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White Paper

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A Playbook for Winning the Ecosystem Game

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Abstract

Interconnected value chains, digital platforms, and multi-product ecosystems are all becoming increasingly common, raising the question of whether, when, and how firms should get involved.

Many firms naturally aspire to the leader or “orchestrator” of an ecosystem, but overrate their own skills, infrastructure, or ability to attract partners and customers. As a result, they wind up building “ego-systems” that fail to deliver value. It may be better to participate as a partner—possibly in several ecosystems at once, resulting in a balanced portfolio rather than an “all-in” bet.

The key to success with ecosystems is to know your own strengths, set clear goals, and understand how ecosystems can help you achieve them, based on the resources you own or can use. In this paper, we describe a new framework that helps firms consider which ecosystems to get involved in and how, taking into account all the costs, time, effort, and risks.

Our framework helps firms think both inside-out (how to use existing strengths and resources) and outside-in (how to serve customers’ desires and unmet needs). By doing so, they can build a genuine solution and avoid creating a product/service bundle that has limited or niche appeal.

Multi-actor ecosystems offer opportunities to leverage other firms’ resources to enhance bundles or reach new customer groups. To succeed in them, orchestrators and partners must craft a “double value proposition” that offers value to both customers and fellow participants.

As digital technology, deregulation, and sector convergence drive rapid and far-reaching changes in the business environment, our playbook will help firms make the right choices about where and how to play the ecosystem game.

1. Introduction

The explosion in digital technologies and the dissolution of industry boundaries have made customers more willing to experiment, opening up a new world of opportunity. As a result, multi-product ecosystems have become the flavor of the week. But what's the best way for firms to get involved?

The good news is that any type of company can get involved in a multi-actor ecosystem. But the bad news is that it's all too easy to choose the wrong role. In recent years, I've helped many organizations decide how to play in the ecosystem world, and I see many of them being ill-served by their instincts. Most aspire to be in the driver's seat, when more often than not, a better approach is to enter as a partner. Then, having made an ill-advised lunge for the orchestrator's throne, they expect co-partners and customers alike to flock to their solution, confusing ecosystems with ego-systems.

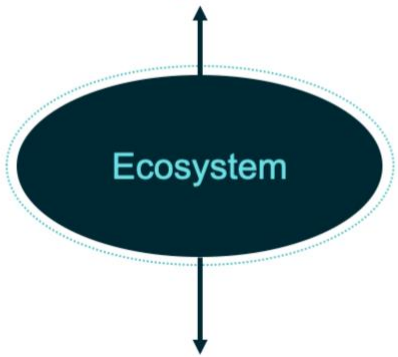
Consider, for example, how telco firms all rushed to create their own closed ecosystems. One such was Vodafone's ill-fated "system360," which tried to leverage its customer reach to offer a broader but tightly controlled set of choices. Telcos could have become agile, flexible participants in multiple fast-moving tech and comms ecosystems. Instead, most followed Vodafone down the path to orchestrating their own "walled gardens"—even though they lacked the skills, infrastructure, and partnering orientation needed to make their ecosystems either effective or attractive.

The key to success with ecosystems is understanding what they can and can't do, and how that might fit with your own goals. Drawing on our research and strategy consultancy at EvolutionLtd, we've developed a framework that can help companies understand their unique value-add and determine whether it's better for them to join someone else's ecosystem or aim to create their own.

Why do I need it?

- Boost growth opportunities participating in bundles
- Appeal to customers with expanded offering
- Create brand excitement and all-in-one targeted approach

Multi-product



Multi-actor

- Leverage others' capabilities and skills; reduce the need to do it all, and reduce assets tied up
- Enhance innovation, drawing outside the firms' boundaries
- Create a dynamic set of collaborative offerings to enhance customer targeting

What role do I play?

Orchestrator

+ Higher value capture
+ Link to customer
- Higher costs
- More skill-demanding
- Takes a lot of time

How do I win?

