

## **Drive Business with Platform Strategies**

Innovate and transform your customer acquisition and business models with a digital platform.

# DIGITAL PERSPECTIVE

“

*Digital native enterprises have realized that leveraging digital platform technologies is the key to their business.*

*To remain relevant in times when disruption is around the corner, enterprises will need to think like digital native enterprises and embrace platform thinking. Moreover, they need to build platforms that enable speed, agility, and easy access to real-time data for analysis and decision making.*

”

**Eduardo Mace**

Founder and Growth Partner

# Executive Summary

## Situation



- Organizations struggle with the execution of digital strategy and try to understand how successful digital enterprises have the ability to be disrupt and scale.

## Complication



- Legacy business models and systems do not scale, and instead hinder agility.
- Enterprises are stuck with existing business models that don't allow them to innovate or to re-invent the enterprise.
- Lack of (near) real-time data slows down decision makers.

## Insight

- 1. Platform enterprises outperform other enterprises.**
- 2. Successful digital enterprises build digital platforms and not a system of digitized processes.**
- 3. Digital native enterprises are data-driven and leverage modern architectures (e.g. cloud native, microservices).**

## Resolution

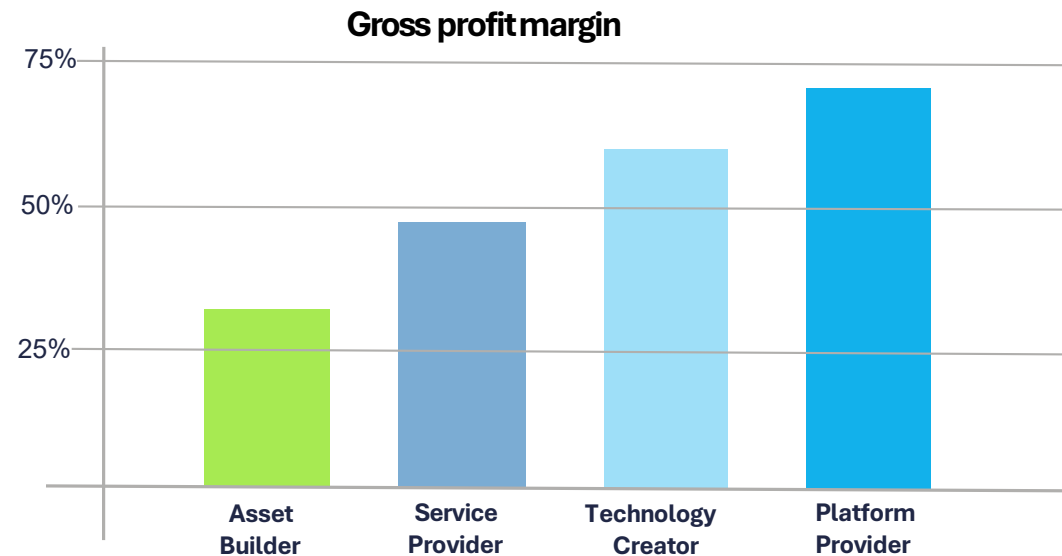
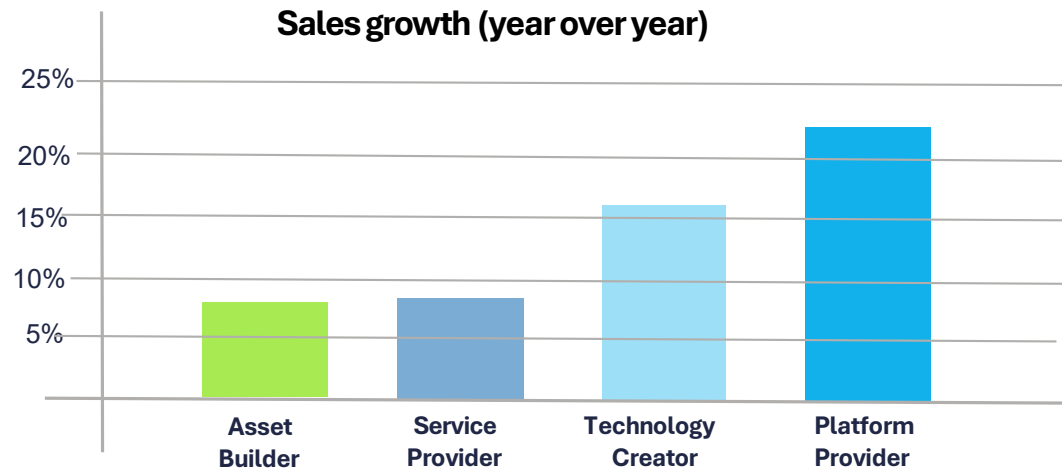


