



From Automobiles to Mobility: Understanding the role of (Digital) Ecosystems

MMRC / PVMI / Wharton (Mack) / LBS IIE Event

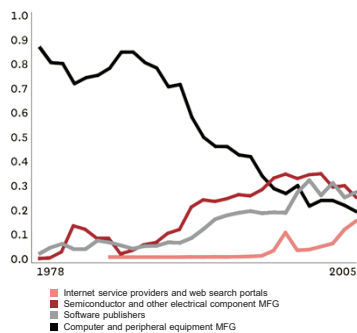
Tokyo, November 17, 2018

Michael G. Jacobides

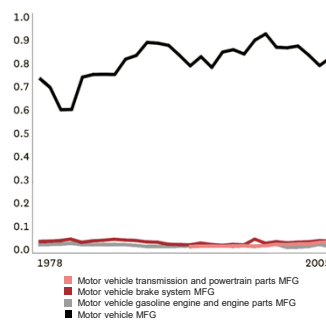


The automobile OEMs, till recently, had it all under control...

Computer OEMs have seen their share of the sector's total market cap fall from more than 80% to less than 20%



Automotive OEMs retained its share of the sector's total market cap



Jacobides & MacDuffie, Make value migrate your way, *Harvard Business Review*, 2013

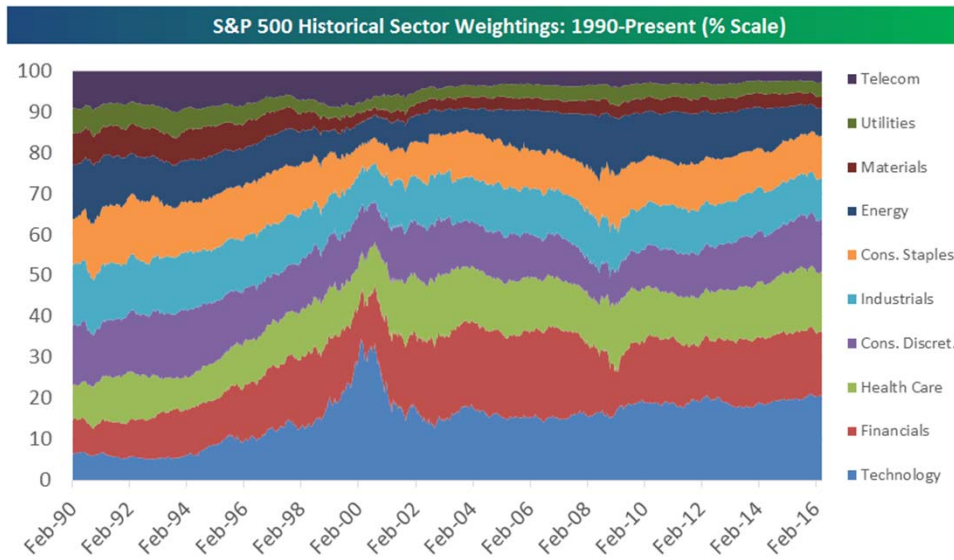
Background: This is part of a broader trend
The world is changing – leading to new winners and losers



Who wins? Worlds' top 5 firms by market capitalization



But this *doesn't mean* we simply see more technology



Do you know this firm?

(Hint: used the term “ecosystem” 160 times in IPO brochure)



Alibaba's Ant Financial Raises \$4.5 Billion In
World's Largest Private Tech Investment Round

[Rahul Bhagat, CONTRIBUTOR](#)

I write about technology with a focus on consumer tech and startups [FULL BIO](#)

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Disrupting sectors that you used to know