1. Find *double value proposition*
2. Set ecosystem governance
3. Build effective onboarding solutions
4. Continuously monitor the environment

Partner-complementor

+ Lower risk & costs
+ New growth venues
+ Less skill-demanding
- Lower upside

1. Decide on overall positioning and number of partners
2. Maximize visibility to the final customer
3. Find a double value proposition for partners/orchestrators and customers
4. Engage with ecosystem governance by either aligning or pushing for change

*Leveraging existing customer research
Source: Evolution Ltd analysis

2. Where to play

The first decision to consider is which ecosystem, or type of ecosystem, is worth getting involved in. How can an ecosystem help you achieve your mission, or expand it? How can it help you add value? Can it help you create a dynamic product or service bundle that gives customers what they really want? And if so, it is best to achieve that by aspiring to lead, or by embedding your offering in something broader that already exists?

To guide your quest for position, look both inside-out and outside-in. With inside-out thinking, you start with your own strengths, assets, and resources and consider how you can use them to develop new offers. Looking outside-in, on the other hand, starts with the customer and their needs, and then asks what sort of bundle of value or features might meet those needs. You should also ask how your bundle stacks up against the competition, and how those choices look through the customer's eyes.

The pitfall here is putting together a bundle that nobody really needs. For example, a couple of years ago, I worked with a major Swiss insurer. They were excited to have purchased Switzerland's biggest mortgage marketplace, and were aiming to integrate several different businesses related to financial needs. Motivated by the success of China's AngGroup, the most valuable fintech in the world, and PingAn, the insurer-turned-healthcare-and-lifestyle orchestrator, they thought their value-add would be to offer an integrated financial services offering. As the leader of the ecosystem team proudly told me, "Someone will be able to cover all their needs with only our products." But why would they want to do that? All else being equal, customers usually prefer to have a choice.

Firms are often excited by the thought of offering a bundle when they should really be thinking about *solutions*. It's no good broadening your scope if the resulting offer doesn't meet a real need for a real market segment. What we've found particularly useful is to focus on a specific and clearly defined customer group: the "lead users" who will help drive the critical early adoption period. If you can convince them, others will surely follow.

A careful survey of the business landscape can also reveal opportunities that others have left unexplored. For example, consider the Chinese ecommerce phenomenon PinDuoDuo, which rose from obscurity to become Alibaba's arch-rival in record time. Rather than creating yet another e-commerce platform, it put together an innovative bundle of gamification, social buying, and e-commerce, perfectly attuned to a population hooked on their devices.

PinDuoDuo didn't try to be everything to everybody. First, it focused on a very specific yet fast-growing group: Chinese consumers who love mobile and video games. Second, by focusing on low-cost, mass-produced items that major platforms like Alibaba's TMall didn't feature, it offered a diverting pastime that wouldn't break the bank. Finally, it made shopping social by offering deep discounts for "group purchases," thus motivating users to recruit friends who could come in on the deal. As well as bringing new users to the site, this also made it easy to recruit sellers, who were attracted by big volumes and the chance to offer wholesale-style discounts.

B2B and non-tech firms can create innovative bundles too. Consider, for instance, Komatsu, a venerable "yellow truck" firm, which used digital technology to transform from an equipment

manufacturer to a solutions provider. Having equipped its trucks with sensors and complemented them with drones, Komatsu now helps users use the resulting data to improve their project management. Even tire manufacturers like Bridgestone and Michelin are now leveraging the opportunities offered by sensors and RFID to improve their offer to B2B customers.

It's far cry from the "cross-selling" of yesteryear, because it's all about what the customer wants to achieve—not what the firm itself would like to sell. That's the logic behind "SuperApps" like Grab and Uber, that offer everything from ride-hailing to food delivery and financial services: you can add whatever you want, as long as it adds value.

3. How to play

The art of fine-tuning a value bundle is at the cutting edge of today's strategy thinking—and it's made even more complex by international differences. A bundle that delights customers in one market might flop elsewhere.

Haier, one of the world's largest white goods manufacturers, has gone all-in to become an "ecosystem brand." But this strategy translates into very different positioning in different countries. In China, Haier has created a "nuts-and-bolts" digital infrastructure, backed up with relationships with food producers, that allows customers to order, prepare, and cook traditional dishes. In the US, meanwhile, where Haier owns the venerable GE Appliances brand, it has focused on becoming part of an interoperable Internet of Things food ecosystem and engaging with user groups with specific needs such as mushroom growers and amateur chefs.

