ecosystems can take very different forms and require quite separate action strategies. This is the situation of PMU, that is increasing its ability to interact with gamblers while also anticipating the emergence of new markets, such as eSport bets.

### INNOVATIVE TOOLS FOR REAL DIALOGUE WITH ITS CUSTOMERS

On horse-racing and sports betting, PMU has a powerful customer services department to communicate with gamblers and a *chat* platform, on which it can observe its gambler community without interfering with or influencing the exchange.

The limit of this measure tends to be unrepresentative of the populations observed, for three reasons:

- > Online conversation only affects the people logged in
- > The most active users are often 'big mouths', as opposed to the silent majority of PMU customers
- > Neither the customer service department nor the *chat* platform capture what happens in bars or at distributors

*Big Data* opens new possibilities. This makes it possible to identify gamblers' profiles, such as buying behaviour (97% of customers pay in cash), based on the recurrence and amounts of transactions. *Big Data* also increases the possibilities for moderating the community. Thus all

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the subtlety of listening to its ecosystem is based on capturing the right signals and identifying better sources.

#### **PRIVATEERING PIRATES, RATHER THAN FIGHTING THEM**

Furthermore, PMU is wondering about the right strategy to adopt for bets on electronic sport. Some estimates talk about a global market for eSport reaching up to €20m: in certain countries (United States, South Korea, Japan), video game competitions can attract up to 70,000 spectators. This underlies an enormous potential for bets laid at this type of event.

Nonetheless, this new market still remains particularly uncertain:

- > An illegal activity conducted with virtual currency
- > Size and potential still unknown
- > A young and offbeat medium, closed to institutional players
- > A development that attracts advertisers, media and event organisers

Two main channels are available to PMU. A defensive option: be protected by the regulator, to gain time and be prepared. A decidedly offensive option: establish dialogue with 'disrupters' (that take the lead on the customer relationship), invest in the business of certain pirates in order to 'privateer' them and take the initiative on this new market.

While traditional businesses – as opposed to start-ups – often throw themselves into the first option (reinforce entry barriers, maintain positions), it is clearly the second that sustainable in the long term and lead to a profound change in mentality regarding disrupters of the ecosystem.