Ant Financial to Evolve Into A Global Leading Fintech Company

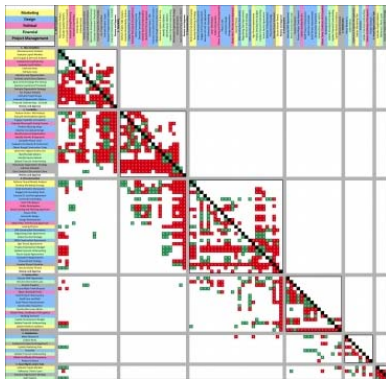
PAYMENT	WEALTH MANAGEMENT	FINANCING	INSURANCE	CREDIT REFERENCE
 451mn Annual Active Users ⁽¹⁾ 153mn No. of Daily Avg. Transactions ⁽²⁾	152mn Annual Active Users  AUM RMB 760bn⁽⁴⁾ 3-Yr Operation	  SME Loans 3mn⁽⁴⁾ Cumulative Users	 380mn Cumulative Users	 130mn⁽⁴⁾ Cumulative Users
PayPal 180mn active users ⁽¹⁾ 16mn daily average transactions ⁽²⁾ MasterCard 1.4bn accounts ⁽¹⁾ 180mn daily average transactions ⁽²⁾ Visa 2.2bn accounts ⁽¹⁾ 260mn daily average transactions ⁽²⁾	Charles Schwab 9.9mn active users CITIC Securities 7mn active users Lufax 3.6mn active users	China Merchants Bank 38mn cards in circulation China Minsheng Bank 4.5mn cumulative borrowers	China Life 400mn cumulative users Ping An 110mn cumulative users	People in credit reference system in the US ~250mn



1: Number of users of Alipay and PayPal with one or more successful transactions in 2015. Number of accounts of Visa and MasterCard as of the fourth quarter of 2015 2: Daily average transactions of the first quarter of 2016
3: Daily average transactions of the fourth quarter of 2015 4: As of March 31, 2016 All data without footnote above refer to the year of 2015 or as of 2015 Source: annual reports, IR websites, research reports, public news

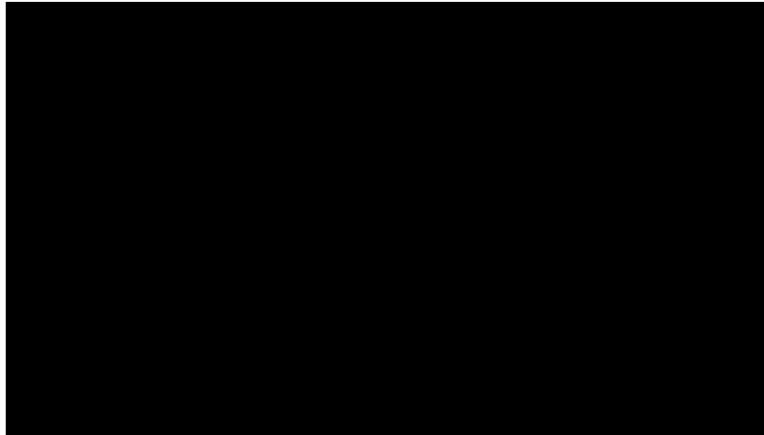
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Modularization (through digitization) leading to unbundling, and to a world of seamless connections



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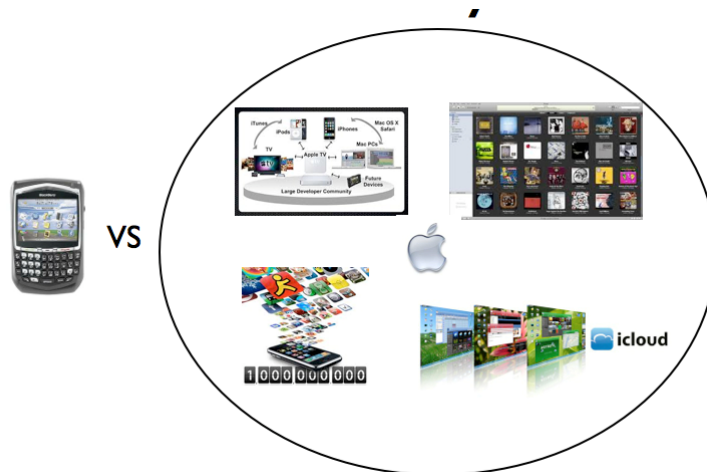
Ecosystems with digital solutions enabling new ways of value add