To emulate Haier, look within your firm to assess your strength in building different value propositions, and perhaps come up with new ones. How could you leverage your key assets (or "anchors")? Consider EneIX, the Italian energy giant, which realized that one of its key assets was the three million lampposts it owned as a result of helping local governments with street lighting. EneIX asked what *else* its lampposts could be used for—and came up with a wealth of ideas ranging from architectural lighting to e-bus support and smart city applications. Turning to B2C, we worked with Lavazza, the Italian coffee brand, to assess its unique strengths—which differed between countries—and identify assets that it could leverage as it sought to shift from being a coffee firm to the orchestrator of an experience ecosystem.

4. Building, or participating in, multi-actor ecosystems

Asking "where to play" suggests new ways of adding value, but it may not be possible to achieve them with in-house resources—or even secure new resources through acquisition. Another option is to participate in a number of different, connected "multi-actor" ecosystems

that combine the energies, skill, and insights of different participants to achieve innovation and deliver new product or service bundles.

After all, that's exactly what Big Tech do. They consider how to broaden their "experience" bundle—moving from devices to wellness, for instance—and set up distinct multi-actor ecosystems in each vertical, like Apple's iOS and Apple TV ecosystems.

Singapore-based banking stalwart DBS wanted to move beyond banking into services that engage retail and business customers. It created ecosystems like POSB smart buddy—a system that allows parents of young schoolchildren to wire them money to a wearable device or app so they can control and monitor their spending. This required an ecosystem involving technology providers, school canteens and their POS capabilities, and technology infrastructure, as well as the UI/UX design that allowed all these different parties to seamlessly connect. DBS is also building an API platform for its B2B users that facilitates their work and connects them to all sorts of financial services—a different multi-actor ecosystem, with a distinct set of clients and partners.

Major firms participate in many different ecosystems, motivated by coming up with new ideas (innovation ecosystems), matching different types of participants (transaction or marketplace ecosystems), or providing specific value propositions. Some are narrow and closed, like DBS' POSB, while others are generative and open, like their API ecosystem.

Sectors from financial services and telco to healthcare, pet care, and FMCGs are on the cusp of fundamental transformation in terms of customer expectations. Yet being part of these new trends doesn't necessarily mean you have to *drive* them all—even if you do have the resources to do so. Consider JPMC, one of the world's leading banks and a major investor in new banking technology. Not only is it building exciting new ecosystems, but it's also keen to participate in them as partners. Through its subsidiary Onyx, JPMC tries to engage with all things crypto, and also to provide a financial services partner for the Metaverse—engaging, for instance, as a landmark partner in Roblox's metaverse ecosystem. The growth of embedded finance, and of platforms like LendingTree, means that financial firms often need to participate in growing ecosystems as partners, rather than trying to offer everything themselves.

5. Getting clear on your "why"

Whatever your role, be it orchestrator, partner or complementor, our framework suggests that identifying KPIs could make the difference between failure and success. To do that, however, you must crystal clear on your "why": Why are you playing the ecosystem game? Is it to boost your growth opportunities and get a better multiple? Is it to appeal to ever-more demanding clients who need to see a plausible multi-product, experience ecosystem to come on board? Is it to invigorate the organization or to support innovation without breaking the bank? Or is it to create brand excitement through association?

It's easy to get confused, because you may have multiple, often conflicting objectives that require multiple ecosystems. Once you've found your "why," you may realize that what you really need is an ecosystem *portfolio.* Just as some firms have M&A strategies in pursuit of multiple objectives, so others need a portfolio of ecosystems, all of which need clear success factors attached. This shows why strategies in different ecosystems can vary, what drives the choice of being partner or complementor, and why not all ecosystems can be treated the same. Running a loose ecosystem to support innovation is very different from being part of another one with speedy go-to-market objectives.

6. Choosing your gameplan, one ecosystem at a time: orchestrator vs. partner

For each multi-actor ecosystem you participate in, you have to decide: will you be an orchestrator or a partner? To make the right choice, you need to consider capabilities, cost, and speed to market.