Organizations must think and act like digital native enterprises and make the strategic shift to platform thinking. Platform thinking entails enterprises to refresh and renew their business models towards the platform business models, by adopting and building digital platforms.

This executive summary helps with:

- Understanding platform business models and strategies.
- Aligning your CX strategy with digital platform capabilities.
- Designing foundations of digital platforms.

# The Platform Business Model Performs Better



## Business Models

### Asset Builders

- Deliver value using physical goods.  
Examples: Ford, Marriot, Exxon

### Service Providers

- Deliver value through skilled people.  
Examples: Scale, Accenture

### Technology Creators

- Deliver value through technology and/or intellectual property they create (software, hardware, pharma, etc.).  
Examples: Pfizer, IBM, Oracle

### Platform Providers

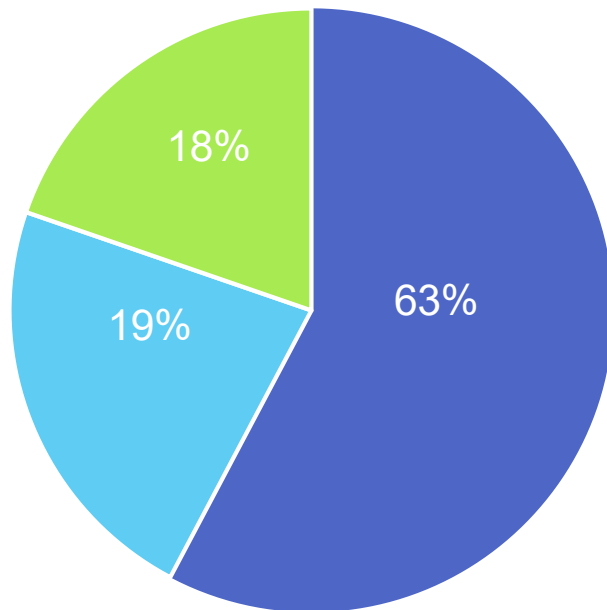
- Deliver value through interactions, content curation, value orchestration, networks, etc.  
Examples: Amazon, Airbnb, Uber

\*from "The Network Imperative," 2016

# Platform thinking leads to successful digital CX

## Less Than One in Five

Companies are “very effective”  
with digital strategy



■ Moderately Effective   ■ Not Effective   ■ Very Effective

Source: Harvey Nash & KPMG, 2017

“ A platform approach enables your enterprise to leverage a flexible, structured, and scalable foundation, while speeding development time, leveraging investments, and incorporating ‘long tail’ processes. A platform approach provides flexibility to embrace process changes and emerging capabilities along your transformation journey. And it makes your enterprise development process more predictable and repeatable, enabling faster time-to-market with lower risks. ”

– Rob Glaiser, CDO, CEMTech

# Platform dominance (1/2)

## Platforms Dominate the Top Firms of the Digital Age *Ten Most Valuable Public Companies Founded Since 1994*

Company	Platform Enterprise (Y/N)	Market Value, 9/5/15 (in billions)	Year Founded	Country
Google	Y	\$425.40	1998	United States
Facebook	Y	\$248.30	2004	United States
Amazon.com	Y	\$235.70	1994	United States
China Mobile	N	\$232.63	1997	China
Alibaba Group	Y	\$167.00	1999	China
Tencent Holdings	Y	\$150.87	1998	China
Sinopec	N	\$73.62	1998	China
Priceline Group	Y	\$62.86	1994	United States
Baidu	Y	\$52.40	2000	China
Salesforce.com	Y	\$45.45	1999	United States