Jacobides, *Design your own ecosystem and rethink your strategy*, forthcoming, 2019

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Let's consider the bigger picture: From change in sectors to growth of (digital) ecosystems



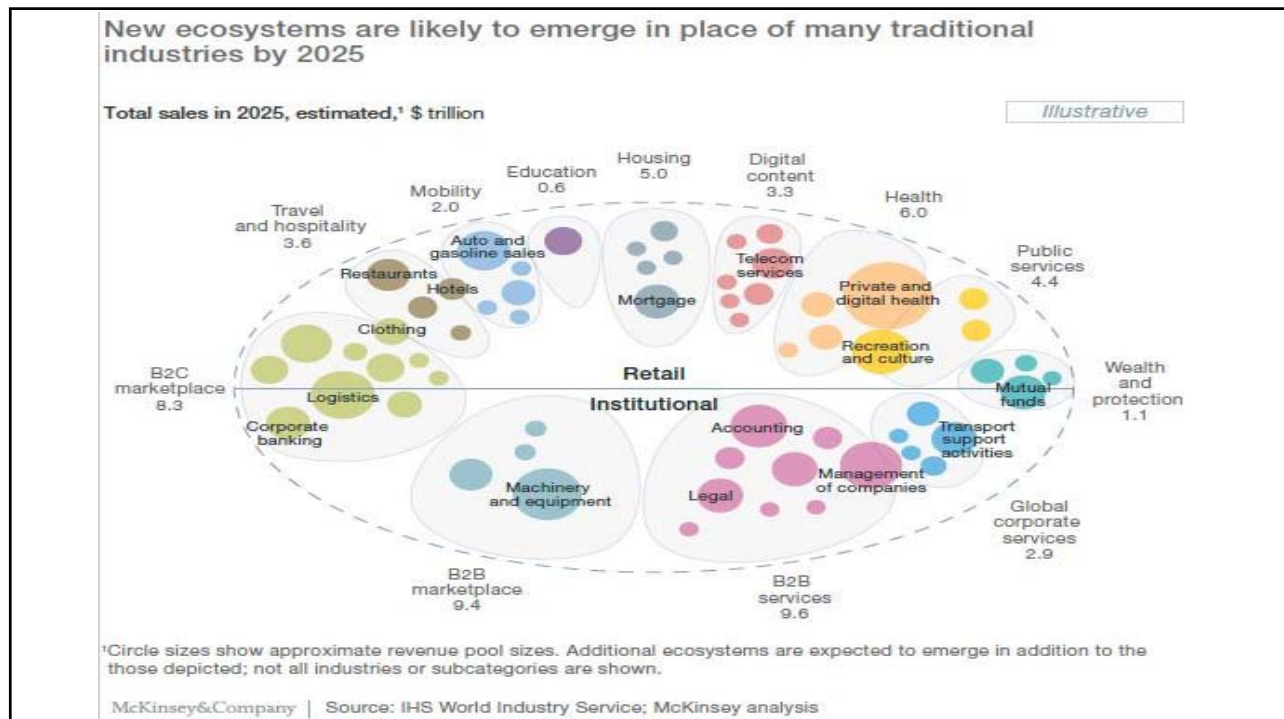
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Ecosystem is becoming the new basis of competition

