Digital Ecosystem Management from BearingPoint

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IN THIS FLASH

This IDC Flash looks at the digital ecosystem business model and at BearingPoint's offering, which IDC finds both innovative and interesting, creating good growth potential for the company.

SITUATION OVERVIEW

Digital Ecosystem as Business Model

Ecosystems can be defined as a group of systems or entities that exploit mutually beneficial relationships. In an IT context, the ecosystem concept is typically used to describe a technology company's relationship with its channel partners. But in the digital world, where products increasingly have digital services attached to them, the ecosystem model represents a breadth of new opportunities to provide a wider range of closely or loosely related services. If a product, for instance, comes with an online support option, the vendor will often use the support portal to sell additional products and services, or provide additional services for free. But this online presence can also be used to provide third-party services that are relevant to the user/buyer.

A car dealer could, on its support page, connect to an application from garages, from insurance companies, or additional apps for the internal screen, applications that promote or calculate fuel efficient driving, etc. Some could be free, some not, and sometimes a free service could be used to get the attention of the user. These new relationships that arise as combined opportunities are the digital ecosystems. They serve their users and buyers through portals based on platforms that take care of the integration and handle the customer relationships. The car dealer example shows that these ecosystems will often center around an owner, whose service is at the core, and that this company by no means needs to be an IT company or even have the digital ecosystems at the core of its business.

Digital ecosystems are "hot," and a study from the Global Center for Enterprise shows that there are already 176 platforms each with a market capitalization of more than $1 billion (see https://thecge.net/category/research/the-emerging-platform-economy/). This tells us that there is already a huge number of newer and smaller ecosystems in operation around the world.

Taking part in an ecosystem to provide an offering to a wider community than you can reach on your own will be crucial for growth in the future. For buyers, a digital ecosystem is a convenient and easy way to get access to a set of more or less closely related offerings. The idea is not new – in a sense this was the idea behind the "community clouds" that never really came to life, as well as the app shops (with Apple's the best example). The digital ecosystems often take shape as marketplaces, but the relevance of the different offerings to each other is the key element for synergies in many of them, especially those that have a manufacturer, a bank, or a specialized provider in the core. The platform functions as the aggregation point for both the provider community and the user community.

BearingPoint's Digital Ecosystem Management (DEM) Offering

BearingPoint has created a digital ecosystem management offering which combines an advanced digital platform, business consulting, and IT services.

Ecosystem Business Models — BearingPoint Consulting Services

Fostering and managing a digital ecosystem is about a lot more than choosing the right underlying technology. The ecosystem model creates extended synergies by attracting users relevant for the wider offering, and needs to ensure both quality of the services delivered and quality in the way they are delivered. Ecosystems in the digital world are harnessed via digital platforms. The "platform owner" or leader therefore needs a robust business model from the start. This business model needs to address a wide range of issues that can at first sound "simple" or at least traditional such as deciding who should join, how revenue should be shared, how marketing should be carried out, and how support should be set up and work. But in reality the task is a lot more complex because the goal needs to be to maximize profit for the ecosystem, not just for one vendor. This requires changes to culture and to incentives for management in the participating organizations.

The platform owner can of course only influence, not dictate, how others behave, but must set up business rules for participation that ensure good behavior by the participants while maintaining an incentive to join. This is about the rules for the ecosystem, but it is also about governance.

Creating a business model based on close integration with partners, not as in a traditional supply chain, is new for most companies. This is where many traditional organizations that want to provide an integrated set of services from third parties, together with their own services, hesitate – and where business consultants play a key role.

BearingPoint's business consulting services focus on helping clients develop and implement a relevant business and governance model for their platform ambitions. The business consulting services are created from a combination of many different types of expertise: business strategy and operation, governance, compliance, change management, etc., as well as industry-specific capabilities, specific experience around ecosystems and collaboration/partnership management, as well as a range of offerings that are partly business oriented and partly technical such as security.

IT consulting is another important element integrated with business consulting and includes the technical implementation of the business model and services on the platform as well as operational services. Thus the DEM offering has enabled BearingPoint to expand its technical capabilities and staff.

The Technology: Infonova R6 Platform

The DEM platform is based on Infonova R6, a BSS solution developed by Austria's Infonova, which was acquired by BearingPoint in 2003. The R6 engineers are still a core part of BearingPoint's expertise.

Infonova R6 is a business support system with a multitenant business architecture that connects multiple, independent business partners, enabling service sharing and B2B monetization between these partners. R6 delivers full end-to-end concept-to-cash functionality and an Open API interconnected platform. The concept-to-cash functionality – product management, customer management, order management and fulfilment, billing and collection – is available for each tenant to use in its own right and with its own business rules.

- Product management: covers retail product catalogue, wholesale product catalogue, and service catalogue functionalities, enabling each tenant to deliver an agile and constantly evolving set of products, as well as bundles of services, with fast time to market.

- Customer management: comprises customer information management, case management, and product and service inventory, and provides full transparency and control over the entire customer life cycle. The product and service inventory keeps track of services ordered and used by the customers, providing a 360-degree view of the customer. Business intelligence is not built into the product: it is a separate service on the platform in order to keep the core platform lean.

- Order management: captures orders through the portal, breaks down the client order into the services components, and initiates service fulfillment. Order management orchestrates the communication with all service systems involved in activating a service, and updates the customer product and service inventory when the order is completed.