While orchestrators may get all the glory, it's easy to forget how many of them fail. Being an effective orchestrator is really hard, and even top tech firms have lost the battle in particular markets. Consider Amazon and its (so far) disappointing foray into healthcare, where it had to terminate its ambitious JV with JPMC. Or Google, which wound down the Stadia platform just three years after triumphantly announcing its entry into the gaming space.

Beyond skills, orchestration often involves cost. In some markets, it's feasible to build a "Minimum Viable Ecosystem"—but not in others. In a period of rocketing interest rates, where "growth at all costs" is off the menu, it's sheer folly to splurge time and resources on becoming an orchestrator no matter what.

Finally, building a new ecosystem inevitably takes longer than joining an existing one, and in many markets the landscape shifts quickly, with new opportunities clearly visible to all. In the "Internet of Food" ecosystem, we've seen startups and diversifying firms rush in to populate the space alongside giants like Haier/GEA, Samsung, and LG. So speed to market is another important criterion.

Orchestrators most often fail because they underestimate the difficulty of the task. Large and established players, in particular, often presume that they will be accepted by both customers and complementors. Yet having a dominant market share and a respected brand is no guarantee of success—as Nokia painfully found out through the collapse of Symbian, Microsoft through the collapse of its Microsoft Mobile OS, and GE through the flop of its Predix AI ecosystem. Winning the orchestrator game takes skill, dedication, and partner orientation. There are number of factors to consider.

First, orchestrators need to look at their *double value proposition*—facing both the final customer and their potential partners or complementors. The more sector boundaries dissolve and new opportunities emerge, the more options partner firms consider—and loyalty can be a

scarce commodity in the ecosystem world. Knowing the risks helps, as does a clear articulation of the benefits for partners.

Finding an effective value proposition is particularly important for old-economy firms that are trying to blend the physical and the digital. Consider Majid Al Futtaim (MAF), the Gulf-based operator of flagship leisure properties like Mall of the Emirates. It has moved beyond offering space to tenants to curating experiences for visitors—like SkiDubai, a ski slope housed within the Mall itself. Using a loyalty scheme that motivates customers and shop owners to connect, it provides a host of compelling connected value propositions to customers who visit its malls. The aim is to achieve the same intimacy with consumers as tech and ecommerce platforms, with an eye to capturing the interest of customers, partners, and complementors alike.

This brings us to the second key focus for orchestrators: governance. Orchestrators must decide how to select and onboard partners, and what rules to set them. How open or closed will the ecosystem be? How transparent will discussions be? And what's the financial deal for participants?

Third, with ecosystem governance set, it is important to build effective onboarding solutions that match your ambitions, and a simple set of internal KPIs to measure performance.

Finally, orchestrators need a way to continually monitor the environment, so they know when to double down and when to pull the plug. Ecosystems, and especially ecosystem leadership, is a bet that won't always pay off—the sooner you realize that and realign your role, the better chance you have of finding your proper place in the ecosystem firmament.

Partners or Complementors. For most firms, partnering is a better and less risky option than orchestrating. Consider, for instance KPN, the Dutch telecommunications giant, which partnered up with Tencent, one of China's key ecosystem plays, to offer WeChatGo Europe. In this scheme, Chinese customers receive a European SIM card that grants them unlimited data to use the WeChat app in Europe. The app also provides a gateway to local discounts and deals arranged with businesses in major European cities. KPN not only provides the telco bandwidth, but also helps structure the relationships with local businesses, acting as the link to both final customers and business partners. In other words, KPN isn't merely a complementor, but rather a partner that manages key relationships on behalf of the orchestrator.

Consider, too, the ecosystems that have grown up around Amazon. Many companies today partner with Amazon rather than orchestrating their own ecosystems. There's Thrasio, which identifies up-and-coming retail categories and offers expertise and financial muscle to help firms within them professionalize and grow. Rather than building its own ecosystems, Thrasio depends on Amazon's and leverages its role as a partner. Firms that lack the resources and skills to be partners may still benefit from being complementors—participating in others' ecosystems to drive growth and tapping into inspiration and information that allows them to adapt to changing customer needs.

For firms who aspire to be a partner or complementor, there are several key issues to consider.