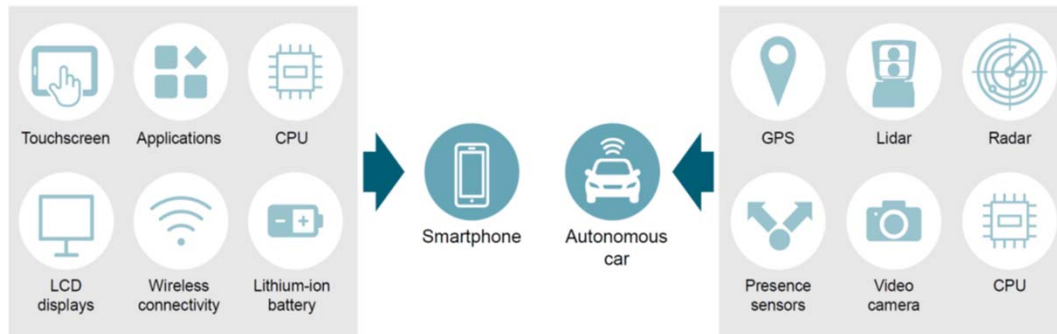
The battle of devices has now become a war of ecosystems, where ecosystems include not only the hardware and software of the device, but developers, applications, ecommerce, advertising, search, social applications, location-based services, unified communications and many other things. Our competitors aren't taking our market share with devices; they are taking our market share with an entire ecosystem. This means we're going to have to decide how we either build, catalyse or join an ecosystem

Stephen Elop, Nokia CEO, 2011 email

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**Ecosystems emerge because you want to make things work with each other,
and get more sophisticated value-add to the final customer**

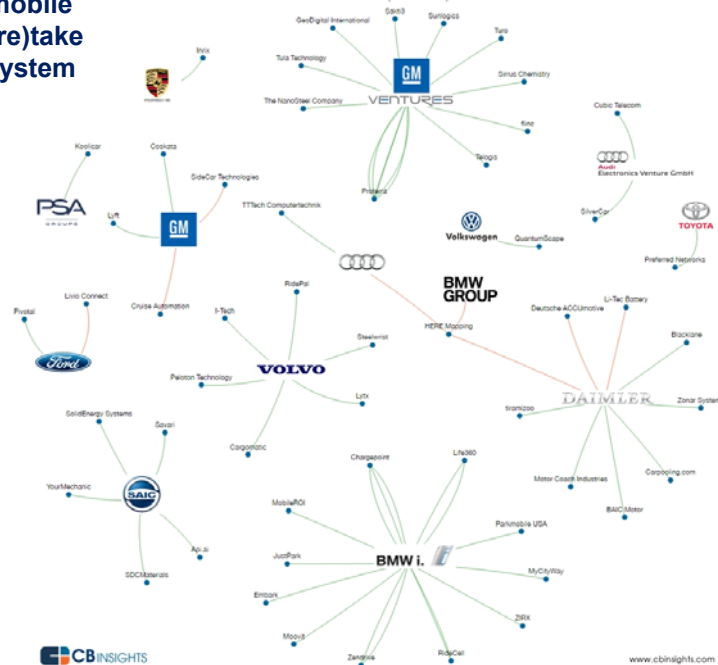


Source: McKinsey & Co, 2017

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**Consider how Automobile
OEMs are trying to (re)take
control of their ecosystem**

Where Major Auto Manufacturers Are Making Private Market Bets
2011 - 2016 YTD (5/10/2016)



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www.cbinsights.com

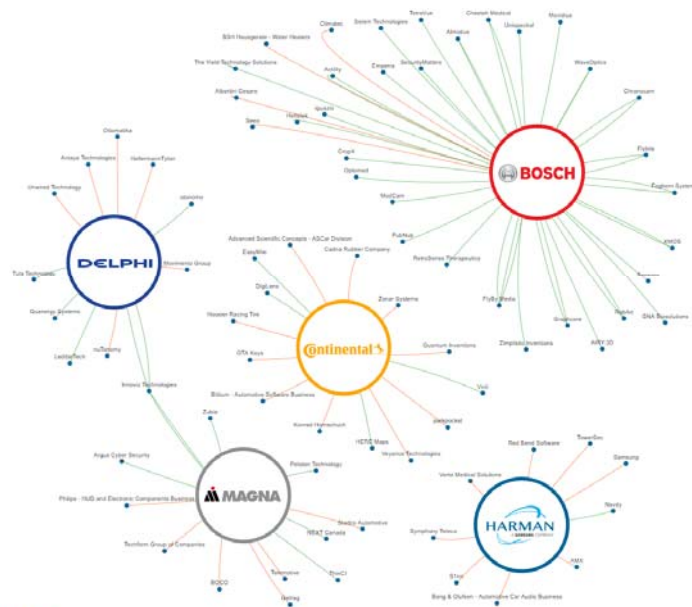
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...with tier 1 closing in...