- Billing: collects usage information generated by the activated services, rates the usage according to the applicable rate plan for the customer, and bills the user by consolidating the usage and non-usage charges open for each account – that is, it takes care of billing data mediation, charging and rating, and bill calculation, invoicing, and formatting. As the offerings and billing can be very complex in a B2B service sharing ecosystem, it can also share revenues and allocate costs with all service-providing partners on the platform.

- Finance: tenants can use the internal finance module or they can have data transferred to their own financial system such as SAP.

A key element for the success and scalability of the platform is that after a user has purchased a service through the platform, the platform processes the order to the service provider, collects usage data, and takes care of billing. The platform is not involved in delivering the service, however, with the user connecting directly to the provider of the purchased service.

To make it easy for clients to set up a service, BearingPoint has defined and described 55 business (billing) models, which it claims covers all the options for how services can be offered. These descriptions include advice on the benefits and disadvantages of the models, as well as appropriate contexts (experience based), helping the clients to select the relevant model.

Clients can get access to the platform either by buying it as a service and creating their own ecosystem as a tenant on the BearingPoint-operated platform, or by licensing the platform software and setting up their own platform independent of BearingPoint (which is what BT has done).

BearingPoint Client Examples

One of BearingPoint's most prominent clients is BT. BT uses the Infonova R6 platform in two ways: as the platform for BT's Cloud of Clouds, i.e., its integrated hybrid cloud offering, with ecosystem partners being other clouds such as AWS and Azure. In the first year of using the Infonova R6 platform BT reached double-digit growth in its Cloud of Clouds business – stronger growth in cloud than it had seen in previous years. BT is also a generic platform provider and offers tenancies on the platform to BearingPoint's clients and its own for them to set up their own ecosystems and communities while taking advantage of BT's global network. BT has a number of clients doing this, including cities and utilities.

Other smaller telcos and cloud service providers also use the platform, as does an entertainment company, an ecommerce marketplace, a smart city, and a utility company (smart metering extended). The platform has therefore been tested with different business models and content, though there are still no very large ecosystems with a wider range of service providers involved.

FUTURE OUTLOOK

These types of ecosystem and platform are being created all around the world. Organizations see an ecosystem model that includes closely related offerings and services as a way to innovate the business so as not to be disrupted and to make money while providing a better customer experience – today's mantra. A good ecosystem is not just a broader channel to market – it is also a better way to service customers. With a strong business model, both targets can be achieved. We foresee a flurry of ecosystems emerging – some very large, but many very small. The key to success is that the content needs to tie together in a way that makes sense to the end user for it to become successful. The ecosystem model enables providers to get comprehensive and more rounded offerings to market faster. But if the portal includes a lot of content and services that are deemed irrelevant for the context, the users will drop it. And if the user experiences poor service quality or customer service from one ecosystem partner, this could taint other ecosystem partners too. So while there are big opportunities in ecosystems, there are also big risks. Helping to analyze and define the right model with all the right details about service and splitting the money, etc. is not easy, and we expect potential buyers will find BearingPoint's consulting offering, paired with tools and capabilities for both strategy and implementation as well as well-tested technology, interesting.

Using a standard software platform (SaaS or packaged) offers some benefits to buyers, such as easy integration and billing and shorter time to market. We have seen digitally born platform companies such as Amazon center their whole business around a platform, gradually extending to include third-party services – turning it into an ecosystem model. Many companies take this Amazon approach and build their own platform. Small startups and non-digitally native organizations that have their main activity somewhere else (at least in the beginning) in particular like the idea of tying into an established platform or setting up their own ecosystem on an already tested IT platform, and we expect to see a lot of growth in this area.

European companies that still haven't entered the platform world will be examining the vendor landscape, looking at standard platforms and consultants. BearingPoint believes it has significant potential because it is European, and Europe appears to be lagging behind in the race to create platforms. We agree that its potential is in Europe because that is where it has brand recognition, but we're not sure whether Europe will be a larger market because it is behind the curve or whether being European is important for a business consultant. BearingPoint's clients are the ecosystem owners – it is not interested in running an ecosystem itself. Its business model is to offer the platform as a service together with the consulting services, but it does not want to be a content provider. We find it an interesting model to target this potentially very large market of organizations first transitioning to offer online services around their own products as well as selling online, but that will likely, as a next step, want to create ecosystems around their own core offering.

BearingPoint is well positioned to benefit from this new wave with its combined platform and consulting offering. A key point for future success, however, is whether its own model scales. While this is the case for the platform, it is much less certain that the consulting capabilities will scale. The risk is that clients will buy the platform (services) without the consulting, thereby perhaps having less success with the development of their ecosystem, and attributing the lack of success to the platform and ecosystem model rather than to the lack of a strong business model for the ecosystem from the outset. In a sense BearingPoint's own lack of scale and visibility in the market mitigates the scale issue: the market awareness of these capabilities is low, and BearingPoint needs to market it much more efficiently to grow its client base rapidly. It could choose not to do so to keep pace with demand for its consulting capabilities, but then competitors would move in and take the space; it will not remain greenfield for long.

We believe that this fairly new asset gives BearingPoint strong growth opportunities, but also creates a need for it to consider its own identity and business model.

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