\* Adapted from "Build Platforms, Not Just Product," 2016

# Platform dominance (2/2)

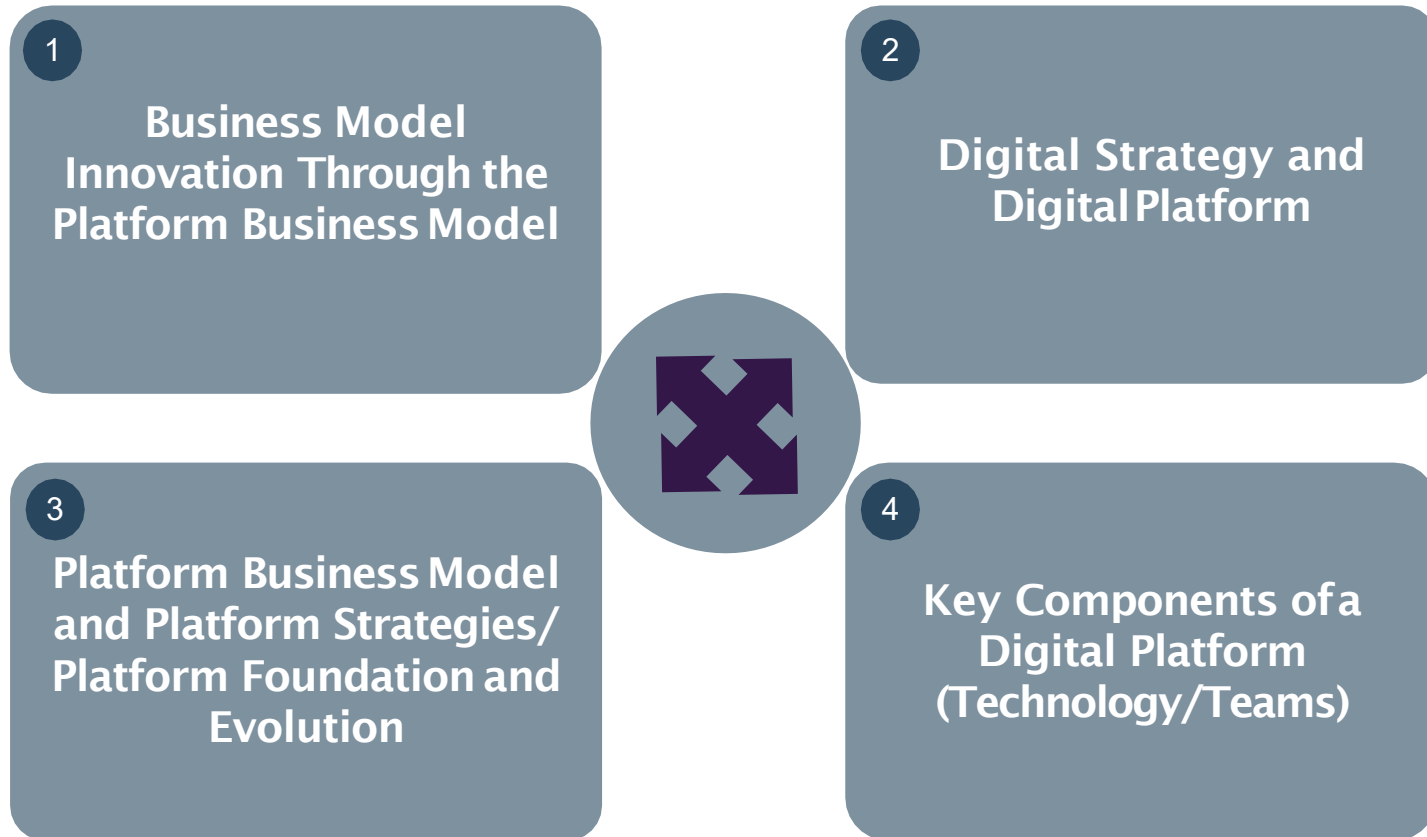
## Performance of Top 10 Weighted Stocks in the S&P 500