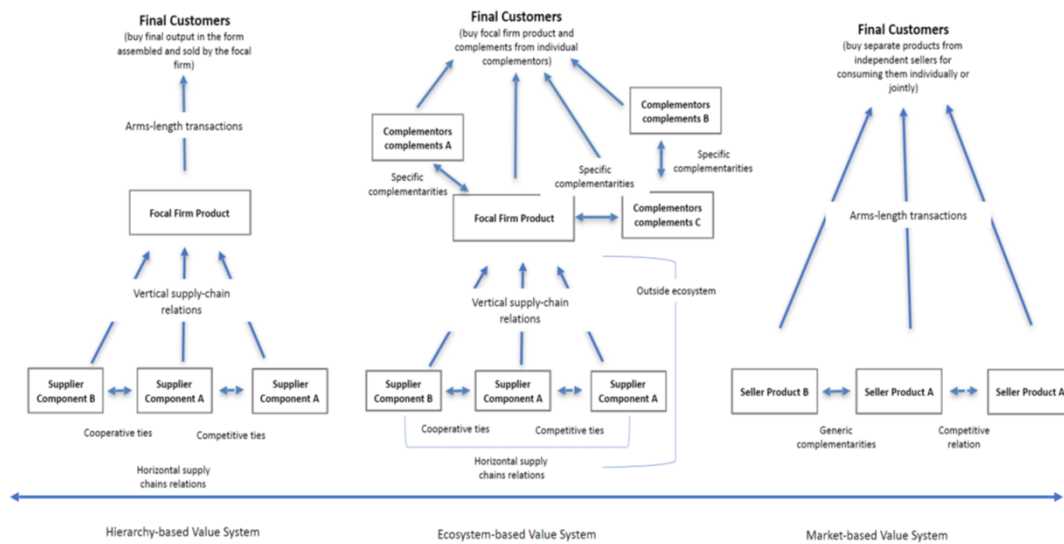
WHERE AUTO SUPPLIERS ARE MAKING PRIVATE MARKET BETS

2014 – 2017 YTD (10/31/2017)



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How are ecosystems different from what we know already?

Jacobides, Cennamo & Gawer, Toward a theory of Ecosystems, *Strategic Management Journal*, 2018

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Ecosystems come to their own when there are *specific* links between firms