First, decide on your overall positioning, and how many ecosystems you could engage in. Here, a clear "why" can help avoid strategic mistakes. In some ecosystems (e.g., the Metaverse), participation may be a strategic necessity to cement the right perception of your brand. Multi-

homing—being present in multiple ecosystems—is an important option for companies with sufficient scale, and offers ways to scale up with different partners. On the other hand, other ecosystems that are tighter and more developmental. Firms must weigh the pros and cons of each one against their strategic objectives.

Second, complementors may need to be visible to the final customer. Thus, they may decide to forgo some major ecosystems (like Amazon, which is notoriously possessive of client information) to work with others that allow them to get closer to the customer (like Spotify). The name of the game is engagement: The more visible you are to the final customer, the less replaceable you become, and the stronger your chance of grabbing a fair share of the value. That's precisely what Intel did by branding a previously obscure component of PCs—the

Central Processing Unit or CPU—and making it visible to the final consumer. And it's also why Apple is fighting tooth and nail to hang on to the precious connection with the customer.

Third, partners—like orchestrators—also need a "double value proposition," facing partners and the orchestrator as well as their own customers. Intel became indispensable by co-specializing with Microsoft, while Nvidia, a much smaller and less resourced semiconductor company, decided to connect to game developers in shaping processors designed specifically for gaming, so as to create something valuable for game developers and gamers alike. Leveraging the needs of other partners and complementors while appealing to orchestrators helps to cultivate demand and develop a common agenda.

Fourth, partners and complementors need to consider how best to engage with ecosystem governance, either by aligning themselves with other ecosystem players or by pushing for regulatory change—which is becoming a key driver of ecosystem dynamics. And, like orchestrators, they need to align their actions with their strategic "why" and create the right KPIs and culture that will enable their people to nurture the relationship with the orchestrator and other partners.

7. Prepare for a hybrid world: Choices, not buzzwords

The changes flowing from the rapid evolution of digital technology, deregulation, and sector convergence show no signs of abating. On the B2C front, a handful of Big Tech firms have become predatory in the quest to control customers, raising the threat of regulatory pushback and altering consumer habits. On the B2B side, there has been a rapid shift to XaaS models and innovative solutions packages that change the way firms compete. Changes in one sector ripple through another. Once a smart fridge can detect that you've run out of milk, several crucial questions arise. Who places the order for more milk—your fridge, or Google, which runs your home software? More broadly, who will participate in the newly formed "home electronics ecosystems"? Amazon has already created a scale that can automatically order your favorite items when they run low; like other retailers, it wants to connect to your other home devices too. With so many possibilities and options out there, every firm has to make the right choices in terms of ecosystem strategy.

With the Metaverse retaining its allure, the opportunity to use AI to predict what customers want, and the increasing blending between physical and digital products, these trends aren't only relevant to tech companies. All sectors, even the most traditional ones like energy and B2B services, are being affected. In this brave new world, firms need to choose not only where to play, but where *not* to play; where to become partners rather than orchestrators, and how to ensure that their value propositions respond to a real need. Making sure ecosystems deliver the value they promise will take hard work—good intentions are not enough.

Let me illustrate with a personal story. Working with a major financial services firm in Switzerland, I had the opportunity to spend the morning with the board, lunchtime with the C-suite, and the afternoon with the ecosystem working group. The differences in mindset were remarkable. The board was clear on the need to innovate and keen to develop an ecosystem strategy that would develop growth—and considered that the firm was well on the way. The C-suite was interested, but felt that the ecosystem team was the "speedboat to attach to the super-tanker." The CTO confirmed that their technology wasn't particularly well suited to the new ecosystem ideas developed in the firm, while the team focused on creating the narrative that bound what the firm already was doing into a package. At this firm, ecosystem success was falling through the cracks. The top was sold on a buzzword, but it wasn't connected to a clear set of consistent choices that responded to the needs of a group—nor was it articulated so that the rest of the organization could understand and engage in it.

To succeed in the world of ecosystems, you need to ask and answer some hard questions. Only that kind of rigor, and the willingness to make tough choices, will break through the buzzwords and dispel the hype. But that's essential if ecosystems are going to deliver on their promise.