Company Name	Ticker	Percent Gain/Loss	Platform (Y/N): Examples
Apple Inc.	AAPL	9.38%	Y: (iTunes)
Microsoft Corp.	MSFT	15.28%	Y: (Office 365)
Amazon.com Inc.	AMZN	45.35%	Y: (AWS, Amazon Marketplace)
Facebook Inc.	FB	10.12%	Y: (FB Social Platform)
Berkshire Hathaway	BRK.B	-5.84%	N
JP Morgan Chase & Co	JPM	-2.56%	N
Exxon Mobil Corp.	XOM	-1.09%	N
Alphabet Inc. C	GOOG	6.62%	Y: (Android)
Alphabet Inc. A	GOOGL	7.19%	
Johnson & Johnson	JNJ	-13.15%	N

### Top Performing Stocks in the S&P 500

In the first six months of 2018, Netflix Inc.'s ([NFLX](#)) [platform] share price more than doubled, gaining 103.91%, making it the highest performing stock on the S&P 500. Twitter ([TWTR](#)) [platform], with its stock soaring 81.88% in the same period, came next on the list.

# Enterprises with a platform business model perform better; digital platforms lead to successful digital strategy





# Spotify changed the way we listen to music



## CASE STUDY

**Industry** *Media: Music/Audio streaming*

**Source** *The Verge, 2019 and Scale analysts*

### Spotify

Spotify is a Swedish media services provider that was founded in 2006. The company's primary business is its audio streaming platform that provides DRM-protected music and podcasts from record labels and media companies.

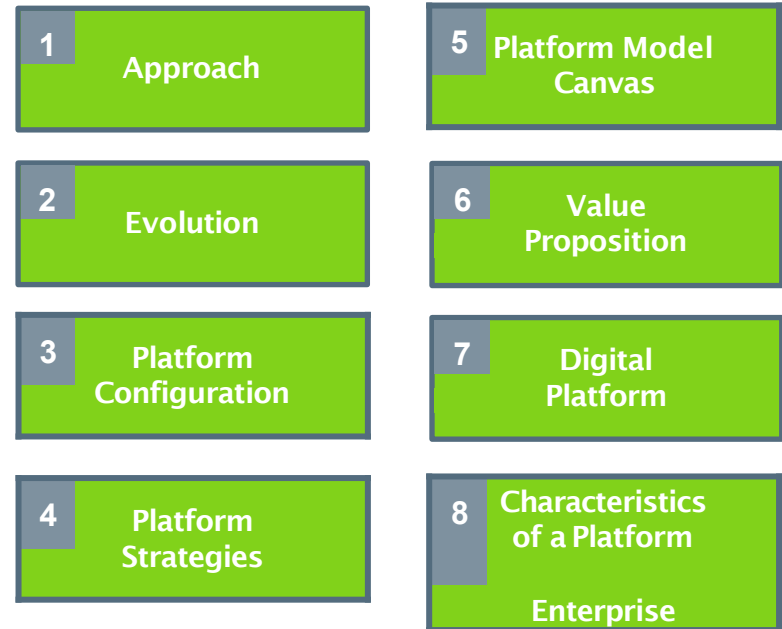
### Platform Enterprise

Spotify started as a P2P music streaming service and currently identifies as a discovery platform.

Spotify has been dominating platform enterprise in the music industry by continuously evolving through business model innovations, partnerships, and acquisitions. According to The Verge, as of April 2019, "More than 100 million users worldwide now pay for Spotify Premium." Spotify's latest acquisition of various podcast providers shows the company's ambition is beyond just being a music streaming service.

This case study highlights platform strategies incorporated by Spotify and also sheds lights on how Spotify's digital platform allows it continuously evolve and adapt. Moreover, the case study helps solidify the concepts covered in this blueprint.

### Characteristics and Strategies of a Platform Enterprise





## CASE STUDY

**Industry** *Media: Music/Audio streaming*  
**Source** *Scale Platform*



1

To understand the strategies and characteristics of Spotify (a platform enterprise), we need to start by studying its evolution. In 2006 Spotify opened its first office in Stockholm, and by 2017 it was a mature platform enterprise integrated with other platforms and it had performed a number of strategic acquisitions.

The period from 2006 to 2017 is analyzed to understand, through major events and strategic moves, the platform configuration, characteristics, and strategies of a platform enterprise.

2

To understand the digital/technology platform, we have to analyze various articles and presentations given by Spotify's leaders and employees.

To make points relevant and factual, in the case of user experience (UX) and API strategies the material is directly taken from the Spotify websites as-is. The advantage of such an approach is truth over speculation. For example, in the case of UX strategy, we can show the kind of roles and associated responsibilities to highlight the strategic intent of Spotify.