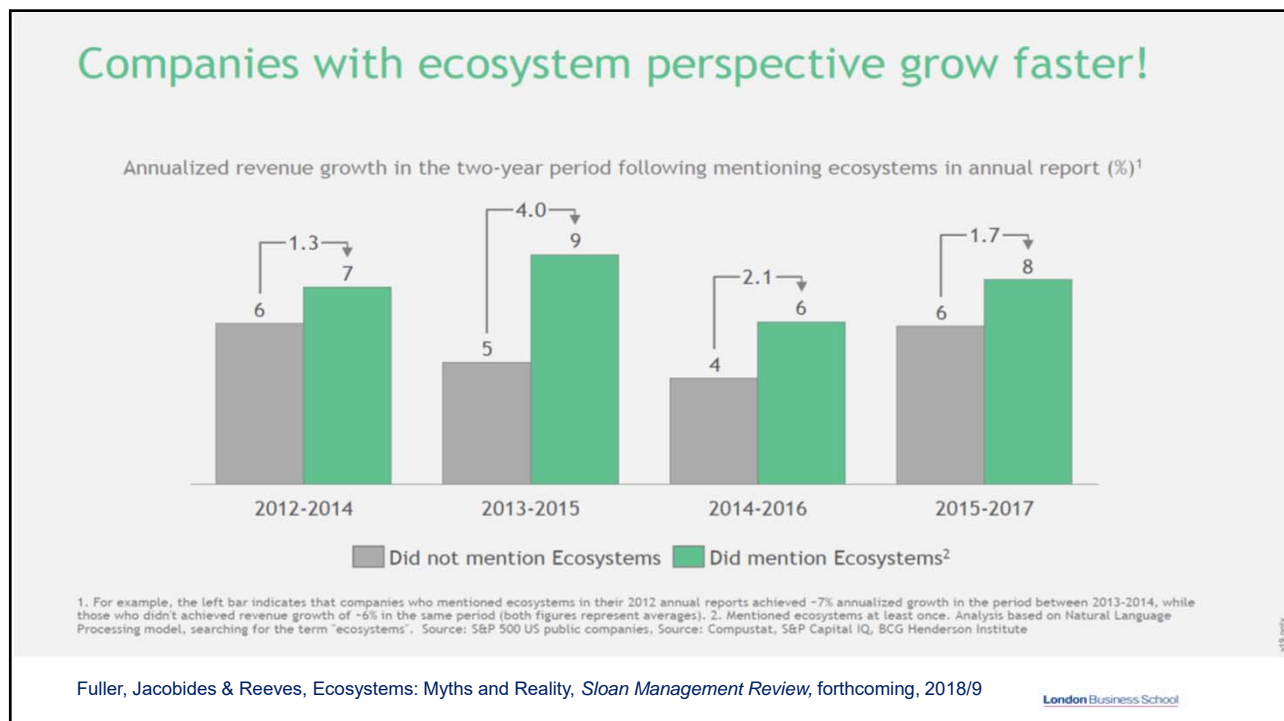
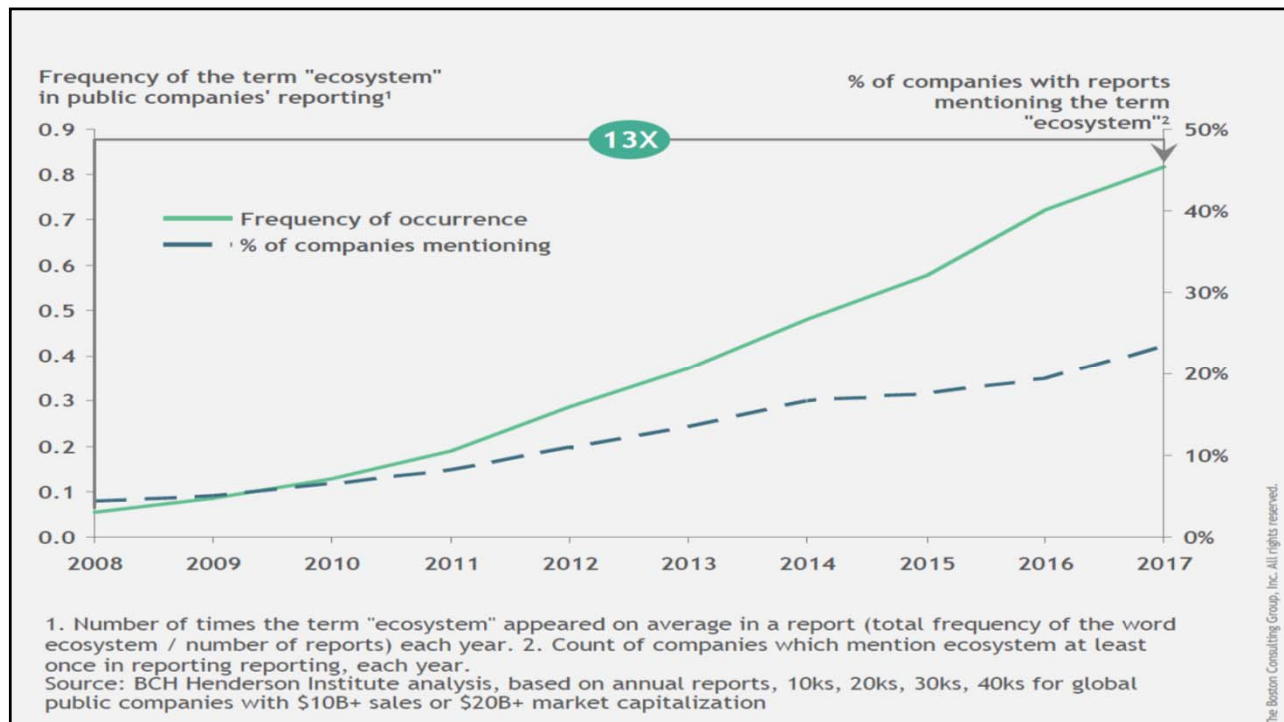


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How costly it is for complementors to link to other ecosystems determines their engagement- but also the ease of recruiting!



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**Beware of your ego-system:
Customers don't focus on you, neither do potential partners!**



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We're also now seriously addicted and hostage to our devices...



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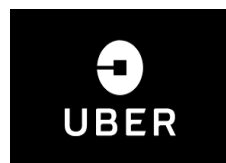
...which allows the bottleneck / “default choices” to attract value!



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...leading to a war to become the new system integrators,
all vying for your data and your custom



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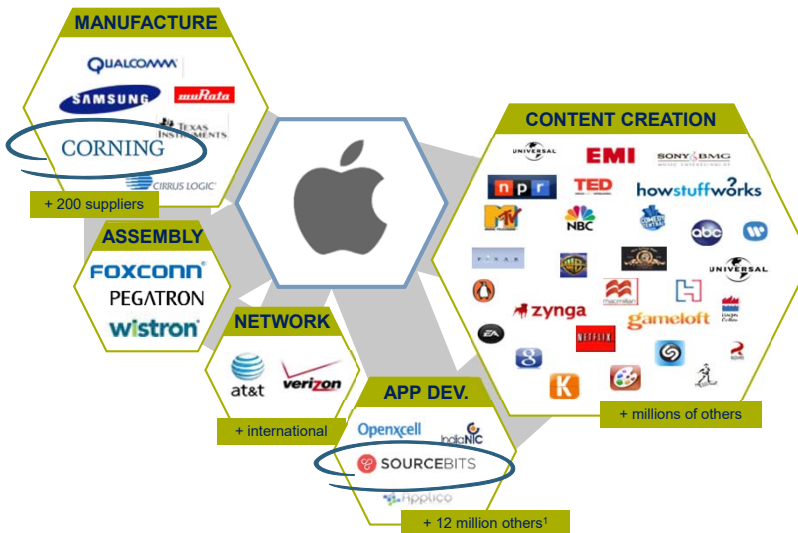
Booking.com

Google



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Not everyone can or should be the orchestrator



- Few companies can orchestrate
- Most firms don't or can't
- Orchestration requires exceptional asset(s) – e.g. brand, platform, resources/patience, scale, timing, mutual vision

From Reeves, BCG, 2018

1. <http://www.businessofapps.com/12-million-mobile-developers-worldwide-nearly-half-develop-android-first/>; <https://www.nytimes.com/2016/12/29/technology/iphone-china-apple-stores.html>; BCG Henderson Institute analysis

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...this realization has led to unusual alliances to ensure we defend our role in the ecosystem