# Evolution: events and strategies 2006-2009

(1 of 4)



## CASE STUDY

**Industry** *Media: Music/Audio streaming*

**Source** *Spotify Teardown, 2019*

Analyzing Spotify's history with spotlights on important/major events and associated strategies helps us understand how platform enterprises evolve over time – shedding light on growth, scalability, adaptability, partnerships, and integration with other platforms.

Period	Events	Strategic Moves
2006	Spotify opened its first office at Riddargatan 20 in central Stockholm, where software development began in August 2006.	<ul style="list-style-type: none"><li>• P2P file share software.</li></ul>
2007-2008 (Beta)	On May 1, 2007, Spotify released its first initial beta version to a small circle of acquaintances.	<ul style="list-style-type: none"><li>• On-demand + Search: Free music, revenue generated through advertisement.</li></ul>
2008-2009 (The launch)	The first public version of Spotify was launched in October 2008. Spotify began expanding into new territories, i.e. Finland, France, Norway, Spain, Sweden, and the UK.	<ul style="list-style-type: none"><li>• The launch marked the conjunction of two interdependent business deals. One deal granted Spotify access to music licenses, while the other gave it the money to pay for those licenses.</li><li>• This period ushered in the intersection of music and technology, advertising and finance.</li><li>• Spotify also started focusing on mobile.</li></ul>

# Evolution: events and strategies 2009-2012

(2 of 4)



## CASE STUDY

**Industry** *Media: Music/Audio streaming*

**Source** *Spotify Teardown 2019 CB Insights*

Period	Events	Strategic Moves
Late 2009	Great recession of 2009 created a steep downturn in the total market for advertising. In this context, it became difficult for Spotify to convince investors and license holders of advertising support as a main source of income.	<ul style="list-style-type: none"><li>• Subscription model + product bundling + partnerships.</li><li>• Spotify partnered with telecom providers to bundle the Spotify service with telecom providers' offerings.</li></ul>
2010-2011	Spotify evolves the product to be more than an app.	<ul style="list-style-type: none"><li>• Social + sharing + platform: product enhancements to be more like a social platform (personal profile within the app, add friends, and then drag-and-drop to share music) + integration with other (existing) platforms.</li></ul>
2011-2012	<p>Launches in the US (July 14, 2011) and expansion into Western Europe.</p> <p>In late 2011, Spotify also launched its app platform, inviting external developers to create new features to be offered within the client.</p>	<ul style="list-style-type: none"><li>• Integration-ready, open, and co-development.</li><li>• Platform recommendation features.</li></ul>

# Evolution: events and strategies 2013-2017

(3 of 4)



## CASE STUDY

**Industry** *Media: Music/Audio streaming*

**Source** *Spotify Teardown, 2019*

Period	Events	Strategic Moves
2013	The first company acquired by Spotify was Tunigo in May of 2013. After the acquisition, Tunigo's features were integrated into the Spotify client.	<ul style="list-style-type: none"><li>• Curating music (as opposed to on-demand).</li><li>• Spotify changed its business strategy from its on-demand doctrine – the company gradually re-oriented itself toward providing not only access to music but also recommendations for music that users would not have requested themselves.</li><li>• Tunigo's functionality provided Spotify users with playlists based not only on genres but also on specific activities or moods.</li></ul>
2013-2015	During the Spring of 2014, Spotify made its second acquisition: the music analysis firm Echo Nest.	<ul style="list-style-type: none"><li>• Algorithmic recommendations.</li><li>• Shift from P2P to centralization (data center).</li></ul>
2015-2017	Spotify acquired yet another music intelligence company: Seed Scientific. Increased focus on podcasts*	<ul style="list-style-type: none"><li>• IoT: Spotify Running used the mobile phone's sensors to synch/control music with the person's movement.</li><li>• Unique music/experience provider.</li></ul>

\*In 2019, Spotify acquired two podcasting companies: Gimlet Media and Anchor.  
Source: Venture Beat, 2019

# Evolution: 100 million subscribers

(4 of 4)



## CASE STUDY

**Industry** Media: Music/Audio streaming "Spotify"  
**Source** Reaches 100 Million Premium Subscribers," 2019 – Spotify analyst report

“ Before Spotify’s launch, music streaming was still in its infancy, accounting for just 1 percent of global music revenues in 2007, but eventually, the company’s early bet on streaming would pay off.