FORTUNE

BMW and the Owner of Mercedes-Benz Are Going Into Business Together

By KIRSTEN KOROSK March 28, 2018



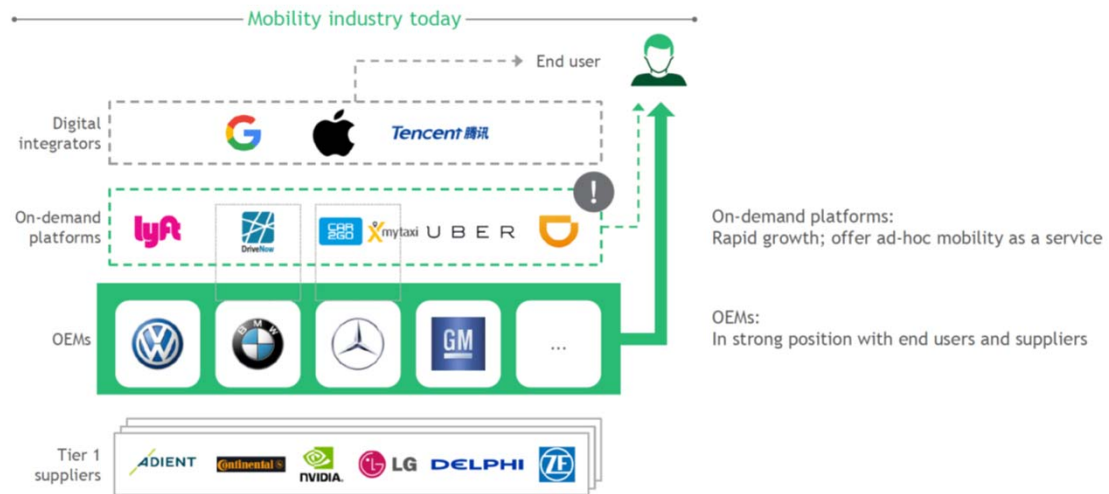
BMW and Daimler are merging their untraditional operations—everything from car-sharing and ride-hailing to parking locator services and electric vehicle charging—into a single joint business as the two rival automakers attempt to better compete with Uber, Lyft, and other mobility companies.

The idea is to create a single digital ecosystem that customers can use to hail a taxi, rent a car for short stints, or find and pay for parking. The two companies will not merge their respective autonomous vehicle development programs.

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In this new context, boundaries are redrawn and strategies reconsidered

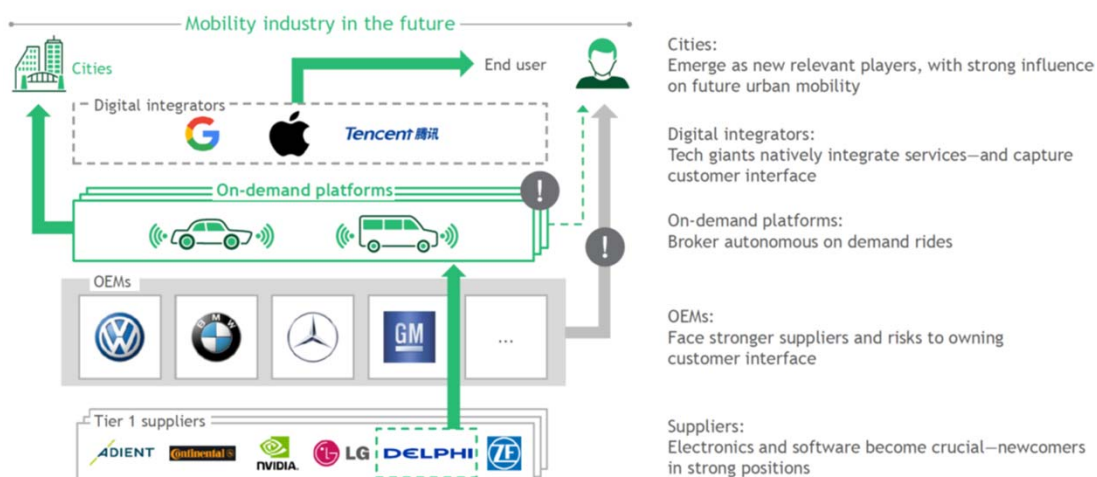
New market structure is starting to evolve



Source: Brian Colley, BCG, AoM PDW, 2018

leading to a much more complicated sector structure: Strategy needed anew!

Further shifts in market structure expected—with fight for customer interface and stronger suppliers



Source: Brian Colley, BCG, AoM PDW, 2018

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**Organizations also need to *deal with* these new challenges:
From strategic renewal to rethinking organization design / decision making**

Traditional approach:
static, sparse



Current VW ecosystem:
complex, dynamic



Sources: Factiva, VC database, company website, BCG analysis

Source: Nikolaus Lang, BCG, LBS Mobility event, 2017

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What an Australian Jewel Beetle can teach us



Julodimorpha bakewelli

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