As the following chart illustrates, it took a while for Spotify to really take off. By the time of its fifth birthday in 2013, Spotify had roughly 30 million active users and 8 million premium subscribers. In the five and a half years since, however, the service’s active user and premium subscriber numbers have skyrocketed, reaching 217 million and 100 million, respectively, by the end of March 2019. ”

– “Spotify Reaches 100 Million Premium Subscribers” - Spotify analyst report

### Spotify Reaches 100 Million Premium Subscribers

Spotify's worldwide monthly active users and premium subscribers

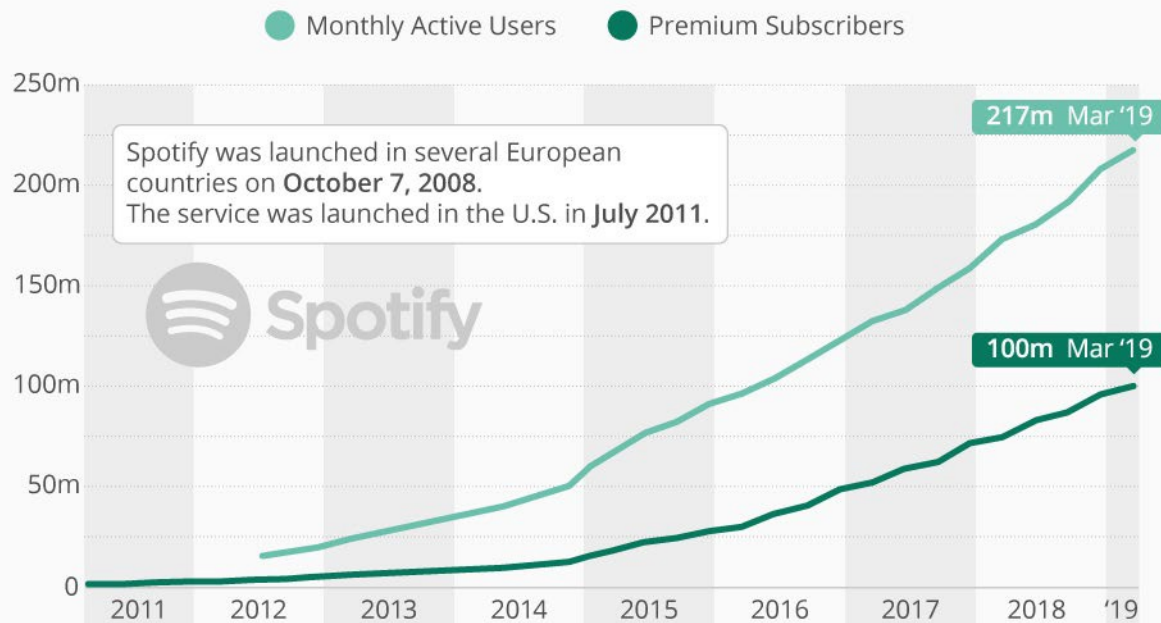
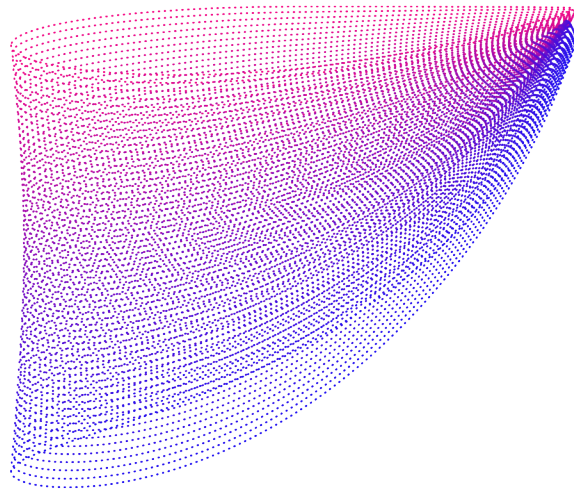


Image source: "Spotify Reaches 100 Million Premium Subscribers" - Statista



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